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## **SHANGHAI MING YUAN HOLDINGS LIMITED**

**上海銘源控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**Financial Adviser**  
**Henco & Associates**  
**Henco Capital Limited**

### **DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF FIELDCROWN INVESTMENTS LIMITED INVOLVING THE POSSIBLE ISSUE OF CONVERTIBLE NOTE**

The Directors are pleased to announce that Fun Area, a wholly-owned subsidiary of the Company entered into the Share Transfer Agreement with the Vendor on 12 December 2002, whereby Fun Area agreed to purchase and the Vendor agreed to sell 1 ordinary share of US\$1.00 in Fieldcrown, representing the entire issued share capital of Fieldcrown.

Fieldcrown is an investment holding company which will hold the entire equity interest in the Investment Property on or before Completion.

The consideration for the Acquisition is HK\$38,000,000, which is satisfied by a refundable deposit of HK\$5,000,000 in cash, which is to be financed by internal resources of the Company, and payable on the signing of the Share Transfer Agreement and the remaining balance of HK\$33,000,000 shall be satisfied in full on Completion by either:

- (i) cash, which is to be financed by internal resources of the Company; or
- (ii) the issue by the Company of the Convertible Note to the Vendor and/or its nominee(s).

The Convertible Note (in the principle amount of HK\$33,000,000), if issued, will bear interest at the rate equivalent to the best lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited on the date of Completion and will mature on the day falling 2 years from the date of its issue. The principal amount of the Convertible Note is convertible into shares of the Company at a conversion price to be determined and will not be less than HK\$1.00 per Conversion Share. On the basis of a conversion price of HK\$1.00 per Conversion Share, 33,000,000 Conversion Shares will be issued upon conversion of the Convertible Note in full. The Conversion Shares (assuming conversion in full of the Convertible Note) represent approximately 7.86% of the total number of existing issued shares of the Company and approximately 7.3% of the total number of issued shares of the Company as enlarged by the issue of the Conversion Shares.

The Vendor is an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules). Upon Completion and upon full conversion of the Convertible Note, the Vendor will not become a substantial shareholder of the Company.

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. A circular containing details of the Acquisition will be despatched to the shareholders of the Company as soon as practicable.

Trading in Shares was suspended at the request of the Company with effect from 9:30 a.m. on 12 December 2002 pending the publication of this announcement and the Company has applied for resumption of trading in Shares with effect from 9:30 a.m. on 16 December 2002.

## **THE ACQUISITION**

### **Parties**

Vendor: Zhou Li Qun, an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules)

Purchaser: Fun Area, a wholly-owned subsidiary of the Company

### **Date of the Share Transfer Agreement**

12 December 2002

### **Terms of the Share Transfer Agreement**

Fun Area agreed to purchase and the Vendor agreed to sell its beneficially owned 1 ordinary share of US\$1.00 in Fieldcrown, representing the entire issued share capital of Fieldcrown, pursuant to the terms and conditions of the Share Transfer Agreement.

Fieldcrown is an investment holding company incorporated in the British Virgin Islands which will hold the entire 100 per cent. equity interest in the Investment Property (which consist of level 2 and level 3, East Phase, New Century Plaza, 48 Xing Yi Lu, Chang Ning Qu, Shanghai, PRC) on or before Completion.

Fieldcrown has not prepared any audited or unaudited management accounts since its incorporation on 27 September 2002. Based on the valuation conducted by an independent valuer, Shanghai Shen Fang Real Estate Appraiser Co. Ltd., on 30 September 2002, the Investment Property is valued at RMB43,750,000 (equivalent to approximately HK\$41,273,585). The consideration payable by Fun Area represents a discount of 7.93% to the value of the Investment Property by reference to the said valuation report.

The Vendor is an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules).

### **Consideration**

The consideration for the Acquisition is HK\$38,000,000, which is satisfied by a refundable deposit of HK\$5,000,000 in cash, which is to be financed by internal resources of the Company, and payable on the signing of the Share Transfer Agreement and the remaining balance of HK\$33,000,000 shall be satisfied in full on Completion by either:

- (i) cash, which is to be financed by internal resources of the Company; or
- (ii) the issue by the Company of the Convertible Note to the Vendor and/or its nominee(s).

