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SHANG HUA HOLDINGS LIMITED

上華控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 371)



北京控股有限公司
BEIJING ENTERPRISES HOLDINGS LIMITED

*(Incorporated in Hong Kong with limited liability
under the Companies Ordinance)*

(Stock Code: 392)

**MEMORANDUM OF COOPERATION
SUBSCRIPTION OF NEW SHARES AND BONDS
GRANT OF OPTIONS TO SUBSCRIBE FOR BONDS
WHITEWASH WAIVER
CHANGE OF COMPANY NAME
INCREASE IN AUTHORISED SHARE CAPITAL
AND
RESUMPTION OF TRADING**

MEMORANDUM OF COOPERATION

On 9 January 2008, the Company and BEHL entered into the MOU, pursuant to which (i) the Company conditionally agreed to issue and BEHL conditionally agreed to subscribe for convertible bonds with aggregate principal amount of HK\$600,000,000 to HK\$800,000,000 at a conversion price of not more than HK\$0.40 per Share; and (ii) the Company and BEHL agreed to appoint professionals to finalize the terms of the convertible bonds and to prepare the necessary legal documents.

THE SUBSCRIPTION AGREEMENT

On 21 January 2008, the Company, the Subscriber and BEHL entered into the Subscription Agreement which superseded the MOU. Pursuant to the Subscription Agreement, (i) the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for 247,000,000 new Shares at a price of HK\$0.40 per new Share; (ii) the Company conditionally agreed to issue and the Subscriber conditionally agreed to purchase the Firm Bonds; and (iii) the Company conditionally agreed to grant the Call Options to the Subscriber.

WHITEWASH WAIVER

Immediately following the allotment and issue of the Subscription Shares to the Subscriber on Completion, the Subscriber, BEHL and parties acting in concert with any of them will be interested in 247,000,000 Shares, representing approximately 74.78% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. The Subscriber will make an application to the Executive for the Whitewash Waiver and such grant will be subject to, among other things, approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolution shall be taken by poll.

GENERAL

The SGM will be held to consider and if thought fit, pass the resolutions to approve, among other things, the Subscription Agreement and the Whitewash Waiver. The Subscriber, BEHL and parties acting in concert with any of them and their respective associates will abstain from voting on the resolutions approving the Subscription Agreement and the Whitewash Waiver at the SGM.

The Independent Board Committee will be formed to consider the terms of the Subscription Agreement and the Whitewash Waiver and an independent financial adviser will be appointed in due course to advise the Independent Board Committee in these regards.

A circular will be despatched to Shareholders in accordance with the requirements of the Takeovers Code and the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 2:30 p.m. on 9 January 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on Stock Exchange with effect from 9:30 a.m on 29 January 2008.

Completion of the Subscription Agreement is subject to fulfillment of conditions precedent including the obtaining of the approval of the Independent Shareholders and the grant of the Whitewash Waiver and may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

THE MEMORANDUM OF COOPERATION

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On 21 January 2008, the Company and the Subscriber entered into the Subscription Agreement which superseded the MOU.

THE SUBSCRIPTION AGREEMENT

Date

21 January 2008

Parties

- (a) The Company;
- (b) Lucky Crown Management Limited (i.e., the Subscriber), a company which is directly and wholly-owned by BEHL; and
- (c) BEHL, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange.

Each of the Subscriber and BEHL represents and warrants to the Company that neither the Subscriber, BEHL and its ultimate beneficial owners nor parties acting in concert with any of them are parties connected with or acting in concert with any substantial shareholder, chief executive and directors of the Company and its subsidiaries and their respective associates.

The Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, 247,000,000 new Shares at a subscription price of HK\$0.40 per new Share. The Subscription Shares represents approximately 296.57% of the existing issued share capital and approximately 74.78% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares.

The Subscription Shares will be issued under a specific mandate proposed to be sought from the Shareholders at the SGM.

The Subscription Price

The Subscription Price of HK\$0.40 per Subscription Share represents:

- (a) a discount of approximately 47.37% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 41.18% to the average closing price of HK\$0.68 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date;
- (c) a discount of approximately 46.67% to the average closing price of HK\$0.75 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and
- (d) a premium of approximately 5.26% to the net asset value of the Company of approximately HK\$0.38 per Share as at 30 June 2007, being the date to which the latest audited financial statement of the Company were made up.

The Subscription Price was determined with reference to the prevailing market price of the Shares after taking into account the financial position of the Company including the net asset value per Share and its past record of loss since 1999, and was negotiated on an arm's length basis between the Company and the Subscriber.

The Firm Bonds

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for, the Firm Bonds at the selling price of HK\$200,000,000.

The Firm Bonds will be issued under a specific mandate proposed to be sought from the Shareholders at the SGM.

