



**SMT**

# SUN MAN TAI HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

## ANNOUNCEMENT

On 6 December 2001:

1. the Purchaser, a company in which the Company holds a 50% interest, entered into the Share Purchase Agreement with, among others, the Vendor to acquire from the Vendor an approximately 29.9% interest in Pearl Oriental, a company the shares of which are listed on the Stock Exchange, for a cash consideration of about HK\$112 million (subject to adjustments); and
2. a nominee of the Warrantor entered into the Asset Disposal Agreement with members of the Pearl Oriental Group to acquire from them the Disposed Assets for a cash consideration of HK\$30 million.

Completion of each of the Share Purchase Agreement and the Asset Disposal Agreement is conditional on the fulfilment of certain conditions described below.

Trading in the shares of the Company was suspended from 10:00 a.m. on 7 December 2001 pending the release of this announcement. An application has been made to the Stock Exchange for a resumption of trading in the shares of the Company with effect from 10:00 a.m. on 14 December 2001.

### SHARE PURCHASE AGREEMENT

#### Acquisition of Sale Shares

The board of directors ("Board") of Sun Man Tai Holdings Company Limited ("Company") announces that China Wanan Group Limited ("Purchaser"), a company in which the Company holds a 50% interest, has on 6 December 2001 entered into a conditional agreement ("Share Purchase Agreement") with, amongst others, Charcon Assets Limited ("Vendor"), Mr. Wong Yuk Kwan alias Wong Kwan ("Warrantor") to acquire from the Vendor 4,012,000,000 shares of HK\$0.10 each ("Sale Shares") in Pearl Oriental Holdings Limited ("Pearl Oriental"). The shareholders of the Purchaser are also parties to the Share Purchase Agreement and have agreed, on a joint and several basis, to guarantee the performance of the Purchaser's obligation under the Share Purchase Agreement.

Pearl Oriental is a company incorporated with limited liability in Bermuda the shares of which are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Pearl Oriental and its subsidiaries ("Pearl Oriental Group") are principally engaged in property investment, hotel investment and management, financial businesses, telecommunications, information technology and internet businesses. The Vendor is currently interested in about 49.89% of the issued share capital of Pearl Oriental and the Sale Shares represent about 29.9% of the total issued share capital of Pearl Oriental.

The Vendor is a company wholly owned by the Warrantor and both of them are independent third parties not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined under the Rules Governing the Listing of Securities ("Listing Rules")) on the Stock Exchange.

The Purchaser was incorporated in Hong Kong with limited liability on 9 November 2001 as to 50% in which is held by the Company and as to the remaining interest in which is respectively held by two independent third parties not connected with the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined under the Listing Rules). As the Company neither controls the composition of the board of directors of the Purchaser nor controls or holds more than half of the voting power or issued share capital of the Purchaser, the Purchaser is not deemed a subsidiary of the Company and will be accounted for as an associated company of the Company in the Company's consolidated accounts.

#### Waiver of shareholders' loan

Pursuant to the Share Purchase Agreement, the Warrantor will waive an amount of HK\$48 million comprising part of the shareholders' loan of about HK\$96.58 million, together with all interest accrued, due to the Warrantor from Pearl Oriental as at the date of the Share Purchase Agreement in the following manner:

- (a) as to HK\$18 million on completion of the Share Purchase Agreement; and
- (b) as to HK\$30 million upon full payment by the Purchaser to the Vendor of the balance of the consideration of HK\$32.336 million referred to in paragraph (d) of the section below.

#### Consideration

The total consideration under the Share Purchase Agreement is HK\$112.336 million in cash which represents HK\$0.028 per Sale Share (subject to adjustments) and will be payable by the Purchaser in the following manner:

- (a) as to HK\$30 million as a refundable deposit ("Deposit") which has been paid by the Purchaser to the Vendor's solicitors to be held in escrow upon the signing of the Share Purchase Agreement;
- (b) as to HK\$20 million to the Vendor or its nominees on completion of the Share Purchase Agreement;
- (c) as to HK\$30 million ("Completion Amount") to Pearl Oriental in escrow on completion of the Share Purchase Agreement; and
- (d) as to the remaining HK\$32.336 million to the Vendor or its nominees on the first business day falling three months after completion of the Share Purchase Agreement and in order to secure the payment of such amount, the Purchaser will on Completion deliver to the Vendor a promissory note for such amount secured by the deposit of share certificates representing 28.78% of the Sale Shares and such shares shall be returned to the Purchaser upon the Purchaser making the requisite payment. In addition, the shareholders of the Purchaser shall execute a guarantee in favour of the Vendor guaranteeing the Purchaser's obligations under the Share Purchase Agreement.

The price of HK\$0.028 per Sale Share was negotiated between the parties on an arm's length basis and represents a discount of about 44% to the closing price of HK\$0.050 per share in Pearl Oriental as quoted on the Stock Exchange on 6 December 2001, the date of signing of the Share Purchase Agreement, and a discount of about 47.2% to the average closing price of HK\$0.053 per share in Pearl Oriental over the last ten trading days up to and including 6 December 2001.

