

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares.*



**雲南實業控股有限公司\***

**YUNNAN ENTERPRISES HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 0455)**

**(1) PROPOSED OPEN OFFER ON THE BASIS OF ONE OFFER SHARE FOR EVERY EXISTING SHARE HELD ON THE RECORD DATE;**

**(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**

**(3) PROPOSED VERY SUBSTANTIAL ACQUISITION, MAJOR DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO AN ASSET SWAP;  
AND  
RESUMPTION OF TRADING**

**Financial adviser to the Company**



**Underwriter to the Open Offer**



## **PROPOSED OPEN OFFER**

The Board proposes to raise approximately HK\$196.4 million before expenses, by way of the Open Offer, on the basis of one Offer Share for every existing Share held on the Record Date and payable in full upon application. The Open Offer involves an issue of 935,059,080

\* *For identification purpose only*

Offer Shares at the Subscription Price of HK\$0.21 per Offer Share. Based on the estimated net proceeds of HK\$195.0 million from the Open Offer, the net price per Offer Share is approximately HK\$0.209.

The Open Offer is not conditional upon the approval of the Authorised Share Capital Increase.

The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders. To qualify for the Open Offer, all transfers of Shares with the relevant share certificates must be lodged for registration with the Registrar by 4:30 p.m. on Friday, 9 July 2010. The register of members of the Company will be closed from Monday, 12 July 2010 to Tuesday, 13 July 2010, both dates inclusive, to determine the eligibility of the Shareholders to the Open Offer.

Based on 935,059,080 Offer Shares, the estimated net proceeds from the Open Offer will be approximately HK\$195.0 million. The Company intends to use the net proceeds for possible acquisition of further equity interest in Cheng Cheng, general working capital and for investments in pharmaceutical, biotechnology, mining and energy businesses and should any opportunities arise.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a fully underwritten basis, the Offer Shares not having been subscribed for by the Qualifying Shareholders subject to the terms and conditions of the Underwriting Agreement.

## **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares, of which 935,059,080 Shares have been allotted and issued and fully paid. In order to facilitate any possible further issuance and allotment of new Shares by the Company for future expansion and growth of the Group following the completion of the Open Offer, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$400,000,000 divided into 4,000,000,000 Shares by the creation of additional 2,000,000,000 Shares.

## **THE ASSET SWAP**

On 5 May 2010, the Company and Tianda, being the controlling Shareholder, entered into the Asset Swap Agreement, pursuant to which the Company agreed to transfer its entire interest in Tinwise Group to Tianda at the Disposal Consideration of HK\$160.0 million in exchange for Tianda's 60% entire interest in Cheng Cheng at the Acquisition Consideration of HK\$200.0 million, plus cash of HK\$40.0 million being the shortfall between the Disposal Consideration and the Acquisition Consideration.

Pursuant to the Asset Swap Agreement, the Disposal Consideration will be utilised to set-off part of the Acquisition Consideration. The shortfall of HK\$40.0 million between the Acquisition Consideration and the Disposal Consideration will be settled and financed by internal resources of the Group.

The Directors are of the view that the terms of the Asset Swap Agreement are fair and reasonable and on normal commercial terms; and the Asset Swap is in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Tianda is wholly-owned by Mr. Fang, and is the controlling Shareholder holding an aggregate of 475,586,080 Shares, representing approximately 50.86% of the total number of Shares in issue as at the date of this announcement. As set out in the paragraph headed "Underwriting Arrangement and Undertakings", Tianda has irrevocably undertaken to the Company to subscribe in full for its assured allotments of the Offer Shares under the Open Offer and those Offer Shares not having been subscribed for by the Qualifying Shareholders. In the event that none of the Qualifying Shareholders (other than Tianda) takes up any Offer Shares upon completion of the Open Offer, the Underwriter will be required to take up all the Offer Shares that are not subscribed for under the Open Offer. Accordingly, the total number of Shares as held by Tianda will be increased from 475,586,080 Shares (representing approximately 50.86% of the total number of Shares in issue of the Company as at the date of this announcement) to 1,410,645,160 Shares (representing approximately 75.43% of the total number of Shares in issue as enlarged by the Open Offer), assuming that none of the Offer Shares will be subscribed by the Qualifying Shareholders other than Tianda and, Tianda as the Underwriter, takes up all the unsubscribed Offer Shares.

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional upon approval by Independent Shareholders at the EGM and any controlling shareholders and their associates or where there is no controlling shareholder, the Directors (excluding independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution(s) relating to the Open Offer. Accordingly, Tianda, South Hong, the Directors (excluding the independent non-executive Directors) including Mr. Fang, who is an executive Director, shall abstain from voting on the relevant resolution(s) to approve the Open Offer at the EGM.

Pursuant to Chapter 14 of the Listing Rules, the Acquisition and the Disposal will constitute a very substantial transaction and a major transaction of the Company respectively.

Pursuant to Chapter 14A of the Listing Rules, the Asset Swap is conditional upon the approval of the Independent Shareholders by way of poll. Hongta, Yunnan Hongta, South Hong, Tianda (being a controlling shareholder holding 60% equity interest of Cheng Cheng), Mr. Fang and their respective associates will abstain from voting at the EGM in respect of the proposed ordinary resolution(s) approving the Asset Swap.

## **WARNING OF THE RISKS OF DEALINGS IN THE SHARES**

**The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out in the section headed “Conditions of the Open Offer”. In particular, the Open Offer is conditional upon the approval of the Open Offer by the Independent Shareholders at the EGM by way of poll, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the paragraph headed “Termination of the Underwriting Agreement”. Accordingly, the Open Offer may or may not proceed.**

**Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors has been established to make recommendations to the Independent Shareholders as to whether the Open Offer and the Asset Swap are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer and the Asset Swap.

## **GENERAL**

The Open Offer is conditional upon, among other things, the approval of the Open Offer by the Independent Shareholders at the EGM by way of poll. As at the date of this announcement, Tianda is interested in an aggregate of 475,586,080 Shares, representing approximately 50.86% of the existing issued share capital of the Company. Tianda and parties acting in concert with it, including Mr. Fang and South Hong, shall abstain from voting in favour of the relevant resolutions approving the Open Offer.

The Authorised Share Capital Increase is conditional on, among other things, the passing of the relevant ordinary resolution by the Shareholders at the EGM approving the Authorised Share Capital Increase. None of the Shareholders is required to abstain from voting in favour of the relevant resolution approving the Authorised Share Capital Increase.

The Circular setting out, among other things, further details of (i) the Open Offer, (ii) the Authorised Share Capital Increase, and (iii) the Asset Swap and containing (a) a letter from the Independent Board Committee to the Independent Shareholders setting out their recommendation in relation to the Open Offer and the Asset Swap; (b) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Asset Swap with (c) a notice of the EGM will be despatched to the Shareholders as soon as practicable in compliance of the Listing Rules.