The Call Options

Pursuant to the Subscription Agreement, the Company has agreed to grant the Subscriber (i) the First Call Option to require the Company to issue the First Option Bonds any time during the 12-month period after the Completion Date (which may be extended by agreement between the Subscriber and the Company); and (ii) the Second Call Option to require the Company to issue the Second Option Bonds any time during the period commencing on the Completion Date and ending on 31 December 2009 (which may be extended by agreement between the Subscriber and the Company).

Principal terms of the Bonds

Issuer	:	The Company
Principal amount	:	Firm Bonds – HK\$200,000,000 First Option Bonds – HK\$300,000,000 Second Option Bonds – HK\$200,000,000
Maturity date	:	The date falling on the third anniversary of the date of issue by the Company of the Firm Bonds, the First Option Bonds or the Second Option Bonds (as the case may be).
Initial conversion price	:	HK\$0.40 per Conversion Share.

The Initial Conversion Price was determined with reference to the prevailing market price of the Shares and the Subscription Price and was negotiated on an arm's length basis between the Company and the Subscriber. No minimum conversion price was stipulated in the Agreement.

The Initial Conversion Price is subject to adjustments in the event of consolidation or subdivision of the Shares, the issue of Shares by way of capitalization of profits or reserves, the making of capital distribution by the Company, rights issue or the issue of Shares or convertible securities at a price which is less than 95% of the market price, the issue of Shares for acquisition of assets, and the purchase of the Shares by the Company, which may or may not occur. The Company considers that foregoing events of adjustment are normal and customary of their kind.

The Initial Conversion Price represents:

- (a) a discount of approximately 47.37% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 41.18% to the average closing price of HK\$0.68 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Date;

- (c) a discount of approximately 46.67% to the average closing price of HK\$0.75 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Date; and
- (d) a premium of approximately 5.26% to the net asset value of the Company of approximately HK\$0.38 per Share as at 30 June 2007, being the date to which the latest audited financial statement of the Company were made up.

The holders of the Bonds shall have the rights at any time during the applicable conversion period to convert the Bonds in whole, or in any part representing at least HK\$10,000,000 of the outstanding principal amount of the Bonds, into the Conversion Shares at the applicable conversion price.

Ranking	:	The Conversion Shares, when allotted and issued, will rank pari passu in all respects with the other Shares in issue as at the date of issue of the Conversion Shares.
Interest	:	The Bonds shall not bear any interest.
Transferability	:	The Bonds may be transferable in whole or in part in multiples of HK\$10,000,000, provided that if necessary, the prior approval of the Stock Exchange shall be required for any transfer to any transferee which is a connected person (as defined in the Listing Rules) of the Company.
Voting rights	:	The Bonds do not confer on the holder(s) of the Bonds the right to vote at a general meeting of the Company.
Events of default	:	On the occurrence of certain events of default specified in the Bonds (e.g., liquidation), the holder(s) of the Bonds shall be entitled to demand repayment of the relevant Bonds.
Listing	:	No application will be made for the listing of the Bonds on the Stock Exchange or any other stock exchange

Public float : The Company, at all times, shall use its reasonable endeavours to ensure that the relevant provisions as to the minimum public float requirement of the Listing Rules are complied with. It will be a term of the Bonds that the holder(s) of the Bonds shall not exercise any of the conversion rights attaching to the Bonds, if following such exercise, the Company's minimum public float cannot be maintained.

Upon exercise in full of the conversion rights attaching to the Firm Bonds, an aggregate of 500,000,000 Conversion Shares would fall to be allotted and issued by the Company at the Initial Conversion Price, which represents (a) approximately 600.34% of the existing issued share capital; (b) approximately 151.38% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; and (c) approximately 60.22% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Conversion Shares upon full exercise of the Firm Bonds.

Upon exercise in full of the conversion rights attaching to First Option Bonds, an aggregate of 750,000,000 Conversion Shares would fall to be allotted and issued by the Company at the Initial Conversion Price, which represents (a) approximately 900.52% of the existing issued share capital; (b) approximately 227.08% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; (c) approximately 90.33% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Conversion Shares upon full exercise of the Firm Bonds; and (d) approximately 47.46% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Conversion Shares upon full exercise of the Firm Bonds and the Conversion Shares upon full exercise of the First Option Bonds.

Upon exercise in full of the conversion rights attaching to Second Option Bonds, an aggregate of 500,000,000 Conversion Shares would fall to be allotted and issued by the Company at the Initial Conversion Price, which represents (a) approximately 600.34% of the existing issued share capital; (b) approximately 151.38% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; (c) approximately 60.22% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Conversion Shares upon full exercise of the Firm Bonds; (d) approximately 31.64% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Conversion Shares upon full exercise of the Firm Bonds and the Conversion Shares upon full exercise of the First Option Bonds; and (e) approximately 24.04% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, the Conversion Shares upon full exercise of the Firm Bonds, the Conversion Shares upon full exercise of the First Option Bonds and the Conversion Shares upon full exercise of the Second Option Bonds.

