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## **MASCOTTE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 136)**

### **VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF THE ENTIRE INTERESTS OF A WHOLLY OWNED SUBSIDIARY AND RESUMPTION OF TRADING**

#### **THE CONDITIONAL AGREEMENT**

On 19 November 2012 (after trading hours), Mega Soar, the Company and the Purchaser entered into the Conditional Agreement pursuant to which (i) Mega Soar has agreed to sell and the Purchaser has agreed to purchase the SS Share and (ii) Mega Soar has agreed to assign/or procure its associates to assign the benefit of and the interests in the SD Loan to the Purchaser for a total consideration of HK\$88.0 million. Details of the Conditional Agreement are set out under the section headed “The Conditional Agreement” below.

As the applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is larger than 75%, the entering into of the Conditional Agreement constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The SGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolution(s) by poll to approve the Conditional Agreement and the transactions contemplated thereunder.

A circular containing, amongst other things, further details of the Conditional Agreement, together with the notice of the SGM, will be despatched to the Shareholders on or before 13 December 2012.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 20 November 2012 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 23 November 2012.

## **INTRODUCTION**

On 19 November 2012 (after trading hours), Mega Soar, the Company and the Purchaser entered into the Conditional Agreement pursuant to which (i) Mega Soar has agreed to sell and the Purchaser has agreed to purchase the SS Share and (ii) Mega Soar has agreed to assign/or procure its associates to assign the benefit of and the interests in the SD Loan to the Purchaser for a total consideration of HK\$88.0 million.

## **THE CONDITIONAL AGREEMENT**

Set out below are the principal terms of the Conditional Agreement:

### **Date:**

19 November 2012 (after trading hours)

### **Parties:**

- (1) Vendor: Mega Soar, a wholly owned subsidiary of the Company
- (2) Guarantor of the Vendor: The Company
- (3) Purchaser: Chung Nam Finance

Chung Nam Finance is a limited liability company incorporated in Hong Kong which is principally engaged in money lending. The immediate holding company and the ultimate beneficial owner of Chung Nam Finance are, namely, Kam Kwong Investments Limited and HEC Capital Limited, respectively.

The Company shall act as the guarantor of Mega Soar in relation to the Conditional Agreement.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, Chung Nam Finance and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

## **Sale and purchase of the SS Share and the SD Loan**

Pursuant to the Conditional Agreement, Mega Soar shall, as the sole registered and beneficial owner, sell and the Purchaser shall purchase the SS Share and Mega Soar shall assign/ or procure its associates to assign the benefit of and interests in the SD Loan to the Purchaser, free from all claims, charges, liens, encumbrances, equities and other adverse claims and interests but together with all rights attached, accrued or accruing thereto.

### **Assets to be disposed of**

The SS Share represents the entire issued share capital of Smart Style. Smart Style is the sole shareholder of Smart Direct. Smart Direct is the registered and beneficial owner of the Property.

The Property has a gross floor area of approximately 11,187 square feet and is located directly above the North Point Mass Transit Railway Station as well as is easily accessible by other means of public transport. The Property is now subject to a legal charge/mortgage as security for a mortgage loan granted to Smart Direct with outstanding principal amount of HK\$24.0 million as at 31 October 2012 (“the Mortgage Loan”). According to a recent valuation conducted by an independent professional valuer, the market value of the Property as at 31 October 2012 was approximately HK\$88.3 million. The property valuation has taken into account the leasehold improvements, furniture and fixtures and the same will be disclosed in the valuation report contained in the circular to be despatched. As at the date of the Conditional Agreement, the Property is under two tenancies, of which Unit 2511 is occupied by the Company and Unit 2501 is let to a third party independent of the Company and its connected persons.

The SD Loan amounted to approximately HK\$67.9 million as at 31 October 2012.

### **Consideration**

The aggregate total consideration payable for the sale of the SS Share together with the assignment of the benefit of and interests in the SD Loan shall be HK\$88.0 million, all of which shall be set-off completely by the outstanding amount of a loan facility borrowed by the Company from Chung Nam Finance, with principal amount of HK\$100.0 million and monthly interest rate of 1%, on the Completion Date.

If the Mortgage Loan has not been fully paid off on or before the Completion Date, the consideration shall be adjusted by deducting the amount of the principal of the Mortgage Loan and any outstanding interest accrued thereon up to the Completion Date from the said sum of HK\$88,000,000.