Subject to the Open Offer being approved by the Independent Shareholders at the EGM, the Prospectus Documents (or the Prospectus, where appropriate) containing further information on the Open Offer will be despatched to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Thursday, 6 May 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Wednesday, 12 May 2010.

### **1. PROPOSED OPEN OFFER**

#### **Issue statistics**

Basis of the Open Offer	:	One Offer Share for every existing Share held on the Record Date and payable in full upon application
Number of Shares in issue	:	935,059,080 Shares as at the date of this announcement
Number of Offer Shares	:	935,059,080 Offer Shares
Nominal value of the Offer Shares	:	HK\$93,505,908.00
Subscription Price	:	HK\$0.21 per Offer Share payable in full upon application
Number of Shares in issue as enlarged upon completion of the Open Offer	:	1,870,118,160

As at the date of this announcement, the Company has no outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into the Shares.

### **Subscription Price**

The Subscription Price of HK\$0.21 per Offer Share is payable in full upon application of the relevant assured allotment of Offer Shares. Based on the estimated net proceeds of HK\$195.0 million from the Open Offer, the net price per Offer Share is approximately HK\$0.209. The Subscription Price represents:

- (i) a discount of approximately 72.0% to the closing price per Share of HK\$0.75 as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 73.4% to the average of the closing prices per Share of approximately HK\$0.79 for the last 5 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;
- (iii) a discount of approximately 73.8% to the average of the closing prices per Share of approximately HK\$0.80 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iv) a discount of approximately 56.3% to the theoretical ex-entitlement price of approximately HK\$0.48 per Share calculated based on the closing price per Share of HK\$0.75 as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the then market environment, prevailing Share prices and the financial requirements of the Group. In order to enhance the attractiveness of the Open Offer, issuance of new shares by way of an open offer at a discount to the market price has been commonly adopted by listed issuers in Hong Kong. The Directors consider that the discount would encourage Shareholders to participate in the Open Offer and participate in the future growth of the Group. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its shareholding in the Company held on the Record Date. The Directors consider that the terms of the Open Offer are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Basis of assured allotment**

The basis of the assured allotment shall be one Offer Share for every existing Share held by the Qualifying Shareholders on the Record Date. Application for all or any part of a Qualifying Shareholder's assured allotment should be made by completing the Application Form and lodging the same with the remittance for the Offer Shares being applied for.

### **No transfer of nil-paid entitlements and no application for excess Offer Shares**

The invitation to apply for Offer Shares will not be transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.

Following various arm's length negotiation with the Underwriter, the Company decided that the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements. Having considered that each Qualifying Shareholder will be given equal and fair opportunities to participate in the Company's future development by subscribing for his/her/its assured entitlements under the Open Offer, the Company decided not to put in additional effort and costs to administer the excess application procedures, which is not cost-effective from the viewpoint of the Company. The absence of the excess application arrangement may not be desirable from the viewpoint of the Qualifying Shareholders who wish to take up additional Offer Shares in excess of their respective assured entitlement. However, the Board considers that excess application arrangement is administratively costly. The Board is also in the opinion that Shareholders who wish to acquire a larger proportion in the Company under the Open Offer may alternatively purchase additional Shares in the secondary market prior to the Record Date. As such, the Board considers that it is justifiable that the Company does not provide excess application arrangement in order to lower the administration costs of the Company relating to the Open Offer. Any untaken Shares (i.e. excluding those Offer Shares to be taken up by Tianda pursuant to the Irrevocable Undertakings) will be underwritten by the Underwriter. In the view that the related administration costs would be lower, the Directors consider that the absence of application for excess Offer Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Fractional entitlements**

No fractional entitlements or allotments are expected to arise as a result of the Open Offer.

### **Status of the Offer Shares**

The Offer Shares, when allotted and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Offer Shares.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Offer Shares.

### **Stamp duty**

Dealings in the Offer Shares in board lots of 2,000, which are registered in the register of members of the Company in Hong Kong will be subject to the payment of stamp duty in Hong Kong.

### **Qualifying Shareholders**

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of the Prospectus to them for their information only, but the Company will not send any Application Form to the Excluded Shareholders.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar for registration no later than 4:30 p.m. on Friday, 9 July 2010.

### **Closure of register of members**

The register of members of the Company is expected to be closed from Monday, 12 July 2010 to Tuesday, 13 July 2010, both dates inclusive. No transfers of Shares will be registered during the book closure period.

### **Certificates of the Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer, share certificates for all fully-paid Offer Shares are expected to be posted by Tuesday, 3 August 2010 to the Qualified Shareholders entitled thereto by ordinary post at their own risks.

### **Rights of Excluded Shareholders**

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Open Offer.

The Directors will make enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules with the legal advisers of the Company as to the feasibility of extending the Open Offer to the Overseas Shareholder taking into consideration of the applicable securities legislation of the relevant overseas places or the requirements of the relevant regulatory body or stock exchange for the issue of Offer Shares to the Overseas Shareholders.

If, after making such enquiry, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any applicable requirements of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders, the Open Offer will not be extended to the Overseas Shareholders who will become the Excluded Shareholders. The Offer Shares to which the Excluded Shareholders would otherwise be entitled under the Open Offer will be taken up by the Underwriter.

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and Cayman Islands.

For Shareholders whose Shares are held by their nominee(s) and would like to have their names registered on the register of members of the Company, they must complete the relevant registration with the Registrar by 4:30 p.m. on Friday, 9 July 2010.

## UNDERWRITING ARRANGEMENT AND UNDERTAKINGS

### The Underwriting Agreement

- Date : 5 May 2010
- Underwriter : Tianda. Tianda is the controlling Shareholder holding an aggregate of 475,586,080 Shares (representing approximately 50.86% of the issued share capital of the Company) as at the date of this announcement. Tianda is an investment holding company whose ordinary course of business does not involve underwriting of securities and is wholly-owned by Mr. Fang.
- Number of Underwritten Shares : 459,473,000 Offer Shares (being all Offer Shares (including the Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled) to be issued pursuant to the Open Offer less those Offer Shares which Tianda has undertaken to take up).
- Commission : No underwriting commission will be paid by the Company to the Underwriter.

Prior to entering into the Underwriting Agreement, the Company had enquired into the financial market for possible appointment of a securities company to be an underwriter for the Open Offer. It was noted that the usual practice in the financial market is to apply a commission rate of 1% to 5% of the size of underwriting for a typical underwriting arrangement under a rights issue or an open offer. In order to lessen the cost burden of the Company in the Open Offer, no commission will be payable by the Company to Tianda as the Underwriter under the Open Offer. The Company will reimburse all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The Directors consider that such an underwriting arrangement and the terms of the Underwriting Agreement are fair and reasonable to the Company and the Shareholders as a whole.

