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CT HOLDINGS (INTERNATIONAL) LIMITED

詩天控股(國際)有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1008)

**(I) VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTIONS IN RELATION TO
THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN
BRILLIANT CIRCLE HOLDINGS INTERNATIONAL LIMITED
BY WAY OF ISSUE OF NEW SHARES UNDER A SPECIFIC MANDATE
AND
THE PROVISION OF FINANCIAL ASSISTANCE TO
A CONNECTED PARTY UPON
COMPLETION OF THE ACQUISITION;
(II) PLACING DOWN ARRANGEMENTS FOR
MAINTAINING SUFFICIENT PUBLIC FLOAT;
(III) PROPOSED CONTINUING CONNECTED TRANSACTIONS;
AND
(IV) RESUMPTION OF TRADING**

THE ACQUISITION

On 29 December 2010, the Company, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into a sale and purchase agreement whereby the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in the Target at a consideration of HK\$2,400,000,000 to be satisfied by the allotment and issue of 480,000,000 new Shares, representing 240% of the existing issued share capital of the Company and approximately 70.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares, to the Vendor (or his nominee(s) or any person(s) nominated by him), credited as fully paid, at HK\$5 per Consideration Share. The Vendor, being Mr. Tsoi, is a non-executive Director and the chairman of the Board and is interested in 52.50% of the existing issued share capital of the Company.

Prior to the entering into of the Acquisition Agreement, a member of the Target Group has been providing a corporate guarantee of RMB260 million (equivalent to approximately HK\$305.88 million) to a private company wholly and beneficially owned by the Vendor. The Vendor has undertaken to the Purchaser that he shall procure the Corporate Guarantee to be released within six months after the Acquisition Completion.

Completion of the Acquisition is subject to fulfilment or waiver of certain conditions precedent as set out in the section headed “Conditions precedent” below.

THE PLACING DOWN ARRANGEMENTS

Assuming 480,000,000 new Shares are issued to the Vendor (or his nominee(s) or any person(s) nominated by him) under the Acquisition, Mr. Tsoi and Mr. Cai Xiao Ming, David, together with their respective associates, will be interested in more than 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

With a view to restoring the public float of the Company upon the Acquisition Completion, (i) the Company has been informed by the Vendor that, in conjunction with the entering into of the Acquisition Agreement, Profitcharm and Mr. Tsoi have entered into the First Placing Down Agreement with the First Placee on 29 December 2010; and (ii) as a condition precedent to the Acquisition Agreement, Mr. Tsoi shall and shall procure each of Profitcharm and Sinorise to enter into placing agreement(s) with placing agent(s), on a fully underwritten basis, for the purpose of disposing of a sufficient number of Shares at least three Business Days before the date of despatch of the Circular in order to maintain the minimum public float requirement as required by the Listing Rules as a result of the Acquisition.

Pursuant to the First Placing Down Agreement, the Placing Down Vendor has conditionally agreed to sell and the First Placee has conditionally agreed to acquire the First Placee's Placing Down Shares, representing not less than 13%, but not more than 26% of the total issued and outstanding share capital of the Company as enlarged by the allotment and issue of the Consideration Shares on a fully diluted basis at Placing Down Completion at approximately HK\$4.52 per Share. Based on the total issued share capital of the Company, as enlarged by the allotment and issue of the Consideration Shares, of 680,000,000 Shares upon the Acquisition Completion, the First Placee's Placing Down Shares shall represent not less than 88,400,000 Shares but not more than 176,800,000 Shares. The consideration for the First Placee's Placing Down Shares shall be an amount equal to HK\$800 million multiplied by a fraction, the numerator of which is the First Placee's Placing Down Shares and the denominator of which is the Placing Down Shares, which shall be satisfied by the First Placee in cash to the Placing Down Vendor at First Placing Down Completion. Also, pursuant to the First Placing Down Agreement, by no later than three Business Days prior to the date of despatch of the Circular, the First Placee shall, among other things, use its commercially reasonable efforts to procure the Other Placee(s) to enter into legally binding share purchase agreement(s) in a form substantially the same as the First Placing Down Agreement (except for certain clauses that are not applicable to the Other Placee(s)) with the Placing Down Vendor and the Guarantor for the purchase of the relevant Other Placee's Placing Down Shares, which shall not in aggregate be more than 13% of the total issued and outstanding share capital of the Company on a fully diluted basis at the time of the Placing Down Completion, at the same price per Share. As one of the conditions precedent for the Placing Down Vendor to complete the First Placing Down Agreement, the sale of the First Placee's Placing Down Shares is conditional on the sale of the Other Placee's Placing Down Shares having occurred simultaneously. Subsequent to the entering into of the First Placing Down Agreement, the PG Placing Down Agreement and the YF Placing Down Agreement were entered into on 29 January 2011, pursuant to which the Placing Down Vendor has agreed to sell, and the Other Placees under the PG Placing Down Agreement and the YF Placing Down Agreement have agreed to acquire, an aggregate of 12.62% of the total issued and outstanding share capital of the Company as enlarged by the allotment and issue of the Consideration Shares on a fully diluted basis at Placing Down Completion at a price of approximately HK\$4.52 per Share. Accordingly, the First Placee will acquire 13.38% of the total issued and outstanding share capital of the Company as enlarged by the allotment and issue of the Consideration Shares on a fully diluted basis at Placing Down Completion (assuming no further Other Placee(s) is identified). Each of the First Placee and the Other Placees under the PG Placing Down Agreement and the YF Placing Down Agreement is an Independent Third Party.

According to the First Placing Down Agreement, the PG Placing Down Agreement and the YF Placing Down Agreement, Mr. Tsoi and Profitcharm have provided a profit undertaking in respect of the pro forma combined financial statement of the Company for the year ending 31 December 2011 of not less than HK\$410 million. Details of the Profit Undertaking are set out in the section headed "Profit Undertaking" below.

In addition, on 29 January 2011, Mr. Tsoi entered into the Further Placing Down Agreement, pursuant to which Mr. Tsoi has agreed to sell, through the Placing Agent, not less than 31,600,000 Further Placing Down Shares but not more than 120,000,000 Further Placing Down Shares, on a best effort basis, to not less than six placees who and whose ultimate beneficial owners shall be Independent Third Parties at a price of HK\$4.52 per Further Placing Down Share. The Placing Agent has agreed that the Further Placing Down shall be conducted on a fully underwritten basis when Mr. Tsoi notifies the Placing Agent the actual number of the Further Placing Down Shares on a date at least three Business Days prior to the date of despatch of the Circular.

PROPOSED CONTINUING CONNECTED TRANSACTIONS

The Target Group has been selling the Package Products to Wuhan Tobacco Group, while 襄樊捲煙廠 (Xiangfan Cigarette Factory*) is a subsidiary of the Wuhan Tobacco Group and a substantial shareholder of Xiangfan Jinfeihuan Colour Package Co., Ltd. (an indirect non-wholly owned subsidiary of the Target). Immediately following the Acquisition Completion, the continuing and recurring transactions between the Enlarged Group and the Wuhan Tobacco Group (which will become a connected person of the Company) will constitute continuing connected transactions for the Company under the Listing Rules. Accordingly, on 28 December 2010, Xiangfan Jinfeihuan Colour Package Co., Ltd. entered into the Master Sales Agreement with 襄樊捲煙廠 (Xiangfan Cigarette Factory*) pursuant to which Xiangfan Jinfeihuan Colour Package Co., Ltd. shall sell (or shall procure the Target Group to sell) and 襄樊捲煙廠 (Xiangfan Cigarette Factory*) shall buy (or shall procure its subsidiary(ies), fellow subsidiary(ies) and/or holding company(ies) to buy) the Package Products for a term of three years. The Caps of the Package Products to be supplied by the Target Group to the Wuhan Tobacco Group under the Master Sales Agreement for each of the three years ending 31 December 2013 are RMB230 million, RMB250 million and RMB300 million respectively.

LISTING RULES IMPLICATIONS

The Acquisition and the transactions contemplated under the Acquisition Agreement constitute a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and a connected transaction of the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules by reason that Mr. Tsoi, being the Vendor, is a connected person of the Company under the Listing Rules. Also, prior to the release of the Corporate Guarantee as undertaken by the Vendor, the provision of which constitutes a connected transaction pursuant to Rule 14A.63 of the Listing Rules. The Acquisition and the transactions contemplated under the Acquisition Agreement, including the provision of the Corporate Guarantee, are therefore subject to the approval by the Independent Shareholders at the EGM by way of poll.

As the Caps under the Master Sales Agreement exceed HK\$10 million, the sales of Package Products under the Master Sales Agreement to the Wuhan Tobacco Group constitutes non-exempt continuing connected transactions for the Company upon Acquisition Completion. The entering into of the Master Sales Agreement, including the Caps, in relation to the sales of the Package Products shall therefore be subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules. An ordinary resolution will be proposed at the EGM to approve the Master Sales Agreement and transactions contemplated thereunder (including the Caps).

No Shareholder, except for Mr. Tsoi, Profitcharm, Mr. Cai Xiao Ming, David, Sinorise, the First Placee and the Other Placees, together with their respective associates, has a material interest in the Acquisition which is different from other Shareholders and is required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares and the provision of the Corporate Guarantee). No Shareholder has a material interest in the Master Sales Agreement which is different from other Shareholder and is required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Master Sales Agreement and the transactions contemplated thereunder (including the Caps). As at the date of this announcement, Mr. Tsoi, the ultimate beneficial owner of Profitcharm and a controlling Shareholder, is interested in 105,000,000 Shares, representing 52.50% of the existing issued share capital of the Company and Mr. Cai Xiao Ming, David, a son of Mr. Tsoi, the ultimate beneficial owner of Sinorise, is interested in 45,000,000 Shares, representing 22.50% of the existing issued share capital of the Company.

DESPATCH OF CIRCULAR

The Circular containing, among other things, (i) details of the Acquisition; (ii) details of the placing down arrangements; (iii) details of the Master Sales Agreement (including the Caps); (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the Master Sales Agreement (including the Caps); (v) the letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Master Sales Agreement (including the Caps); (vi) financial information of the Group; (vii) financial information of the Target Group; (viii) pro forma financial information of the Enlarged Group; and (ix) the notice of the EGM which will be sent to the Shareholders as soon as practicable.

It is currently expected that it will take about seven to nine weeks for the Company and the professional parties to prepare the relevant information for inclusion in the Circular including, but not limited to, the accountants' report on the Target Group and the unaudited pro forma financial information of the Enlarged Group. Accordingly, the date of despatch of the Circular is expected to be on or before 31 March 2011.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 30 December 2010 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 February 2011.

As the Acquisition Agreement is subject to a number of conditions precedent, the Acquisition Agreement may or may not become unconditional or be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

Reference is made to the announcement of the Company dated 6 December 2010 in relation to, among other things, a possible acquisition of a company wholly-owned by the controlling Shareholder.

The Company is pleased to announce that the Company, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement after trading hours on 29 December 2010 whereby the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the entire equity interest in the Target at a consideration of HK\$2,400,000,000 which shall be satisfied by the allotment and issue of 480,000,000 new Shares to the Vendor (or his nominee(s) or any person(s) nominated by him), credited as fully paid, at HK\$5 per Consideration Share. Details of the terms and conditions of the Acquisition Agreement are summarised below.

