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## **FOREBASE INTERNATIONAL HOLDINGS LIMITED**

**申基國際控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 2310)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF BEST DOLLAR INTERNATIONAL LIMITED INVOLVING THE ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE**

#### **THE PROPOSED ACQUISITION**

The Board is pleased to announce that on 24 July 2014 (after trading hours), the Company, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company, at a consideration of HK\$10,000,000 which shall be satisfied by way of allotment and issue of 4,000,000 new Shares, representing approximately 1.22% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares, assuming there is no change in the issued share capital of the Company from the date of this announcement and up to the Completion Date, at HK\$2.5 each. The Sale Shares represented the entire issued share capital of the Target Company as at the date of the Agreement and at Completion.

The Target Company is the sole ultimate beneficial owner of the entire registered capital of the PRC Subsidiary. The PRC Subsidiary is the holder of the land use right of the Land which is located at 雲南省昭通市昭陽區太平街道辦事處桃園社區二組 (Phase Two, Tao Yuan Community, Taiping Jiedao Office, Zhaoyang District, Zhao Tong, Yunnan Province, the PRC\*) with a site area of approximately 56,611.9 sq. m. For further details of the Target Group, please refer to the section headed “Information on the Target Group” in this announcement.

## LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceed 5% while all applicable percentage ratios are less than 25%, the Proposed Acquisition and the transactions contemplated under the Agreement constitute a discloseable transaction for the Company which is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Proposed Acquisition and the transactions contemplated under the Agreement also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules by reason that the Vendor is a connected person of the Company under the Listing Rules. The Proposed Acquisition and the transactions contemplated under the Agreement, including the allotment and issue of Consideration Shares under the Specific Mandate, are therefore subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Loan shall constitute financial assistance to be provided by a connected person to the Company upon Completion pursuant to Chapter 14A of the Listing Rules since the Loan is provided by the associates of the Vendor. Since the Loan will be for the benefit of the Company on normal commercial terms or better and it is not secured by the assets of the Group, the Loan will therefore be exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Given Mr. Shen Yong is the Vendor, Mr. Shen Yong, Ultra Harvest, Ms. Meng Qing, Mr. Shen Ke, together with their respective associates, are considered to have a material interest in the Proposed Acquisition and are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares).

## GENERAL

The Company has established the Independent Board Committee, comprising all independent non-executive Directors, to advise the Independent Shareholders as to whether the terms of the Proposed Acquisition (including the allotment and issue of the Consideration Shares) are fair and reasonable, whether the Proposed Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group 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 Vinco Capital.

The EGM will be convened for the purpose of, among other things, considering, and if thought fit, approving the Agreement and the Proposed Acquisition, including the issue and allotment of the Consideration Shares and the grant of the Specific Mandate.

The circular containing, among other things, (i) details of the Proposed Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Proposed Acquisition; (iii) the letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition; (iv) valuation report on the Land; and (v) the notice of the EGM together with a form of proxy, will be despatched to the Shareholders on or before 14 August 2014.

**As completion of the Proposed Acquisition is subject to fulfillment and/or waiver of a number of conditions precedent under the Agreement, the Proposed Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.**

## **INTRODUCTION**

The Board is pleased to announce that on 24 July 2014 (after trading hours), the Company, the Purchaser (being a wholly-owned subsidiary of the Company) and the Vendor entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company, at a consideration of HK\$10,000,000 which shall be satisfied by way of allotment and issue of the Consideration Shares, being 4,000,000 new Shares (representing approximately 1.23% of the existing issued share capital of the Company and approximately 1.22% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares) by the Company to the Vendor, credited as fully paid, at HK\$2.5 each on Completion. Details of the Agreement are set out below:

## **THE AGREEMENT**

Date : 24 July 2014

Parties : The Company, as the issuer;  
Forebase China Limited, as the Purchaser; and  
Mr. Shen Yong, as the Vendor

The Vendor is the Chairman of the Board and an executive Director, and is holding 60% equity interest in Ultra Harvest, the Controlling Shareholder of the Company holding 176,272,950 Shares, representing approximately 54.42% of the issued share capital of the Company as at the date of this announcement. Accordingly, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

### **Assets to be acquired**

Pursuant to the Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell, as legal and beneficial owner, the Sale Shares with effect from Completion free from all rights of pre-emption, options, liens, claims, equities, charges, Encumbrances or third-party rights of any nature and with all dividends, benefits and other rights now or thereafter becoming attached or accruing thereto as from the Completion Date. The Sale Shares represent the entire issued share capital of the Target Company as at the date of the Agreement and as at Completion.

