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## **MASCOTTE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 136)**

### **A VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION AND RESUMPTION OF TRADING**

#### **THE ACQUISITION**

On 6 June 2006, the Purchaser, being a direct wholly-owned subsidiary of the Company and principally engaged in investment holding, entered into the Acquisition Agreement with Ms. Chan in relation to the acquisition of the entire issued share capital of Jet Star and the Shareholders' Loan for a total consideration of HK\$92 million. The principal asset of Jet Star is its interest in the PRC Property, being a 20-storey commercial office building located in Liwan District, in Guangzhou City of Guangzhou Province, PRC (廣州市荔灣區).

The Acquisition, having taken into account the Shareholder's Loan, constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules which requires the approval by the independent Shareholders at the SGM. Further information on the Acquisition Agreement is set out below.

Ms. Chan is the chairperson and an executive director of the Company. She is also the beneficial owner of the entire issued share capital in Jet Star. Further information on Jet Star is set out below.

As Ms. Chan is a connected person of the Company, under the Listing Rules, the proposed acquisition of the entire issued share capital of Jet Star by the Group constitutes a connected transaction of the Company under the Listing Rules and is conditional upon, inter alia, approval by the independent Shareholders, voting by way of poll, at the SGM.

The SGM will be convened and held for the independent Shareholders to consider and, if thought fit, to approve the Acquisition Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Ms. Chan and her associates are holding approximately 45.6% of the issued share capital of the Company. Ms. Chan and her associates will abstain from voting on the Acquisition Agreement at the SGM.

A circular containing, among other things, further information on the Acquisition Agreement, financial information relating to the Group, Jet Star, the notice of the SGM and other information as required under the Listing Rules, will be despatched to the Shareholders as soon as practicable.

Quam Capital Limited has been appointed as the independent financial adviser to advise the independent committee of the board of the Company and the independent Shareholders in relation to the Acquisition Agreement.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 7 June 2006 pending release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 12 June 2006.

**Shareholders should note that completion of the Acquisition Agreement is conditional. Shareholders and the investing public should exercise caution when dealing in the shares of the Company.**

## **THE ACQUISITION AGREEMENT DATED 6 JUNE 2006**

### **1. Parties**

Vendor: Ms. Chan, the chairperson and an executive director of the Company

Purchaser: Mascotte Group Limited, a direct wholly owned subsidiary of the Company

### **2. Assets to be acquired**

The Sale Shares, being 998 ordinary shares and 2 non-voting deferred shares of Jet Star, representing the entire issued share capital of Jet Star, and the Shareholders' Loan of HK\$25,278,799 owed by Jet Star to the Vendor as at the date of this announcement.

The principle assets of Jet Star is its interest in the PRC Property as more particularly described in the sections headed "Information on Jet Star" and "Information on the PRC Property" below.

### **3. Conditions precedent**

Completion is conditional upon:

- (a) the Purchaser having completed its due diligence on Jet Star and the PRC Property (including without limitation, review of business, legal, financial, commercial and taxation aspects), the results of which are, in the absolute opinion of the Purchaser, satisfactory and acceptable to the Purchaser in all respects;
- (b) the Purchaser having obtained a written legal opinion issued by a lawyer (acceptable to the Purchaser) qualified to practise PRC laws (which form and contents are satisfactory and acceptable to the Purchaser at its absolute discretion) confirming, among other matters,
  - (i) Jet Star's rights and title to the PRC Property;
  - (ii) no consents or approvals shall be required from any relevant PRC governmental or regulatory authorities in respect of the transactions contemplated under the Acquisition Agreement; and
  - (iii) other issues relating thereto which the Purchaser at its sole discretion consider necessary;

- (c) all warranties under the Acquisition Agreement remaining true and accurate;
- (d) the Shareholders who are not required to abstain from voting in connection herewith having passed an ordinary resolution at its special general meeting approving the transactions contemplated under the Acquisition Agreement;
- (e) the Purchaser having received a valuation report issued by a firm of professional valuers acceptable to the Purchaser in relation to the PRC Property showing the value of the PRC Property to be not less than HK\$125 million; and
- (f) all necessary consents, permits and approval (whether governmental, regulatory or otherwise) as may be required in respect of the Acquisition Agreement and the transactions contemplated thereunder having been obtained by the Purchaser.

