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## SHENZHEN HIGH-TECH HOLDINGS LIMITED

深圳科技控股有限公司

(Incorporated in Bermuda with limited liability)  
(Stock code: 106)

### PROPOSED SHARE CONSOLIDATION AND DISCLOSEABLE TRANSACTION ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF TWENTE COMPANY LIMITED AND THE LOAN AND RESUMPTION OF TRADING

#### Proposed Share Consolidation

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.2 each. A SGM will be held to consider and, if thought fit, approve the necessary resolution(s) in respect of the Share Consolidation. The Board further proposes to change the board lot size for trading in the shares of the Company from 40,000 Shares to 4,000 Consolidated Shares upon the Share Consolidation becoming effective.

#### Discloseable Transaction

The Board is also pleased to announce that the Vendor and the Purchaser have entered into the Agreement on 27 December 2006 and the Supplemental Agreement on 28 December 2006 pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Shares and the Loan. Upon completion of the Agreement, Twente will become wholly-owned by the Purchaser and will become an indirectly wholly owned subsidiary of the Company.

Twente, a company incorporated in the British Virgin Islands, holds the Properties through various subsidiaries. The Vendor is an independent third party not connected with the directors, chief executive or substantial shareholders of the Group or their respective associates as defined under the Listing Rules.

The consideration of the Acquisition amounts to (i) HK\$65,000,000, if the valuation of the Properties is not less than HK\$110 million; or (ii) HK\$63,000,000, if the valuation of the Properties is less than HK\$110 million but not less than HK\$105 million, which will be satisfied by the allotment and issuance of the Consideration Shares by the Company to the Vendor or its nominee(s) upon Completion.

The Consideration Shares, when issued, will rank pari passu in all respects with the existing Shares, which represent (i) if the consideration of the Acquisition is HK\$65,000,000, approximately 16.41% of the existing issued share capital of the Company and approximately 14.09% of the issued share capital of the Company as enlarged by the issuance and allotment of the Consideration Shares; or (ii) if the consideration of the Acquisition is HK\$63,000,000, approximately 15.90% of the existing issued share capital of the Company and approximately 13.72% of the issued share capital of the Company as enlarged by the issuance and allotment of the Consideration Shares.

Completion is subject to the fulfillment or waiver of the conditions set out in the section headed "Conditions" below.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

#### Resumption of Trading

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 27 December 2006 pending the release of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 29 December 2006.

#### SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Shares will be consolidated into one (1) Consolidated Share. Fractional Consolidated Shares will be disregarded and not issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

#### Effects of the Share Consolidation

As at the date of this announcement, the authorised share capital of the Company amounts to HK\$300,000,000 divided into 30,000,000,000 Shares, of which 17,223,310,755 Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective, on the basis that the Company does not allot and issue any further Shares prior thereto, the authorised share capital of the Company shall become HK\$300,000,000 divided into 1,500,000,000 Consolidated Shares, of which 861,165,537 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank pari passu in all respects with each other in accordance with the Company's Bye-laws.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares to be in issue upon the Share Consolidation becoming effective.

#### Conditions of the Share Consolidation

The Share Consolidation is conditional on:

- (i) the passing by the Shareholders of an ordinary resolution to approve the Share Consolidation at the SGM; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the Consolidated Shares in issue.

#### Reasons for the Share Consolidation

The Share Consolidation will increase the nominal value of the shares and reduce the total number of shares in issue. Accordingly, the transaction and handling costs of the Company in relation to the dealing in the Consolidated Shares and the listing fees are expected to be reduced, which are beneficial to the Company.

#### Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company will appoint a securities firm to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Details of the odd lot arrangement will be stated in the circular to be dispatched to the Shareholders which shall contain, inter alia, details of the Share Consolidation.

#### Change of board lot size

The Board also proposes to change the board lot size for trading in the shares of the Company from 40,000 Shares to 4,000 Consolidated Shares upon the Share Consolidation becoming effective.