The Target Company, through the PRC Subsidiary, is the holder of the Land Use Right, and further details of which are set out under the paragraph headed “Information on the Target Group” below.

### **Consideration**

The consideration of the Proposed Acquisition shall be HK\$10,000,000, which shall be satisfied by way of allotment and issue of the Consideration Shares, being 4,000,000 new Shares, by the Company to the Vendor, all credited as fully paid, at an issue price of HK\$2.5 per Consideration Share on Completion. The Consideration Shares will be issued pursuant to the Specific Mandate.

### ***Consideration Shares***

The Consideration Shares shall rank pari passu with the Shares in issue on the date of their allotment and issue.

The Consideration Shares represent:

- (a) approximately 1.23% of the Company's existing issued share capital as at the date of this announcement; and
- (b) approximately 1.22% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares, assuming there is no change in the issued share capital of the Company from the date of this announcement and up to the Completion Date.

### ***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 the Consideration Share was determined after taking into account of, among other things, the recent closing prices of the Shares, the net asset value per Share as at 31 December 2013 and the fact that the entire consideration of the Proposed Acquisition is to be satisfied solely by the allotment and issue of the Consideration Shares involving no cash outlay of the Company.

The issue price of HK\$2.5 per Consideration Share represents:

- (i) a premium of approximately 23.2% over the closing price of HK\$2.03 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 17.6% over the average of the closing prices of HK\$2.126 per Share for the last ten trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 11.5% over to the average of the closing prices of approximately HK\$2.243 per Share for the last 30 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 6.0% over the average of the closing prices of HK\$2.358 per Share for the last 60 trading days up to and including the Last Trading Day; and
- (v) a premium of approximately 575.7% over the consolidated net asset value per Share of approximately HK\$0.37 (calculated based on the audited net asset value of approximately HK\$120.1 million as at 31 December 2013 as extracted from annual report of the Company for the year ended 31 December 2013 and the 323,896,933 Shares in issue as at the date of this announcement).

## ***Basis of consideration***

The consideration of the Proposed Acquisition was arrived at after arm's length negotiations between the Purchaser and the Vendor, and are on normal commercial terms, with reference to (i) the original acquisition cost of the Land Use Right of RMB38,220,500 (equivalent to approximately HK\$47,775,625); (ii) the preliminary valuation of the Land of RMB47,200,000 (equivalent to approximately HK\$59,000,000) as at 30 June 2014 as determined by an independent valuer; (iii) the unaudited net assets of the PRC Subsidiary of RMB10,000,000 (equivalent to approximately HK\$12,500,000) as at 31 March 2014; and (iv) the amount due from Chongqing Jinyu to Chongqing Co of RMB10,000,000 (equivalent to approximately HK\$12,500,000) for the acquisition of the PRC Subsidiary.

As advised by the Vendor, the original acquisition cost of the Sale Shares, representing the entire issued share capital of the Target Company, was US\$1,000 (equivalent to approximately HK\$7,750), being the amount of issued share capital of the Target Company.

As at the date of this announcement, the aggregate amount due from the Target Group (i) to Chongqing Co, was RMB31,407,225 (equivalent to approximately HK\$39,259,031), of which RMB10,000,000 arose from the acquisition of the entire equity interest in the PRC Subsidiary by Chongqing Jinyu; and (ii) to Youji, was RMB13,600,000 (equivalent to approximately HK\$17,000,000). All the aforesaid amounts due from the Target Group are interest-free, unsecured and repayable on demand.

Taking into account of the aforesaid, the Directors (excluding the Vendor and Mr. Shen Ke, the son of the Vendor 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 Vinco Capital) consider that the consideration of the Proposed Acquisition, including the issue price of the Consideration Shares, is fair and reasonable so far as the Independent Shareholders are concerned.