Pursuant to the terms of the Acquisition Agreement, the Purchaser shall be entitled in its absolute discretion, at any time by written notice in writing to the Vendor, to waive any of the conditions precedent (save that the conditions precedent in paragraphs (d) and (f) above cannot be waived) either in whole or in part. If (i) any of the conditions precedent set out in paragraphs (a) to (f) above has not been satisfied (or as the case may be, waived by the Purchaser) at or before 5:00 p.m. on the Long Stop Date (i.e. 31 July 2006); or (ii) the Purchaser informs the Vendor in writing that it is not satisfied with the results of the due diligence conducted according to the paragraph (a) above, the Acquisition Agreement shall automatically terminate and none of the parties to the Acquisition Agreement shall have any claim of any nature or liabilities hereunder whatsoever against any of the other parties under the Acquisition Agreement (save for any antecedent breaches of the terms thereof).

#### **4. Consideration and payment terms**

The aggregate consideration for the sale and purchase of the Sale Shares and the Shareholders' Loan shall be HK\$92 million. The Consideration, which represents a 13.8% discount on the unaudited net asset value of Jet Star of approximately HK\$81.4 million and the Shareholders' Loan of approximately HK\$25.3 million as at 31 March 2006 was determined by arm's length negotiations between the Vendor and Mascotte Group with reference to the net asset value of the Sale Shares and having taken into account of the Shareholders' Loan. The Board considers that the Consideration is fair and reasonable and that the Acquisition will not affect the Company's working capital and normal operation.

The Consideration shall be satisfied by the Purchaser in the following manner:

- (a) HK\$48 million shall be payable by the Purchaser upon Completion which will be satisfied by the Company's available cash on hand as to HK\$28 million and by drawing on existing banking facilities available to the Company as to HK\$20 million; and

- (b) HK\$44 million (the “Deferred Payment”) shall be payable in accordance with the following table:

<b>Amount of Deferred Payment</b>	<b>Date of payment</b>
HK\$5,500,000	30 September 2006
HK\$5,500,000	31 March 2007
HK\$5,500,000	30 September 2007
HK\$5,500,000	31 March 2008
HK\$5,500,000	30 September 2008
HK\$5,500,000	31 March 2009
HK\$5,500,000	30 September 2009
HK\$5,500,000	31 March 2010

- (c) The amount of Deferred Payment outstanding from time to time shall carry interest calculated at the rate of 1.5% over one month HIBOR (Hong Kong Interbank Offered Rate) from time to time per annum. Interest shall accrue on a day-to-day basis from 1 October 2006 and shall be calculated on the basis of the actual number of days elapsed and a 365-day year, which shall be payable on the above dates of payment.

Taking into account the current financial position of the Company and the initial outlay of HK\$48 million upon Completion, the parties have agreed that the HK\$44 million portion of the Consideration shall be satisfied by instalments as Deferred Payment. However, the Purchaser shall be entitled to prepay all or any part of the Deferred Payment (in multiples of HK\$5,500,000) by serving a notice in writing to the Vendor 7 Business Days prior to the intended prepayment, stating the amount of the Deferred Payment subject to prepayment and the date of such payment. The prepayment is entitled to an annual discount rate of 2.5% and to be calculated in accordance with the relevant provision in the Acquisition Agreement.

On the other hand, if the Purchaser’s cashflow (after working capital requirements for the Purchaser’s operations from time to time) is insufficient to pay and fulfil its Deferred Payment obligations (together with accumulated interest pursuant to paragraph (c) above) on any scheduled payment dates as set out in paragraph (b) above, the Purchaser may defer such payments to such dates to be determined until the Purchaser’s financial and liquidity position permits.

## **5. Completion**

Subject to fulfilment or waiver (as the case may be) of the above conditions precedent, Completion shall take place on the Completion Date.

## **INFORMATION ON JET STAR**

Jet Star is a private limited liability company incorporated under the laws of Hong Kong on 8 October 2003. As at the date of this announcement, Jet Star has an authorised share capital of HK\$10,000 consisting of 10,000 shares of HK\$1.00 each, of which 998 ordinary Shares and 2 non-voting deferred Shares have been issued and fully paid, all of which are beneficially owned by Ms. Chan. As at the date of this announcement, Ms. Chan is also a director and the company secretary of Jet Star.

Jet Star is principally engaged in the business of real estate, which comprises the investment holding and leasing of the PRC Property.

Based on its latest unaudited management accounts, Jet Star recorded an unaudited net income of approximately HK\$64.2 million for the year ended 31 March 2005 which comprised of, among other things, approximately HK\$753,339 rental income derived from the PRC Property and approximately HK\$70.9 million increase in fair value of the PRC Property, and an unaudited net income of approximately HK\$15.6 million for the year ended 31 March 2006 which comprised of, among other things, approximately HK\$1.7 million rental income derived from the PRC Property and approximately HK\$16.4 million increase in fair value of the PRC Property.