#### Exchange of Share Certificates

Subject to the Share Consolidation becoming effective, which is expected to be at 9:30 a.m. on 13 February 2007, Shareholders may, on or after 13 February 2007 until 27 March 2007 (both days inclusive) submit share certificates for existing Shares to the Company's branch registrar in Hong Kong (the "Branch Registrar"), Standard Registrars Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, to exchange, at the expense of the Company, for certificates of the Consolidated Shares (on the basis of twenty (20) existing Shares for one (1) Consolidated Share). Thereafter, certificates of Shares will remain effective as documents of title but will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be specified by the Stock Exchange) each by Shareholders to the Branch Registrar.

#### Outstanding Share Options

As at the date of this announcement, the number of Shares in respect of which Share Options have been granted and are outstanding under the share option schemes adopted by the Company is 172,001,000.

The Company has appointed the financial advisor of the Company to provide a certificate as to the adjustment (if any) required to be made in accordance with the rules of each of the share option schemes adopted by the Company, Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange once the Share Consolidation becomes effective on the basis that there are Share Options outstanding as at the date the Share Consolidation becomes effective.

Corresponding adjustments will be made on the basis that the proportion of the issued share capital of the Company to which a grantee of share options is entitled shall remain the same before and after such adjustment in accordance with rules of each of the share option schemes and the supplementary guidance issued by the Stock Exchange.

#### Expected Timetable for the Share Consolidation

Set out below is the expected timetable in relation to the Share Consolidation and change of board lot size:

	2007
Despatch of circular and notice of the SGM .....	Thursday, 18 January
Latest time for lodging form of proxy for the SGM .....	10:00 a.m. on Saturday, 10 February
SGM .....	10:00 a.m. on Monday, 12 February
Effective date for the Share Consolidation .....	Tuesday, 13 February
Free exchange of existing light blue share certificates for new light pink share certificates commences .....	Tuesday, 13 February
Original counter for trading in Shares in board lots of 40,000 Shares temporarily closes .....	9:30 a.m. on Tuesday, 13 February

Temporary counter for trading in Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing light blue share certificates) opens.....	9:30 a.m. on Tuesday, 13 February
Original counter for trading in Consolidated Shares in new board lots of 4,000 Consolidated Shares (in the form of new light pink share certificates) re-opens .....	9:30 a.m. on Thursday, 1 March
Parallel trading in Consolidated Shares in the form of new light pink share certificates and existing light blue share certificates commences .....	9:30 a.m. on Thursday, 1 March
Designated broker starts to stand in the market to provide matching services for odd lots of Consolidated Shares .....	Thursday, 1 March
Temporary counter for trading in Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of existing light blue share certificates) closes .....	4:00 p.m. on Thursday, 22 March
Parallel trading in Consolidated Shares in the form of new light pink share certificates and existing light blue share certificates closes .....	4:00 p.m. on Thursday, 22 March
Designated broker ceases to stand in the market to provide matching services for odd lots of Consolidated Shares .....	4:00 p.m. on Thursday, 22 March
Free exchange of existing light blue share certificates for new light pink share certificates ends .....	Tuesday, 27 March

**DISCLOSEABLE TRANSACTION****The Agreement**

Date:	27 December 2006
Vendor:	Juvy Ngo Ting
Purchaser:	Asset Partners Group Limited, a wholly-owned subsidiary of the Company

**The Supplemental Agreement**

Date:	28 December 2006
Vendor:	Juvy Ngo Ting
Purchaser:	Asset Partners Group Limited

The Vendor is an independent third party not connected with the directors, chief executive or substantial shareholders of the Group or their respective associates as defined under the Listing Rules.

Pursuant to the Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase the Sale Shares and the Loan pursuant to the terms and conditions thereof.

**Sale Shares and the Loan**

The Loan is an interest free unsecured loan in the sum of approximately HK\$22,638,678.

The Sale Shares represent 51% of the entire issued share capital of Twente. The net profits (both before and after taxation and extraordinary items) attributable to the Sales Shares for the two financial years immediately preceding the Agreement are as follows:

	2005 HK\$	2004 HK\$
Net profits before tax and extraordinary items	905,831.98	2,630,021.06
Net profits after tax and extraordinary items	672,148.52	1,902,593.11

The book value of the Sale Shares is HK\$34,361,353, being 51% of the net asset value of Twente as shown in the unaudited consolidated balance sheet of Twente as at 30 November 2006.