The Company will disclose by way of an announcement all relevant details of the conversion of the Bonds in the following manner:

- (a) the Company will make the Monthly Announcement on the website of the Stock Exchange and the Company. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in the table form:
 - (i) whether there is any conversion of the Bonds during the relevant month. If there is a conversion, details thereof including the conversion date, number of new Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (ii) the amount of outstanding of the Bonds after the conversion, if any;
 - (iii) the total number of Shares issued pursuant to other transactions during the relevant month, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company; and
 - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant months;
- (b) in addition to the Monthly Announcement, if the cumulative amount of the Conversion Shares issued pursuant to the conversion of the Bonds reaches 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange and the Company including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Bonds (as the case may be) up to the date on which the total amount of Shares issued pursuant to the conversion amounted to 5% of the issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Bonds (as the case may be); and
- (c) if the Company forms the view that any issue of Conversion Shares will trigger the disclosure requirements under Rule 13.09 of the Listing Rules, then the Company is obliged to make such disclosures regardless of the issue of any announcements in relation to the Bonds as mentioned in (a) and (b) above.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon:

- (a) the passing by the Shareholders (other than those prohibited from voting under the Listing Rules and/or the Takeovers Code, if applicable) of all necessary resolutions at the SGM approving:
 - (i) the Subscription Agreement and the transactions contemplated thereunder including (but not limited to) the grant of the Call Options, the issue of the Subscription Shares, the Bonds and the Conversion Shares in accordance with the terms of the Subscription Agreement;
 - (ii) the change of the Company's name to such name as is provided by the Subscriber to the Company not later than the third business day prior to the despatch of the notice of the SGM to the Shareholders with effect from the Completion Date;
 - (iii) the grant of a waiver in respect of the obligation of the Subscriber and the parties acting in concert with it (if any) to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired or subscribed by the Subscriber or any parties acting in concert with it (if any) as a result of the issue of the Subscription Shares in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code; and
 - (iv) the increase in the authorized share capital of the Company from HK\$150,000,000 to HK\$1,500,000,000;
- (b) the Executive granting to the Subscriber a waiver of the obligation to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired or subscribed by the Subscriber or any parties acting in concert with it (if any) as a result of the issue of the Subscription Shares;
- (c) the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares (and such permission and listing not subsequently being revoked prior to the delivery of the definitive certificate(s) with respect to the Subscription Shares and the bond certificates with respect to the Firm Bonds);
- (d) the Bermuda Monetary Authority granting permission for the issue of the Subscription Shares, the Bonds and the Conversion Shares (if required);

- (e) the Subscriber being reasonably satisfied with the results of the due diligence review on the Group, including in relation to the Group's assets, liabilities, contracts, commitments, and its business and financial, legal, taxation and compliance aspects, provided that such due diligence review shall be completed within 14 days from the date of the Subscription Agreement;
- (f) the grant of the approval by the Stock Exchange for the resumption of trading in Shares on the Stock Exchange pending the release of this announcement;
- (g) the current listing of the Shares not having been withdrawn and the Shares continuing to be traded on the Stock Exchange (save for any temporary suspension of not more than seven consecutive trading days (as defined in the Listing Rules) or any suspension pending clearance of any announcement in connection with the execution of the Agreement or the transactions contemplated under the Agreement); no indication having been received on or before the Completion Date from the Stock Exchange or the SFC to the effect that the listing of the Shares may be withdrawn or objected to for any reason having arisen which may adversely affect the listing status of the Company on the Stock Exchange;
- (h) the warranties set forth in the Subscription Agreement remaining true and accurate and not misleading in any material respects;
- (i) all other requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Subscription Agreement having been obtained by the Company;
- (j) the Subscriber being reasonably satisfied that there has been no material adverse change;
- (k) there being no event existing or having occurred and no condition being in existence which would (if after the issue of the Firm Bonds) constitute an event of default and no event or act having occurred which, with the giving of notices, or the lapse of time, or both, would (if after the issue of the Firm Bonds) constitute an event of default; and
- (l) the Subscriber being reasonably satisfied that there has been no material breach of obligations and undertakings given by the Company under the Subscription Agreement to be performed not later than one hour before the agreed time for Completion.

The Subscriber may in its absolute discretion waive the conditions precedent referred to in paragraph (a)(ii) and (iv), (e), (g), (h), (j), (k) and (l) above at any time by notice in writing to the Company. Except the foregoing conditions precedent, the Subscriber does not have the rights to waive the conditions precedent under the Subscription Agreement. In the event that not all of the conditions precedent are fulfilled, or waived by the Subscriber (as the case may be) by the Long Stop Date, then none of the parties shall be bound to proceed with the issue and subscription of the Subscription Shares and the Firm Bonds and the grant of the Call Options, and the Subscription Agreement shall be automatically terminated forthwith and cease to be of any effect whereupon the parties shall have no claim against each other arising out of or in connection with the Subscription Agreement and save in respect of claims arising out of any antecedent breach thereof.