## **Conditions precedent to the Proposed Acquisition**

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

- (i) the passing by the Shareholders who are permitted to vote under the Listing Rules of a resolution to approve the Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Consideration Shares) at a general meeting of the Company in accordance with the Listing Rules;
- (ii) the Purchaser being reasonably satisfied with the results of the due diligence review on the Target Group conducted pursuant to the Agreement;
- (iii) a legal opinion having been issued by a qualified PRC legal adviser, in such form and substance to the reasonable satisfaction of the Company, in respect of the Agreement and the transaction contemplated therein;
- (iv) all other approvals, consents and acts required under the Listing Rules for the Purchaser entering into or executing the transactions therein being obtained and completed including but not limited to the listing of and permission to deal in the Consideration Shares having been granted by the Stock Exchange and which has not been revoked as at the Completion Date; and
- (v) all other necessary approvals, consents, authorisations and licences in relation to the transactions contemplated under the Agreement having been obtained.

The conditions (i), (iii) and (iv) above are not capable of being waived. If the conditions set out above is not waived or fulfilled (as the case may be) on or before 25 October 2014 or such other date as may be agreed between the parties to the Agreement in writing (the “**Long Stop Date**”), the Agreement shall terminate (save and except clauses relating to confidentiality, general provisions, notices and governing law) and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise (save in respect of any prior breach of the Agreement).

## Completion

Completion shall take place at 4:00 p.m. on the third Business Day after fulfillment or waiver by the Purchaser (as the case may be) of the conditions above, or at such other time as the parties to the Agreement may agree in writing.

## Undertaking by the Vendor

Pursuant to the Agreement, the Vendor undertakes to the Purchaser to indemnify and keep indemnified the Purchaser and the members of the Target Group against any losses, damages, costs, or expenses, liabilities, claims, penalties, actions or proceedings suffered or incurred by the Purchaser and/or any of the members of the Target Group arising out of (whether directly or indirectly) or in connection with any non-compliance by any of the members of the Target Group with any applicable laws, regulations, obligations, commitments and/or requirements of any applicable authorities provided always that the aforesaid non-compliance shall have taken place before the Completion Date.

## 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; and (ii) immediately after the allotment and issue of the Consideration Shares upon Completion (assuming there is no other change in the issued share capital and shareholding structure of the Company from the date of this announcement and up to the Completion Date):

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares upon Completion	
	Number of Shares	Approximate %	Number of Shares	Approximate %
The Vendor	–	–	4,000,000	1.22
Mr. Shen Ke ( <i>Note 1</i> )	5,500,000	1.70	5,500,000	1.68
Ms. Meng Qing ( <i>Note 2</i> )	5,500,000	1.70	5,500,000	1.68
Ultra Harvest ( <i>Note 3</i> )	176,272,950	54.42	176,272,950	53.75
The Vendor, Mr. Shen Ke and their respective associates	187,272,950	57.82	191,272,950	58.33
Public Shareholders	136,623,983	42.18	136,623,983	41.67
<b>Total</b>	<b>323,896,933</b>	<b>100.00</b>	<b>327,896,933</b>	<b>100.00</b>

Notes:

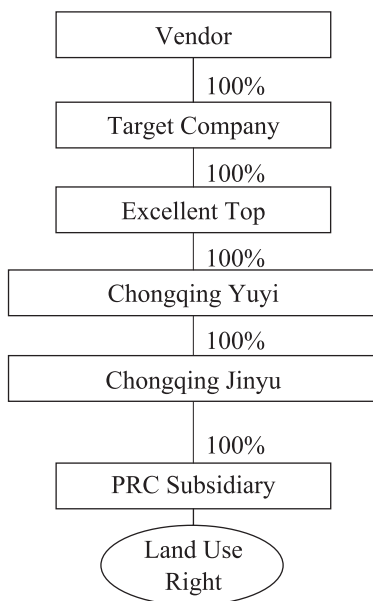
1. Mr. Shen Ke is an executive Director and the son of the Vendor.
2. Ms. Meng Qing is the spouse of the Vendor.
3. Ultra Harvest, the Controlling Shareholder of the Company holding 176,272,950 Shares, is owned as to 60% by the Vendor and as to 40% by Mr. Shen Ke.