## **Irrevocable Undertakings from Tianda**

As at the date of this announcement, Tianda is interested in 475,586,080 Shares, representing approximately 50.86% of the existing issued share capital of the Company. On 5 May 2010, Tianda has irrevocably undertaken to the Company, among other things, that (i) the Shares beneficially owned by it will remain registered in the same name or the name of its nominee(s) from the date of the Irrevocable Undertaking up to the close of business on the Record Date; (ii) it will subscribe in full for its entitlements under the Open Offer pursuant to the terms of the Open Offer; and (iii) not to dispose of or agree to dispose of or transfer any of the Shares beneficially owned by it or any interests (so far as applicable) in any companies controlled by it from the date of the execution of the Underwriting Agreement to and including one Business Day after the Settlement Date.

Pursuant to the Open Offer, Tianda will be entitled to a maximum of 475,586,080 Offer Shares.

## **Conditions of the Open Offer**

The Open Offer is conditional, among other things, upon each of the following conditions being fulfilled:

- (i) the passing of ordinary resolution by the Independent Shareholders approving the Open Offer at the EGM by way of poll;
- (ii) the filing and registration of all documents relating to the Open Offer, which are required to be filed or registered with the Registrar of Companies in Hong Kong in accordance with the Companies Ordinance and the filing of all documents relating to the Open Offer, which are required to be filed with the Registrar of Companies in the Cayman Islands;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) listing of and permission to deal in all the Offer Shares (in their fully paid form) and not having withdrawn or revoked such listings and permission;
- (iv) the posting of the Prospectus Documents to Qualifying Shareholders;

- (v) compliance with and performance of all the undertakings and obligations of the Company as provided in the Underwriting Agreement;
- (vi) the government and/or regulatory authority of Cayman Islands (if any) granting consent to (if required) in relation to the Open Offer;
- (vii) the obligations of the Underwriter not being terminated by the Underwriter in accordance with the terms of the Underwriting Agreement; and
- (viii) subject to the compliance under the Takeovers Code and the Listing Rules, the entering into of binding agreements by the Underwriter with certain places and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Offer Shares

Save for condition (vii) which may be waived by the Underwriter in whole or in part, none of the conditions above can be waived. If the conditions of the Open Offer are not satisfied and/or waived (in respect of condition (vii) only) in whole or in part by the Underwriter by the Latest Time for Termination or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and (except in respect of any reasonable legal fees or other reasonably out-of-pocket expenses, if any, of the Underwriter, or the indemnity given to the Underwriter and any rights or obligations which may accrue under the Underwriting Agreement prior to such termination) no party will have any claim against the other party for costs, damages, compensation or otherwise.

If the Underwriting Agreement terminates in accordance with its terms, the Open Offer will not proceed. The Irrevocable Undertakings as described above will lapse.

The Open Offer is not conditional upon the approval of the Authorised Share Capital Increase and/or the Asset Swap (i.e. comprising the Acquisition and the Disposal).

## **Termination of the Underwriting Agreement**

The Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) in the absolute opinion of the Underwriter acting in good faith, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (b) the occurrence of any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof, of a political, financial, economic, currency, market or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (c) any material adverse change in the business or in the financial or trading position or prospectus of the Group as a whole; or
  - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
  - (e) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

- (f) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days (as defined in the Listing Rules), excluding any suspension in connection with the clearance of this announcement, the circular documents or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (ii) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, imposition of economic sanctions on Hong Kong, the PRC or other jurisdiction relevant to any company in the Group and a change in currency conditions includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (iii) the Circular or the Prospectus when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which is material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the Offer Shares to be allotted to it; or
- (iv) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter.

If the Underwriter exercises such right, the Open Offer will not proceed.

## **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**The Shares will be dealt in on an ex-entitlement basis commencing from Thursday, 8 July 2010 based on the expected timetable.**

**The Open Offer is conditional, inter alia, upon the fulfillment of the conditions set out in the section headed "Conditions of the Open Offer". In particular, the Open Offer is conditional upon the approval of the Open Offer by the Independent Shareholders at the EGM by way of poll, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the paragraph headed "Termination of the Underwriting Agreement". Accordingly, the Open Offer may or may not proceed.**

**Any dealing in the Shares from the date of this announcement up to the date on which all the conditions of the Open Offer are fulfilled or waived will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or other persons contemplating dealings in the Shares are recommended to consult their own professional advisers. The Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares.**

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

The shareholding structure of the Company immediately before and after completion of the Open Offer is set out below:

	As at the date of this announcement		Immediately after completion of the Open Offer (assuming all the Offer Shares are taken up by Qualifying Shareholders)		Immediately after the completion of the Open Offer (assuming that no Qualifying Shareholders, except for Tianda, apply for its assured allotments of Offer Shares in the Open Offer)	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Tianda	475,586,080	50.86	951,172,160	50.86	1,410,645,160	75.43
South Hong <i>(Note)</i>	<u>214,992,930</u>	<u>22.99</u>	<u>429,985,860</u>	<u>22.99</u>	<u>214,992,930</u>	<u>11.50</u>
	690,579,010	73.85	1,381,158,020	73.85	1,625,638,090	86.93
Public Shareholders	<u>244,480,070</u>	<u>26.15</u>	<u>488,960,140</u>	<u>26.15</u>	<u>244,480,070</u>	<u>13.07</u>
	<u><u>935,059,080</u></u>	<u><u>100.00</u></u>	<u><u>1,870,118,160</u></u>	<u><u>100.00</u></u>	<u><u>1,870,118,160</u></u>	<u><u>100.00</u></u>

*Note:* As at the date of this announcement, South Hong was beneficially owned as to approximately (i) 92.28% by Hongta, (ii) 3.43% by Mr. Fang and (iii) 4.29% by an Independent Third Party. Mr. Fang is also a director of South Hong.

Saved for the Shares held by the Underwriter as set out above the controlling Shareholder, Tianda and Mr. Fang has no other shares, warrants, securities carrying conversion or subscription rights into any of the Shares and options and derivatives in respect of any of the Shares as at the date of this announcement.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Open Offer are subject to various factors, including the results of acceptance of the Open Offer.

## **MAINTENANCE OF PUBLIC FLOAT**

The Underwriter has undertaken to the Company that if the subscription for the Offer Shares by the Underwriter pursuant to the Underwriting Agreement will result in insufficient public float of the Company within the meaning of the Listing Rules as a result of the Open Offer, the Underwriter shall take all necessary steps including but not limited to the engagement of a placing agent to procure subscribers/placees/sub-underwriters, who are Independent Third Parties, to subscribe for the Shares which would otherwise be required to be taken up by the Underwriter in order to maintain the minimum public float requirement of the Company in compliance with the Listing Rules. In any event, the Company, together with the Underwriter, will closely monitor its shareholdings and will take such appropriate steps as may be necessary or required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules in relation to public float requirements. More details of the Company's concrete plan to maintain the public float upon completion of the Open Offer will be set out in the Circular.

## **PREVIOUS FUND RAISING EXERCISES OF THE COMPANY**

The Company did not have any fund raising exercises in the past 12 months immediately preceding the date of this announcement.