Subject to the continuing fulfillment of the conditions precedent or waiver thereof (as the case may be) in accordance with the Subscription Agreement, Completion shall take place on the third Business Day immediately following the fulfillment or satisfaction (or if applicable, waiver) of the conditions precedent. At Completion, the Company shall issue all of the Subscription Shares and the Firm Bonds and grant the Call Options (but not part only unless the Subscriber agrees to do so).

Indemnification

The Company has represented and warranted to the Subscriber that the Company has no liabilities, actual, contingent or otherwise, except (i) liabilities expressly provided in the audited consolidated accounts of the Group for the financial year ended June 30, 2007 and the unaudited consolidated management accounts of the Group for the six months ended 31 December 2007; and (ii) actual liabilities incurred in the ordinary course of business of the relevant members of the Group not exceeding HK\$500,000 in a single transaction and HK\$1,000,000 in aggregate. Subject to and conditional on the Completion, in the event of any breach of the foregoing warranty, the Company shall indemnify the Subscriber and pay to the Subscriber on demand an amount equal to the product of the liabilities to which any member of the Group is liable as confirmed and certified by the auditors of the Company and the percentage of the Shares held by the Subscriber in the then issued share capital of the Company upon Completion.

The maximum aggregate liability of the Company for breach of any warranty contained in the Subscription Agreement shall not exceed the aggregate amount of the consideration of the Subscription Shares and selling price of the Bonds received by the Company. All claims for indemnification shall be brought in writing to the Company no later than the third anniversary of the Completion Date.

WHITEWASH WAIVER

Immediately following the allotment and issue of the Subscription Shares to the Subscriber on Completion, the Subscriber, BEHL and parties acting in concert with any of them will be interested in 247,000,000 Shares, representing approximately 74.78% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares. In the absence of the Whitewash Waiver, the Subscriber would incur an obligation pursuant to Rule 26 of the Takeovers Code to make a mandatory offer to the Shareholders to acquire all the Shares other than those held by the Subscriber and parties acting in concert with it.

The Subscriber will make an application to the Executive for the Whitewash Waiver and such grant will be subject to, among other things, (i) approval of the Independent Shareholders in respect of the Whitewash Waiver at the SGM where voting on the relevant resolutions shall be taken by poll; (ii) the Subscriber and the parties acting in concert with it not having acquired any Shares in the six months prior to the date of this announcement but subsequent to negotiations, discussions or the reaching of understanding or agreements with the Directors in relation to the subscription of the Subscription Shares under the Subscription Agreement; and (iii) the Subscriber and parties acting in concert with it not having any acquisitions or disposals of the Shares between the date of this announcement and the Completion.

Save for the Shares to be issued pursuant to the exercise of options granted under the share option scheme of the Company and pursuant to the conversion of the Tranche 1 Bond, the Company does not have any other outstanding options, warrants, derivatives and other securities convertible or exchangeable into Shares or any other derivatives as at the date of this announcement.

The Subscriber, BEHL and parties acting in concert with any of them and their respective associates will abstain from voting on the resolutions approving the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

CHANGE OF THE SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; (ii) upon issue and allotment of the Subscription Shares; (iii) upon full conversion of the Firm Bonds; (iv) upon full conversion of the First Option Bonds and the Second Option Bonds; and (v) upon full conversion of the Tranche 1 Bond and Tranche 2 Bond:

Shareholders	As at the date of this announcement		Upon issue and allotment of the Subscription Shares		Upon full conversion of the Firm Bonds (Note 3)		Upon full conversion of the First Option Bonds and the Second Option Bonds (Note 3)		Upon full conversion of the Tranche 1 Bond and Tranche 2 Bond (Note 4)	
	% share-		% share-		% share-		% share-		% share-	
	No. of Shares	holding	No. of Shares	holding	No. of Shares	holding	No. of Shares	holding	No. of Shares	holding
The Subscriber and parties acting in concert with it	-	-	247,000,000	74.78	747,000,000	89.97	1,997,000,000	96	1,997,000,000	77.39
PWL (Note 1)	18,797,875	22.57	18,797,875	5.69	18,797,875	2.26	18,797,875	0.90	518,797,875	20.11
Aster Well Limited (Note 2)	13,957,000	16.76	13,957,000	4.23	13,957,000	1.68	13,957,000	0.67	13,957,000	0.54
Public	50,530,574	60.67	50,530,574	15.30	50,530,574	6.09	50,530,574	2.43	50,530,574	1.96
Sub-total (public)	50,530,574	60.67	83,285,549	25.22	83,285,549	10.03	83,285,549	4	64,487,574	2.5
Total	83,285,449	100	330,285,449	100	830,285,449	100	2,080,285,449	100	2,580,285,449	100