Such consideration was determined based on arm's length negotiation between Fun Area and the Vendor. The Directors consider that the terms of the Acquisition including the consideration for the Acquisition to be fair and reasonable.

The refundable deposit of HK\$5,000,000 will be refunded in full to the Company if the Vendor fail to perform all the conditions set out under the Share Transfer Agreement on or before the Completion. As agreed and stated in the Share Transfer Agreement, in case that the Vendor has fulfilled all the conditions as set out in the Share Transfer Agreement but refuses to perform the Share Transfer Agreement with Fun Area on or before the Completion, a further HK\$5,000,000 will be payable to Fun Area by the Vendor as penalty payment. The refundable deposit of HK\$5,000,000, payable upon signing of the Share Transfer Agreement, was paid by Fun Area to the Vendor on 13 December 2002 as agreed between Fun Area and the Vendor.

### **Conditions**

Completion of the Acquisition is conditional upon satisfaction of certain conditions, among other things, including:

1. Fun Area being satisfied with the due diligence exercise to be conducted on Fieldcrown; and
2. the Investment Property, which is currently 100 per cent. owned by the Vendor, has been properly and validly transferred to Fieldcrown and all necessary approvals and consents from all relevant governmental regulatory or other authorities relating thereto have been obtained and not having been revoked.

In the event that Fun Area decides to satisfy the remaining balance of the consideration of the Acquisition by the issue of the Convertible Note by the Company, Completion will also be subject to the following conditions being satisfied on or before Completion (or such later date as may be agreed in writing between the parties thereto):

1. the Stock Exchange granting the listing of, and permission to deal in, the Conversion Shares; and
2. if necessary, the Bermuda Monetary Authority consenting to the issue of the Conversion Shares.

### **Completion**

Completion of the Acquisition will take place within 7 business days following the fulfilment of all of the conditions referred to in the paragraph headed "Conditions" above provided such date is not later than 30 January 2003. If the conditions are not satisfied on or before the date specified above or waived at the discretion of Fun Area (or such later date as the Vendor and Fun Area may agree in writing), the Share Transfer Agreement shall lapse. Further announcement will be made by the Company on Completion or when the Share Transfer Agreement lapses.

### **CONVERSION SHARES**

The Conversion Shares, if issue, shall rank *pari passu* in all respect with the Shares in issue at the relevant date of issue, including rights as to dividends and voting. The Directors will allot and issue the Conversion Shares pursuant to a general mandate duly granted and approval by the shareholders of the Company at the annual general meeting of the Company held on 28 May 2002.

The conversion price per Conversion Share will be determined by the Company at Completion but will not be less than HK\$1.00. Conversion price is preliminarily proposed to be arrived at with reference to market price of the existing issued shares of the Company but precise basis has yet to be determined.

The Conversion Shares (assuming conversion in full of the Convertible Note with a maximum of 33,000,000 Conversion Shares to be issued and that up to the date of Completion, there will be no change in the total number of issued shares of the Company) represents approximately 7.86% of the total number of existing issued shares of the Company and approximately 7.3% of the total number of issued shares of the Company as enlarged by the issue of the Conversion Shares.

## **PRINCIPAL TERMS OF THE CONVERTIBLE NOTE**

### **Issuer**

The Company

### **Principal amount**

The principal amount of the Convertible Note will be HK\$33,000,000.

### **Interest**

Best lending rate quoted by The Hong Kong and Shanghai Banking Corporation Limited as at the date of Completion.

### **Maturity Date**

Two years from the date of issue of the Convertible Note.

### **Conversion rights**

The Noteholder will have the right to convert up to 50% (in an amount or integral multiple of HK\$1,000,000) of the principal amount of the Convertible Note represented by the Convertible Note into Conversion Shares at any time during the period 6 months after Completion up to 12 months after Completion and the remaining outstanding principal amount of the Convertible Note after 12 months up to seven business days before the maturity date at the conversion price per Share which is not less than HK\$1.00 per Conversion Share (subject to adjustment) representing a premium of approximately 2.0 per cent. to the closing price of HK\$0.98 per Share quoted on the Stock Exchange prior to the suspension of trading in the Shares on 12 December 2002 while representing a premium of approximately 5.7 per cent. to the average closing price of approximately HK\$0.946 per Share for the 10 trading days up to and including 10 December 2002.