The consideration was determined after arm's length negotiations between Mega Soar, the Company and the Purchaser with reference to (i) the market value of the Property of approximately HK\$88.3 million as at 31 October 2012; (ii) the Mortgage Loan; and (iii) the amount of net liabilities of the Smart Style Group of approximately HK\$3.2 million as per its management account as at 31 October 2012.

### **The letting of the Property after Completion**

Upon Completion, according to the terms of the Conditional Agreement, the parties shall procure Smart Direct, as landlord, to enter into the Tenancy Agreement with the Company or its nominee, as tenant, whereby Smart Direct shall let to the Company or its nominee the Property for a period of one year and with an option to renew for one further year, at a monthly rental of HK\$223,000. The monthly rental was determined after arm's length negotiations between the parties with reference to the market conditions.

The Company has agreed to rent the whole 25th Floor (both Units 2501 and 2511) from the Purchaser (landlord) in order to enjoy a relatively favorable rental price, in accordance with the Conditional Agreement, the Company is free to sub-lease without making any reimbursement to the Purchaser. The Board considers it is a favorable treatment and more cost effective for the Company to rent both units and sub-lease one unit to an independent third party.

### **Conditions precedent**

Completion shall be subject to and conditional upon the fulfillment of the following conditions:

- (a) the Purchaser having conducted and completed due diligence on all business, technical, legal and financial matters and title investigation on the Property, and all such other matters as deemed necessary by the Purchaser in its absolute discretion, in relation to the Smart Style Group and the Property, and the Purchaser being satisfied with the results of such due diligence and title investigations in its absolute discretion;
- (b) the approval of the Conditional Agreement and transactions contemplated thereunder by Shareholders who are permitted to vote in accordance with the Listing Rules, if required;
- (c) the compliance by the Company and its subsidiaries with all the necessary requirements under the Listing Rules;
- (d) if applicable, the obtaining of all consents or waiver from government or regulatory authorities or third parties (including the existing mortgagee of the Property) which are necessary in connection with the execution and performance of the Conditional Agreement and any of the transactions contemplated thereunder; and

- (e) no events, facts, or circumstance, which has constituted or may constitute any breach of any provisions of the Conditional Agreement (including without limitation the representations and warranties as stipulated therein) has been happened on or before the Completion Date.

### **Termination**

If the above-mentioned conditions are not fulfilled or waived (as the case may be) or the Purchaser gives notice to the Vendor in writing with reason that any such condition is not capable of being fulfilled on or prior to 31 May 2013 (or such later date as may be agreed between Mega Soar, the Company and the Purchaser in writing), the Conditional Agreement shall terminate and shall become void and of no further effect and save in respect of any antecedent breaches, all liabilities of Mega Soar, the Company and the Purchaser shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties which shall have accrued prior to such termination.

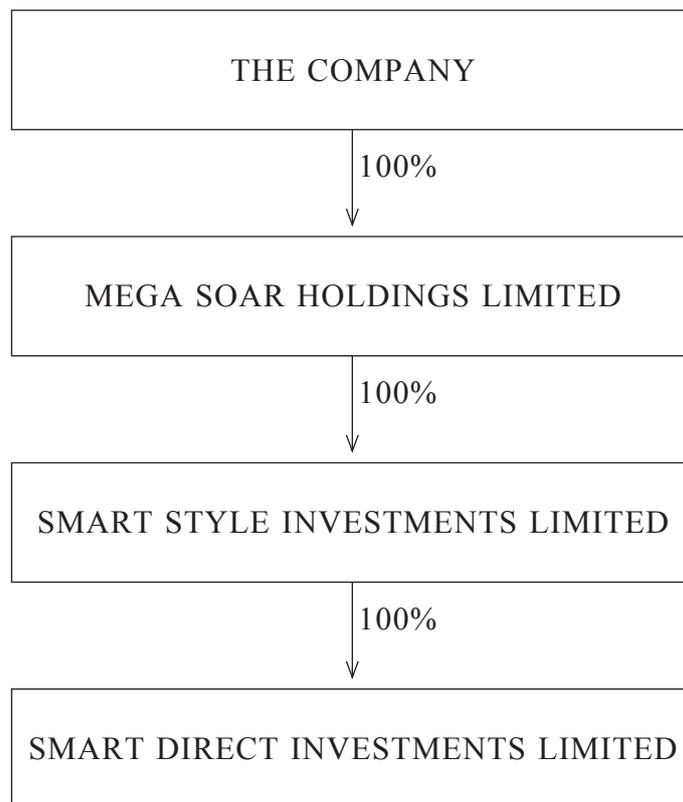
### **Completion**

Completion shall take place on the third Business Day after the date on which the above-mentioned conditions shall have been satisfied or, if applicable, waived by the parties.