Note:

- PWL is ultimately and beneficially owned by Ms. Lucy Du as to 50% and Ms. Helen Zhang as to 50%. Neither PWL, its ultimate beneficial owners and their respective nominees or agents had involved in the introduction or any matter leading or ancillary to the signing of the Subscription Agreement or transactions contemplated thereunder. The Subscriber, BEHL and parties acting in concert with any of them do not have any relationship with PWL, Ms Lucy Du or Ms Helen Zhang. Pursuant to the notices under section 324 of the SFO sent by PWL to the Company, PWL disposed on market of 500,000 Shares at the average price of HK\$0.666 per Share on 7 January 2008 and 1,000,000 Shares at the average price of HK\$0.6319 on 9 January 2008.
- Aster Well Limited is ultimately and beneficially owned by Ms. Guan Mei, an executive Director and Deputy Chairman of the Company. Ms. Guan Mei has agreed with the Company that she will resign as Director after conclusion of the SGM and before the Completion. Upon the resignation of Ms. Guan Mei as Director, the Shares held by Aster Well will form part of the public float under the Listing Rules. Save that Ms. Guan Mei is an executive Director and Deputy Chairman of the Company (i) neither Aster Well Limited, its ultimate beneficial owner and their respective nominees or agents had involved in the introduction or any matter leading or ancillary to the signing of the Subscription Agreement or transactions contemplated thereunder; and (ii) the Subscriber, BEHL and parties acting in concert with any of them do not have any relationship with Aster Well Limited or Ms. Guan Mei.

3. It will be a term of the Bonds that the holder(s) of the Bonds shall not exercise any of the conversion rights attaching to the Bonds, if following such exercise, the Company's minimum public float cannot be maintained.
4. Pursuant to the subscription agreement dated 12 April 2007 entered into between the Company and PWL, the Company will only issue conversion shares upon exercise of the Tranche 1 Bond and the Tranche 2 Bond to the extent that there is sufficient public float of the Shares of at least 25% (or such other percentage as determined by the Stock Exchange) of the issued share capital of the Company as enlarged by the issue of such conversion shares.

HIGHEST AND LOWEST SHARE PRICE

The highest and lowest closing price of the Shares as quoted on the Stock Exchange during the six-month period preceding the date of this announcement was HK\$2.00 recorded on 2 August 2007 and HK\$0.53 recorded on 7 January 2008 respectively.

THE SUBSCRIBER'S DEALING AND INTERESTS IN THE COMPANY'S SECURITIES

Save for the entering into of the MOU and the Subscription Agreement, none of the Subscriber, BEHL and parties acting in concert with any of them has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into the Shares during the period commencing on the date falling six months prior to the date of the Subscription Agreement and up to the date of this announcement. As at the date of this announcement, the Subscriber, BEHL and the parties acting in concert with any of them do not hold any Shares or securities of the Company.

INFORMATION OF THE SUBSCRIBER

The Subscriber is a company incorporated in the British Virgin Islands with limited liability and is directly and wholly-owned by BEHL. The Subscriber, its beneficial owners and its concert parties are Independent Third Parties. The principal business of the Subscriber is investment holding. It has not undertaken any business activities other than the entering into of the Subscription Agreement.

BEHL is a company incorporated in Hong Kong with limited liabilities, the shares of which are listed on the Main Board of the Stock Exchange. BEHL's group of companies is principally engaged in public utilities, infrastructure projects, investment holding and investment management.

Beijing Enterprise Group (BVI) Company Limited directly owns approximately 36.11% of the issued share capital of BEHL, while its subsidiary, Beijing Enterprises Investments Limited, a company incorporated in the British Virgin Islands with limited liability, directly and indirectly owns an aggregate of approximately 23.32% of the issued share capital of BEHL. Accordingly, Beijing Enterprise Group (BVI) Company Limited together with Beijing Enterprises Investments Limited own an aggregate of approximately 59.43% of the issued share capital of BEHL.

Based on the price of the Subscription Shares and the price of the Firm Bonds, the payment term of the Subscription Agreement and the value of the Group, the directors of BEHL are of the view that the Subscription Agreement is on normal commercial terms, fair and reasonable and the entering into of the Subscription Agreement is beneficial to BEHL and its shareholders as a whole.

FUTURE INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP

Upon Completion, the Company will become a non wholly-owned indirect subsidiary of BEHL and the results of the Group will be consolidated to the financial statements of BEHL. The Subscriber intends to maintain the listing status of the Company on the Stock Exchange following the Completion.