The unaudited balance sheet of Jet Star as at 31 March 2006 recorded total asset value of approximately HK\$126.0 million, which comprised of property, plant and equipment of approximately HK\$19,148, investment property of approximately HK\$125.6 million, trade and other receivables, deposits and prepayments of approximately HK\$408,579, and bank balances of approximately HK\$1,010. The unaudited balance sheet of Jet Star as at 31 March 2006 recorded total liabilities of approximately HK\$44.6 million.

The audited financial statements of Jet Star are being prepared by auditors and will be included in the circular to be despatched to the Shareholders in respect of the Acquisition.

## **INFORMATION ON THE PRC PROPERTY**

The PRC Property, representing the whole block (20-storeys) of Jifu Building, is a commercial office building located in the Liwan District of Guangzhou City in Guangdong Province. Based on the relevant Real Estate Ownership Certificate, the site area of the PRC Property is shown to be 10,521.32 sq.m. The PRC Property is subject to various tenancies, in vacant possession and occupied by Jet Star as temporary office. The average occupancy rate was 34.9% for the year ended 31 March 2005 and 41.3% for the year ended 31 March 2006.

The PRC Property was acquired by Jet Star from the Industrial and Commercial Bank of China (Guangzhou City 2nd Branch) at a consideration of RMB16.95 million by way of an auction which took place in the PRC on 3 June 2004 (“Transfer”).

According to the legal opinion obtained by the Group from a law firm in Guangzhou, the PRC (“PRC Legal Opinion”), Jet Star enjoys the rights of possession, use of the PRC Property and income derived from the PRC Property including lease and from other lawful means. However, Jet Star is not entitled to dispose of the PRC Property by way of transfer or mortgage in the open market until it has obtained a real estate ownership certificate (房地產證) in the name of Jet Star (“Real Estate Ownership Certificate”). In order to obtain such certificate, outstanding taxes and payments in the amount of approximately RMB8.5 million (equivalent to approximately HK\$8.2 million), which comprise of approximately RMB7.1 million as land premium (土地出讓金), RMB126,256 as real estate transfer fee (房地產交易手續費), RMB33,900 as stamp duty (產權轉移書據印花稅和權利許可證照印花稅), RMB80 as registration fee (房屋所有權登記費和土地證書費), and approximately RMB1.2 million as deed tax (契稅), will be payable by Jet Star with to relevant PRC authorities. The PRC Legal Opinion further provides that when Jet Star has settled all the outstanding taxes and payments in full and applies for the Real Estate Ownership Certificate in accordance with the relevant application procedures, there is no foreseeable obstacle for Jet Star to obtain the Real Estate Ownership Certificate under its name. According to the Vendor, as Jet Star had no intention to dispose of the PRC Property, it has been decided that there is no immediate need to obtain the Real Estate Ownership Certificate. Instead of immediately expending approximately RMB8.5 million (equivalent to approximately HK\$8.2 million) for the relevant taxes and payments in connection with the obtaining of the Real Estate Ownership Certificate, Jet Star utilised resources to finance the renovation work on the entire building which began on or about August 2004 and was completed on or about October 2005, with a view to enhancing the long term market value of the

PRC Property and increasing its rental yield. The Purchaser will take steps to procure Jet Star to obtain the Real Estate Ownership Certificate including settlement of the outstanding taxes and payments following Completion which is expected to be financed by income to be generated from the PRC Property and/or other funds available to Jet Star.

## **INFORMATION ON THE COMPANY**

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacture and sale of accessories for photographic, electrical and multimedia products, property investment and development.

## **REASONS FOR THE ACQUISITION**

By leveraging on the Group's experience in the property business, the Group is open to property investment opportunities and has decided to further expand its investment properties portfolio in high quality commercial buildings. The Board has been actively seeking property investment opportunities in Hong Kong, Macau and the PRC and identified the Acquisition during its normal soliciting process. The Board considers that the Acquisition is in line with the Group's business strategy.

The Acquisition represents an attractive opportunity to the Group as it enables the Group to further diversify into the property market in the PRC and having considered, among other things, the location, quality and market value of the PRC Property.

The Board has engaged Vigers Appraisal & Consulting Limited, an independent property valuer, to conduct a valuation on the PRC Property, and the PRC Property was valued at RMB130 million as at the date of valuation. A valuation report of the Property will be included in the circular to be despatched to the Shareholders in respect of the Acquisition. In considering the Acquisition, the Board has also taken into account the prospering property market in Guangzhou City.