#### Deposit

Subject to completion of the Asset Disposal Agreement (as defined and described below), the Deposit will be applied to set off the consideration payable by Dynamic Brilliant Group Limited ("Dynamic Brilliant"), a company wholly-owned by the Warrantor, under the Asset Disposal Agreement.

If the Share Purchase Agreement (i) lapses due to the conditions described below not being fulfilled prior to 30 January 2002 or such other date as the parties may agree (other than by reason of the Purchaser's default); or (ii) is rescinded or terminated by the Purchaser by reason of the Vendor's default, the Deposit and all interest accrued will be refunded to the Purchaser. In all other circumstances, the Deposit and all interest accrued will be forfeited by the Vendor without prejudice to the Vendor's rights in respect of any antecedent breach of the Share Purchase Agreement.

#### Adjustments

The consideration of HK\$112.336 million will be reduced by HK\$8.97 million (representing 29.9% of HK\$30 million which is the consideration payable by the Warrantor's nominee under the Asset Disposal Agreement) in the event that the Asset Disposal Agreement fails to proceed to completion by reason of the shareholders of Pearl Oriental not approving the Asset Disposal Agreement.

#### Completion Amount

Subject as described in the paragraph below, upon completion of the Share Purchase Agreement, the Completion Amount will be released from escrow and will be applied by the Vendor as a loan to Pearl Oriental for a term of six months which may be renewed if agreed between the Vendor and Pearl Oriental. Interest will be charged on this loan at the prime lending rate quoted for Hong Kong dollars by The Hongkong and Shanghai Banking Corporation Limited from time to time.

If the Purchaser elects to proceed to completion of the Share Purchase Agreement despite the non-fulfilment of the condition mentioned in paragraph (c) of the section headed "Conditions of the Share Purchase Agreement" below, the Vendor will waive its rights to receive the Completion Amount and the Purchaser will advance an equivalent sum to Pearl Oriental, for general working capital purposes with no specified use at this stage, for a term of six months which may be renewed if agreed between the Purchaser and Pearl Oriental. Interest will be charged on this loan at the prime lending rate quoted for Hong Kong dollars by The Hongkong and Shanghai Banking Corporation Limited from time to time.

#### Conditions of the Share Purchase Agreement

Completion of the Share Purchase Agreement is conditional on, amongst others:

- (a) the receipt of a confirmation from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission ("SFC") (or any of his delegates) ("Executive") that the Purchaser or any person acting in concert with it will not be required to make a general offer pursuant to the Hong Kong Code on Takeovers and Mergers for all the issued shares in Pearl Oriental (other than the Sale Shares) as a result of completion of the Share Purchase Agreement;
- (b) where the confirmation referred to in paragraph (a) above is conditional on the Vendor placing or disposing all or any part of its shares in Pearl Oriental (other than the Sale Shares) to independent third parties, the Purchaser having received a confirmation from the Vendor of the successful placing of all such shares to such independent third parties;

- (c) Pearl Oriental, with the financial assistance of the Purchaser, securing agreement with its creditors to settle its indebtedness at a consideration agreeable to the Purchaser prior to 30 January 2002 or such other date as the parties may agree;
- (d) no written notification being received on or before completion of the Share Purchase Agreement from the SFC or the Stock Exchange to the effect that the listing of the shares of Pearl Oriental on the Stock Exchange will or may be withdrawn or cancelled as a result of completion of the Share Purchase Agreement; and
- (e) the Pearl Oriental Group remaining the beneficial and registered owner of the property located at No. 23 (formerly known as No. 410) Severn Road, The Peak, Hong Kong with full redemption rights and no third party encumbrances not acceptable to the Purchaser, including any purported sale of such property by The Bank of East Asia Limited, the mortgagee of this property.

The Completion is not conditional upon the completion of the Asset Disposal Agreement. The Purchaser may waive all or any of these conditions at any time before completion of the Share Purchase Agreement. If these conditions are not fulfilled or so waived on or before 30 January 2002 (or such other date as the parties may agree), the Share Purchase Agreement will lapse and no party will have any liability to the other parties (save for any antecedent breach or any breach of the obligation to refund the Deposit and all interest accrued to the Purchaser) unless the Purchaser elects to proceed to completion of the Share Purchase Agreement without prejudice to its rights under the agreement. An application will be made to the Executive as soon as practicable to seek for the confirmation referred to in paragraph (a) above. The Purchaser has indicated it would not waive the condition referred to in paragraph (a) above and hence the Purchaser does not intend to make a general offer for the securities of Pearl Oriental.

In the event that the Share Purchase Agreement lapses as a result of condition (c) above only not being fulfilled, the Deposit, together with interest accrued thereon, will only be refunded to the Purchaser if the non-fulfilment of conditions (including Condition (c)) mentioned above is not as a consequence of the default of the Purchaser's obligations (including the aforesaid provisions of financial resources); or the lapse or termination of the Share Purchase Agreement is not due to any act or omission on the part of the Purchaser and/or party acting in concert or deemed to be acting in concert with the Purchaser under the provisions of the Takeovers Code and the Listing Rules. The form of financial assistance of the Purchaser referred to in paragraph (c) above has yet to be ascertained.