Following Completion, the Subscriber intends that the Group will progressively reduce its reliance on its existing principal business of trading of computers and related products. The Group will focus on water treatment and environmental business. The Company is fully aware of the restrictions in Rule 14.92 of the Listing Rules and does not intend to dispose of the existing computer business. It is expected that with the proposed business diversification, the contribution from the computer business to the Group would become less material. For its expansion into the water treatment and environmental business, the Company will pursue the Possible Acquisition and consider other opportunities in the sector as and when they arise.

BEHL intends that the Group will be the platform for investment in and development of water treatment and environmental business. BEHL will, subject to the interests of the shareholders of BEHL and the Company, continue to pursue the Possible Acquisition and engage the Group in water treatment and environmental projects that BEHL has been reviewing and negotiating on fair and reasonable basis as and when appropriate.

Regarding water treatment and environmental business which BEHL has been engaged in and operated, BEHL will, in compliance with the requirements of the Listing Rules and the applicable rules and regulations, consolidate it into the Group as and when appropriate. The Company will comply with the requirements of the Listing Rules and the rules and regulations applicable to such consolidation of water treatment and environmental business. The Company is fully aware of the restrictions in Rule 14.06(6)(b) of the Listing Rules and will closely observe such restrictions with respect to acquisitions during the 24 months after Completion.

Any acquisition or disposal of the assets or business of the Group will be in compliance with the Listing Rules. Save for the water treatment and environmental business, the Subscriber has no intention of injecting any assets or business to the Group.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

The Subscriber intends to nominate two new executive Directors to sit on the Board. Their appointment will not take effect earlier than the date of despatch of the circular in relation to, among other things, the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver subject to the requirements under the Takeover Code. A further announcement will be made by the Company and BEHL on any further proposed change of the composition of the Board and new appointment of Directors.

PROPOSED CHANGE OF COMPANY NAME

It was proposed that the name of the Company be changed from “Shang Hua Holdings Limited” to “Beijing Enterprises Water Group Limited” and upon the change of name becoming effective, a new Chinese name “北控水務集團有限公司” will replace “上華控股有限公司” for identification.

The proposed change of name of the Company will not affect any of the rights of the Shareholders. Once the change of name becomes effective, share certificates of the Company will be issued in the new name of the Company. However, all existing share certificates in issue bearing the existing name of the Company, will, after the change of name has become effective, continue to be effective as documents of title to and be valid for trading, settlement and registration purposes. There will not be any arrangement for the exchange of the existing share certificates of the Company for new share certificates bearing the new name of the Company. The proposed change of name will become effective from the date on which the new name of the Company is entered into the register maintained by the Registrar of Companies in Bermuda. The Company will comply with the filing procedures in Hong Kong regarding its change of name and the Company expects to be traded in its new name as soon as the proposed change of name becomes effective and the filing procedures in Hong Kong have been fulfilled. Further announcement will be made by the Company to inform the Shareholders of the effective date of the change of name of the Company and the relevant trading arrangement (if any) as a result of the change of name of the Company.

The proposed change of name of the Company is subject to the satisfaction of the following conditions (a) the passing of a special resolution by the Shareholders approving the change of name of the Company at the SGM; and (b) if necessary, the Registrar of Companies in Bermuda approving the change of the Company’s name. A special resolution will be proposed at the SGM for Shareholders’ approval for the change of the Company’s name.

REASONS FOR ENTERING INTO THE SUBSCRIPTION AGREEMENT

BEHL has expressed its intention to invest in the Group and to use the Group as its platform to invest in and develop water treatment and environmental business. The Directors consider that through the introduction of BEHL as controlling shareholder, the Group will be able to secure business opportunities in water treatment and environmental business. The Directors also believe that the Group will be benefited by BEHL's financial strength and its extensive experience and expertise in public utility sectors including water supply and treatment.

Having taken into consideration the factors discussed above, the Directors (excluding the independent non-executive Directors) consider that the terms of the Subscription Agreement, the Firm Bonds and the Call Options are fair and reasonable and the entering into of the Subscription Agreement, the issue of the Subscription Shares and the Firm Bonds and the grant of the Call Options are in the interests of the Company and the Shareholders as a whole. The independent non-executive Directors' view are subject to the advice to be received from an independent financial adviser, which advice and recommendations in respect of, among other things, the Subscription Agreement and the Whitewash Waiver will be set out in the circular to be issued by the Company to the Shareholders as required by the Takeover Code and the Listing Rules.

USE OF PROCEEDS

The net proceeds from the issue of the Subscription Shares and the Firm Bonds (taking no account of the Options) are estimated to be approximately HK\$98 million. The Directors at present intend to apply the net proceeds as follows:

- (a) as to 20% – 30% for the Possible Acquisition;
- (b) as to 60% – 70% for investment and development of water treatment and environmental business; and
- (c) as to the remaining balance of 10%-20% as general working capital.

