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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)

PLACING OF NEW SHARES AND CONNECTED TRANSACTION

Placing Agent



華富嘉洛證券有限公司
Quam Securities Company Limited

PLACING

On 10 December 2003, the Company entered into a conditional placing agreement with the Placing Agent pursuant to which the Placing Agent will place up to 1,985,200,000 new Shares at HK\$0.056 per Share to not less than six independent placees on a “best effort” basis.

The Placing Price of HK\$0.056 per Placing Share was determined after arm’s length negotiations between the Company and the Placing Agent. The Placing Price represents: (i) a discount of about 23.3% to the closing price of HK\$0.073 per Share as quoted on the Stock Exchange on 9 December 2003, the last trading day prior to the suspension of trading in the Shares pending the issue of this announcement; (ii) a discount of about 25.6% to the average closing price of HK\$0.0753 per Share over the last 10 trading days up to and including 9 December 2003; (iii) a discount of about 27.2% to the average closing price of HK\$0.0769 per Share for the one month period up to 9 December 2003; and (iv) the same as the unaudited consolidated net tangible asset value per Share of HK\$0.056 as at 31 October 2003.

The Placing is made on a “best effort” basis by the Placing Agent and is not underwritten. The Placing Agent will receive a placement commission of 3% on the gross proceeds of the Placing. The Placing Shares represent about 19.9% of the existing issued share capital of the Company and about 16.6% of the issued share capital of the Company as enlarged by the issue of the Placing Shares.

The maximum net proceeds from the Placing are estimated to be about HK\$107.3 million. It is intended that about HK\$25 million will be transferred to Wuhan Jingke as its general working capital. The balance of the net proceeds will be used principally for property development projects in the PRC. If the net proceeds from the Placing is less than HK\$107.3 million, the Company will consider other means of financing to top up the difference. If the Company fails to do so, the Company will consider investing in a PRC property development project of a smaller scale.

CONNECTED TRANSACTION

Pursuant to the Approval, Beijing Dawning, a wholly owned subsidiary of the Company, and the existing shareholders of Beijing CPT are allowed to proceed with the arrangement for Beijing Dawning to contribute RMB10 million (equivalent to about HK\$9.3 million) in cash towards the registered capital of Beijing CPT. The purpose of the Approval is to provide additional working capital to Beijing CPT.

The transaction contemplated in the Approval constitutes a connected transaction for the Company under Chapter 14 of the Listing Rules. As the value of the contribution of capital of Beijing CPT by Beijing Dawning does not exceed HK\$10 million, completion of the same will not require the independent Shareholders’ approval. Details of the contribution of capital of Beijing CPT by Beijing Dawning will be included in the next published annual reports and accounts of the Company in accordance with Rule 14.25(1) of the Listing Rules.

SUSPENSION AND RESUMPTION OF TRADING OF THE SHARES

Trading in the Shares was suspended at the request of the Company with effect from 9:30 on 10 December 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 15 December 2003.

A. PLACING

THE PLACING AGREEMENT

Date

10 December 2003

Issuer

The Company

Placing Agent

The Placing Agent and its ultimate beneficial owners are independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries, or their respective associates.

The Placing Agent will receive a placement commission of 3% on the gross proceeds of the Placing. The placement commission was determined after arm’s length negotiations between the Company and the Placing Agent. The Placing will provide funds to finance the expansion plans as stated in the section headed “Reasons for the Placing” below. The Directors consider that the expansion plans are in the interests of the Company and the Shareholders as a whole. If the Placing does not proceed, the Company may forgo a good opportunity to raise equity fund to finance the expansion plans. Hence, the Directors consider the placement commission is fair and reasonable.

Placees

The Placing Shares will be placed to not less than six placees (being wealthy individuals, corporate and/or institutional investors). The placees and their ultimate beneficial owners are not connected with any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries, or their respective associates. It is expected that no placee will become a substantial shareholder of the Company as a result of the Placing.