## **REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS**

The Company will raise approximately HK\$196.4 million before expenses in the Open Offer. Based on 935,059,080 Offer Shares, the estimated net proceeds from the Open Offer will be approximately HK\$195.0 million. The Company intends to use the net proceeds for possible acquisition of further equity interest in Cheng Cheng, general working capital and for investments in pharmaceutical, biotechnology, mining and energy businesses should any opportunities arise. The Group has identified some opportunities and is in discussion for various possible acquisitions and investments, but all are still at their preliminary stages. Should all such potential acquisitions and investments materialise, the net proceeds of HK\$195.0 million from the Open Offer may not be sufficient to finance those acquisitions and investments fully, and the shortfall will be financed by internal resources of the Group. If all such possible acquisitions and investments cannot be materialised, the net proceeds of the Open Offer will be used as general working capital of the Group.

Assuming full acceptance of the Open Offer up to the maximum number of 935,059,080 Offer Shares, the total estimated expenses in relation to the Open Offer will be approximately HK\$1.4 million.

The Directors have considered other fund raising methods such as debt financing and other forms of equity financing, such as placement of new Shares and rights issue. However, the Directors consider that the debt financing would incur additional interest burden to the Company and will affect the gearing ratio of the Group. By way of placing of new Shares, the existing Shareholders will be unable to participate in the enlargement of the capital base of the Company and at the same time allow them to maintain their proportionate interests in the Company and would result in dilution of shareholding of the existing Shareholders. Although a rights issue of shares has similar features of an open offer, it involves additional administration costs to the Group for trading of nil-paid rights which requires certain arrangements to be put in place to facilitate and administer such trading, which the Company considers unnecessary on the grounds that the Subscription Price of HK\$0.21 was set at a considerable discount of approximately 72.0% to the closing price per Share of HK\$0.75 as quoted on the Stock Exchange on the Last Trading Day and, it therefore (i) will be attractive for the existing Shareholders to take up his/her/its assured allotments rather than dispose of the nil-paid rights to the market; and (ii) would be in the interest of the Company not

to incur additional administration costs as compared to the Open Offer. The proposed fund raising of the Company by way of the Open Offer is constructed with an idea to provide equal opportunity to all the Qualifying Shareholders who take up their respective entitlements of the Offer Shares will participate the future development of the Group so as to maintain their respective shareholding interest in the Company. As the net proceeds from the Open Offer will primarily be utilised for possible acquisition of investments and/or general working capital, the financial position of the Company as well as the Shareholders' value in the Company are therefore increased.

Having considered that the Open Offer will strengthen the Company's capital base and enhance its financial position, provide the Qualifying Shareholders with an equal opportunity to maintain their respective pro rata shareholdings in the Company should they so wish, and participate in the future growth and development of the Company. In this regard, the Board considers that the Open Offer is in the interests of the Group and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

## EXPECTED TIMETABLE

*Date (2010)*

Despatch of the Circular . . . . .	On or before Wednesday, 2 June
Last day of dealings in the Shares on a cum-entitlement basis . . . . .	Wednesday, 7 July
First day of dealings in the Shares on an ex-entitlement basis . . . . .	Thursday, 8 July
Latest time and date for lodging transfers of the Shares with the Registrars in order to be qualified for the Open Offer . . . . .	4:30 p.m. on Friday, 9 July
Latest time for lodging the proxy form for the EGM ( <i>note</i> ) . . . . .	Sunday, 11 July

Register of members closes (both dates inclusive) . . . . .	Monday, 12 July to Tuesday, 13 July
EGM to be held ( <i>note</i> ) . . . . .	Tuesday, 13 July
Record Date . . . . .	Tuesday, 13 July
Announcement of results of the EGM. . . . .	Before 9:00 a.m. on Wednesday, 14 July
Despatch of the Prospectus Documents. . . . .	Wednesday, 14 July
Register of members re-opens . . . . .	Wednesday, 14 July
Latest time for application for, acceptance of, and payment for, the Offer Shares . . . . .	4:00 p.m. on Wednesday, 28 July
Latest time for the Open Offer to become unconditional . . . . .	4:00 p.m. on Monday, 2 August
Announcement of results of acceptance of the Open Offer . . . . .	Tuesday, 3 August
Despatch of share certificates for fully-paid Offer Shares . . . . .	Tuesday, 3 August
Dealings in Offer Shares commence . . . . .	9:30 a.m. on Thursday, 5 August

*Note:* The Circular together with the EGM notice and proxy form will be despatched to the Shareholders as soon as practicable in compliance with the Listing Rules, which will set out the exact time and location for the EGM to be held, while the latest time for lodging the proxy form for the EGM will be not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof.

All time in this announcement refer to Hong Kong time. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Wednesday, 28 July 2010:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time for Acceptance will be postponed to 5:00 p.m. on the same Business Day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time for Acceptance will be postponed to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time for Termination) may be affected.

Dates or deadlines stated in this announcement for events in the timetable are indicative only and may be extended or varied between the Company and the Underwriter. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

## **IMPLICATIONS UNDER THE LISTING RULES**

Tianda is wholly-owned by Mr. Fang, and is the controlling Shareholder holding an aggregate of 475,586,080 Shares, representing approximately 50.86% of the total number of Shares in issue as at the date of this announcement. As set out in the paragraph headed “Underwriting Arrangement and Undertakings”, Tianda has irrevocably undertaken to the Company to subscribe in full for its assured allotments of the Offer Shares under the Open Offer and those Offer Shares not having been subscribed for by the Qualifying Shareholders. In the event that none of the Qualifying Shareholders (other than Tianda) takes up any Offer Shares upon completion of the Open Offer, the Underwriter will be required to take up all the Offer Shares that are not subscribed for under the Open Offer. Accordingly, the total number of Shares as held by Tianda will be increased from 475,586,080 Shares (representing approximately 50.86% of the total number of Shares in issue of the Company as at the date of this announcement) to 1,410,645,160 Shares (representing approximately 75.43% of the total number of Shares in issue as enlarged by the Open Offer), assuming that none of the Offer Shares will be subscribed by the Qualifying Shareholders other than Tianda and, Tianda as the Underwriter, takes up all the unsubscribed Offer Shares.

As the Open Offer will increase the issued share capital of the Company by more than 50%, pursuant to Rule 7.24(5) of the Listing Rules, the Open Offer must be made conditional on approval by Independent Shareholders at the EGM and any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution(s) relating to the Open Offer. Accordingly, Tianda, South Hong, the Directors (excluding the independent non-executive Directors) including Mr. Fang, who is an executive Director, will abstain from voting in favour of the resolution(s) relating to the Open Offer at the EGM. To the best of the Directors' knowledge and information, as at the date of this announcement, save as disclosed above, none of the Directors (excluding Mr. Fang and the independent non-executive Directors), the chief executive of the Company and their respective associates is interested in any Shares of the Company.

The entering into of the Underwriting Agreement between the Company and Tianda constitutes a connected transaction for the Company under the Listing Rules. Pursuant to Rule 14A.31(3)(c) of the Listing Rules, provided that Rule 7.26A(2) of the Listing Rules has been complied with, the Underwriting Agreement will be exempted from the reporting, announcement and independent shareholders' approval requirements.