THE ACQUISITION AGREEMENT

Date

29 December 2010

Parties

- (i) Mr. Tsoi Tak, being the Vendor;
- (ii) CT Management Investments Limited, a wholly-owned subsidiary of the Company, being the Purchaser; and
- (iii) CT Holdings (International) Limited, being the issuer

The Vendor, being Mr. Tsoi, is the founder of the Target and wholly and beneficially owns the entire issued share capital of the Target. Mr. Tsoi is also a non-executive Director, the chairman of the Board and a controlling Shareholder holding 52.50% of the existing issued share capital of the Company through Profitcharm (a company whose issued share capital is wholly-owned by Mr. Tsoi).

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Share.

The Sale Share, being one ordinary share of US\$1.00 in the issued share capital of the Target, represents and shall represent the entire issued share capital of the Target as at the date of this announcement and the date of the Acquisition Completion respectively.

For further details of the Target Group, please refer to the paragraph headed “Information on the Target Group” below.

Consideration of the Acquisition

The consideration of the Acquisition is HK\$2,400,000,000, which shall be satisfied entirely by the Company allotting and issuing 480,000,000 new Shares to the Vendor (or his nominee(s) or any person(s) nominated by him), credited as fully paid, at an issue price of HK\$5 per Consideration Share upon Acquisition Completion.

Consideration Shares

The Consideration Shares represent 240% of the existing issued share capital of the Company and approximately 70.59% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The Consideration Shares will be issued pursuant to a specific mandate of the Company to be sought at the EGM. The Consideration Shares shall rank *pari passu* with the Shares in issue on the date of their allotment and issue.

Application for listing

An application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Issue price of the Consideration Shares

The issue price of HK\$5 per Consideration Share represents:

- (i) a discount of approximately 29.78% to the closing price of HK\$7.12 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 28.06% to the average of the closing prices of HK\$6.95 per Share for the last ten trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 26.36% to the average of the closing prices of approximately HK\$6.79 per Share for the last 30 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 19.61% to the average of the closing prices of approximately HK\$6.22 per Share for the last 60 trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 257.14% over the unaudited consolidated net asset value per Share as at 30 June 2010 of approximately HK\$1.40.

Basis of the consideration of the Acquisition

The consideration of the Acquisition, including the issue price of the Consideration Shares, was determined after arm's length negotiations between the Company, the Purchaser and the Vendor, and taking into account a number of factors including the historical performance of the Target Group, the business growth and profitability of the Target Group, as well as the prospects of the PRC tobacco industry. Also, the consideration of the Acquisition represents price-earnings multiple of approximately 10.36 times (the "Acquisition PE") (based on the unaudited consolidated profit attributable to the equity holder of the Target for the year ended 31 December 2009 of approximately HK\$231.7 million), compared to the trading price-earnings multiple of AHL, which is a direct comparable of the Target Group as both companies are engaging in the printing of cigarette packages) of approximately 15.70 times on the date of the Acquisition Agreement.

Furthermore, as the consideration of the Acquisition will be satisfied entirely by the Company allotting and issuing 480,000,000 new Shares, the parties have also taken into consideration the trading price-earnings multiples of the Company (being about 63 times) and other Hong Kong listed companies with businesses comparable to that of the Company in books printing, packaging printing and other paper products printing as at the date of the Acquisition Agreement, before agreeing on the Acquisition PE, as follows:

**Trading price-earnings
multiple as at
29 December 2010
(Note 1)**

The Company	62.6 times
Hung Hing Printing Group Limited (stock code: 450)	17.0 times
Newway Group Holdings Limited (stock code: 55)	49.9 times
New Island Printing Holdings Limited (stock code: 377)	103.3 times
Cheong Ming Investments Limited (stock code: 1196)	23.9 times

Notes:

1. The trading price-earnings multiple as at 29 December 2010 is calculated based on the market capitalisation of the listed issuer as at 29 December 2010 divided by the audited consolidated net profit attributable to the equity holders of the listed issuer for the most recent financial year.
2. Midas International Holdings Limited (stock code: 1172) was a loss situation, therefore it has not been considered in determining the Acquisition PE.

In light of the fact that the Acquisition PE of approximately 10.36 times is much lower than the prevailing trading price-earnings multiple of the Company of about 63 times, and that all other comparable companies considered by the Directors as referred to above are trading on price-earnings multiples higher than the Acquisition PE, the Directors (excluding Mr. Tsoi (who is the Vendor and a director of certain members of the Target Group) and Mr. Cai Xiao Ming, David (who is a director of certain members of the Target Group) who had abstained from voting at the relevant Board resolutions, and the independent non-executive Directors who will express their views after having considered the advice of an independent financial adviser) consider that the Acquisition PE is fair and reasonable.

In respect of the issue price of the Consideration Shares, although it represents a discount of approximately 29.78% to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day, it is noted that the Share price has recently surged from the average of the closing prices in September 2010 of approximately HK\$4.42 (the “**September Average Price**”) to the average of the closing prices in October 2010 of approximately HK\$5.22 (the “**October Average Price**”) and further to the closing price of HK\$7.12 on the Last Trading Day. In order to eliminate the effects of any short term fluctuations in share prices on the trading pattern of the Shares on the Stock Exchange, the issue price of HK\$5 per Consideration Share represents a premium of approximately 13.12% over the September Average Price and a discount of approximately 4.21% to the October Average Price. In considering the fairness and reasonableness of the issue price of the Consideration Shares, the Company has also taken into consideration that the entire consideration of the Acquisition is to be satisfied solely by the allotment and issue of the Consideration Shares and involving no cash outlay of the Company.

The Directors have noted that the consideration under the Acquisition Agreement was different from that paid by the Vendor when he repurchased the Target from AHL in February 2010. However, given that (i) the basis of determining the relevant consideration by the respective board of the directors of the purchasers under the two transactions are different; (ii) the form and manner of consideration payable to the relevant vendor are different; (iii) the timing of the underlying acquisitions and the then market sentiment for the two transactions are different, the Directors (excluding Mr. Tsoi (who is the Vendor and a director of certain members of the Target Group) and Mr. Cai Xiao Ming, David (who is a director of certain members of the Target Group) who had abstained from voting at the relevant Board resolutions and the independent non-executive Directors who will express their views after having considered the advice of an independent financial adviser) consider that the consideration of the Acquisition, including the issue price of the Consideration Shares, is fair and reasonable.

Conditions precedent

The Acquisition Completion is conditional upon the satisfaction or waiver (as the case may be) of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (ii) the Purchaser being reasonably satisfied with the results of the due diligence review to be conducted on the Target Group;
- (iii) the Independent Shareholders passing an ordinary resolution at an extraordinary general meeting of the Company to approve the Acquisition Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares under a specific mandate);
- (iv) the Purchaser obtaining a PRC legal opinion (in a form and substance satisfactory to the Purchaser) from a qualified firm of PRC legal advisers on all members of the Target Group established in the PRC (including their incorporation details, business operation, land use rights, etc.);
- (v) the warranties given by the Vendor under the Acquisition Agreement remaining true and accurate in all material respects;

- (vi) the Vendor shall and shall procure each of Profitcharm and Sinorise to enter into placing agreement(s) with placing agent(s), on a fully underwritten basis, at least three Business Days before the date of despatch of the Circular for the purpose of disposing of a sufficient number of Shares in order to maintain the minimum public float requirement as required by the Listing Rules;
- (vii) the Acquisition Agreement and the transactions contemplated thereunder not being deemed as a reverse takeover (as defined under the Listing Rules) by the Stock Exchange; and
- (viii) all necessary consents, authorisations, licences, and approvals for or in connection with the Acquisition Agreement and the transactions contemplated thereunder having been obtained.

The Purchaser may at any time waive in writing any of the conditions set out in (ii), (iv) and (v) above. If any of the above conditions precedent have not been satisfied (or waived as the case may be) at or before 12:00 noon on 31 March 2011 or such later date as the parties to the Acquisition Agreement may agree, the Acquisition Agreement shall cease and neither party shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Declaration of dividend of the Target prior to Acquisition Completion

Pursuant to the Acquisition Agreement, the Vendor has the right to procure the Target to declare dividends for the year ended 31 December 2010 subject to the condition that such declaration of dividends and such dividends: (i) will not negatively affect the normal operations and continuing business of any members of the Target Group; (ii) does not exceed the distributable net profit as indicated in the audited financial statements of the Target Group for the year ended 31 December 2010 prepared in accordance with the International Financial Reporting Standards; (iii) does not result in the amount of cash balance of the Target Group being less than HK\$180,000,000 after such declaration; and (iv) will be made in accordance with the applicable laws, rules and regulations.

Provision of the Corporate Guarantee

Prior to the entering into of the Acquisition Agreement, a member of the Target Group has been providing a corporate guarantee of RMB260 million (equivalent to approximately HK\$305.88 million) to a private company wholly and beneficially owned by the Vendor. Pursuant to the terms of the Acquisition Agreement, the Vendor has undertaken to the Purchaser that he shall procure the Corporate Guarantee to be released as soon as possible after the date of the Acquisition Agreement and in any event within six months after the Acquisition Completion. As it is envisaged that the Corporate Guarantee may continue to exist up to six months after the Acquisition Completion, it is provided that the Vendor shall indemnify the Purchaser or the Target Group and shall keep any of them fully indemnified against all damages, losses, claims, fees and expenses (including but not limited to all damages, losses, claims, fees and expenses arising from any cross default triggered on the Target Group) which may be incurred, suffered or arising from the Corporate Guarantee. It is also provided that a finance charge of RMB1.30 million (equivalent to approximately HK\$1.53 million), representing 0.5% on the amount of the guarantee provided, be levied

against the private company which benefits from the Corporate Guarantee upon the Acquisition Completion and the Vendor shall and shall procure its associates to pay the aforesaid finance charge within three Business Days from the date of Acquisition Completion. The Directors (excluding Mr. Tsoi (who is the Vendor and a director of certain members of the Target Group) and Mr. Cai Xiao Ming, David (who is a director of certain members of the Target Group) who had abstained from voting at the relevant Board resolutions, and the independent non-executive Directors who will express their views after having considered the advice of an independent financial adviser) consider that the arrangement regarding the provision of the Corporate Guarantee as described above is on normal commercial terms, and fair and reasonable and is in the interests of the Group and the Shareholders as a whole.

Completion

Acquisition Completion shall take place on the date falling the fifth Business Day after all the conditions precedent mentioned above have been fulfilled (or waived as the case may be).

THE PLACING DOWN ARRANGEMENTS

Background

Assuming 480,000,000 new Shares are issued to the Vendor (or his nominee(s) or person(s) nominated by him) under the Acquisition, Mr. Tsoi and Mr. Cai Xiao Ming, David, together with their respective associates, will be interested in more than 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

With a view to restoring the public float of the Company, (i) the Company has been informed by the Vendor that, in conjunction with the entering into of the Acquisition Agreement, Profitcharm and Mr. Tsoi have entered into the First Placing Down Agreement with the First Placee on 29 December 2010; and (ii) as a condition precedent to the Acquisition Agreement, Mr. Tsoi shall and shall procure cause each of Profitcharm and Sinorise to enter into placing agreement(s) with placing agent(s), on a fully underwritten basis, for the purpose of disposing of a sufficient number of Shares at least three Business Days before the date of despatch of the Circular in order to maintain the minimum public float requirement as required by the Listing Rules as a result of the Acquisition.