The Placing Price

The Placing Price of HK\$0.056 represents:

- (i) a discount of about 23.3% to the closing price of HK\$0.073 per Share as quoted on the Stock Exchange on 9 December 2003, the last trading day prior to suspension of trading in the Shares pending the issue of this announcement;
- (ii) a discount of about 25.6% to the average closing price of HK\$0.0753 per Share over the last 10 trading days up to and including 9 December 2003;
- (iii) a discount of about 27.2% to the average closing price of HK\$0.0769 per Share for the one month period up to 9 December 2003; and
- (iv) the same as the unaudited consolidated net tangible asset value per Share as at 31 October 2003.

The Placing Price was determined after arm’s length negotiations between the Company and the Placing Agent, have taken into account of the following factors:

- (i) the then prevailing prices of the Share;
- (ii) the low liquidity of the Shares. The average daily trading volume of the Shares for the one month period up to 9 December 2003 was about 24.4 million Shares, representing about 0.24% of the existing issued share capital of the Company;
- (iii) the Group recorded an audited loss of about HK\$181.4 million for the year ended 31 December 2002 and an unaudited interim loss of about HK\$39.0 million for the six months ended 30 June 2003; and
- (iv) the Placing Price is the same as the unaudited consolidated net tangible asset value per Share of HK\$0.056 as at 31 October 2003.

Taking advantage of a broad market rally, the Directors consider that it is a golden opportunity for the Company to raise further funds through a share placement which will enable the Company to carry out the expansion plans as stated in the section headed “Reasons for the Placing” below. The Directors consider that the implementation of the expansion plans is in the benefit of the Company and the Shareholders as a whole. Hence, the dilution effect on the shareholding interests of the Shareholders as a result of the Placing is considered acceptable.

The Directors have evaluated other means of fund raising including debt financing, which however will increase the finance costs of the Group and is not considered to be favourable since the interest rates are expecting to increase in the future.

In light of the above factors, the Directors consider the Placing Price is fair and reasonable.

Number of the Placing Shares

Pursuant to the Placing Agreement, the Placing Agent has agreed to place up to 1,985,200,000 new Shares on a “best effort” basis, representing about 19.9% of the existing issued share capital of the Company and about 16.6% of the issued share capital of the Company as enlarged by the issue of the Placing Shares.

The Placing is being made on a “best effort” basis by the Placing Agent and is not underwritten. The Placing will proceed in respect of such number of the Placing Shares as the Placing Agent successfully places to the placees. Further announcement will be made in the event that not all the Placing Shares are placed.

Costs and expenses

Pursuant to the Placing Agreement, the Company will bear all costs and expenses in relation to the Placing.

Ranking of the Placing Shares

The Placing Shares, when fully paid, will rank pari passu in all respects with the Shares currently in issue.

General mandate

The Placing Shares will be allotted and issued under the general mandate granted to the Board at the Company’s special general meeting held on 24 November 2003.

Conditions

Completion of the Placing Agreement is conditional on the following conditions being satisfied:

- (i) the granting by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Placing Shares; and
- (ii) the Bermuda Monetary Authority granting permission (if necessary) for, among other matters, the issue of the Placing Shares.

The Placing Agreement will lapse if the above conditions are not satisfied on or before 31 January 2004 unless the parties agree otherwise. Further announcement will be made by the Company if the Placing Agreement lapses.

Completion

Completion of the Placing Agreement will take place on the third business day (or such later date as may be agreed amongst the parties to the Placing Agreement) next following the day on which all of the conditions as set out in the above section headed “Conditions” are satisfied.

Use of proceeds

The maximum net proceeds from the Placing are estimated to be about HK\$107.3 million. It is intended that about HK\$25 million will be transferred to Wuhan Jingke as its general working capital. The balance of the net proceeds will be used principally for property development projects in the PRC. Details of the plans are set out in the below section headed “Reasons for the Placing”.