**Consideration**

The consideration for the Acquisition, which is arrived at after arm's length negotiations between the Vendor and the Purchaser with reference to (1) the valuation of the Properties by an independent professional valuer; (2) the shareholders equity of Twente as at 31 December 2006 which will not be less than HK\$67,375,201; and (3) the amount of the Loan which will not be less than HK\$22,638,678 as at 31 December 2006 is (i) HK\$65,000,000 if the valuation of the Properties referred to in (1) above is not less than HK\$110 million or (ii) HK\$63,000,000 if the valuation of the Properties referred to in (1) above is less than HK\$110 million but not less than HK\$105 million.

The threshold of shareholders equity of Twente as at 31 December 2006 was arrived at with reference to the threshold of shareholders equity of Twente as shown in the unaudited consolidated balance sheet of Twente as at 30 November 2006.

The consideration shall be satisfied by the allotment and issuance of the Consideration Shares by the Company to the Vendor or its nominee(s) upon Completion.

**Consideration Shares**

With reference to the closing price of HK\$0.027 per Share as quoted on the Stock Exchange on 22 December 2006, (i) if the consideration of the Acquisition is HK\$65,000,000 (i.e. HK\$0.023 per Consideration Share), the value of the Consideration Shares would amount to approximately HK\$76,304,347, representing a discount of approximately 14.81% to the multiple of the number of Consideration Shares multiplied by HK\$0.027 per Share. The Consideration Shares would represent approximately 16.41% of the existing issued share capital of the Company as at the date of this announcement and will represent approximately 14.09% of the issued share capital of the Company as enlarged by the issuance and allotment of the Consideration Shares; or (ii) if the consideration of the Acquisition is HK\$63,000,000 (i.e. HK\$0.023 per Consideration Share), the value of the Consideration Shares would amount to approximately HK\$73,956,521, representing a discount of approximately 14.81% to the multiple of the number of Consideration Shares multiplied by HK\$0.027 per Share. The Consideration Shares would represent approximately 15.90% of the existing issued share capital of the Company as at the date of this announcement and will represent approximately 13.72% of the issued share capital of the Company as enlarged by the issuance and allotment of the Consideration Shares.

The Consideration Shares will be issued, credited as fully paid, to the Vendor or its nominee(s) upon Completion pursuant to the general mandate granted to the Directors at the 2006 annual general meeting of the Company held on 26 May 2006.

The Consideration Shares, when issued, will rank pari passu in all respects with the existing Shares.

Upon issuance of the Consideration Shares, the shareholdings of the Company will be as follows:-

*Scenario 1 – Assume the Consideration is HK\$65,000,000*

Name of shareholders	Existing		Upon completion of the Acquisition at Consideration of HK\$65,000,000	
	No. of shares	%	No. of shares	%
Thing On Group Limited (Note i)	4,107,751,792	23.85	4,107,751,792	20.49
The Vendor (Note ii)				
– Willfame Group Limited	–	–	1,900,000,000	9.48
– Winner Come Holdings Limited	–	–	926,086,956	4.61
Shenzhen Investment Holding Corporation (Note iii)	1,599,425,972	9.29	1,599,425,972	7.98
Public shareholders	11,516,132,991	66.86	11,516,132,991	57.44
	<u>17,223,310,755</u>	<u>100.00</u>	<u>20,049,397,711</u>	<u>100.00</u>

*Scenario 2 – Assume the Consideration is HK\$63,000,000*

Name of shareholders	Existing		Upon completion of the Acquisition at Consideration of HK\$63,000,000	
	No. of shares	%	No. of shares	%
Thing On Group Limited (Note i)	4,107,751,792	23.85	4,107,751,792	20.58
The Vendor (Note ii)				
– Willfame Group Limited	–	–	1,900,000,000	9.52
– Winner Come Holdings Limited	–	–	839,130,434	4.20
Shenzhen Investment Holding Corporation (Note iii)	1,599,425,972	9.29	1,599,425,972	8.01
Public shareholders	11,516,132,991	66.86	11,516,132,991	57.69
	<u>17,223,310,755</u>	<u>100.00</u>	<u>19,962,441,189</u>	<u>100.00</u>

**Notes:**

- The entire issued share capital of Thing On Group Limited is beneficially owned by Mr. Wong Chung Tak, Chairman of the Company.
- The entire issued share capital of each of Willfame Group Limited and Winner Come Holdings Limited are wholly and beneficially owned by the Vendor.
- The interests on 1,599,425,972 Shares includes 1,279,090,260 Shares held by Great Mind Holdings Group Limited, which Shenzhen Investment Holding Corporation has deemed interests in the said Shares.