Pursuant to Rule 7.26A(2) of the Listing Rules, since no excess application for the Offer Shares is available, approval shall be obtained from the Independent Shareholders in respect of the absence of such arrangement and the Underwriting Agreement which serve as the alternative arrangement in respect of the untaken Offer Shares under the Open Offer and any Shareholders who have a material interest in the relevant resolution(s) shall abstain from voting. Accordingly, (i) Tianda currently holding 475,586,080 Shares or approximately 50.86% and (ii) South Hong currently holding 214,992,930 Shares or approximately 22.99%, of the issued share capital of the Company, and the Directors (excluding the independent non-executive Directors) including Mr. Fang, who is an executive Director, shall abstain from voting on the relevant resolution(s) to approve the Open Offer at the EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders in respect of, among others, the Open Offer. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to, among others, the Open Offer.

## 2. PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 2,000,000,000 Shares, of which 935,059,080 Shares have been allotted and issued and fully paid. In order to facilitate any possible further issuance and allotment of new Shares by the Company for future expansion and growth of the Group following completion of the Open Offer, the Board proposes to increase the authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$400,000,000 divided into 4,000,000,000 Shares by the creation of additional 2,000,000,000 Shares.

The Authorised Share Capital Increase is subject to and conditional upon the passing of an ordinary resolution by the Shareholders at the EGM.

## 3. THE ASSET SWAP

### The Asset Swap Agreement

- Date : 5 May 2010
- Contracting parties : (i) the Company; and
- (ii) Tianda, which is wholly-owned by Mr. Fang and is the controlling Shareholder holding approximately 50.86% of the entire issued share capital of the Company as at the date of this announcement
- Assets to be swapped : (i) the acquisition of 60% equity interest of Cheng Cheng by the Company (or its subsidiary) from Tianda; and
- (ii) the disposal of (1) the Sale Shares (being the entire shareholding interest in Tinwise Group owned by the Company) and (2) the Sale Loan (being the entire shareholder's loan owed by Tinwise Group to the Company) at Completion to Tianda

## **Subject matter of the Asset Swap Agreement**

Pursuant to the Asset Swap Agreement, the Company agreed to transfer its entire interest in the Tinwise Group to Tianda at the Disposal Consideration, and Tianda agreed to transfer its 60% equity interest in Cheng Cheng to the Company at the Acquisition Consideration; while the shortfall of HK\$40.0 million between the Disposal Consideration and the Acquisition Consideration will be settled by the Company in cash at the Completion Date.

To the best knowledge and belief of the Directors, the Group has not entered into any prior transactions with Tianda and its ultimate beneficial owners which require aggregation under Rule 14A.25 of the Listing Rules.

## **Consideration**

Pursuant to the Asset Swap Agreement, the consideration of the Asset Swap shall be satisfied by the Company by transferring its entire interest in Tinwise Group to Tianda in exchange for Tianda's 60% entire equity interest in Cheng Cheng, plus cash of HK\$40.0 million being the shortfall between the Disposal Consideration and the Acquisition Consideration.

The Acquisition Consideration of HK\$200.0 million is determined after arm's length negotiations between the Company and Tianda with reference to the profitability of Cheng Cheng over the past few years and its future business prospect. Cheng Cheng has been operating profitably over the past three financial years ended 31 December 2009 with net profit after tax of approximately RMB11.2 million, RMB18.5 million and RMB22.7 million respectively; while its net profit margins had persistently been increasing from approximately 12.4%, to 16.6% and further to 18.3% during the respective periods. In addition, Cheng Cheng has an extensive customer base and has been widening its product range continuously.

The Disposal Consideration of HK\$160.0 million was arrived at after arm's length negotiations between the Company and Tianda with reference to (i) the market value of the Land as at 31 March 2010; (ii) the Cash and Bank Balances (as defined hereunder) of the Tinwise Group as at the date of the Asset Swap Agreement; and (iii) the Sale Loan as at the date of the Asset Swap Agreement.

As at the date of this announcement, the Tinwise Group has aggregate cash and bank balances of approximately HK\$30.1 million (the “**Cash and Bank Balances**”) and the loan owed to the Company of approximately HK\$31.2 million.

The market value of the Land as at 31 March 2010 as valued by Vigers Appraisal & Consulting Limited, an independent professional property valuer, using the direct comparison approach of valuation, was RMB104.0 million (equivalent to approximately HK\$118.2 million). The Disposal Consideration excluding the Cash and Bank Balances amounted to approximately HK\$30.1 million, which represents a premium of approximately 9.9% over the market value of the Land as at 31 March 2010.

Pursuant to the Asset Swap Agreement, the Disposal Consideration will be utilised to set-off part of the Acquisition Consideration. The shortfall of HK\$40.0 million between the Acquisition Consideration and the Disposal Consideration will be financed by internal resources of the Group and be settled within 20 Business Days after the Completion Date.

The Directors are of the view that the terms of the Asset Swap Agreement are fair and reasonable and on normal commercial terms; and the Asset Swap is in the interest of the Company and the Shareholders as a whole.

### **Conditions precedent of the Asset Swap Agreement**

- (i) the Company having conducted a due diligence investigation in respect of Cheng Cheng including but not limited to its business, legal aspects, properties, finance and accounts and the Company being satisfied with the results of its due diligence investigation;
- (ii) Tianda having conducted a due diligence investigation in respect of Tinwise Group including but not limited to its business, legal aspects, properties, finance and accounts and Tianda being satisfied with the results of its due diligence investigation;

- (iii) the Company having obtained the approval by the Independent Shareholders at the EGM in respect of the Asset Swap Agreement and the transactions contemplated thereunder in accordance with the Listing Rules; and
- (iv) if applicable, all relevant approvals, permits, licences, certifications, authorisations etc. from any parties, governmental and/or regulatory authorities (including but not limited to the tax bureau, commerce department of the PRC government) in respect of the Asset Swap Agreement being obtained and all transactions contemplated thereunder and the completion of the share transfer registration procedures in respect of the Asset Swap, in accordance with the requirements under the PRC laws.

Apart from the above conditions (i) and (ii), no other conditions can be waived by the parties to the Asset Swap Agreement. If any of the conditions precedent are not fully fulfilled (or waived as to (i) by the Company or (ii) by Tianda) within the date after 120 Business Days from the date of the Asset Swap Agreement (or such other date as the Company and Tianda may agree), the rights and obligations of the parties under the Asset Swap Agreement shall lapse and be of no further effect, in which event the parties shall be released from all further obligations thereunder without any liability save as to any antecedent breach.

### **Completion**

The Completion shall take place on the fifth business day after all conditions precedent to the Asset Swap Agreement are fulfilled (or waived as appropriate) or on such other date as agreed by the Company and Tianda in writing.

Completion of the Asset Swap (i.e. comprising the Acquisition and the Disposal) is not conditional on the completion of the Open Offer; while completion of the Acquisition and the Disposal is inter-conditional to each other.