The First Placing Down Agreement

Date

29 December 2010

Parties

- (i) Ares BCH Holdings, L.P., being the First Placee;
- (ii) Profitcharm, being the Placing Down Vendor; and
- (iii) Mr. Tsoi Tak, being the Guarantor, to guarantee the due and punctual payment and performance by Profitcharm of its obligations under the First Placing Down Agreement

Mr. Tsoi is the chairman of the Board and a non-executive Director and holds the entire equity interest in the Placing Down Vendor. As at the date of this announcement, the Tsoi's Family, through the Placing Down Vendor and Sinorise, beneficially owns 150,000,000 Shares, representing 75% of the existing issued share capital of the Company. To the best of the Directors' knowledge and according to the form of disclosure of interests of the Company as published on the website of the Stock Exchange, the First Placee is 100% controlled by ACOF Asia Management, L.P. which in turn is 100% controlled by Ares Management (Cayman), Ltd. ("**Ares Cayman**").

As advised by the Vendor based on the further information provided by the First Placee, Ares Cayman is owned by 11 individuals (each of whom holds less than 10% of Ares Cayman) and all of the owners of Ares Cayman are independent from the Group, the Target Group and Mr. Tsoi and, prior to the contemplated investment, had no existing relationship with such parties. The principal business of the First Placee is investment holding in respect of a private equity investment in the Pan-Asian region.

Pursuant to the First Placing Down Agreement, the Other Placee(s) to be identified by the First Placee shall be independent of and not connected with the Company, the Target, the First Placee and any of their respective subsidiaries and associates. For the avoidance of doubt, if any Other Placee took up 10% or more of the issued share capital of the Company, it would be connected to the Company and could not become an Other Placee within the meaning of the First Placing Down Agreement.

Subject of the transaction

Pursuant to the First Placing Down Agreement, the Placing Down Vendor has conditionally agreed to sell and the First Placee has conditionally agreed to acquire the First Placee's Placing Down Shares, representing not less than 13%, but not more than 26% of the total issued and outstanding share capital of the Company as enlarged by the allotment and issue of the Consideration Shares on a fully diluted basis at First Placing Down Completion. Based on the total issued share capital of the Company, as enlarged by the allotment and issue of the Consideration Shares, of 680,000,000 Shares upon the Acquisition Completion, the First Placee's Placing Down Shares shall represent not less than 88,400,000 Shares but not more than 176,800,000 Shares.

Consideration for the First Placee's Placing Down Shares

The consideration for the First Placee's Placing Down Shares shall be an amount equal to HK\$800 million multiplied by a fraction, the numerator of which is the First Placee's Placing Down Shares and the denominator of which is the Placing Down Shares, which shall be satisfied by the First Placee in cash to the Placing Down Vendor at First Placing Down Completion.

According to the terms of the First Placing Down Agreement, the consideration was determined after arm's length negotiations between the Placing Down Vendor and the First Placee by reference to the amount of Profit Undertaking of not less than HK\$410 million as set out under the paragraph headed "Profit Undertaking" below.

Based on the initial consideration of HK\$800,000,000 for the Placing Down Shares, assuming to be 176,800,000 Shares as set out above, the Placing Down Price, being approximately HK\$4.52, represents:

- (i) a discount of approximately 36.52% to the closing price of HK\$7.12 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 34.96% to the average of the closing prices of HK\$6.95 per Share for the last ten trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 33.43% to the average of the closing prices of approximately HK\$6.79 per Share for the last 30 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 27.33% to the average of the closing prices of approximately HK\$6.22 per Share for the last 60 trading days up to and including the Last Trading Day; and
- (v) a discount of 9.6% to the issue price of the Consideration Shares of HK\$5 per Consideration Share.

As advised by Mr. Tsoi, the Placing Down Price of approximately HK\$4.52 per Placing Down Share is arrived after arm's length negotiation between the Placing Down Vendor and the First Placee and after taking into account of, among other things, the preliminary valuation of the Enlarged Group of approximately HK\$3.076 billion (based on a price-earnings multiple of about 7.5 times of the Profit Undertaking, which may be adjusted dependent on the actual 2011 Net Income (as defined below)) and the number of Shares to be in issue as enlarged by the allotment and issue of the Consideration Shares.

Conditions precedent

The obligation of the First Placee to complete the First Placing Down at First Placing Down Completion is subject to the fulfilment, prior to or simultaneously with First Placing Down Completion, of the following conditions, any one or more of which may be waived in writing by the First Placee:

- (i) the representations, warranties and undertakings given by the Placing Down Vendor and the Guarantor under the First Placing Down Agreement remaining true and correct in all material respects on the date of First Placing Down Completion;
- (ii) each of the Placing Down Vendor and the Guarantor having performed and complied in all respects with all of its agreements and obligations contained in the First Placing Down Agreement to which it/he is a party that are required to be performed or complied with by it/him on or before First Placing Down Completion;

- (iii) each of the Placing Down Vendor, the Company and the Target having duly attended to and carried out all corporate procedures that are required under the laws of its place of incorporation or establishment to effect its execution, delivery and performance of the First Placing Down Agreement and each transaction document relating to the Acquisition to which it is a party and the transactions contemplated thereby and having provided copies of all resolutions (and all attachments thereto) described below to the First Placee which corporate procedures shall include:
 - (a) approval by the Board and the Shareholders, each to the extent required by the applicable law and charter documents of the Company, of the execution, delivery and performance by the Company of the First Placing Down Agreement and each transaction document relating to the Acquisition to which it is a party, and all the transactions contemplated thereby;
 - (b) approval by the boards of directors and the shareholder(s) of the Placing Down Vendor, to the extent required by the applicable law or its charter documents, of the execution, delivery and performance by the Placing Down Vendor of the First Placing Down Agreement and all transactions contemplated thereby; and
 - (c) approval by the boards of directors and the shareholder(s) of the Target, to the extent required by the applicable law or its charter documents, of the execution, delivery and performance by the Target of each transaction document relating to the Acquisition to which it is a party and all transactions contemplated thereby.
- (iv) all consents and approvals of, notices to and filings or registrations with any governmental authority or any other person required pursuant to any applicable law or regulation of any governmental authority, or pursuant to any contract binding on the Placing Down Vendor, any member of the Group or any member of the Target Group or whereby their respective assets are subject or bound, to consummate the transactions contemplated under the First Placing Down Agreement and the Acquisition (to the extent that such transactions are to be completed on or prior to the date of Placing Down Completion), having been obtained or made and copies thereof having been provided to the First Placee;
- (v) one nominee of the First Placee having been duly elected to the Board and each committee of the Board as a non-executive director, effective upon First Placing Down Completion;
- (vi) there being no governmental authority or other person that has:
 - (a) (A) instituted or threatened any legal, arbitral or administrative proceedings against the Placing Down Vendor, the Company, any other member of the Group or any member of the Target Group to restrain or prohibit the First Placing Down, the Acquisition or any other transaction contemplated under the First Placing Down Agreement or (B) requested any information in connection with the possible institution of any such proceedings or inquiry; provided that if any governmental authority or other person has instituted or threatened, or requested any information in connection with the possible institution of, any such inquiry, the Placing Down Vendor, the Company, the relevant member of the Group and the relevant member of the Target Group (as applicable) shall have satisfied the regulatory requirements for such inquiry; or

- (b) proposed or enacted any law which would prohibit, materially restrict, impact or delay implementation of the transactions contemplated under the First Placing Down Agreement, the Acquisition or the operation of any member of the Group or any member of the Target Group or the operation of any member of the Group after First Placing Down Completion as contemplated in the First Placing Down Agreement;
- (vii) there having been since the date of the First Placing Down Agreement, in the opinion of the First Placee, (a) no material adverse change in, and no change in circumstances that has a material adverse impact on the future, business, operations, properties, financial position (including any material increase in provisions), earnings, condition or prospects of the Group or the Target Group, taken as a whole, and (b) no material change in any relevant laws, regulations or policies in any of the jurisdictions or sectors in which any member of the Group or any member of the Target Group does business (whether coming into effect prior to, on or after the date of the First Placing Down Completion) that could materially and adversely affect the Group or the Target Group, taken as a whole;
- (viii) the Shares continuing to be listed for trading on Stock Exchange and there having been no suspension of trading of the Shares on the Stock Exchange of more than five consecutive trading days at any time prior to the First Placing Down Completion other than in connection with the Acquisition (including any restoration of public float of the Company in compliance with the requirement under the Listing Rules);
- (ix) all necessary waivers or approvals from the Stock Exchange or, if applicable, the Securities and Futures Commission of Hong Kong for the Acquisition and/or for the sale of the Placing Down Shares by the Placing Down Vendor (including the public float waiver, if necessary) having been obtained, and the Acquisition having been completed on terms and conditions satisfactory to the First Placee;
- (x) if the Company or the Target declares dividends for the year ending 31 December 2010, the amount of such dividends: (a) does not exceed the distributable net profit of the Company or the Target (as the case may be) as indicated in the audited financial statements of the Company or the audited financial statements of the Target (as the case may be) prepared in accordance with the International Financial Reporting Standards for the year ending 31 December 2010, (b) will not negatively affect the normal operations of the Company or the Target (as the case may be) and (c) does not result in the amount of cash balance of the Group and the Target Group (as the case may be) being less than HK\$180,000,000;
- (xi) the Placing Down Vendor having delivered to the First Placee (a) a certificate certifying that the conditions set forth in paragraphs (i) through (x) above have been satisfied and (b) such other evidence of the satisfaction of such conditions as the First Placee may request;
- (xii) the First Placing Down Agreement having been executed by each party thereto other than the First Placee and delivered to the First Placee;

- (xiii) the Placing Down Vendor having delivered evidence to the satisfaction of the First Placee of the appointment of a process agent in accordance with the First Placing Down Agreement;
- (xiv) the First Placee having received legal opinions from the Company's Cayman legal counsel, dated as of the date of the First Placing Down Completion, in form and substance to the satisfaction of the First Placee;
- (xv) the First Placee having received legal opinions from the Placing Down Vendor's British Virgin Islands legal counsel, dated as of the date of the First Placing Down Completion, in form and substance to the satisfaction of the First Placee; and
- (xvi) the First Placee and its investment committee being satisfied with the results of their due diligence investigation of the assets, liabilities, business, financial and legal matters, references and background checks, if any, relating to the Group and the Target Group.

The Placing Down Vendor's obligation to complete the First Placing Down at First Placing Down Completion is subject to the fulfillment, prior to or simultaneously with First Placing Down Completion, of the following conditions, any one or more of which may be waived in writing by the Placing Down Vendor:

- (i) the representations, warranties and undertakings given by the First Placee under the First Placing Down Agreement remaining true and correct in all material respects on the date of First Placing Down Completion;
- (ii) the First Placing Down Agreement having been duly executed and delivered by the First Placee to the Placing Down Vendor;
- (iii) the First Placee having performed and complied in all respects with all of its agreements and obligations contained in the First Placing Down Agreement that are required to be performed or complied with by it on or before First Placing Down Completion;
- (iv) there being no governmental authority or other person that has:
 - (a) (A) instituted or threatened any legal, arbitral or administrative proceedings against the First Placee, the Company, any other member of the Group or any member of the Target Group to restrain or prohibit the First Placing Down, the Acquisition or any other transaction contemplated under the First Placing Down Agreement or (B) requested any information in connection with the possible institution of any such proceedings or inquiry; provided that if any governmental authority or other person has instituted or threatened, or requested any information in connection with the possible institution of, any such inquiry, the First Placee, the Company, the relevant member of the Group and the relevant member of the Target Group (as applicable) shall have satisfied the regulatory requirements for such inquiry; or

- (b) proposed or enacted any law which would prohibit, materially restrict, impact or delay implementation of the transactions contemplated under the First Placing Down Agreement, the Acquisition or the operation of any member of the Group or any member of the Target Group or the operation of any member of the Group after First Placing Down Completion as contemplated in the First Placing Down Agreement;
- (v) the Acquisition having been completed; and
- (vi) the sale of the Other Placee's Placing Down Shares having occurred simultaneously.