Mega Soar and the Purchaser shall procure that within a period of twelve months from Completion, there shall be a discharge of the corporate guarantee currently given by the Company for securing the existing Mortgage Loan.

## SHAREHOLDING STRUCTURE OF THE COMPANY AND SMART STYLE GROUP

At the date of this announcement, the shareholding structure in relation to the Company and Smart Style Group is as follows:



## INFORMATION OF THE SMART STYLE GROUP

Smart Style is a company incorporated in the British Virgin Islands with limited liability and principally engaged in investment holding Smart Direct. Smart Direct is a company incorporated in Hong Kong with limited liability and principally engaged in investment of the Property in Hong Kong. Smart Direct is a wholly-owned subsidiary of Smart Style.

The Property has a floor area of approximately 11,187 square feet and is located directly above the North Point Mass Transit Railway Station as well as is easily accessible by other means of public transport.

Based on the unaudited consolidated account of the Smart Style Group, the consolidated net loss before and after taxation for the period from the date of incorporation to 31 March 2012 and from 1 April 2012 to 31 October 2012 and the consolidated net liabilities as at 31 March 2012 and 31 October 2012 are as follows:

|  | <b>Period from<br/>the date of<br/>incorporation to<br/>31 March 2012<br/>(unaudited)<br/>HK\$</b> | <b>Period from<br/>1 April 2012 to<br/>31 October 2012<br/>(unaudited)<br/>HK\$</b> |
|--|--|---|
| Net loss before taxation and extraordinary items | 2.2 million  | 1.0 million   |
| Net loss after taxation and extraordinary items  | 2.2 million  | 1.0 million   |
|  | <b>As at<br/>31 March 2012<br/>(unaudited)<br/>HK\$</b>  | <b>As at<br/>31 October 2012<br/>(unaudited)<br/>HK\$</b>                           |
| Net liabilities                                  | 2.2 million  | 3.2 million   |

Smart Style and Smart Direct will cease to be subsidiaries of the Company after Completion.

#### **FINANCIAL EFFECT OF COMPLETION OF THE CONDITIONAL AGREEMENT AND THE USE OF THE PROCEEDS FROM THE DISPOSAL**

Based on the preliminary assessment, the Group is expected to recognise a net loss of approximately HK\$1.7 million upon Completion, which represents the total consideration of HK\$88.0 million less the total amount of the SD Loan of approximately HK\$67.9 million as advanced by the Company to the Smart Style Group and the outstanding amount of the Mortgage Loan of HK\$24.0 million (adjustment to be finalised upon Completion as disclosed under section “Consideration”) as at 31 October 2012 and followed by adding back of net liabilities of HK\$3.2 million as at 31 October 2012 together with the inclusion of the estimated transaction cost of approximately HK\$1 million for the Disposal.

The net proceeds from the Disposal of approximately HK\$63.0 million will be used for setting off the amount of a loan facility borrowed by the Company from Chung Nam Finance, with an aggregate principal amount of HK\$100.0 million and monthly interest rate of 1%, on the Completion Date. As of 31 October 2012, the loan principal borrowed by the Company from Chung Nam Finance has been fully utilized for the working capital of the Group.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the business of manufacturing solar grade polycrystalline silicon in Taiwan, investment and trading of securities, provision of finance, property investment and manufacture and sale of accessories for photographic and multimedia products.

The Company has tightened liquidity as a result of following reasons:

As at the date of this announcement, the Group's polycrystalline silicon business is yet to complete and the funding for the implementation of the recycling plant and other facilities has been heavily relied on internal resources of the Group and it is still uncertain whether the commercial production of the Group's polycrystalline silicon business will suffer further delay in the future. Because of its nature of the Group's polycrystalline silicon business, any further delay on the commercial production will certainly affect the economic benefits (such as revenue, net profit and net cash flow) which are expected to be flowed to the Company.