The outstanding principal amount of the Convertible Note not converted into Conversion Shares will be repaid by the Company together with interest thereon on maturity date.

### **Redemption**

The Convertible Note is not redeemable at the option of the Noteholder. The Company shall have the right to redeem any portion of the Convertible Note outstanding at par in its sole and absolute discretion at any time prior to the maturity date.

### **Voting rights of the Noteholder**

The Noteholder will not be entitled to receive notices of, attend or vote, at any meeting of the Company by reason only of it being the Noteholder.

## Transferability

The Convertible Note may not be assigned or transferred without the prior written consent of the Company. The Company undertakes to inform the Stock Exchange as soon as practicable when it comes to its notice that any of the Convertible Note is proposed to be transferred to or dealt with by a connected person (as defined in the Listing Rules) of the Company.

## Listing

No listing of the Convertible Note will be sought on the Stock Exchange or any other stock exchanges.

## LISTING APPLICATION

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares if the Company decides to issue the Convertible Note.

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in property trading and investment. The Directors consider that the Acquisition is in line with the Group's business strategy and will allow the Group to further diversify its investment in the PRC. The board of Directors and the independent non-executive directors of the Company are of the view that the terms of the Share Transfer Agreement are fair and reasonable as far as its shareholders are concerned and that the Acquisition is in the interest of the Company.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The table below shows the shareholding structure of the Company in the event that the Company decides to issue the Convertible Note (and assuming the Convertible Note is converted in full):

	<b>As at the date of this announcement</b>		<b>Upon conversion of the Convertible Note in full</b>	
	<i>Number of issued Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Ming Yuan Investments Holdings Limited	312,624,443	74.5	312,624,443	69.1
Vendor	0	0	33,000,000	7.3
Public shareholders	106,994,803	25.5	106,994,803	23.6
	<u>419,619,246</u>	<u>100</u>	<u>452,619,246</u>	<u>100</u>

## GENERAL

Henco has been appointed as the financial adviser to the Company in respect of the Acquisition. The Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Acquisition will be despatched to the shareholders of the Company as soon as practicable.

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## DEFINITIONS

“Acquisition”	the acquisition by Fun Area from the Vendor of the entire issued share capital of Fieldcrown pursuant to the Share Transfer Agreement
“Company”	Shanghai Ming Yuan Holdings Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the Share Transfer Agreement
“Conversion Shares”	new Shares which may fall to be issued upon conversion of the principal amount of the Convertible Note
“Convertible Note”	the convertible note in the principal amount of HK\$33,000,000 to be issued by the Company to the Vendor pursuant to the Share Transfer Agreement
“Directors”	the directors of the Company
“Fieldcrown”	Fieldcrown Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Fun Area”	Fun Area Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Henco”	Henco Capital Limited, an investment adviser and a dealer registered under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong
“Investment Property”	level 2 and level 3, East Phase, New Century Plaza, 48 Xing Yi Lu, Chang Ning Qu, Shanghai, PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Noteholder(s)”	the holder of the Convertible Note
“PRC”	the People’s Republic of China
“Share Transfer Agreement”	the agreement dated 12 December 2002 entered into between Fun Area as purchaser and the Vendor as vendor in relation to the sale and purchase of the entire issued share capital of Fieldcrown
“Shares”	ordinary shares of HK\$0.25 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Zhou Li Qun, an independent third party not connected with the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries, or an associate of any of them (as defined in the Listing Rules)

“HK\$”

Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC

By Order of the Board  
**Shanghai Ming Yuan Holdings Limited**  
上海銘源控股有限公司\*  
**Chien Hoe Yong**  
*Executive Director*

Hong Kong, 13 December 2002.

\* *for indentification only*

"Please also refer to the published version of this announcement in The Standard"