Completion

Completion of the First Placing Down Agreement shall take place on the same Business Day after all the conditions precedent set above are satisfied or waived in writing (as the case may be), or at such other time and place as the parties to the First Placing Down Agreement may agree or as may be determined.

If any condition set above shall not have been fulfilled or waived in writing by 31 March 2011, the First Placee, in the case of a failure of any of the conditions above by the Placing Down Vendor or the Guarantor, and the Placing Down Vendor, in the case of a failure of any of the conditions set above in relation to the First Placee, may, at their respective option, without prejudice to their respective rights hereunder and in accordance with applicable law (i) defer the First Placing Down Completion to a later date; or (ii) so far as practicable, proceed to First Placing Down Completion; or (iii) terminate the First Placing Down Agreement in accordance with the terms thereof.

Profit Undertaking

Each of the Placing Down Vendor and Mr. Tsoi has warranted to the First Placee that the net profit after tax of the Company as indicated in the pro-forma combined financial statements of the Company for the year ending 31 December 2011 prepared as if (i) the Acquisition had taken place on 1 January 2011; (ii) if other companies or equity interests are acquired by the Company or the Target or their respective subsidiaries, including the results of such companies or the contribution from such equity interests from the actual date of acquisition; (iii) the associated acquisition costs are excluded; and (iv) after deducting any income attributable to minority interests (the "**2011 Net Income**") shall be no less than HK\$410 million. For the avoidance of doubt, it was further stated in the First Placing Down Agreement that the 2011 Net Income shall include the profit contribution from (i) the Company, (ii) the Target (as prepared on the aforesaid basis), (iii) if there is any acquisition of the minority interests of a member of the Target, contribution from such acquisition from the actual date of acquisition, and (iv) if any other companies or equity interests are acquired by the Company or the Target or any of their respective subsidiaries, contribution from such acquired entities or equity interests from the actual date of acquisition.

If the 2011 Net Income is lower than HK\$410 million, the Placing Down Vendor shall refund to the First Placee in cash an amount calculated as follows:

$$\text{Cash amount} = \text{HK\$3,076,000,000} \times P\% \times [(\text{HK\$410,000,000} - \text{2011 Net Income}) / \text{HK\$410,000,000}]$$

where $P\%$ = *the First Placee's shareholding percentage in the Company upon First Placing Down Completion calculated on a fully diluted basis*

Pursuant to the First Placing Down Agreement, within 30 days after the release of the audited financial statements of the Company for the year ending 31 December 2011, prepared by the Then Auditor, the parties to the First Placing Down Agreement shall cause the Then Auditor to determine the 2011 Net Income. Any refund in cash as referred to above shall be made by the Placing Down Vendor to the First Placee within 14 days after the determination of the 2011 Net Income. There is no restriction whatsoever on either the Company or the Target for proposing any other acquisition(s) or corporate activities for the purpose of meeting the Profit Undertaking either before or after the First Placing Down Completion.

The Profit Undertaking was given by Mr. Tsoi and Profitcharm in their capacity as vendors of the Placing Down Shares in favour of the First Placee as a commercial term of the First Placing Down Agreement. The Company and the Directors consider that the Profit Undertaking is not an anticipation or estimation of future profit of the Company and/or the Enlarged Group as made by any of them, and no representation or warranty whatsoever is given by the Company or the Directors under the Acquisition Agreement or in this announcement as to the achievability or possibility of such Profit Undertaking.

Concurrently on the date of the entering into of the First Placing Down Agreement, the First Placee, Mr. Tsoi and Profitcharm have also entered into a non-legally binding memorandum of understanding dated 29 December 2010 in relation to the proposed entering into of an escrow agreement on or before the Acquisition Completion with an independent escrow agent. Pursuant to the memorandum of understanding, Profitcharm will, and Mr. Tsoi will cause Profitcharm to place with the escrow agent 30,000,000 Shares owned by Profitcharm simultaneously with the Acquisition Completion for the purpose of securing the rights of the First Placee in the event that Profitcharm or Mr. Tsoi breaches the Profit Undertaking. If Profitcharm or Mr. Tsoi breaches the Profit Undertaking, the appointed escrow agent will sell a number of such escrowed Shares that will generate an amount of proceeds and pay to the First Placee. As at the date of this announcement, as informed by Mr. Tsoi, the independent escrow agent has not been identified yet and no legally binding agreement has been entered into in respect of the escrow arrangement.

Right of appointment of director

The Placing Down Vendor will ensure that the First Placee will have the right to appoint one non-executive Director to the Board and each committee of the Board for so long as the First Placee and/or its affiliates hold not less than 25% of the First Placee's Placing Down Shares. The First Placee shall procure that any Director nominated by it to the Board and each committee of the Board shall resign with no claims against the Company when the First Placee and/or its affiliates hold less than 25% of the First Placee's Placing Down Shares.

Restrictive actions

For so long as the First Placee and/or its affiliates hold not less than 2.5% of the total issued and outstanding share capital of the Company on a fully diluted basis (for this purpose, without regard to the reduction of the First Placee's and/or its affiliates' ownership percentage in the Company resulting from the issuance of any equity securities by the Company after First Placing Down Completion), neither the Guarantor nor the Placing Down Vendor shall propose, approve or vote for any resolutions relating to: (i) change of the business scope of or enter into a new line of business of the Group; (ii) the listing of any member of the Group on any stock exchange; (iii) dissolve, liquidate, reorganize or restructure or delist the Company from Stock Exchange; or (iv) merge, amalgamate or consolidate with, or acquire, any other entity if the members of the relevant member of the Group do not retain at least a majority of the voting power of the surviving entity.

Other Placee's Placing Down Shares

Pursuant to the First Placing Down Agreement, as soon as practicable after the date of the First Placing Down Agreement and in any event no later than three Business Days prior to the date of despatch of the Circular, the First Placee shall (i) notify the Placing Down Vendor and the Guarantor the identity of the Other Placee(s) and the percentage of the Placing Down Shares to be purchased by each of the Other Placee(s), and (ii) use its commercially reasonable efforts to procure the Other Placee(s) to enter into legally binding share purchase agreement(s) in a form substantially the same as the First Placing Down Agreement (except for certain clauses that are not applicable to the Other Placee(s)) with the Placing Down Vendor and the Guarantor for the purchase of the relevant Other Placee's Placing Down Shares at the same price per Share and simultaneously with the First Placee's purchase of the relevant Placing Down Shares under the First Placing Down Agreement. For the avoidance of doubt, the First Placee's Placing Down Shares shall be reduced by the aggregate number of the Other Placee's Placing Down Shares, provided that the First Placee's Placing Down Shares shall represent not less than 13% of the total issued and outstanding share capital of the Company on a fully diluted basis at the time of First Placing Down Completion.

Subsequent to the date of the First Placing Down Agreement, some Other Placees are identified by the First Placee and the PG Placing Down Agreement and YF Placing Down Agreement were entered into on 29 January 2011, the key terms of which are set out as follows:

	The PG Placing Down Agreement	The YF Placing Down Agreement
<i>Parties</i>	<ul style="list-style-type: none"> (i) Profitcharm, being the vendor; (ii) Mr. Tsoi, being the guarantor, to guarantee the due and punctual payment and performance by Profitcharm of its obligations under the PG Placing Down Agreement; (iii) Partners Group Private Equity (Master Fund), LLC (“PGPE”), being one of the Other Placees; and (iv) Partners Group Access 336 L.P. (“PGA”), being one of the Other Placees 	<ul style="list-style-type: none"> (i) Profitcharm, being the vendor; (ii) Mr. Tsoi, being the guarantor, to guarantee the due and punctual payment and performance by Profitcharm of its obligations under the YF Placing Down Agreement; and (iii) YF BCH Investment Limited, being one of the Other Placees

As advised by the Vendor based on the further information provided by the First Placee, PGPE is a private equity investment fund and the investment adviser of which is Partners Group (USA) Inc., a registered investment adviser under the US Securities and Exchange Commission. The interests in PGPE are owned by various shareholders, who are the ultimate beneficial owners of PGPE. Each of the individual shareholders, PGPE, and Partners Group (USA) Inc. are third parties who are independent from the Group, the Target Group and Mr. Tsoi and who, prior to the contemplated investment, had no existing relationship with such parties. As advised by the Vendor based on the further information provided by the First Placee, PGA is a special purpose vehicle formed by Partners Group Management (Scotland) Ltd.

As advised by the Vendor based on the further information provided by the First Placee, YF BCH Investment Limited is a special purpose investment vehicle, formed by Yunfeng Fund, L.P. Yunfeng Investment GP, Ltd. is the general partner of Yunfeng Investment, L.P., which is the general partner of Yunfeng Fund, L.P.. The shares of Yunfeng Investment GP, Ltd. are owned by various individual shareholders who are the ultimate beneficial owners of YF BCH Investment Limited. Each of the individual shareholders, Yunfeng Investment GP, Ltd., Yunfeng Investment, L.P., Yunfeng Fund, L.P., YF BCH Investment Limited are all third parties who are independent from the Group, the Target Group and Mr. Tsoi and who, prior to the contemplated investment, had no existing relationship with such parties.

The PG Placing Down Agreement

The YF Placing Down Agreement

The interests in PGA are owned by various shareholders, who are the ultimate beneficial owners of PGA. Each of the individual shareholders, PGA and Partners Group Management (Scotland) Ltd are third parties who are independent from the Group, the Target Group and Mr. Tsoi and who, prior to the contemplated investment, had no existing relationship with such parties.

Number of Placing Down Shares

- (i) PGPE: 0.91% of the total issued and outstanding share capital of the Company on a fully diluted basis at the time of completion of such placing (representing 6,188,000 Shares based on the total issued share capital of the Company, as enlarged by the allotment and issue of the Consideration Shares, of 680,000,000 Shares upon the Acquisition Completion); and
- (ii) PGA: 6.66% of the total issued and outstanding share capital of the Company on a fully diluted basis at the time of completion of such placing (representing 45,288,000 Shares based on the total issued share capital of the Company, as enlarged by the allotment and issue of the Consideration Shares, of 680,000,000 Shares upon the Acquisition Completion)

5.05% of the total issued and outstanding share capital of the Company on a fully diluted basis at the time of completion of such placing (representing 34,340,000 Shares based on the total issued share capital of the Company, as enlarged by the allotment and issue of the Consideration Shares, of 680,000,000 Shares upon the Acquisition Completion)

Consideration

HK\$233,000,000, of which HK\$28,053,200 shall be payable by PGPE and HK\$204,946,800 shall be payable by PGA

HK\$155,339,806

Price

approximately HK\$4.52 per Placing Down Share

approximately HK\$4.52 per Placing Down Share

The PG Placing Down Agreement

The YF Placing Down Agreement

Profit Undertaking and consideration adjustment

each of PGPE and PGA is entitled to the Profit Undertaking as described in the paragraph headed “Profit Undertaking” above and the compensation for each of PGPE and PGA shall be based on their respective shareholding percentage in the Company upon Placing Down Completion calculated on a fully diluted basis

YF BCH Investment Limited is entitled to the Profit Undertaking as described in the paragraph headed “Profit Undertaking” above and the compensation shall be based on its shareholding percentage in the Company upon Placing Down Completion calculated on a fully diluted basis