The Board has also considered the recently implemented measures to curb real estate short term speculation and to cool steep rises in property prices in the PRC but these have little impact on its decision on the Acquisition as it is the intention of the Group to hold the PRC Property for long term investment purposes.

In view of the above, the Board (including the independent non-executive directors) considers the entering into of the Acquisition Agreement (including the transactions contemplated thereunder) is in the interest of the Company and the Shareholders as a whole and that the terms of the Acquisition Agreement are fair and reasonable.

## **SGM**

The Acquisition, having taken into account the Shareholder's Loans, constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules which requires the approval by the independent Shareholders at the SGM.

Ms. Chan is the chairperson and an executive director of the Company. She is also the beneficial owner of the entire issued share capital in Jet Star and the vendor under the Acquisition. As Ms. Chan is a connected person of the Company, under the Listing Rules, the Acquisition constitutes a connected transaction of the Company under the Listing Rules and is conditional upon, inter alia, approval by the independent Shareholders, voting by way of poll, at the SGM.



The SGM will be convened and held for the Shareholders to consider and, if consider appropriate, to approve the Acquisition Agreement and the transactions contemplated thereunder. As at the date of this announcement, Ms. Chan and her associates are holding approximately 45.6% of the issued share capital of the Company. Ms. Chan and her associates will abstain from voting on the Acquisition Agreement at the SGM.

## **GENERAL**

A circular containing, among other things, further details of the Acquisition Agreement, financial information relating to the Group, Jet Star, the notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders as soon as practicable.

Quam Capital Limited has been appointed as the independent financial adviser to advise the independent committee of the board of the Company and the independent shareholders in relation to the Acquisition Agreement.

**Shareholders should note that completion of the Acquisition Agreement is conditional. Shareholders and the investing public should exercise caution when dealing in the shares of the Company.**

## **SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company with effect from 9:30 a.m. on 7 June 2006 pending release of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares from 9:30 a.m. on 12 June 2006.

## **TERMS USED IN THIS ANNOUNCEMENT**

“Acquisition”	acquisition of the Sale Shares and Shareholders’ Loan by Mascotte Group pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 6 June 2006 entered into between the Vendor and Mascotte Group in relation to the Acquisition
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturdays and days on which a tropical cyclone warning No. 8 or above or a black rainstorm waning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m) on which licensed banks s in Hong Kong are generally open for business on normal business hours
“Company”	Mascotte Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the Acquisition Agreement
“Completion Date”	the fifth Business Day from the date on which the conditions precedent contained in the Acquisition Agreement have been fulfilled or waived (as the case may be) or such other date as may be agreed by the Vendor and Mascotte Group in writing

“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the total sum of HK\$92 million, payable by Mascotte Group to the Vendor for the purchase of the Sale Shares and the Shareholders’ Loan pursuant to the Acquisition Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2006 or such other date as agreed by the Vendor and the Purchaser in writing
“Ms. Chan” or “Vendor”	Chan Oi Ling, Maria Olimpia, chairperson and an executive director of the Company, and is the vendor under the Acquisition
“Mascotte Group” or “Purchaser”	Mascotte Group Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company, and is the purchaser under the Acquisition
“Jet Star”	Jet Star Industries Limited, a company incorporated with limited liability under the laws of Hong Kong
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau and Taiwan for the purpose of this announcement
“PRC Property”	the whole block of Jifu Building, No. 103 Shibafu Road, Liwan District, Guangzhou City, Guangdong Province, the PRC (廣州市荔灣區十八甫路103號廣宇大廈綜合樓) with a total gross floor area of 10,521.32 sq.m.
“Sale Shares”	the 998 ordinary shares and 2 non-voting deferred shares in Jet Star beneficially owned by the Vendor, representing the entire issued share capital of Jet Star
“SGM”	the special general meeting of the Company to be convened and held for the independent Shareholders to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	an aggregate amount of HK\$25,278,799 which is owed by Jet Star to the Vendor as at the date of the Acquisition Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong



“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.
“sq.m.”	square metre(s)

On behalf of the Board  
**Mascotte Holdings Limited**  
**Lam Yu Ho, Daniel**  
*Managing Director*

Hong Kong, 9 June 2006

*As at the date of this announcement, the Board comprises Ms. Chan Oi Ling, Maria Olimpia (Chairperson) and Mr. Lam Yu Ho, Daniel (Managing Director), Mr. Cheng Lok Hing, Mr. Cheng Chun Kit and Ms. Ji Hong as executive Directors, Mr. Wong Yui Leung, Larry, Mr. Lui Wai Shan, Wilson and Mr. Cheung Ngai Lam as independent non-executive Directors.*