If the net proceeds from the Placing is less than HK\$107.3 million, the Company will consider other means of financing to top up the difference. If the Company fails to do so, the Company will consider investing in a PRC property development project of a smaller scale.

REASONS FOR THE PLACING

As stated in the annual report of the Company for the financial year ended 31 December 2002, the principal activities of the Group consist of: (i) manufacturing and sale of high-tech computers and servers; (ii) property investment, development and trading; (iii) providing ophthalmology treatments; (iv) investment holding; and (v) the provision of financial services and securities trading.

Investment in Wuhan Jingke

Wuhan Jingke, a company incorporated in 2001 and owned as to 51% by the Company, is principally engaged in the manufacturing of quartz oscillators and resonators. The Group’s current investment in Wuhan Jingke is RMB25.5 million (equivalent to about HK\$23.8 million). At present, all the products of Wuhan Jingke are sold in the PRC. The market of quartz oscillators and resonators is highly competitive in the PRC. Hence, Wuhan Jingke intends to manufacture a more complicated product, namely SMD quartz oscillators, targets at the Japanese market. The SMD quartz oscillators are one of the key components in mobile phones and telecommunication products. There are currently less than ten PRC manufacturers which are capable of producing the SMD quartz oscillators and the demand for such products is increasing. It is expected that the market penetration to Japan will broaden the earnings base of Wuhan Jingke. Hence, the Directors intend to expand the business of Wuhan Jingke.

The Directors intend to transfer the net proceeds of about HK\$25 million to Wuhan Jingke as its general working capital. As at the date of this announcement, the form of transfer of the funds has not yet decided by the shareholders of Wuhan Jingke. The Company will ensure that such transfer will in compliance with the provisions of the Listing Rules.

Property development

The Board believes that there are substantial growth opportunities in the PRC’s property market since the living standard and the economy in the PRC continue to improve. The Board is contemplating to pursue a property development project in the PRC, details of which are set out below.

The Company together with 石家莊中浩房地產開發有限公司 (Shi Jia Zhuang Zhong Hao Property Development Co., Ltd.), a PRC property developer (the “PRC Property Developer”), will submit a proposal to bid for a piece of land of about 763,400 square metres situated in 湖北省宜昌市 (Yi Cha Shi, Hubei) in the PRC (the “Property”) this month. Each of the Company and the PRC Property Developer is required to pay a refundable earnest money of RMB50 million (equivalent to about HK\$46.7 million) for the bid. The PRC Property Developer and its ultimate beneficial owner, 王健國 (Wang Jian Guo), are independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or its subsidiaries, or their respective associates.

If the Company and the PRC Property Developer successfully acquire the land use right of the Property, they intend to set up a joint venture in which each of them will hold 50% of the registered capital. The Company and the PRC Property Developer are in the preliminary discussions regarding the joint venture agreement. Terms of the joint venture agreement has not yet finalised. In addition, no commitment is made by the parties to set up the joint venture. The joint venture will be set up solely for the purpose of the development project on the Property. The development project will be a complex of office buildings, residential buildings and a hotel. It is expected that the development project will be completed in four to five years’ time. The Directors expect that the total investment of the project will be not less than RMB1 billion (equivalent to about HK\$0.9 billion).

If the Company and the PRC Property Developer successfully acquire the Property but the joint venture is not formed subsequently, the Company will consider means to resolve the issue, including but not limited to, the acquisition of the remaining interest of the Property from the PRC Property Developer.

The implementation of the development project on the Property is expected to call for substantial capital investment by the Group. Further announcement will be made by the Company in relation to the acquisition of the Property and/or the formation of the aforementioned joint venture with the PRC Property Developer if and when the project materialises, in accordance with the provisions of the Listing Rules. At present, the Directors have not yet finalised the proposed financing arrangement for the whole development project. If the project does not materialise, the Directors will seek for other property development projects in the PRC.