Conditions precedent

the conditions precedent to completion of the PG Placing Down Agreement are substantially the same as those for the First Placing Down Agreement except for (i) the exclusion of a condition precedent in relation to one nominee of the First Placee having been duly elected to the Board and each committee of the Board as a non-executive director, effective upon First Placing Down Completion; and (ii) the inclusion of a condition precedent in relation to the closing with respect to the First Placing Down Shares to be sold to the First Placee having occurred simultaneously, the fulfillment of which may be waived in writing by PGPE or PGA (as the case may be)

the conditions precedent to completion of the YF Placing Down Agreement are substantially the same as those for the First Placing Down Agreement except for (i) the exclusion of a condition precedent in relation to one nominee of the First Placee having been duly elected to the Board and each committee of the Board as a non-executive director, effective upon First Placing Down Completion; and (ii) the inclusion of a condition precedent in relation to the closing with respect to the First Placing Down Shares to be sold to the First Placee having occurred simultaneously, the fulfillment of which may be waived in writing by YF BCH Investment Limited

Completion

completion of the PG Placing Down Agreement shall take place on the same Business Day after all the conditions precedent set above are satisfied or waived in writing (as the case may be), or at such other time and place as the parties to the PG Placing Down Agreement may agree or as may be determined

completion of the YF Placing Down Agreement shall take place on the same Business Day after all the conditions precedent set above are satisfied or waived in writing (as the case may be), or at such other time and place as the parties to the YF Placing Down Agreement may agree or as may be determined

As advised by the Vendor based on the information provided by the First Placee, each of the First Placee, PGPE, PGA and YF BCH Investment Limited is independent to each other. The terms and conditions of the PG Placing Down Agreement and the YF Placing Down Agreement are substantially the same as the First Placing Down Agreement except that the Other Placees shall not be entitled to the right to nominate a non-executive Director and the restrictive actions as described above. Also, completion of each of the PG Placing Down Agreement and the YF Placing Down Agreement is inter-conditional with the First Placing Down Completion.

Based on the aforesaid and assuming there is no further Other Placee(s) is identified, the First Placee's Placing Down Shares shall represent 13.38% of the total issued and outstanding share capital of the Company on a fully diluted basis at the First Placing Down Completion.

Further Placing Down Agreement

The First Placing Down Agreement was one of the steps taken by Mr. Tsoi to ensure that the Company will be able to meet the minimum public float requirement after the Acquisition, along with the further placing down arrangement(s) / agreement(s) that will be / have been entered into by Mr. Tsoi and / or his companies in due course. Based on the current shareholding structure of the Company, assuming that the First Placee will take up 13% of the enlarged share capital and procure Other Placee(s) who are Independent Third Party(ies) to the Company and its connected persons to take up the remaining 13% as public Shareholders, Mr. Tsoi and the Placing Down Vendor will need to effect a further placing down of about 5% of the enlarged issued share capital of the Company on or before the Acquisition Completion, in order to maintain the minimum public float requirement. To this end, in addition to the First Placing Down Agreement, as a conditions precedent to the Acquisition Completion, Mr. Tsoi shall and shall procure each of Profitcharm and Sinorise to enter into placing agreement(s) with placing agent(s), on a fully underwritten basis, for the purpose of disposing of a sufficient number of Shares at least three Business Days before the date of despatch of the Circular in order to maintain the minimum public float requirement as required by the Listing Rules as a result of the Acquisition.

On 29 January 2011, Mr. Tsoi entered in the Further Placing Down Agreement, pursuant to which Mr. Tsoi has agreed to sell, through the Placing Agent, not less than 31,600,000 Further Placing Down Shares but not more than 120,000,000 Further Placing Down Shares, on a best effort basis, to not less than six placees who and whose ultimate beneficial owners shall be Independent Third Parties at a price of HK\$4.52 per Further Placing Down Share. No profit undertaking is given by Mr. Tsoi to the placees procured by the Placing Agent. The Placing Agent has agreed that the Further Placing Down shall be conducted on a fully underwritten basis when Mr. Tsoi notifies the Placing Agent the actual number of the Further Placing Down Shares on a date at least three Business Days prior to the date of despatch of the Circular.

According to the Further Placing Down Agreement, the Placing Agent has confirmed that each of the Placing Agent and its ultimate beneficial owners is an Independent Third Party and it shall ensure (and shall procure its sub-placing agent(s), if any, to ensure) that each of the placees procured by the Placing Agent (or the sub-placing agent(s), if applicable): (i) is not a connected person of the Company; (ii) shall be third parties independent of and not acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with (a) Mr. Tsoi; and (b) the Company or any of its subsidiaries; or (c) any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates; and (iii) shall, together with his/her/its associates, shall not become a substantial shareholder of the Company as a result of the Further Placing Down.

Completion of the Further Placing Down Agreement is conditional on the Acquisition Completion having taken place, and shall take place on the same Business Day when the Consideration Shares are issued upon Acquisition Completion (or such other time and date as the parties hereto may agree in writing).

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structures of the Company (i) as at the date of this announcement; (ii) for illustration purpose only, assuming the Consideration Shares are issued to Mr. Tsoi (or his nominees(s) or any person(s) nominated by him) and without any placing down arrangements; (iii) immediately after Acquisition Completion, Placing Down Completion and completion of Further Placing Down, for illustration purpose, scenario 1: assuming there would be additional Other Placee(s) identified to take up a further 2,584,000 Placing Down Shares; and scenario 2: assuming no additional Other Placees would be further identified, all assuming that there are no other changes in the shareholding structure of the Company:

Shareholders	As at the date of this announcement		Assuming the Consideration Shares are issued to Mr. Tsoi (Note 1)		Immediately after Acquisition Completion, Placing Down Completion and completion of Further Placing Down			
					Scenario 1 (Note 2)		Scenario 2 (Note 3)	
	Number of Shares	%	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Tsoi's Family	150,000,000	75.00	630,000,000	92.65	421,600,000	62.00	419,016,000	61.62
First Placee	–	–	–	–	88,400,000	13.00	90,984,000	13.38
Other Placees								
– PGPE	–	–	–	–	6,188,000	0.91	6,188,000	0.91
– PGA	–	–	–	–	45,288,000	6.66	45,288,000	6.66
– YF BCH Investment Limited	–	–	–	–	34,340,000	5.05	34,340,000	5.05
– Additional Other Placee(s) (Notes 2 and 3)	–	–	–	–	2,584,000	0.38	–	–
Existing public Shareholders	50,000,000	25.00	50,000,000	7.35	50,000,000	7.35	50,000,000	7.35
Placee(s) under the Further Placing Down (Notes 2 and 3)	–	–	–	–	31,600,000	4.65	34,184,000	5.03
Total	200,000,000	100.00	680,000,000	100.00	680,000,000	100.00	680,000,000	100.00
Public Shareholders	50,000,000	25.00	50,000,000	7.35	170,000,000	25.00	170,000,000	25.00

Notes:

1. This column is for illustration purpose only, as the Company would not be able to fulfill the public float requirement under the Listing Rules.

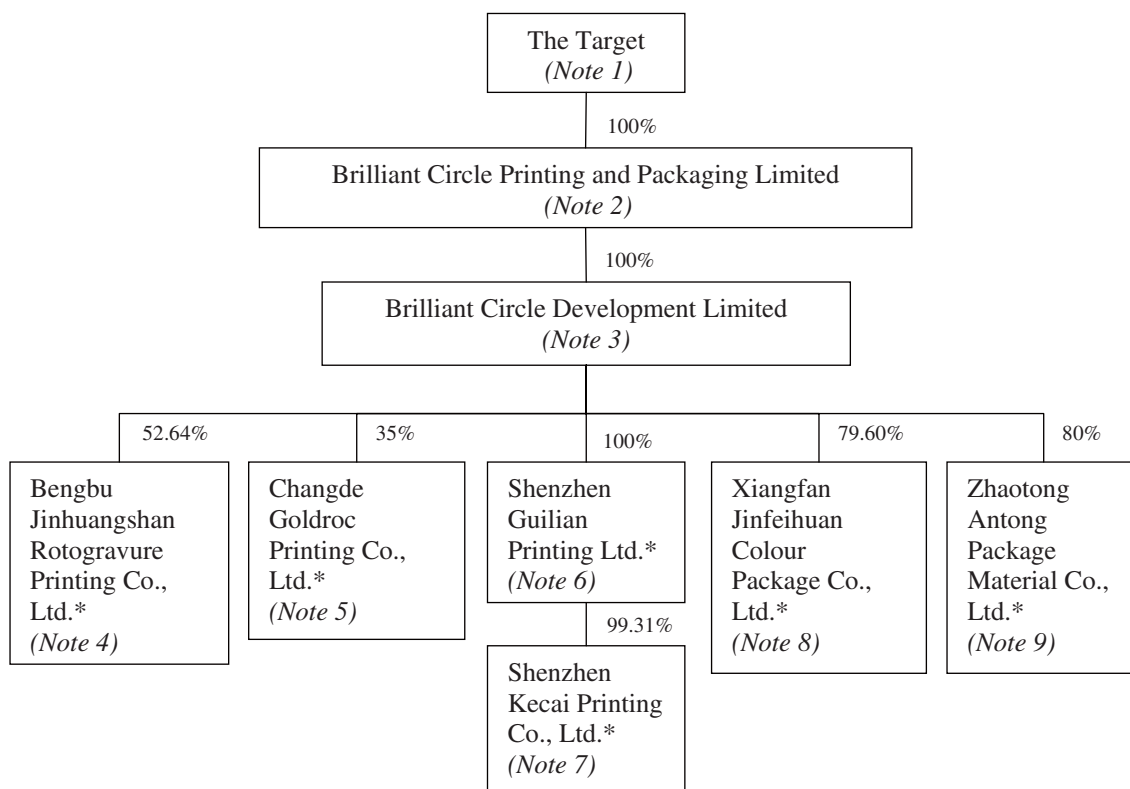
2. *Assuming additional Other Placee(s) (other than PGPE, PGA and YFBCH Investment Limited) has/have been identified to take up a further 2,584,000 Placing Down Shares (representing 0.38% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares) such that each of (i) the First Placee and (ii) the Other Placees (in aggregate) have taken up 13% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. For the purpose of restoring the public float requirement of the Company, it is further assumed that the Tsoi's Family has further disposed of 31,600,000 Further Placing Down Shares through the Further Placing Down Agreement to Independent Third Parties.*
3. *Assuming no additional Other Placees have been further identified such that (i) the First Placee has taken up 13.38% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares; (ii) the Other Placees have taken up, in aggregate, 12.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. For the purpose of restoring the public float requirement of the Company, it is further assumed that the Tsoi's Family has further disposed of 34,184,000 Further Placing Down Shares through the Further Placing Down Agreement to Independent Third Parties.*

It is expected that the Placing Down Completion and completion of the Further Placing Down shall take place on the same Business Day as the Acquisition Completion and it is also contemplated that any further placing down arrangement will take place on the same date of Acquisition Completion for the purpose of restoring sufficient public float of the Company before commencement of the next trading day after the Acquisition Completion. The Company is mindful of its obligation to comply with the public float requirement under the Listing Rules.

INFORMATION ON THE TARGET GROUP

The Target is an investment holding company incorporated in the British Virgin Islands on 29 January 1999. The Target, wholly and beneficially owned by Mr. Tsoi, and its subsidiaries are principally engaged in the printing of cigarette packages.