**Completion**

Completion, which is conditional upon all the conditions set out in the section headed "Conditions" below have been fulfilled or waived by the Purchaser, shall take place on or before the third business day after the Agreement becoming unconditional or such later date as the parties to the Agreement may agree in writing prior to the Completion.

**Conditions**

Completion is conditional upon the fulfillment or waiver of the following conditions:

- the passing by the sole shareholder of the Purchaser (i.e. the Company) in writing an ordinary resolution approving the Agreement and the transactions contemplated hereunder;
- all necessary consents being granted by third parties;
- the Purchaser notifying the Vendor in writing that it is satisfied upon inspection and investigation as to:
  - the respective financial, corporate, taxation and trading position of Twente and its subsidiaries;
  - the title of Twente and its subsidiaries to their respective assets; and
  - the results of its searches and the replies to its enquiries with regard to the Properties;
- the Stock Exchange agreeing to grant the listing of and permission to deal in the Consideration Shares; and
- the relevant consent or approval from Bermuda Monetary Authority to the issuance and allotment of the Consideration Shares is obtained.

If the above conditions are not fulfilled or waived by the Purchaser on or before 27 January 2007 or such other date as shall be agreed by the parties in writing, the Agreement shall be null and void and of no effect.

**Reasons for the Acquisition**

The Company is a shareholder of Twente holding 49% of its entire issued shares and is satisfactory with the performance of the rental arrangement and yield of the Properties for the past few years. For the purpose of improving the returns to the capital employed and at the same time minimizing risks exposure, the Directors opine that the Acquisition offers an excellent opportunity for the Group to improve its performance.

The Directors consider that the terms of the Acquisition, the Agreement and the Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**Information of the Group**

The Group is principally engaged in property investment and trading.

**Information on Twente**

Twente, a company incorporated in the British Virgin Islands, holds the Properties through various subsidiaries. The Properties have a total gross floor area of approximately 5,181.45 sq m (55,773 sq ft). At present, the majority of the Properties are leased under various tenancies at an aggregate monthly rent of approximately RMB464,659 with the latest expiry date on 19 December 2009, and the remainder of the Properties are left vacant to let.

Based on the audited financial information of Twente, the turnover, net profit before and after income tax for the two financial years ended 31 December 2004 and 31 December 2005, all prepared in accordance with accounting principles generally accepted in Hong Kong were as follows:

	2005 HK\$	2004 HK\$
Turnover	4,823,196.15	5,812,008.48
Net Profit before tax	1,776,141.14	5,156,904.04
Net Profit after tax	1,317,938.28	3,730,574.73

Upon Completion, Twente will become an indirectly wholly owned subsidiary of the Company.

As at 30 November 2006, the net asset value of Twente was HK\$67,375,201.95.

**Discloseable Transaction**

The Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules. As the consideration of the transaction involves the issuance and allotment of new Shares, an application will be made to the Stock Exchange for the approval of listing of and permission to deal in the Consideration Shares.

A circular containing further details of the Share Consolidation and the Acquisition and the Notice of the SGM will be dispatched to the Shareholders.

**FUND RAISING ACTIVITY BY THE COMPANY DURING THE PAST 12 MONTHS**

The Company completed the placing of 2,870,000,000 new Shares, at the placing price of HK\$0.03 per Share on 11 May 2006, and raised a net proceeds of approximately HK\$84 million.

Up to the date of this announcement, the Company applied:

- (i) approximately HK\$10 million to expand the quartz oscillators manufacture business of Wu Han Jingke Information Industry Co., Ltd., a jointly controlled entity of the Company; and
- (ii) approximately HK\$33 million to fund the Group's general working capital requirement.

