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## **SUNNY GLOBAL HOLDINGS LIMITED**

**新怡環球控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1094)**

### **MAJOR TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF, AND A SHAREHOLDER'S LOAN DUE FROM, KAITAI UNITED COMPANY LIMITED**

On 31 March 2005, Fortress Ocean, a wholly-owned subsidiary of the Company, entered into the Agreement pursuant to which Fortress Ocean agreed to sell, and Jade Paradise agreed to acquire, the entire issued share capital of Kaitai United and the Sale Debt for a total consideration of HK\$12,892,087.

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 25% but are below 75%, the Disposal constituted a major transaction for the Company under the Listing Rules and is therefore conditional on the approval of the Shareholders at a general meeting. A circular containing further particulars of the Disposal together with the notice of the SGM to be convened for the purpose of approving the Disposal will be despatched to the Shareholders as soon as practicable.

Dealings in the shares of the Company on the Stock Exchange has been suspended at the request of the Company with effect from 9:30 a.m., 17 March 2005 pending release of this announcement. Application has been made by the Company for the resumption of dealings in the shares of the Company on the Stock Exchange on 9:30 a.m., 1 April 2005.

#### **THE AGREEMENT**

**Date:** 31 March 2005

**Parties:**

**Vendor:** Fortress Ocean Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company.

**Purchaser:** Jade Paradise Limited, a company incorporated in the British Virgin Islands. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Jade Paradise and its ultimate beneficial owners is independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

**Assets to be disposed of:**

(i) 1,116,044 shares of US\$1.00 each in the capital of Kaitai United, representing the entire issued share capital of Kaitai United; and (ii) a shareholder's loan due from Kaitai United to Fortress Ocean in the amount of HK\$4,892,087.

**Consideration:**

The consideration for the disposal of the Sale Shares shall be HK\$8 million whilst the consideration for the disposal of the Sale Debt shall be HK\$4,892,087. The consideration of the Disposal shall be satisfied as the following schedule ("Schedule"):

- HK\$7 million is to be paid as the 1st installment of the consideration (for the settlement of the Sale Shares) as at the completion date.
- HK\$3 million is to be paid as the 2nd installment of the consideration (for the settlement of the remaining consideration of the Sale Shares and the partial settlement of the Sale Debt) on or before the 30 days after the completion date.
- The balance of HK\$2,892,087 is to be paid as the final installment of the consideration (for the settlement of the balance of the Sale Debt) on or before the 60 days after the completion date.

The consideration for the disposal of the Sale Shares was determined with reference to the unaudited consolidated net asset value ("NAV") of the Kaitai United Group in the amount of approximately HK\$6.9 million as at 31 January 2005, representing a premium of approximately HK\$1.1 million, and the consideration for the disposal of the Sale Debt was determined with reference to the book value of the Sale Debt as at 31 January 2005. The consideration for the Disposal is arrived at after arm's length negotiation between Fortress Ocean and Jade Paradise.

**Conditions:**

Completion of the Disposal is conditional upon (i) the approval of the Shareholders at the SGM as required under the Listing Rules; and (ii) such other necessary consents being granted by third parties (including but not limited to the governmental or official authorities in Hong Kong and British Virgin Islands only).

If the conditions are not fulfilled by 31 May 2005, the Disposal shall lapse.

**Completion date:**

On the third business day after the satisfaction of the above conditions.

## INFORMATION ON JADE PARADISE

Jade Paradise is an independent third party not connected with any of the connected persons of the Company, Fortress Ocean and any of their respective associates (as defined in the Listing Rules). To the best of the Directors' knowledge and information, Jade Paradise is an investment holding company which is a special purpose vehicle with this transaction. Jade Paradise is expected to be an investment holding company with the Kaitai United Group as its only subsidiaries immediately after the Completion.

## INFORMATION ON THE KAITAI UNITED GROUP

Kaitai United is an investment holding company incorporated in the British Virgin Islands on 16 August 1991. Kaitai United was restructured to hold the entire interests of Huayi as part of the corporate reorganisation for the Group in respect to the listing of the shares of the Company on the Stock Exchange in 2002. Following the corporate restructuring of the Group, Huayi is the sole wholly-owned subsidiary of Kaitai United since 2001.

Kaitai United is not statutorily required to prepare any audited accounts since its incorporation under the applicable law of the British Virgin Islands. However, in accordance with accounting principles generally accepted in Hong Kong and comply with Statements of Standard Accounting Practice 32 issued by the Hong Kong Institute of Certified Public Accountants, the accounts of the Kaitai United Group are required to be consolidated into the Group's audited financial statements for the financial year ended 30 September 2004. As a result, during the preparation of the audited financial statements of the Company, the financial statements of Kaitai United Group for the financial year ended 30 September 2004 were reviewed by the auditors of the Company ("Auditors") for the purpose of consolidating into the Group's results of the financial year ended 30 September 2004. The unaudited consolidated net loss before and after taxation and extraordinary items attributable to the Kaitai United Group, as reviewed by the Auditors, for the two financial years ended 30 September 2004 are set out as follows:

	<b>Year ended 30 September 2003 HK\$'000</b>	<b>Year ended 30 September 2004 HK\$'000</b>
Turnover	34,236	39,216
(Net Loss) before taxation and extraordinary items	(1,487)	(12,590)
(Net Loss) after taxation and extraordinary items	(1,592)	(12,590)

As at 30 September 2004, the unaudited consolidated net asset value attributable to the Kaitai United Group, as reviewed by the Auditors, was approximately HK\$7.6 million.