## **Financial effects of the Asset Swap**

Upon the Completion, Cheng Cheng will become a subsidiary of the Company, and its operating and financial results will be included in the consolidated financial statements of the Group. At the same time, Tinwise Group (comprising Tinwise, Tianheng Properties and Zhuhai Tianheng) will cease to be a sub-group of the Group and their results, assets and liabilities will no longer be included in the consolidated financial statements of the Group following the Completion.

As at 30 September 2009, the Group's unaudited total assets and net asset value (excluding minority interests) were approximately HK\$445.7 million and HK\$399.2 million respectively. It is currently expected that the Group will record a gain of approximately HK\$7.4 million (subject to audit), being the difference between the Disposal Consideration less estimated expenses and Tinwise Group's net book value stated at the balance sheet of the Group as at the Completion Date.

Given the profitable track record of Cheng Cheng, the Directors consider that the anticipated contribution from Cheng Cheng will have a positive impact on the earnings of the Group in the future following the Completion.

The aforesaid financial effect of the Asset Swap is for illustrative purposes only. The actual financial effect is subject to the fair values of Cheng Cheng and Tinwise Group upon Completion and finalisation of audit for the financial year ending 31 March 2011.

## **Information of Cheng Cheng**

Cheng Cheng is a sino-foreign owned enterprise established under the laws of the PRC on 20 September 1995 with limited liability and registered and paid up capital of RMB117,875,800 (equivalent to approximately HK\$133,950,000). As at the date of this announcement, Cheng Cheng is beneficially owned as to (i) 60% by Tianda; (ii) 30% by Yunnan Hongta, a wholly-owned subsidiary of Hongta; and (iii) 10% by Hong Kong Yu Chen Trading Development Limited (香港玉成貿易發展有限公司), a wholly-owned subsidiary of Hongta. Cheng Cheng is principally engaged in the manufacture of packaging and other printing products in the PRC.

The original acquisition cost paid by Tianda for the 60% equity interest in Cheng Cheng in 2007 was approximately RMB89.1 million (equivalent to approximately HK\$101.3 million).

Based on its audited accounts prepared in accordance with the PRC GAAP, the net profit before and after taxation for the year ended 31 December 2008 of Cheng Cheng were approximately RMB23.0 million (equivalent to approximately HK\$26.1 million) and RMB18.5 million (equivalent to approximately HK\$21.0 million) respectively; while its net profit before and after taxation for the year ended 31 December 2009 were approximately RMB28.3 million (equivalent to approximately HK\$32.2 million) and RMB22.7 million (equivalent to approximately HK\$25.8 million) respectively. Based on the audited accounts of Cheng Cheng prepared in accordance with the PRC GAAP, the net asset value of Cheng Cheng was approximately RMB175.8 million (equivalent to approximately HK\$199.7 million) as at 31 December 2009.

## **Information of Tinwise Group**

### ***Tinwise***

As at the date of this announcement, Tinwise is wholly-owned by the Company and is an investment holding company established solely for holding the entire issued share capital of Tianheng Properties. Tinwise has not commenced any business operations since the date of its incorporation on 14 March 2008.

Tinwise has not recorded any revenue since 14 March 2008 (i.e. being the date of incorporation) up to 31 March 2010 and merely incurred some administrative expenses during the period; while its unaudited net capital deficiency as at 31 March 2010 was HK\$9,664.

### ***Tianheng Properties***

As at the date of this announcement, Tianheng Properties has authorized and issued share capital of 10,000 shares at HK\$1.00 each, of which 9,999 shares are owned by Tinwise, while the remaining 1 share is owned by the Company. It is an investment holding company established solely for holding the entire registered capital of Zhuhai Tianheng. Upon Completion, all the 10,000 shares of Tianheng Properties held by the Group will be transferred to Tianda in accordance with the Asset Swap Agreement.

Tianheng Properties has not commenced any business operations since the date of its incorporation on 4 October 2006 other than investing in Zhuhai Tianheng, and has only incurred insignificant amount of administrative expenses so far. As at 31 March 2010, the unaudited net asset value of Tianheng Properties was HK\$81,668.

### ***Zhuhai Tianheng***

As at the date of this announcement, Zhuhai Tianheng is wholly-owned by Tianheng Properties which was established in the PRC with limited liability on 24 October 2006 and has registered capital of RMB55.0 million (equivalent to approximately HK\$62.5 million). It has principally been holding the Land only.

Zhuhai Tianheng has not commenced any business operations since the date of its establishment on 24 October 2006 other than holding the Land, and has only incurred insignificant amount of administrative expenses. As at 31 December 2009, the unaudited net asset value of Zhuhai Tianheng was RMB55.2 million (equivalent to approximately HK\$62.7 million).

As at the date of this announcement, save for the Cash and Bank Balances and the Land, Zhuhai Tianheng has no other material assets and liabilities.

Based on the unaudited consolidated financial information of the Tinwise Group, both of the net loss before and after taxation for the year ended 31 March 2009 of Tinwise Group were approximately HK\$1.1 million; while both of its net loss before and after taxation for the year ended 31 March 2010 were approximately HK\$0.4 million. Based on the unaudited consolidated financial information of the Group, the consolidated net asset value of the Tinwise Group attributable to the Group (before deduction of its shareholder's loan from the Company of approximately HK\$31.2 million) as at 31 March 2010 amounted to approximately HK\$150.7 million.

## ***The Land***

The Land was originally intended to be developed into villa, residential and ancillary uses. The Land was acquired by the Group from Tianda on 21 December 2007 pursuant to the terms of an acquisition agreement dated 25 October 2007 for a consideration of approximately HK\$100 million which was determined with reference to the market value of the Land of RMB100 million (or approximately HK\$114 million) as at 31 August 2007 as valued by Vigers Appraisal & Consulting Limited. Details of the acquisition of the Land were set out in the circular of the Company dated 23 November 2007. The Land has a total site area of 25,137.99 square metres and is located at the Southwest of Gangwan Main Road, Yinkeng, Xiangzhou, Zhuhai, Guangdong Province, the PRC. As at the date of this announcement, the Land is vacant.

## **Information of Tianda**

Tianda is principally engaged in the development of pharmaceutical, biotechnology and healthcare industries. In addition, Tianda is dedicated to the investment in and development of mining, energy and other natural resources, as well as international trade, property holding and development, and printing and packaging.

## **Reasons for and benefits of the Asset Swap**

The Group currently has two investments in the printing business, namely Yunnan Hua Ning Xing Ning Colour Printing Co., Ltd. and Yuxi Globe Colour Printing Carton Co., Ltd., which have been operating profitably over the past few years.