The group structure of the Target Group as at the date of this announcement is as follows:



Notes:

1. *The principal business of the Target is investment holding. The Target was wholly and beneficially owned by the Vendor prior to 2007 when the Vendor disposed of the Target to AHL, whose issued shares are listed on the Stock Exchange, in 2007 at a consideration of HK\$1,555,500,000, involving the allotment and issue of 200,000,000 shares of AHL and cash of HK\$155,500,000. On 25 February 2010, the Vendor repurchased the Target from AHL at a consideration of HK\$2,048,000,000 involving the repurchase of 166,814,000 shares of AHL and cash of HK\$880,302,000. Since then, the entire issued share capital of the Target was held by the Vendor. For details of the relevant disposal and repurchase of the Target by the Vendor, please refer to the circulars issued by AHL dated 7 September 2007, 21 October 2009 and 20 January 2010.*
2. *The principal business of Brilliant Circle Printing and Packaging Limited is investment holding. The issued share capital of Brilliant Circle Printing and Packaging Limited is held as to 94% by the Target and 6% by Union Virtue International Limited, a wholly-owned subsidiary of the Target.*
3. *The principal business of Brilliant Circle Development Limited is investment holding and trading of machines, paper and spare parts.*
4. *The principal business of Bengbu Jinhuangshan Rotogravure Printing Co., Ltd. is printing of cigarette packages.*
5. *The principal business of Changde Goldroc Printing Co., Ltd. is printing of cigarette packages.*
6. *The principal business of Shenzhen Guilian Printing Ltd. is investment holding.*
7. *The principal business of Shenzhen Kecai Printing Co., Ltd. is printing of cigarette packages.*
8. *The principal business of Xiangfan Jinfeihuan Colour Package Co., Ltd. is printing of cigarette packages.*

9. *The principal business of Zhaotong Antong Package Material Co., Ltd. is manufacturing of laminated papers.*

Information on the major subsidiaries and an associated company of the Target Group

Bengbu Jinhuangshan Rotogravure Printing Co., Ltd.

Bengbu Jinhuangshan Rotogravure Printing Co., Ltd. is established as a Sino-foreign co-operative joint venture on 22 December 1997 in Anhui Province of the PRC with registered capital of US\$7,622,800. Bengbu Jinhuangshan Rotogravure Printing Co., Ltd. is beneficially owned as to 52.64% by the Target and as to 47.36% by 茂名市中誠致信投資有限公司 (Maoming City Zhong Cheng Zhi Xin Investments Co., Ltd.*), an Independent Third Party, and is principally engaged in the business of printing of cigarette packages. The profit and loss is shared as to 37.64% by the Target and as to 62.36% by 茂名市中誠致信投資有限公司 (Maoming City Zhong Cheng Zhi Xin Investments Co., Ltd.*). Bengbu Jinhuangshan Rotogravure Printing Co., Ltd. owns its production facilities of approximately 32,911 sq. m. with annual production capacity of approximately 120 million cases (or 300 billion packs) in 2009. There has been negotiation for the acquisition by the Target Group of the remaining equity interest in Bengbu Jinhuangshan Rotogravure Printing Co., Ltd. However, as advised by the Vendor, no terms and agreement have been reached as at the date of this announcement. The Company will comply with the requirements of the relevant Listing Rules as and when appropriate.

Shenzhen Kecai Printing Co., Ltd.

Shenzhen Kecai Printing Co., Ltd. is established on 21 July 2003 in Shenzhen of the PRC with registered capital of RMB144,870,000. Shenzhen Kecai Printing Co., Ltd. is beneficially owned as to 99.31% by the Target and as to 0.69% by Mr. Cai Rong, a brother of the Vendor, and is principally engaged in the business of printing of cigarette packages. Shenzhen Kecai Printing Co., Ltd. owns its production facilities of approximately 86,104 sq. m. with annual production capacity of approximately 120 million cases (or 300 billion packs) in 2009. Shenzhen Kecai Printing Co., Ltd. has provided the Corporate Guarantee in favour of a bank in the PRC up to an amount of RMB260 million (equivalent to approximately HK\$305.88 million) to secure banking facilities granted to a private company wholly and beneficially owned by Mr. Tsoi, which is expected to be released as soon as possible after the date of the Acquisition Agreement and in any event within six months after the Acquisition Completion. Moreover, each of the processing factory of the Group and a member of the Group entered into lease agreements with Shenzhen Kecai Printing Co., Ltd. on 22 June 2010 to rent certain premises in the Grand Industrial Zone located in Shenzhen, the PRC from Shenzhen Kecai Printing Co., Ltd. for a term of three years commencing from 1 June 2010 as their production sites, details of which are disclosed in the announcement of the Company dated 22 June 2010.

Xiangfan Jinfeihuan Colour Package Co., Ltd.

Xiangfan Jinfeihuan Colour Package Co., Ltd. is established as a Sino-foreign equity joint venture on 31 July 2000 in Hubei Province of the PRC with registered capital of US\$3,000,000. Xiangfan Jinfeihuan Colour Package Co., Ltd. is beneficially owned as to 79.6% by the Target and as to 20.4% by 襄樊捲煙廠 (Xiangfan Cigarette Factory*), an Independent Third Party, and is principally engaged in the business of printing of cigarette packages. Xiangfan Jinfeihuan Colour Package Co., Ltd. owns its production facilities of approximately 17,681 sq. m. with annual production capacity of approximately 60 million cases (or 150 billion packs) in 2009.

Zhaotong Antong Package Material Co., Ltd.

Zhaotong Antong Package Material Co., Ltd. is established as a Sino-foreign equity joint venture on 4 November 1999 in Yunnan Province of the PRC with registered capital of US\$1,000,000. Zhaotong Antong Package Material Co., Ltd.* (昭通安通包裝材料有限公司) is beneficially owned as to 80% by the Target and as to 20% by, 昭通市龍泉實業有限公司 (Zhao Tong Long Quan Enterprise Limited*), an Independent Third Party, and is principally engaged in the manufacturing of laminated paper. Zhaotong Antong Package Material Co., Ltd.* (昭通安通包裝材料有限公司) leases its production facilities of approximately 5,000 sq. m. with annual production capacity of approximately 4,000 tonnes in 2009.

Changde Goldroc Printing Co., Ltd.

Changde Goldroc Printing Co., Ltd. is established as a Sino-foreign equity joint venture on 28 April 1995 in Hunan Province of the PRC with registered capital of RMB163,052,000. Changde Goldroc Printing Co., Ltd. is beneficially owned as to 35% by the Target and as to 28.45%, 22.7% and 13.85% by three Independent Third Parties namely 湖南中煙工業有限責任公司 (China Tobacco Hunan Industrial Co., Ltd.*), 常德芙蓉投資有限公司 (Changde Fu Rong Investment Company Limited*) and 深圳市鶴韻投資有限公司 (Changde City He Yun Investments Co., Ltd.*) respectively, and is principally engaged in the business of printing of cigarette packages. 常德芙蓉投資有限公司 (Changde Fu Rong Investment Company Limited*) is held by 常德市城市建設投資開發有限責任公司 (Changde City Construction Investment Development Company Limited*) and two individuals who are staff representatives of 常德捲煙廠 (Changde Cigarette Factory*), a state-owned enterprise. 常德市城市建設投資開發有限責任公司 (Changde City Construction Investment Development Company Limited*) is owned by 常德市人民政府國有資產監督管理委員會 (Supervisory Committee for State-Owned Assets of the People's Government of Changde City*) which is a state-owned enterprise. Changde Goldroc Printing Co., Ltd. owns its production facilities of approximately 63,320 sq. m. with annual production capacity of approximately 200 million cases (or 500 billion packs) in 2009.

Operation of the Target Group

The Target Group is one of the leading cigarette package printing groups in the PRC principally engaged in the design and printing of cigarette packages. All of the customers of the Target Group for the cigarette packages are large state-owned cigarette manufacturers in the PRC. Major customers of the Target Group include 湖南中煙工業公司 (China Tobacco Hunan Industrial Corporation), 安徽中煙工業公司 (China Tobacco Anhui Industrial

Corporation), 湖北中煙工業公司 (China Tobacco Hubei Industrial Corporation), 貴州中煙工業公司 (China Tobacco Guizhou Industrial Corporation) and 江蘇中煙工業公司 (China Tobacco Jiangsu Industrial Corporation). The Target Group produces and supplies the cigarette packing for over 20 brands in the PRC including, but not limited to, 白沙 (Baisha), 芙蓉王 (Fu Rong Wang), 紅金龍 (Hong Jin Long), 蘇煙 (Su Yan), 黃果樹 (Huang Guo Shu), 黃山 (Huang Shan) and 一品黃山 (Yi Ping Huang Shan). The Target Group, including its associated company, has five cigarette packaging and laminated papers factories spread across five different provinces in the PRC and have an annual production capacity of approximately 500 million cases (or 1,250 billion packs) and over 1,000 workers in 2009.

Financial information of the Target Group

The following is a summary of the financial results of the Target Group extracted from the audited consolidated financial statements of the Target for the years ended 31 December 2007, 2008 and the unaudited consolidated management accounts of the Target Group for the year ended 31 December 2009 and the nine months ended 30 September 2010:

	Year ended 31 December			Nine months ended 30 September
	2007	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	968,773	1,128,983	1,050,638	769,299
Net profit before tax	291,674	359,094	326,930	319,153
Net profit after tax	268,856	308,633	281,248	273,314
Net profit after tax and minority interests	215,340	261,488	231,716	228,651

According to the unaudited consolidated management account of the Target Group, the unaudited consolidated net assets attributable to the equity holder of the Target as at 30 September 2010 was approximately HK\$605.4 million.

The Company noted from the independent auditor's report on the consolidated financial statements of the Target for the years ended 31 December 2007 and 2008 that the independent auditor has expressed a qualified opinion in respect of the non-consolidation of financial information of former subsidiaries of the Target Group which were disposed of during the year ended 31 December 2007. The Company considers the qualified opinion of the Target will cease to have any impact on the consolidated financial statements of the Target subsequent to the year ended 31 December 2007, and, therefore, will not have any material impact to the Acquisition.

REASONS FOR THE ACQUISITION

The Company is principally engaged in the provision of printing services to customers including international publishers and multi-national corporations. The Group's printed products include case bound books, paperback books, spiral bound books, novelty books and other paper-related products which include greeting cards, party decoratives, calendars, paper bags and packaging boxes.

For the year ended 31 December 2009, the Group's operation has been affected by the business environment uncertainties prevailed amongst different levels of the global economy, particularly in two of the major market segments of the Group, namely Europe and the US. The Group's turnover has decreased by approximately 10.0% from HK\$403.2 million for the year ended 31 December 2008 to HK\$362.8 million for the year ended 31 December 2009 and audited net income attributable to owners of the Company has decreased by approximately 28.6% from HK\$31.8 million for the year ended 31 December 2008 to HK\$22.7 million for the year ended 31 December 2009. The six months ended 30 June 2010 was another hard time for the Group which the Group recorded a significant drop in its profit. As stated in the interim report of the Company for the six months ended 30 June 2010, despite the North American market has been reported to show a slow sign of recovery after the financial tsunami in 2008, the Group's another regional market, namely Europe, was far from satisfaction. There has also been a growing trend that customers of the Group have become more and more prudent in placing of their orders and are particularly cost conscious. Further, the direct manufacturing costs in terms of raw materials such as paper and ink, as well as labour costs have also been increasing. Although the Group was able to achieve a turnover of approximately HK\$182.4 million during the six months ended 30 June 2010, the net profit attributable to owners of the Company has recorded a significant fall of approximately 95% to just approximately HK\$0.45 million as compare to the same period in 2009.

In view of the challenges mentioned above, in particular in the Europe and the US markets, the Group has been exploring opportunities to further diversify its business operation in the PRC market which has been ranked as one of the top countries with highest gross domestic incomes and considered to have tremendous development potential. Apart from the development of the domestic market of packaging and decorative printed products in the PRC, the Company considered that the Acquisition is a valuable investment opportunity for the Group to participate in the cigarette packages printing business in bid to create new growing area for the Group.