The Company has exhausted itself of seeking ways to combat with the financial difficulty recently by raising funds through proposed rights issue and placement of new Shares. As first announced on 17 July 2012, the Company disclosed its intention to propose a rights issue mainly for repayment of existing debts and payment of interest as well as enhancement of the Group's production facilities in respect of its polycrystalline silicon business, with gross proceeds of approximately HK\$465.81 million. Unfortunately, the Company experienced an unexpectedly prolonged process in relation to the proposed rights issue. For the past four months, the share price of the Company has dropped more than 20%, and in response to the drop of the share price, the proposed subscription price is likely to be adjusted downward, which in turn shrunken the net proceed of the proposed rights issue to be raised and further squeezed the liquidity of the Company in the future.

Further, as announced on 8 November 2012, the Company entered into a placing agreement to raise net proceeds of approximately HK\$11.10 million for general working capital purpose, which is insufficient to sustain the Company for repaying its outstanding debts (as disclosed hereinafter). Accordingly, the general mandate granted to the Directors by the Shareholders at the annual general meeting on 25 September 2012 to allot and issue and deal with 20% of the then issued share capital of the Company has been fully utilized.

As at 31 October 2012, the Group has outstanding debts mainly in the form of (i) consideration bonds bearing interest of 2.5% per annum with aggregate outstanding amounts of HK\$1,260.0 million due in January 2014; (ii) convertible bonds bearing interest of 5% per annum and convertible into new Shares at a conversion price of HK\$8 per Share (adjusted), with aggregate outstanding amounts of HK\$1,419.0 million due in July 2014; (iii) loan facility due from Chung Nam Finance bearing interest of 1% per month with an outstanding principal of HK\$100.0 million, due in January 2013; and (iv) an outstanding Mortgage Loan of the Property being HK\$24.0 million.

The Disposal is an attractive option and best alternative available to the Group to reduce its debts as whether the Property may be sold within a short-period of time, the selling price may agree by others potential buyers which has yet to be identified and the Company is able to lease back the Property for the Company's use, all of them are either time consuming, uncertain or not costs effective to the Company at this present time.

The Board decides to make use of the net sale proceeds from the Disposal to offset the outstanding Chung Nam Finance's loan which will be due in two month's period. The remaining loan borrowed from Chung Nam Finance by the Company will restructure and subject to further negotiation upon Completion or other days that the Company and Chung Nam Finance may agree.

Meanwhile, the Company is awaiting/seeking available financial resources to support the financial requirements of the Group's polycrystalline silicon business and in consideration to reduce its debts level and to enhance its working capital including but not limited to debt restructuring and/or other fund raising activities. Although certain debts will not be due within 12 months' period from the date of this announcement, it is necessary for the Company to work on the future funding requirements so as to serve the debts and associated finance costs when fall due.

In addition, with the entering into of the Tenancy Agreement, the Group will be able to secure the tenancy of the Property for one year and with an option to renew for one further year with a bargained rent upon Completion. Further, the Company would sub-lease unit 2501 to its existing tenant with terms and conditions prevailing to the market conditions and continue to receive regular rental income.

Further, the Board considers that the consideration for the Disposal is a fair and good one with reference to a recent valuation of the Property conducted by an independent professional valuer.

The Board considers that the terms of the Conditional Agreement are negotiated on an arm's length basis. Having considered the above-mentioned terms and reasons of entering into the Conditional Agreement, the Board considers that the terms of the Conditional Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **GENERAL**

As the applicable percentage ratio (as defined under the Listing Rules) in respect of the Disposal is larger than 75%, the entering into of the Conditional Agreement constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The SGM will be held by the Company for the Shareholders to consider, and if thought fit, passing resolution(s) by poll to approve the Conditional Agreement and the transactions contemplated thereunder.

A circular containing, amongst other things, further details of the Conditional Agreement together with the notice of the SGM, will be despatched to the Shareholders on or before 13 December 2012.

## **RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 20 November 2012 at the request of the Company pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 23 November 2012.