The Group has been looking for new business opportunities with a view to broadening its income base and improving its operating and financial performance. The Directors consider that the Acquisition will enable the Group to enhance its income base and profitability in the future. Cheng Cheng has been operating well over the past three financial years ended 31 December 2009 with net profit after tax of approximately RMB11.2 million, RMB18.5 million and RMB22.7 million respectively; while its net profit margins had persistently been increasing from approximately 12.4%, to 16.6% and further to 18.3% during the respective periods. Having considered the Acquisition Consideration is determined after arm's length negotiations between the Company and Tianda with reference to the profitability of Cheng Cheng over the past few years and its future business prospect, the Directors are of the view that the Acquisition provides an opportunity for the Group to participate in its investment in Cheng Cheng at a fair value.

The Group may consider further increasing its equity interest in Cheng Cheng. To this end, the Group has been in discussion with Yunnan Hongta, being a minority shareholder currently and directly holding 30% equity interest in Cheng Cheng. However, the discussion is only preliminary and no agreement has been reached as at the date of this announcement. Such further acquisition may or may not materialise. Further announcement will be made when necessary.

As mentioned above, the Land was acquired by the Group in December 2007. According to the original development plan of the Company at that time, it was originally expected that construction work for development of villa, residential and ancillary uses could be commenced in 2008. However, the property market in the PRC has been volatile since late 2008 because of the financial tsunami originated from the United States of America. With the implementation of quantitative monetary easing policies by the governments of the PRC, the United States of America and European countries, the overall global economy began to rebound in the second half of 2009. Having considered that (i) the development of the Land has not yet commenced so far; (ii) the recent imposition of a series of fiscal and monetary measures by the PRC government to combat the threat of the overheating property market; and (iii) the possible risk involved in the development of the Land under the prevailing property market situation in the PRC associated with the prolonged uncertainties in the global economy, the Directors are of the view that the Disposal will allow the Group to effectively re-allocate resources to other more profitable business segments, and mitigate probable business risk that it might come across in the future.

Pursuant to the Asset Swap Agreement, the Disposal Consideration will be utilised to set-off part of the Acquisition Consideration. The shortfall of HK\$40.0 million between the Acquisition Consideration and the Disposal Consideration will be settled and financed by internal resources of the Group.

The Directors are of the view that the terms of the Asset Swap Agreement are on normal commercial terms, and the Asset Swap is fair and reasonable and in the interest of the Group and the Shareholders as a whole.

## **Implications under of the Listing Rules**

Pursuant to Chapter 14 of the Listing Rules, the Acquisition and the Disposal will constitute a very substantial transaction and a major transaction of the Company respectively.

In addition, as at the date of this announcement, Tianda is wholly-owned by Mr. Fang and is the controlling Shareholder holding approximately 50.86% of the entire issued share capital of the Company. Accordingly, Tianda, being the vendor under the Acquisition and the purchaser under the Disposal pursuant to the Asset Swap Agreement, is a connected person of the Company and the Asset Swap will constitute a connected transaction for the Company under the Listing Rules. Pursuant to Chapter 14A of the Listing Rules, the Asset Swap is therefore conditional upon the approval of the Independent Shareholders by way of poll. Hongta, Yunnan Hongta, South Hong, Tianda (being a controlling shareholder holding 60% equity interest of Cheng Cheng), Mr. Fang and their respective associates will abstain from voting at the EGM in respect of the proposed ordinary resolution(s) approving the Asset Swap.

## **INFORMATION ON THE GROUP**

The Company is a holding company and a conglomerate with businesses ranging from pharmaceuticals and biotechnology, mining and energy to packaging and printing.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the Open Offer and the Asset Swap are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Open Offer and the Asset Swap.

## **GENERAL**

The Open Offer is conditional upon, among other things, the approval of the Open Offer by the Independent Shareholders at the EGM. As at the date of this announcement, Tianda is interested in an aggregate of 475,586,080 Shares, representing approximately 50.86% of the existing issued share capital of the Company. Tianda and parties acting in concert with it, including South Hong and Mr. Fang, shall abstain from voting in favour of the relevant resolution approving the Open Offer.

The Authorised Share Capital Increase is conditional on, among other things, the passing of the relevant ordinary resolution by the Shareholders at the EGM. None of the Shareholders is required to abstain from voting in favour of the relevant resolution approving the Authorised Share Capital Increase.

The Circular setting out, among other things, further details of (i) the Open Offer; (ii) the Authorised Share Capital Increase; and (iii) the Asset Swap, and containing (a) a letter from the Independent Board Committee to the Independent Shareholders setting out their recommendation in relation to the Open Offer and the Asset Swap; (b) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Open Offer and the Asset Swap together with (c) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

Subject to the Open Offer being approved by the Independent Shareholders at the EGM, the Prospectus Documents (or the Prospectus, where appropriate) containing further information on the Open Offer will be despatched to the Shareholders as soon as practicable.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Thursday, 6 May 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on Wednesday, 12 May 2010.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the 60% equity interest in Cheng Cheng by the Company from Tianda pursuant to the Asset Swap Agreement
“Acquisition Consideration”	HK\$200.0 million, being the consideration payable by the Company to Tianda (being the vendor under the Acquisition) for the Acquisition upon the Completion
“Asset Swap”	the Acquisition and the Disposal
“Asset Swap Agreement”	the conditional asset swap agreement dated 5 May 2010 entered into between the Company and Tianda in connection with the Asset Swap
“acting in concert”	has the meanings ascribed to it in the Takeovers Code
“Application Form(s)”	the form(s) of application in respect of the Open Offer to be issued to the Qualifying Shareholders
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Authorised Share Capital Increase”	the proposed increase in the authorised share capital of the Company from HK\$200,000,000 divided into 2,000,000,000 Shares to HK\$400,000,000 divided into 4,000,000,000 Shares by the creation of an additional 2,000,000,000 Shares
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday or Sunday) on which banks in Hong Kong are generally open for business

“Cheng Cheng”	珠海經濟特區誠成印務有限公司 (Zhuhai Special Economic Zone Cheng Cheng Printing Co., Ltd.*), a sino-foreign owned enterprise established under the laws of the PRC on 20 September 1995 with limited liability which is owned as to (i) 60% by Tianda, (ii) 30% by Yunnan Hongta, and (iii) 10% by Hong Kong Yu Chen Trading Development Limited (香港玉成貿易發展有限公司)
“Circular”	the circular to be despatched to the Shareholders setting out further details on the Open Offer, the Authorised Share Capital Increase and the Asset Swap and containing a letter from the Independent Board Committee, a letter from the independent financial adviser and the notice of EGM
“Company”	Yunnan Enterprises Holdings Limited (Stock Code: 0455), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Completion”	completion of the Asset Swap
“Completion Date”	means the fifth Business Day following the date on which the last of the conditions precedent to the Completion have been fulfilled or such other date as the contracting parties to the Asset Swap Agreement may agree in writing on which the Asset Swap Agreement shall be completed
“controlling shareholder(s)”	has the meanings ascribed to it in the Listing Rules