The remaining proceeds from the above placing of approximately HK\$40 million are intended to be utilized as follows:

- (i) an amount of approximately HK\$30 million which was originally intended to be used for the business operation of the Group's "Dawning" branded servers was changed as a result of the disposal of the Group's interest in the "Dawning" branded servers. Details of which were included in the Company's circular dated 30 June 2006.

The HK\$30 million, remains unused, has been reserved for other investment purposes.

- (ii) an amount of approximately HK\$10 million was originally intended to be used to finance the capital investment in the production facilities and equipment of Wu Han Jingke Information Industry Co., Ltd. Such amount, remains unused, has been reserved for the intended purpose.

Save as disclosed above, the Company has not conducted any other fund raising activities in the 12 months immediately preceding the date of this announcement.

**RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended from 9:30 a.m. on 27 December 2006 pending the release of this announcement.

Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 29 December 2006.

**DEFINITIONS**

"Acquisition"	the acquisition of the Sale Shares and the Loan from the Vendor by the Purchaser
"Agreement"	the conditional agreement for sale and purchase dated 27 December 2006 and entered into between the Vendor and the Purchaser in relation to the Acquisition (as supplemented and amended by the Supplemental Agreement unless the context requires otherwise)
"Board"	the board of Directors
"Company"	Shenzhen High-Tech Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Completion"	the completion of the Agreement
"Consideration"	the consideration for the Acquisition pursuant to the Agreement, being (i) HK\$65,000,000, if the valuation of the Properties is not less than HK\$110 million or (ii) HK\$63,000,000, if the valuation of the Properties is less than HK\$110 million but not less than HK\$105 million
"Consideration Shares"	being (i) 2,826,086,956 new Shares if the Consideration is HK\$65,000,000 or (ii) 2,739,130,434 new Shares if the Consideration is HK\$63,000,000, to be issued and allotted, credited as fully paid, to satisfy the Consideration
"Consolidated Share(s)"	ordinary share(s) of HK\$0.2 each in the share capital of the Company after the Share Consolidation becoming effective
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Loan"	the total amount of indebtedness due and owing by Twente to the Vendor by way of shareholder's loan advanced by the Vendor to Twente in the sum of approximately HK\$22,638,678
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Properties"	the properties situated at Level 4 and Units 501-506 on Level 5 of Beijing East Gate Plaza, Block B, No. 29 Dong Zhong Street, Dong Cheng District, Beijing, The People's Republic of China
"Purchaser"	Asset Partners Group Limited, a wholly-owned subsidiary of the Company which is incorporated in the British Virgin Islands with limited liability
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	51 ordinary shares of US\$1.00 each in Twente representing 51% of the entire issued share capital of Twente
"SGM"	the special general meeting of the Company to be held to consider and, if thought fit, approve the necessary resolution(s) in respect of the Share Consolidation
"Share Consolidation"	the proposed consolidation of every twenty (20) Shares into one (1) Consolidated Share
"Share Option(s)"	option(s) for the subscription of Shares or Consolidated Shares, as the case may be, granted pursuant to the various share option schemes adopted by the Company
"Shareholder(s)"	holder(s) of Shares or Consolidated Shares, as the context requires
"Shares"	ordinary shares of HK\$0.01 each in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement to the Agreement dated 28 December 2006 and entered into between the Vendor and the Purchaser
"Twente"	Twente Company Limited, a company incorporated in the British Virgin Islands with limited liability
"Vendor"	Juvy Ngo Ting
"%"	per cent.

By order of the Board  
**Shenzhen High-Tech Holdings Limited**  
**Wong Chung Tak**  
*Chairman*

Hong Kong, 28 December 2006

*As at the date of this announcement, the Board of the Company comprises two executive Directors, namely Mr. Wong Chung Tak and Mr. Tse Kam Fai, one non-executive Director, namely Mr. Wong Ngo, Derick, and three independent non-executive Directors, namely Mr. Lee Kuo Ching, Stewart, Mr. Liu Sing Piu, Chris, and Miss Chong Kally.*