Huayi is a wholly foreign-owned enterprise established in the PRC which is principally engaged in the manufacture and sale of footwear products and provision of sub-contracting services. It is also the sole subsidiary of Kaitai United. The net loss attributable to Huayi, as reviewed by the Auditors, for each of the two financial years ended 30 September 2004 amounted to approximately RMB13.4 million and RMB1.7 million respectively. The net asset value attributable to Huayi, as reviewed by the Auditors, as at 30 September 2004 amounted to approximately RMB7.9 million.

## **REASONS AND BENEFITS OF THE DISPOSAL**

The Group has been principally engaged in the design, manufacture and sale of a wide range of leisure and athletic footwear in the PRC, and IT businesses such as the provision of system integration services, facility management services and the development of IT infrastructure network in the PRC and Hong Kong.

For the past two years, the footwear business section had undergone a tough period. The price pressure was attributable to the keen competition amongst market players induced by an adverse global over-supply business environment. Given the volatility of the price of crude oil which in turn affects the price of the essential raw materials for making footwear and the soaring of labour cost in the PRC, the footwear division of the Group has been suffering from a costly manufacturing cost. In view of this adverse business environment and the uncertainty in the manufacturing cost of footwear business, the Directors consider that the prospect of the businesses of the Kaitai United Group are not pronouncing and accordingly consider the Disposal a suitable opportunity for the Company to realise its investment in Kaitai United. The Directors are of the view that the terms of the Disposal are fair and reasonable and in the interests of the Shareholders as a whole.

Following the Disposal, the Directors shall continue to develop the Company's existing business with the trading arm of the footwear business section and the information technology related business section. The Directors shall continue to explore and review any potential business opportunities with an aim to strengthen the quality of the investment portfolio and improve the overall financial performance of the Company.

A gain expected to accrue to the Group following completion of the Disposal would be approximately HK\$1.1 million for the year ending 30 September 2005 (that is the difference between the consideration of the Disposal and the unaudited consolidated NAV of the Kaitai United Group as at 31 January 2005). As at 31 January 2005, the Kaitai United Group had an unaudited consolidated NAV of approximately HK\$6.9 million. Before completion of the Disposal, the Kaitai United Group are wholly-owned subsidiaries of the Company. Upon completion of the Disposal, the Kaitai United Group will cease to be the subsidiaries of the Company. The accounts of the Kaitai United Group will no longer be consolidated to the financial statements of the Group.

## USE OF PROCEEDS

The aggregate consideration of the Disposal of approximately HK\$12.9 million will be satisfied by Jade Paradise in three installments in accordance with the Schedule. The net proceeds from the Disposal are expected to be an amount of approximately HK\$12.9 million and will be applied for the general working capital requirements of the Company for its existing businesses. As at the date hereof, there is no specific plans identified by the Company in utilising the net proceeds for its existing business and no specific investments has been identified by the Company. Hence, no breakdown on the use of net proceeds between the Company's existing investments and any future investments is available. Save for the liabilities and debts of the Group arose in the normal course of business, the Group has no other liabilities and debts as at the date hereof which shall be met by the proceeds from the Disposal. The Company will comply with the requirements of the Listing Rules and make such announcement or disclosure as and when required.

## GENERAL

As the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 25% but are below 75%, the Disposal constituted a major transaction for the Company under the Listing Rules and is therefore conditional on the approval of the Shareholders at a general meeting. A circular containing further particulars of the Disposal together with the notice of the SGM to be convened for the purpose of approving the Disposal will be despatched to the Shareholders as soon as practicable.

Dealings in the shares of the Company on the Stock Exchange has been suspended at the request of the Company with effect from 9:30 a.m., 17 March 2005 pending release of this announcement. Application has been made by the Company for the resumption of dealings in the shares of the Company on the Stock Exchange on 9:30 a.m., 1 April 2005.

## DEFINITIONS

“Agreement”	the sale and purchase agreement between Fortress Ocean and Jade Paradise dated 31 March 2005 in relation to the Disposal
“Company”	Sunny Global Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Disposal”	the sale of the Sale Shares and the assignment of the Sale Debt by Fortress Ocean pursuant to the Agreement
“Fortress Ocean”	Fortress Ocean Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huayi”	Huayi Footwear Co., Ltd. Jinjiang (晉江市華意鞋業有限公司), a wholly foreign-owned enterprise established in the PRC and the sole subsidiary of Kaitai United
“Jade Paradise”	Jade Paradise Limited, a company incorporated in the British Virgin Islands, being an independent third party and not a connected person of the Company (as defined in the Listing Rules)
“Kaitai United”	Kaitai United Company Limited, a company incorporated in the British Virgin Islands with limited liability which holds the entire shareholding interests in Huayi
“Kaitai United Group”	Kaitai United and Huayi
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Debt”	the amount of HK\$4,892,087, being all the outstanding loans due from Kaitai United to Fortress Ocean as at the date of the Agreement and as at completion of the Disposal
“Sale Shares”	1,116,044 shares of US\$1.00 each in the capital of Kaitai United, representing the entire issued share capital of Kaitai United
“SGM”	the special general meeting of the Company to be convened to consider, among other things, the Disposal and any transactions contemplated thereunder
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollar, the lawful currency of the United States of America

*In this announcement, the exchange rate of HK\$1.00 to RMB1.065 is used. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.*

By Order of the Board of  
**Sunny Global Holdings Limited**  
**Lee Man Fa**  
*Chairman*

Hong Kong, 31 March 2005

*As at the date of this announcement, Messrs. Lee Man Fa, Lin Huis Sheng, Kwok Ming Fai and Tai King Foon are the executive Directors and Messrs. Leung Sai Cheong, Li Wai Kwan and Liu Kwok Wah are the independent non-executive Directors.*

\* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.