## **DEFINITIONS**

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

|                     |  |
|---------------------|--|
| “Board”             | means the board of Directors   |
| “Business Day”      | means a day on which licensed banks in Hong Kong are open for business, other than: <ul style="list-style-type: none"><li>(i) a Saturday;</li><li>(ii) a Sunday;</li><li>(iii) public holiday; or</li><li>(iv) a day on which a tropical cyclone warning signal 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.</li></ul> |
| “BVI”               | means the British Virgin Islands   |
| “Chung Nam Finance” | Chung Nam Finance Limited, a limited liability company incorporated in Hong Kong and is principally engaged in money lending   |

|                         |  |
|-------------------------|--|
| “Company”               | Mascotte Holdings Limited (Stock code: 136), a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange  |
| “Completion”            | means the completion of the sale and purchase of the SS Share and the assignment of the benefits of and interests in the SD Loan pursuant to the Conditional Agreement   |
| “Completion Date”       | means the third Business Day after the date on which all of the conditions precedent of the Conditional Agreement shall have been satisfied or waived by the parties thereto (or such other date and/or time as the parties thereto may agree from time to time) and where Completion shall take place   |
| “Conditional Agreement” | means the conditional agreement (including its schedules and exhibits) dated 19 November 2012 entered into between Mega Soar, the Company and the Purchaser in relation to, amongst other things, (i) the sale and purchase of the entire share capital in Smart Style and (ii) the assignment of the benefit of and the interests in the SD Loan to the Purchaser for a total consideration of HK\$88,000,000 |
| “connected persons”     | has the meaning ascribed to this term under the Listing Rules  |
| “Director(s)”           | means the director(s) of the Company   |
| “Disposal”              | means the sale of the entire share capital in Smart Style and the assignment of the benefit of and the interests in the SD Loan, to the Purchaser pursuant to the Conditional Agreement  |
| “Group”                 | means the Company and its subsidiaries   |
| “HK\$”                  | means Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”             | means the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Listing Rules”         | means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited   |
| “Mega Soar”             | means Mega Soar Holdings Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company  |

|                     |   |
|---------------------|---|
| “Property”          | means the office premises known as 25th Floor (comprising Units 2501 and 2511), China United Centre, No. 28 Marble Road, North Point, Hong Kong   |
| “Purchaser”         | Chung Nam Finance   |
| “SD Loan”           | means the outstanding shareholder loan(s) advanced by the Company and its subsidiaries (excluding the Smart Style Group) to the Smart Style Group as at the date of the Conditional Agreement   |
| “SGM”               | means the special general meeting of the Company to be convened to consider, and if thought fit, approve the Conditional Agreement and the transactions contemplated thereunder   |
| “Share(s)”          | means ordinary share(s) of HK\$0.01 each in the share capital of the Company  |
| “Shareholder(s)”    | means shareholders of the Company   |
| “Smart Direct”      | means Smart Direct Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Smart Style   |
| “Smart Style”       | means Smart Style Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Mega Soar  |
| “Smart Style Group” | means Smart Style and Smart Direct  |
| “SS Share”          | means one share of US\$1.00 each in the issued share capital of Smart Style legally and beneficially owned by the Mega Soar, representing the entire issued share capital of Smart Style  |
| “Stock Exchange”    | means The Stock Exchange of Hong Kong Limited   |
| “Tenancy Agreement” | means the tenancy agreement, substantially in a form set out in Conditional Agreement, to be entered into by the Company or its nominee as the tenant and Smart Direct as the landlord upon Completion pursuant to which Smart Direct shall let and the Company or its nominee shall rent the Property for a period of one year and with an option to renew for one further year at a monthly rental of HK\$223,000 |

“US\$” means United States dollar, the lawful currency of the United States of America

By order of the Board  
**Mascotte Holdings Limited**  
**Lo Yuen Wa Peter**  
*Managing Director*

Hong Kong, 22 November 2012

As at the date of this announcement, the Directors are as follows:

*Executive Directors:*

Mr. Peter Temple Whitelam (*Chairman*)  
Mr. Lo Yuen Wa Peter (*Managing Director*)  
Mr. Eddie Woo  
Mr. Suen Yick Lun Philip  
Mr. Lau King Hang  
Dr. Wu Yi-Shuen

*Independent Non-executive Directors:*

Mr. Frank H. Miu  
Dr. Agustin V. Que  
Mr. Robert James Iaia II