The PRC is by far the largest cigarette manufacturer and is followed by the US. The PRC also has the highest level of cigarette consumption and is followed by Russia and the US. In the PRC, the State Tobacco Monopoly Administration is the state government body which makes economic policies for the entire tobacco industry. According to State Tobacco Monopoly Administration, revenue paid by the tobacco industry to the PRC government has increased from approximately RMB98.9 billion in 1999 to RMB513.1 billion in 2009, representing a compound annual growth rate of approximately 17.9% over the period. According to the China Statistics Yearbook 2009, there has been a steady growth in the output of cigarettes in the PRC within the past few years. The output of cigarette production has increased from 37.5 million cases in 2004 to 44.4 million cases in 2008 (in general, a case comprises 2,500 packs and each pack contains and carries 20 cigarettes), representing a compound annual growth rate of approximately 4.3% over the period. Despite the fact that the general public in the world is more health conscious nowadays, given the large population of smokers in the PRC and the expected economic growth and improved consumer spending power in the coming years, the Directors are optimistic on the market demand of cigarette and the growth potential of the business of cigarette packages printing business.

Moreover, according to the unaudited financial results of the Target Group (details of which are set out in the above paragraph headed “Financial information of the Target Group”), for the nine months ended 30 September 2010, the Target Group recorded a turnover of approximately HK\$769.3 million and a net profit attributable to owners of the Target Group of approximately HK\$228.7 million. The Target has been established for the purpose of engaging in the printing of cigarette packages since 1999 and has been profit making for at least the latest seven consecutive years, when its first consolidated financial statements were available. Taking into consideration the established scale of the operation of the Target Group and its continuous growing potential, the Company considers the investment opportunity through the Acquisition is valuable and Acquisition Completion would immediately improve the Group’s results and provide better return to the Shareholders in the long run in the absence of unforeseen circumstances.

Nevertheless, the Company considers the Acquisition may be posed with certain risks associated thereto (details of which are set out under the section headed “Risk factors” below). Having balanced the risks associated with the Acquisition and prospects of the cigarette packages printing industry, the Directors (excluding Mr. Tsoi (who is the Vendor and a director of certain members of the Target Group) and Mr. Cai Xiao Ming, David (who is a director of certain members of the Target Group) who had abstained from voting at the relevant Board resolutions, and the independent non-executive Directors who will express their views after having considered the advice of an independent financial adviser) therefore believe that the Acquisition offers the Group a good opportunity to diversify into cigarette packages printing business and to enhance the Group’s income stream and are of the opinion that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RISK FACTORS

Risks relating to the business and operations of the Target Group

The Target Group relies on its strategic partners in respect of its profitability and the Target Group may not be able to maintain the existing relationships with its strategic partners

The Target Group has established strategic partnerships, directly and indirectly, with some of the major cigarette manufacturers in the PRC which are large state-owned cigarette manufacturers in the PRC. There is also no assurance that the Target Group’s best interests and business philosophy will continue to be consistent with its strategic partners. There is a possibility that such strategic partners may enter into the same or similar business as we currently operate or establish similar strategic relationships with other parties. As a result, the Target Group may face increasing competition and its results of operations may be adversely affected.

The Target Group’s profitability may be adversely affected by the increase in the price of raw materials

Papers and foils are two of the most significant raw materials for the business of the Target Group. There is no assurance that papers or foils or other raw materials will not be subject to significant price fluctuations in the future. Any substantial increase in the price of raw materials may adversely affect the profitability of the Target Group if it is not able to pass all or part of such increase to its customers, and its results of operations may be adversely affected.

The Target Group's operations, performance and profitability may be adversely affected by the loss of senior management members

Mr. Tsoi, together with other senior management members of the Target Group, has been the key driver of the strategy of the Target Group. There is no assurance that the Target Group will be able to retain member(s) of the management team or recruit further competent personnel for its future development. There may be adverse impact on the operations of the Target Group should any of the member(s) of the management team cease to be involved in the operations of the Target Group for any reason, and the Target Group is unable to recruit adequate replacement personnel.

Regulatory licences and permits

The carrying on of printing business and operations in the PRC require the members of the Target Group to obtain licences and permits from the relevant authorities. For the Target Group's printing business, it is required to obtain a printing licence in addition to its business licence. The printing licence is generally renewable at the end of its validity in accordance with the relevant regulatory provisions. There is no assurance that such printing licence could be renewed upon its expiry or would be renewed with the same scope. Should the members of the Target Group fail to obtain or renew these licences or permits or should any of them be revoked or suspended, the Target Group's business and financial performance would be adversely affected.

Risks relating to the industry

Changes in the consumption patterns of cigarettes

With the increasing awareness of health concerns on smoking and the pressure of anti-smoking marketing campaign in the PRC and around the world, the size of the cigarette market in the PRC might be affected. Certain major cities in the PRC have already implemented local regulations to forbid smoking in public areas, and all cigarette packages must now provide a health warning to the cigarette consumers about the hazards of smoking cigarette. In the event that the size of cigarette market in the PRC shrinks, the business, financial position and results of operations of the Target Group might also be adversely affected.

Impact of the PRC's accession to World Trade Organisation on the cigarette manufacturing industry

Pursuant to the terms of the accession agreement entered into by the PRC for joining the World Trade Organisation in December 2001, the PRC Government should reduce its tariff imposed on imports, and leaf tobacco import licence and quotas in the PRC should be cancelled as of the time of the World Trade Organisation entry. Such reduction in tariff and reform will lower the price of these cigarettes and may substantially lower the entry barrier of overseas, international cigarette manufacturers to access the PRC cigarette market, notwithstanding the import quota set down by State Tobacco Monopoly Administration every year. In the event that the sales of the domestic cigarette manufacturers is significantly eroded by the opening up of the PRC cigarette market to international cigarette manufacturers, the business operations and profitability of the Target Group might be adversely affected.

Risks relating to the PRC

The PRC's economic, political and social conditions, as well as government policies, could affect the business of the Target Group

A majority of the Target Group's assets are located in the PRC and the Target Group derives most of its revenues from its operations in the PRC. Accordingly, the results of operations and prospects of the Target Group are, to a significant degree, subject to the economic, political and legal developments in the PRC. The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control of foreign exchange. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform, the reduction of State ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in the PRC is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. All these factors could affect the economic conditions of the PRC and, in turn, affect the business of the Target Group.

Changes in foreign exchange regulations may adversely affect our results of operations

The value of Renminbi may fluctuate due to a number of factors. Since 1994, the conversion of Renminbi into foreign currencies in the PRC, including Hong Kong and US dollars, has been based on exchange rates published by The People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates in the PRC and current exchange rates on the world financial markets. Since 1994, the official exchange rate for the conversion of Renminbi into US dollars has generally been stable. However, as of 21 July 2005, the Renminbi was no longer pegged to the US dollars but instead to a basket of currencies. This change in policy results in the appreciation of Renminbi against the US dollars and Hong Kong dollars by approximately 2%. Since the income and profits of the Target Group are denominated in Renminbi, the revocation of the linked exchange rate between Renminbi and US dollars and Hong Kong dollars will increase the uncertainty of the exchange rate of Renminbi. There is no assurance that any change in the PRC Government's currency policies or any adverse change in market conditions would not lead to appreciation or depreciation of the Renminbi, and any fluctuation in exchange rates or any shortage of foreign currency may have an adverse impact on the operating costs and financial condition of the Target Group.

PROPOSED CONTINUING CONNECTED TRANSACTIONS

The Target Group has been selling the Package Products to the Wuhan Tobacco Group, while 襄樊捲煙廠 (Xiangfan Cigarette Factory*) is a subsidiary of the Wuhan Tobacco Group and a substantial shareholder of Xiangfan Jinfeihuan Colour Package Co., Ltd. (an indirect non-wholly owned subsidiary of the Target). Immediately following the Acquisition Completion, the continuing and recurring transactions between the Enlarged Group and the Wuhan Tobacco Group (which will become a connected person of the Company) will

constitute continuing connected transactions for the Company under the Listing Rules. Accordingly, on 28 December 2010, Xiangfan Jinfeihuan Colour Package Co., Ltd. entered into the Master Sales Agreement with 襄樊捲煙廠 (Xiangfan Cigarette Factory*) pursuant to which Xiangfan Jinfeihuan Colour Package Co., Ltd. shall sell (or shall procure the Target Group to sell) and 襄樊捲煙廠 (Xiangfan Cigarette Factory*) shall buy (or shall procure its subsidiary(ies), fellow subsidiary(ies) and/or holding company(ies) to buy) the Package Products for a term of three years. The Caps of the Package Products to be supplied by the Target Group to the Wuhan Tobacco Group under the Master Sales Agreement for each of the three years ending 31 December 2013 are RMB230 million, RMB250 million and RMB300 million respectively.

Based on the financial information of the Target Group, the historical sales of the Package Products by the Target Group to Wuhan Tobacco Group for the three years ended 31 December 2010 amounted to approximately RMB108.0 million, RMB109.5 million and RMB112.3 million respectively. The Caps under the Master Sales Agreement are principally determined with reference to the historical actual sales amount, the expected increase in the selling price of the Package Products and the estimated growth in sale order of the Wuhan Tobacco Group in coming years due to the implementation of the new PRC government policies in eliminating certain brands of cigarette which are considered to be beneficial to the Wuhan Tobacco Group. Pursuant to the Master Sales Agreement, the selling price of the Package Products shall be agreed upon between the parties and shall be determined based on normal commercial terms through arm's length negotiation or on terms no less favourable than the terms available to independent third parties.

To the best knowledge and information of the Directors, Wuhan Tobacco Group is a sizeable enterprise in the PRC specializing in tobacco production and distribution. It is designated as one of the 512 key state-owned enterprises by the State Council and is the sole cigarette manufacturer in Hubei Province, the PRC. The Target Group has business relationship with the Wuhan Tobacco Group for more than 12 years and is at present one of its key cigarette package printing companies. The strategic relationship between the Enlarged Group and the Wuhan Tobacco Group has ensured that the Enlarged Group will be one of the key cigarette package printing companies for them and thus, allow the Enlarged Group to have a stable turnover with respect to its business in Hubei Provinces, the PRC.

Based on the aforesaid, the Directors consider that the entering into of the Master Sales Agreement is in the ordinary course of business of the Enlarged Group and that the terms of such agreements are determined on an arm's length basis with the Wuhan Tobacco Group. Accordingly, the Directors are of the view that the terms and conditions of the Master Sales Agreements (including the Caps) are fair and reasonable, on normal commercial terms and in the interests of the Enlarged Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition and the transactions contemplated under the Acquisition Agreement constitute a very substantial acquisition for the Company pursuant to Rule 14.06(5) of the Listing Rules and a connected transaction of the Company pursuant to Rule 14A.13(1)(a) of the Listing Rules by reason that Mr. Tsoi, being the Vendor, is a connected person of the Company under the Listing Rules. Also, prior to the release of the Corporate Guarantee, the provision of which constitutes a connected transaction pursuant to Rule 14A.63 of the Listing Rules. The Acquisition and the transactions contemplated under the Acquisition Agreement, including the provision of the Corporate Guarantee, are therefore subject to the approval by the Independent Shareholders at the EGM by way of poll.