Except the Possible Acquisition, there is no present identifiable target of acquisition or investment.

FUND RAISING ACTIVITIES FOR THE PAST 12 MONTHS

The Company issued the Tranche 1 Bond to PWL, an investment holding company currently holding approximately 22.57% of the issued share capital of the Company, on 27 July 2007. As at the date of this announcement, the proceeds of HK\$100,000,000 obtained from the issue of the Tranche I Bonds have not been used. The Company intends to use such proceeds to finance acquisition opportunities for business in water treatment and environmental sector, including the Possible Acquisition. As at the date of this announcement, the Company had not received any notice of exercise of the conversion rights attached to the Tranche 1 Bond.

According to the terms of the subscription agreement with PWL, completion of the subscription of the Tranche 2 Bond should be on a business days in the period between 1 December 2007 to 31 December 2007 (both day inclusive) determined by PWL with at least 7 business days prior written notice to the Company, failing such notice shall be deemed to be 31 December 2007. The Company had not received the said notice from PWL. On 16 January 2008, the Company received a letter from PWL informing the Company that (i) PWL confirms the subscription for the Tranche 2 Bond; and (ii) PWL is making the arrangement for the subscription and it is expected that the subscription for the Tranche 2 Bond will be completed by the end of March 2008. After considering the benefits of the Company and the Shareholders as a whole, the Board agreed to issue the Tranche 2 Bond by 31 March 2008 or any other date as agreed by the Company and PWL. By a letter dated 20 January 2008, in consideration of the Company's agreeing to issue the Tranche 2 Bond by 31 March 2008, PWL unconditionally and irrevocably agrees to, and shall procure that any subsequent holder(s) of the Tranche 1 Bond and the Tranche 2 Bond to, waive the rights for any adjustment of conversion price under the relevant subscription agreement, the Tranche 1 Bond and Tranche 2 Bond arising from or in connection with (i) the entering into of the Subscription Agreement; and (ii) the Possible Acquisition and any actions including the issue of any Shares contemplated by or referred to therein.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the date of this announcement, the authorized share capital of the Company is HK\$150,000,000 divided into 1,500,000,000 Shares, of which 83,285,449 Shares have been issued and fully paid or credited as fully paid. In order to fulfill condition precedent (a)(iv) referred to in the paragraph headed "Conditions precedent" above, and to provide the Group with flexibility in future expansion and growth by means of issuing new Shares and fund raising activities as the Directors may consider appropriate from time to time, the Directors propose to increase the authorized share capital of the Company to HK\$1,500,000,000 divided into 15,000,000,000 Shares by the creation of an additional 13,500,000,000 unissued Shares. The increase in the authorized share capital of the Company is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM and no Shareholders are required to abstain from voting for such resolution.

GENERAL

The SGM will be held to consider, and if thought fit, pass the resolutions to approve, among other things, the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver. The Subscriber, BEHL and parties acting in concert with any of them and their respective associates will abstain from voting on the resolutions approving the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

The Independent Board Committee will be formed to consider the terms of the Subscription Agreement and the Whitewash Waiver and an independent financial adviser will be appointed in due course to advise the Independent Board Committee in these regards. An announcement will be made once the independent financial adviser has been appointed.

A circular will be despatched to Shareholders in accordance with the requirements of the Takeovers Code and the Listing Rules. Pursuant to the requirements under Rule 8.2 of the Takeovers Code, the circular must be issued to Shareholders within 21 days of the date of this announcement.

An application will be made by the Company for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares. The Directors and the Subscriber confirm that so far as it is aware there are no (a) arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares and which might be material to the Subscription Agreement and/or the Whitewash Waiver; and (b) agreements or arrangements to which the Subscriber is party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription Agreement and/or the Whitewash Waiver.

RESUMPTION TRADING

At the request of the Company, trading in the shares of the Company was suspended with effect from 2:30 p.m. on 9 January 2008 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on Stock Exchange with effect from 9:30 a.m on 29 January 2008.

Completion of the Subscription Agreement is subject to fulfillment of conditions precedent including the obtaining of the approval of the Independent Shareholders and the grant of the Whitewash Waiver and may or may not proceed. Shareholders and investors are advised to exercise caution when dealing in the Shares.