Subject to the above, completion of the Share Purchase Agreement is expected to take place on 30 January 2002 or such other date as may be agreed between the parties. It is expected that, upon completion of the Share Purchase Agreement, the Purchaser will become the single largest shareholder of Pearl Oriental and will nominate such number of persons as the Purchaser will determine at a later stage to serve on the board of directors of Pearl Oriental.

### ASSET DISPOSAL AGREEMENT

On 7 December 2001, Margaux Finance Limited, Pearl Enterprises (B.V.I.) Limited ("Pearl Enterprises") and Pearl Glorious Investment Limited ("Pearl Glorious"), wholly owned subsidiaries of Pearl Oriental, have also entered into a conditional agreement with Dynamic Brilliant, a nominee of the Warrantor, as supplemented by an agreement dated 13 December 2001 ("Asset Disposal Agreement") under which Dynamic Brilliant will purchase the entire issued share capital of each of Elffa Limited, Sinobase Services Limited (both companies wholly owned by Margaux Finance Limited), Grandcyber Corporation Limited, Pearl Oriental Telecom & Technology (B.V.I.) Limited (both companies wholly owned by Pearl Enterprises) and Well Team Development Limited ("Well Team") (a company wholly owned by Pearl Glorious) (collectively, the "Disposed Companies") and certain motor vehicles and vessel owned by Pearl Glorious for a cash consideration of HK\$30 million. The Company understands from Pearl Oriental that such consideration was determined based on a preliminary valuation on the Disposed Companies performed by an independent valuer appointed by Pearl Oriental.

Under the Asset Disposal Agreement, Pearl Enterprises has also agreed to assign and transfer to Dynamic Brilliant all its rights and interest in certain debts owing to it by the Disposed Companies other than Well Team upon completion of the Asset Disposal Agreement. The Company understands from Pearl Oriental that these debts amount to about HK\$2.32 million in total as at 13 December 2001.

Completion of the Asset Disposal Agreement is conditional on, amongst others, (a) approval being obtained from the shareholders of Pearl Oriental and any other regulatory authorities for the Asset Disposal Agreement and (b) the Share Purchase Agreement having become unconditional in all respects. Subject to the fulfilment of these conditions, completion of the Asset Disposal Agreement is expected to take place at the same time as completion of the Share Purchase Agreement.

The Disposed Companies and their subsidiaries primarily engage respectively in the operation of internet, telecommunication and technology and motor leasing businesses and the holding of investment and pleasure vessel.

### REASONS AND FUNDING FOR THE TRANSACTIONS

The Company and its subsidiaries are principally engaged in investment holding, property investment and securities trading. The Purchaser comprises a consortium of investors (which includes the Company and two independent third parties not connected with directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates (as defined under the Listing Rules)) with experience in conducting property and real estate investments. The Board, having regard to the recent increase in property transactions, the results of the land auctions in Hong Kong and general market atmosphere, expects that the property market in Hong Kong would not experience any further substantial decline. As such, the Board considers it an opportune moment for the Company to, through its interest in the Purchaser, invest in the Pearl Oriental Group which it considers as having a comprehensive property portfolio, including investments in office building, hotels, luxury residential properties and commercial premises. The Company currently intends to hold the indirect interest to be acquired by it in Pearl Oriental as a long term investment. The Board believes that the terms of the Share Purchase Agreement, the consideration payable by the Purchaser and the method of satisfaction of such consideration to be fair and reasonable to the Company and its shareholders as a whole. In addition, the arrangement concerning the Completion Amount as referred to in the section headed "Consideration" above will allow funding to be provided to Pearl Oriental immediately upon completion of the transactions described above.

The Board also believes that the internet and telecommunications related assets and other non-property assets of the Pearl Oriental Group to be disposed of under the Asset Disposal Agreement do not have any synergy with the existing core property businesses of the Pearl Oriental Group. The disposal of these assets under the Asset Disposal Agreement is expected to reduce future capital expenditures of the Pearl Oriental Group in non-core businesses. As such, the Board believes that the transactions contemplated under the Asset Disposal Agreement will enhance the financial and business positions of the Pearl Oriental Group in the long run.

It is expected that the shareholders of the Purchaser will, by way of a combination of capital injection and shareholders' loans, provide funding to the Purchaser for the consideration payable under the Share Purchase Agreement which funding will be provided in proportion to their respective shareholding interests in the Purchaser. Accordingly, the Company's portion of such funding will amount to HK\$56.168 million, representing 50% of the consideration payable under the Share Purchase Agreement, which amount is expected to be funded from its internal resources.

### GENERAL

Save as disclosed, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price sensitive nature.

Trading in the shares of the Company was suspended from 10:00 a.m. on 7 December 2001 pending the release of this announcement. An application has been made to the Stock Exchange for a resumption of trading in the shares of the Company with effect from 10:00 a.m. on 14 December 2001.

By order of the Board  
**He Hui Min**  
Chief Executive Officer

Hong Kong, 13 December 2001