As the Caps under the Master Sales Agreement exceed HK\$10 million per annum, the sales of Package Products under the Master Sales Agreement to Wuhan Tobacco Group constitutes non-exempt continuing connected transactions after the Acquisition Completion. The entering into of the Master Sales Agreement including the Caps in relation to the sales of Package Products will therefore be subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules after the Acquisition Completion. Ordinary resolution(s) will be proposed at the EGM to approve the Master Sales Agreement and transactions contemplated thereunder (including the Caps).

No Shareholder, except for Mr. Tsoi, Profitcharm, Mr. Cai Xiao Ming, David, Sinorise, the First Placee and the Other Placees, together with their respective associates, has a material interest in the Acquisition which is different from other Shareholders and is required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares and the provision of the Corporate Guarantee). No Shareholder has a material interest in the Master Sales Agreement which is different from other Shareholder and is required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Master Sales Agreement and the transactions contemplated thereunder (including the Caps). As at the date of this announcement, Mr. Tsoi, the ultimate beneficial owner of Profitcharm and a controlling Shareholder, is interested in 105,000,000 Shares, representing 52.50% of the existing issued share capital of the Company and Mr. Cai Xiao Ming, David, a son of Mr. Tsoi, the ultimate beneficial owner of Sinorise, is interested in 45,000,000 Shares, representing 22.50% of the existing issued share capital of the Company. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the First Placee, the Other Placees, the Wuhan Tobacco Group, their respective ultimate beneficial owners and their respective associates do not hold any Shares, options or securities convertible or exchangeable into Shares as at the date of this announcement. The First Placee, the Other Placees and their respective associates would be required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder, including the provision of the Corporate Guarantee, if any of them hold any Shares as at the date of the EGM. The Wuhan Tobacco Group and its associates would be required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Master Sales Agreement and the transactions contemplated thereunder (including the Caps).

GENERAL

The Company has established the Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Lui Tin Nang, Mr. Lam Ying Hung, Andy and Mr. Siu Man Ho, Simon, to advise the Independent Shareholders as to whether the terms and conditions of the Acquisition (including the provision of the Corporate Guarantee) and the Master Sales Agreement (including the Caps) are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of an independent financial adviser to be appointed by the Independent Board Committee. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

The Circular containing, among other things, (i) details of the Acquisition (including the provision of the Corporate Guarantee); (ii) details of the placing down arrangements; (iii) details of the Master Sales Agreement (including the Caps); (iv) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the Master Sales Agreement (including the Caps); (v) the letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition (including the provision of the Corporate Guarantee) and the Master Sales Agreement (including the Caps); (vi) financial information of the Group; (vii) financial information of the Target Group; (viii) pro forma financial information of the Enlarged Group; and (ix) the notice of the EGM which will be sent to the Shareholders as soon as practicable.

It is currently expected that it will take about seven to nine weeks for the Company and the professional parties to prepare the relevant information for inclusion in the Circular including, but not limited to, the accountants' report on the Target Group and the unaudited pro forma financial information of the Enlarged Group. Accordingly, the date of despatch of the Circular is expected to be on or before 31 March 2011.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 30 December 2010 at the request of the Company pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 2 February 2011.

As the Acquisition Agreement is subject to a number of conditions precedent, the Acquisition Agreement may or may not become unconditional or be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the acquisition of the Sale Share by the Purchaser under the Acquisition Agreement
“Acquisition Agreement”	the conditional sale and purchase agreement dated 29 December 2010 entered into among the Company, the Purchaser and the Vendor in relation to the Acquisition
“AHL	AMVIG Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“associates”	has the meaning ascribed to it under the Listing Rules
“Acquisition Completion”	completion of the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturdays or a Sunday) on which banks in Hong Kong are generally open for its business (or, in respect of the First Placing Down Agreement, any day other than a Saturday, Sunday or other day on which commercial banks in the PRC and Hong Kong are required or authorized by law or executive order to be closed or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time)
“Caps	the maximum annual caps of the Package Products under the Master Sales Agreement
“Circular”	the circular of the Company to be despatched to the Shareholders in accordance with the Listing Rules in relation to, among other things, the Acquisition, the Master Sales Agreement, the Caps, the First Placing Down and the Further Placing Down
“Company”	CT Holdings (International) Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Consideration Share(s)”	the 480,000,000 new Share(s) to be allotted and issued, credit as fully paid, to the Vendor (or his nominee(s) or any person(s) nominated by him) at HK\$5 per Share to satisfy the consideration of the Acquisition
“Corporate Guarantee”	the corporate guarantee provided by Shenzhen Kecai Printing Co., Ltd. in July 2010 in favour of a bank in the PRC of up to an amount of RMB260 million (equivalent to approximately HK\$305.88 million) to secure banking facilities granted to a private company wholly and beneficially owned by Mr. Tsoi
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Acquisition Agreement, the Master Sales Agreement (including the Caps) and the respective transactions contemplated thereunder
“Enlarged Group”	the Group as enlarged by the Target Group immediately after Acquisition Completion
“First Placee”	Ares BCH Holdings, L.P., a limited partnership incorporated in the Cayman Islands
“First Placee’s Placing Down Shares”	the part of Placing Down Shares to be acquired by the First Placee from the Placing Down Vendor, which shall represent not less than 13% of the total issued and outstanding share capital of the Company on a fully diluted basis at the time of First Placing Down Completion
“First Placing Down”	the placing down of First Placee’s Placing Down Shares by the Placing Down Vendor pursuant to the terms and conditions of the First Placing Down Agreement
“First Placing Down Agreement”	the conditional sale and purchase agreement dated 29 December 2010 entered into among the Placing Down Vendor, the First Placee and the Guarantor in relation to the First Placing Down
“First Placing Down Completion”	completion of the First Placing Down Agreement
“Further Placing Down”	the placing of the Further Placing Down Shares pursuant to the terms of the Further Placing Down Agreement

“Further Placing Down Agreement”	the conditional placing agreement entered between Mr. Tsoi and the Placing Agent dated 29 January 2011 in relation to the Further Placing Down
“Further Placing Down Shares”	such number of issued Shares, being not less than 31,600,000 Consideration Shares but not more than 120,000,000 Consideration Shares as may be allotted and issued to Mr. Tsoi upon Acquisition Completion, to be decided by Mr. Tsoi and notified to the Placing Agent
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Lui Tin Nang, Mr. Lam Ying Hung, Andy and Mr. Siu Man Ho, Simon, established to give recommendation to the Independent Shareholders regarding the Acquisition, the Master Sales Agreement and the Caps
“Independent Shareholders”	(i) in respect of the Acquisition, Shareholders other than, (a) the Vendor, (b) the Placing Down Vendor, (c) Mr. Cai Xiao Ming, David, (d) Sinorise, (e) the First Placee, (f) the Other Placees and (g) those who are involved in, or interested in, the Acquisition and the Placing Down and their respective associates; and (ii) in respect of the Master Sales Agreement and the Caps, Shareholders other than, the Wuhan Tobacco Group and those who are involved in, or interested in, the Master Sales Agreement and their respective associates
“Independent Third Party(ies)”	independent third party(ies) who is(are) not a connected person(s) of the Company as defined in the Listing Rules and is(are) independent of the Company and connected person of the Company
“Last Trading Day”	29 December 2010, being the last trading day for the Shares on the Stock Exchange prior to suspension of trading in Shares pending the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Sales Agreement”	the master sales agreement entered into among Xiangfan Jinfeihuan Colour Package Co., Ltd. and 襄樊捲煙廠 (Xiangfan Cigarette Factory*) dated 28 December 2010 in respect of the sale of the Package Products

“Mr. Tsoi” or “Vendor” or “Guarantor”	Mr. Tsoi Tak, the chairman of the Board, a non-executive Director and a controlling Shareholder
“Other Placee(s)”	the third party purchaser(s) identified by the First Placee, who/which shall be independent of and not connected with the Company, the Target, the First Placee and any of their respective subsidiaries and associates to acquire the Other Placee’s Placing Down Shares
“Other Placee’s Placing Down Shares”	the part of the Placing Down Shares to be acquired by the Other Placee(s) from the Placing Down Vendor, which shall not in aggregate be more than 13% of the total issued and outstanding share capital of the Company on a fully diluted basis at the time of Placing Down Completion
“Package Products”	the cigarette packages and related services to be sold by the Target Group and purchased by the Wuhan Tobacco Group pursuant to the Master Sales Agreement
“PG Placing Down Agreement”	the conditional sale and purchase agreement dated 29 January 2011 entered into among the Placing Down Vendor, Partners Group Private Equity (Master Fund), LLC, Partners Group Private Access 336 L.P. (both of them are Other Placees) and the Guarantor
“Placing Agent”	an Independent Third Party and a licensed corporation for type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Placing Down Completion”	completion of the First Placing Down Agreement, PG Placing Down Agreement and YF Placing Down Agreement
“Placing Down Price”	the placing price of approximately HK\$4.52 per Placing Down Share
“Placing Down Share(s)”	up to 176,800,000 Shares to be held by the Placing Down Vendor, representing 26% of the total issued and outstanding share capital of the Company on a fully diluted basis at Placing Down Completion
“Placing Down Vendor” or “Profitcharm”	Profitcharm Limited, a controlling Shareholder incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Tsoi

“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Profit Undertaking”	the profit undertaking by Mr. Tsoi and Profitcharm in respect of the pro-forma combined net profit after tax of the Company for the year ending 31 December 2011 of not less than HK\$410 million
“Purchaser”	CT Management Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Sale Share”	one ordinary share of US\$1.00 in the share capital of the Target, representing the entire issued share capital thereof
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Sinorise”	Sinorise International Limited, a substantial Shareholder incorporated in the British Virgin Islands with limited liability, which is wholly and beneficially owned by Mr. Cai Xiao Ming, David, a son of Mr. Tsoi
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Brilliant Circle Holdings International Limited, a company incorporated in the British Virgin Islands which is wholly-owned by the Vendor immediately before the Acquisition Completion
“Target Group”	the Target, its subsidiaries and its associated company
“Then Auditor”	the auditor to be appointed by the Company, which shall be any one of KPMG, PricewaterhouseCoopers, Deloitte Touche Tohmatsu, Ernst & Young or any of their respective PRC-domiciled affiliates
“Tsoi’s Family”	Mr. Tsoi, Mr. Cai Xiao Ming, David and their respective associates, including, but not limited to, the Placing Down Vendor and Sinorise
“US”	the United States of America

“Wuhan Tobacco Group”	Wuhan Tobacco (Group) Company Limited* (武漢煙草(集團)有限公司) and its subsidiaries including but not limited to Xiangfan Cigarette Factory* (襄樊捲煙廠)
“YF Placing Down Agreement”	the conditional sale and purchase agreement dated 29 January 2011 entered into among the Placing Down Vendor, YF BCH Investment Limited (which is one of the Other Placees) and the Guarantor
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“US\$”	United States dollar, the lawful currency of US
“sq. m.”	square meter
“%”	per cent.

For illustration purpose in this announcement, amounts in RMB have been translated into HK\$ at the rate of RMB0.850 = HK\$1.

By order of the Board
CT Holdings (International) Limited
Wu Sin Wah, Eva
Executive Director

Hong Kong, 1 February 2011

** for identification purpose only*

As at the date of this announcement, the Board comprises the Chairman, Mr. Tsoi Tak (who is a non-executive Director), four executive Directors, namely, Ms. Wu Sin Wah, Eva, Mr. Cai Xiao Ming, David, Mr. Cai Xiao Xing and Mr. Kiong Chung Yin, Yttox, and three independent non-executive Directors, namely, Mr. Lui Tin Nang, Mr. Lam Ying Hung, Andy and Mr. Siu Man Ho, Simon.