DEFINITION

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

“associate(s)”	has the meanings ascribed thereto under the Listing Rules
“BEHL”	Beijing Enterprises Holdings Limited, a company incorporated in Hong Kong with limited liability, the share of which are listed on the Main Board of the Stock Exchange
“Board”	the board of Directors

“Bonds”	the Firm Bonds, the First Option Bonds and the Second Option Bonds
“Call Options”	the First Call Option and the Second Call Option
“Company”	Shang Hua Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of Stock Exchange
“Completion”	completion of the Subscription Agreement
“Completion Date”	the date on which Completion takes place
“Conversion Shares”	Shares to be issued upon conversion of the Firm Bonds, the First Option Bonds or the Second Option Bonds (as the case may be)
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Firm Bonds”	the zero coupon convertible bonds due 2011 in the aggregate principal amount of HK\$200,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“First Call Option”	an option to be granted by the Company to the Subscriber to require the Company to issue the First Option Bonds at their full face value to the Subscriber or its nominee as the Subscriber may direct pursuant to the Subscription Agreement
“First Option Bonds”	the zero coupon convertible bonds in the aggregate principal amount of HK\$300,000,000 to be issued by the Company pursuant to the exercise of the First Call Option
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee of the Board comprising the independent non-executive Directors, namely, Messrs. Shea Chun Lok Quadrant, Chan Wai Kwong Peter and So Kwok Keung
“Independent Shareholders”	Shareholders other than the Subscriber, BEHL and parties acting in concert with any of them and their respective associates and those parties who are involved in, or interested in, the Subscription Agreement and/or the Whitewash Waiver
“Independent Third Party(ies)”	a third party independent of the Company and its connected persons (as defined under the Listing Rules)
“Initial Conversion Price”	the initial conversion price of each Conversion Share of HK\$0.40
“Last Trading Date”	9 January 2008, being the last trading day of the Shares on the Stock Exchange prior to the suspension of trading of the Shares with effect from 2:30 p.m. on the same day
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 July 2008 or any later date as agreed by the parties to the Subscription Agreement
“MOU”	the memorandum of cooperation dated 9 January 2008 among the Company and BEHL
“Monthly Announcement”	announcement to be made by the Company to keep the Shareholders informed of the level of dilution and details of conversion after the issue of the Firm Bonds, the First Option Bonds and the Second Option Bonds
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

“PWL”	Pioneer Wealth Limited, a company incorporated in the British Virgin Islands and ultimately and beneficially owned by Ms. Lucy Du as to 50% and Ms. Helen Zhang as to 50%
“Possible Acquisition”	The possible acquisition of an interest in a company which is principally engaged in sewage purification and treatment in the PRC, brief details of which were disclosed in the announcement of the Company dated 14 August 2007
“Second Call Option”	an option to be granted by the Company to the Subscriber to require the Company to issue the Second Option Bonds at their full face value to the Subscriber or its nominee as the Subscriber may direct pursuant to the Subscription Agreement
“Second Option Bonds”	the zero coupon convertible bonds in the aggregate principal amount of HK\$200,000,000 to be issued by the Company pursuant to the exercise of the Second Call Option
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	special general meeting of the Company to be convened and held for Shareholders to consider and, if thought fit, to approve, among other matters, the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Lucky Crown Management Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by BEHL

“Subscription Agreement”	the conditional subscription agreement dated 21 January 2008 as amended and supplemented by an addendum dated 28 January 2008 among the Company, the Subscriber and BEHL in relation to the issue of and subscription for the Subscription Shares and the Firm Bonds and the grant of the Call Options
“Subscription Price”	the subscription price of each Subscription Share of HK\$0.40
“Subscription Shares”	a total of 247,000,000 new Shares to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Tranche 1 Bond”	the Bond in aggregate principal amount of HK\$100,000,000 issued by the Company to PWL on 27 July 2007
“Tranche 2 Bond”	the Bond in aggregate principal amount of HK\$100,000,000 to be issued by the Company to PWL
“Whitewash Waiver”	a waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of the Subscriber to make a mandatory general offer for all the Shares other than those held by the Subscriber and parties acting in concert with it as a result of the issue of the Subscription Shares
“%”	Per cent.

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Huang Flynn Xuxian (Chairman), Ms. Guan Mei and Mr. Chase J Wong and three independent non-executive Directors, namely, Messrs. Shea Chun Lok Quadrant, Chan Wai Kwong Peter and So Kwok Keung.

As at the date of this announcement, the board of directors of BEHL comprises eleven executive directors, namely Yi Xi Qun, Zhang Hong Hai, Li Fu Cheng, Bai Jin Rong, Liu Kai, Guo Pu Jin, Zhou Si, E Meng, Lei Zhen Gang, Jiang Xin Hao and Tam Chun Fai and five independent non-executive directors, namely, Lau Hon Chuen, Ambrose, Lee Tung Hai, Leo, Wang Xian Zhang, Wu Jiesi and Robert A Theleen.

On behalf of the board of
Shang Hua Holdings Limited
Flynn Xuxian Huang
Chairman

On behalf of the board of
Beijing Enterprises Holdings Limited
Yi Xi Qun
Chairman

Hong Kong, 28 January 2008

* *For identification purpose only*

The directors of Shang Hua Holdings Limited jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Subscriber and BEHL, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than that relating to the Subscriber and BEHL, have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than that relating to the Group, have been arrived at after due and careful consideration, and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.