“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan by the Company to Tianda pursuant to the Asset Swap Agreement
“Disposal Consideration”	HK\$160.0 million, being the consideration payable by Tianda (being the purchaser under the Disposal) to the Company for the Disposal upon the Completion
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and if thought fit, to approve, among others, the Open Offer and the Asset Swap by the Independent Shareholders; and the Authorised Share Capital Increase by the Shareholders
“Excluded Shareholder(s)”	the Overseas Shareholders whom the Directors, having made enquiry regarding the legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it necessary or expedient not to offer the Offer Shares to such Shareholders on account either because of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongta”	紅塔煙草(集團)有限責任公司 (Hongta Tobacco (Group) Limited*), a state-owned enterprise established in Yunnan Province, the PRC and holding (i) the entire equity interest of Yunnan Hongta; and (ii) approximately 92.28% interest in the issued share capital of South Hong which in turn is the substantial Shareholder holding approximately 22.99% interest in the issued share capital of the Company

“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors namely Mr. Chiu Sung Hong, Mr. Chiu Fan Wa and Mr. Lam Yat Fai established to advise the Independent Shareholders on the Open Offer and the Asset Swap
“Independent Shareholders”	<p>For the Open Offer, Shareholders other than (i) South Hong, Tianda, Mr. Fang and their associates and the parties acting in concert with them; and (ii) Shareholders who are involved in, or interested in, the Underwriting Agreement and the Open Offer</p> <p>For the Asset Swap, Shareholders other than (i) Hongta, Yunnan Hongta, South Hong, Tianda, Mr. Fang and their associates; and (ii) Shareholders who are involved in, or interested in, the Asset Swap Agreement</p>
“Independent Third Party(ies)”	person(s) or company(s) who/which is/are not connected with the directors, chief executive or substantial shareholders (as defined under the Listing Rules) of the Company and its subsidiaries, or any of their respective associates
“Irrevocable Undertakings”	the irrevocable undertakings dated 5 May 2010 under which Tianda has irrevocably undertaken to the Company, among others, to subscribe in full for its assured allotments of the Offer Shares under the Open Offer and those Offer Shares not having been subscribed for by the Qualifying Shareholders
“Land”	the land of 25,137.99 square metres located at the Southwest of Gangwan Main Road, Yinkeng, Xiangzhou, Zhuhai, Guangdong Province, the PRC

“Last Trading Day”	Wednesday, 5 May 2010, being the last trading day which was immediately prior to the suspension of trading in the Shares on Thursday, 6 May 2010 on the Main Board of the Stock Exchange
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 28 July 2010 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for application of the offer of Offer Shares
“Latest Time for Termination”	4:00 p.m. on Monday, 2 August 2010 or such later time to be agreed in writing between the Company and the Underwriter, being the latest time for the Underwriter to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Fang”	Mr. Fang Wen Quan, an executive Director and the beneficial owner of the entire issued share capital of the Tianda
“Offer Share(s)”	935,059,080 new Shares proposed to be offered to the Qualifying Shareholders for subscription on the terms and subject to the conditions set out in the Underwriting Agreement and in the Prospectus Documents
“Open Offer”	the proposed offer for subscription at the Subscription Price to be made by the Company to the Qualifying Shareholders in the proportion of one Offer Share for every existing Share held on the Record Date by way of open offer upon the terms and conditions mentioned herein and more particularly described in the Prospectus Documents

“Overseas Shareholders”	Shareholders with registered addresses (as shown in the register of members of the Company as at the close of business on the Record Date) which are outside Hong Kong;
“PRC”	the People’s Republic of China which for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form
“Prospectus Posting Date”	Wednesday, 14 July 2010, the date of despatch of the Prospectus Documents, or such other date as the Underwriter may agree in writing with the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	Tuesday, 13 July 2010, or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
“Registrar”	Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong, being the share registrar of the Company in Hong Kong

“Sale Loan”	the amount of the shareholder’s loan owed by the Tinwise to the Company
“Sale Shares”	1 ordinary share in each of Tinwise and Tianheng Properties owned by the Company, representing the entire issued share capital of Tinwise and Tianheng Properties
“Share(s)”	the existing share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“South Hong”	South Hong Investment Limited, a company incorporated in Hong Kong with limited liability, which is beneficially owned as to approximately (i) 92.28% by Hongta, (ii) 3.43% by Mr. Fang, and (iii) 4.29% by an Independent Third Party
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.21 per Offer Share pursuant to the Open Offer
“subsidiaries”	has the meaning ascribed to it in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Takeovers Code”	The Codes on Takeovers and Mergers
“Tianda” or “Underwriter”	Tianda Group Limited (天大集團有限公司), a company incorporated in Hong Kong with limited liability and the underwriter to the Open Offer. Tianda is wholly-owned by Mr. Fang and is the controlling Shareholder holding approximately 50.86% of the entire issued share capital of the Company as at the date of this announcement

“Tianheng Properties”	Tianheng Properties Limited, a company incorporated in Hong Kong with limited liability holding the entire equity interest in Zhuhai Tianheng
“Tinwise”	Tinwise Investment Limited, a company incorporated in the British Virgin Islands on 14 March 2008 with limited liability, which holds the entire shareholding interest in Tianheng Properties before the Completion which in turn holds the entire equity interest in Zhuhai Tianheng
“Tinwise Group”	collectively, Tinwise, Tianheng Properties and Zhuhai Tianheng
“Underwriting Agreement”	the conditional underwriting agreement dated 5 May 2010 and entered into between the Company and the Underwriter in relation to the Open Offer
“Underwritten Shares”	459,473,000 Offer Shares, being all Offer Shares (including the Offer Shares to which the Excluded Shareholder(s) would otherwise have been entitled) to be issued pursuant to the Open Offer less those Offer Shares which Tianda has undertaken to take up under the Open Offer
“Yunnan Hongta”	雲南紅塔集團有限責任公司 (Yunnan Hongta Group Limited*), a wholly-owned subsidiary of Hongta which is a state-owned enterprise established in Yunnan Province and is holding 30% equity interests in Cheng Cheng
“Zhuhai Tianheng”	珠海天恆房地產有限公司 (Zhuhai Tianheng Real Estates Company Limited*), a wholly foreign owned enterprise established under the laws of the PRC with limited liability and is wholly-owned by Tianheng Properties

“HK\$” Hong Kong dollar, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“%” per cent.

\* For English translations only

*For the purpose of illustration only, amounts denominated in RMB in this announcement have been translated into HK\$ at the rate of RMB0.88 = HK\$1. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.*

By order of the Board  
**Yunnan Enterprises Holdings Limited**  
**Fang Wen Quan**  
*Chairman*

Hong Kong, 12 May 2010

*As at the date of this announcement, the executive Directors are Mr. Fang Wen Quan (the Chairman and Managing Director), Mr. Li Suiming and Mr. Liu Huijiang; and the independent non-executive Directors are Mr. Chiu Sung Hong, Mr. Chiu Fan Wa, and Mr. Lam Yat Fai.*

*This announcement will remain on the “Latest Company Announcements” page of the Stock Exchange’s website for at least seven days from the day of its posting and on the website of the Company at [www.yunnan.com.hk](http://www.yunnan.com.hk).*