## INFORMATION ON THE TARGET GROUP

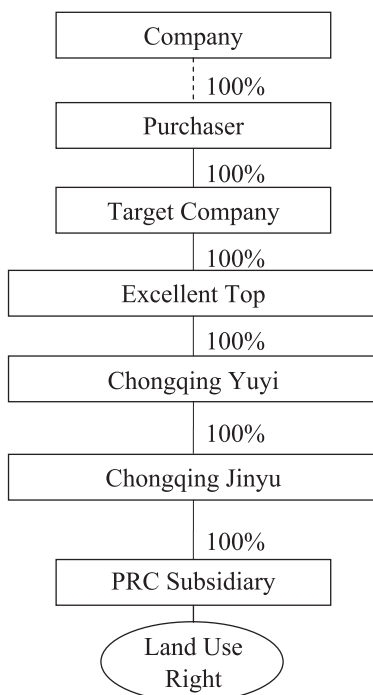
### Group and Shareholding structure

The following diagrams illustrate the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) immediately following Completion:

(i) As at the date of this announcement:



(ii) Immediately following Completion:



## **Target Group**

### ***Target Company***

The Target Company was incorporated in the BVI on 3 October 2011 with limited liability and is an investment holding company. As at the date of this announcement, the Target Company is wholly and beneficially owned by the Vendor. The Sale Shares represent the entire issued share capital of Target Company.

### ***Excellent Top***

Excellent Top was incorporated in Hong Kong with limited liability. As at the date of this announcement, Excellent Top is an investment holding company wholly-owned by the Target Company. Excellent Top established its wholly-owned subsidiary, Chongqing Yuyi, on 9 June 2014. Save for its 100% equity interest in Chongqing Yuyi, Excellent Top does not hold any other investments as at the date of this announcement.

### ***Chongqing Yuyi***

Chongqing Yuyi was established in PRC with limited liability. As at the date of this announcement, Chongqing Yuyi is an investment holding company wholly-owned by Excellent Top. Chongqing Yuyi established its wholly-owned subsidiary, Chongqing Jinyu, on 20 June 2014. Save for its 100% equity interest in Chongqing Jinyu, Chongqing Yuyi does not hold any other investments as at the date of this announcement.

### ***Chongqing Jinyu***

Chongqing Jinyu was established in PRC with limited liability. As at the date of this announcement, Chongqing Jinyu is an investment holding company wholly-owned by Chongqing Yuyi. Chongqing Jinyu completed the acquisition of the entire equity interest in the PRC Subsidiary in July 2014. Save for its 100% equity interest in the PRC Subsidiary, Chongqing Jinyu does not hold any other investments as at the date of this announcement.

### ***The PRC Subsidiary***

As at the date of this announcement, the PRC Subsidiary is indirectly wholly-owned by the Target Company. The PRC Subsidiary was established in the PRC with limited liability and is principally engaged in hotel operation and property development. The total registered and paid-up capital of the PRC Subsidiary is RMB10,000,000 as at the date of this announcement. The PRC Subsidiary has obtained the land use right of the Land which is located at 雲南省昭通市昭陽區太平街道辦事處桃園社區二組 (Phase Two, Tao Yuan Community, Taiping Jiedao Office, Zhaoyang District, Zhao Tong, Yunnan Province, the PRC\*) with a site area of approximately 56,611.9 sq. m. The PRC Subsidiary acquired the Land Use Right in 2013 at a consideration of RMB38,220,500. According to the Land Use Right, the Land is designated as to approximately 13,333.0 sq. m. for other commercial service use and as to approximately 43,278.9 sq. m. for residential use. The total maximum gross floor area permitted to be constructed on the Land is approximately 284,685 sq. m.



## Financial information

### *Target Company*

Set out below is the unaudited financial information of the Target Company for the two years ended 31 December 2013 and three months ended 31 March 2014:

	<b>For the year ended 31 December 2012 HK\$</b>	<b>For the year ended 31 December 2013 HK\$</b>	<b>For the three months ended 31 March 2014 HK\$</b>
Revenue	–	–	–
Net loss before and after taxation	(13,700)	(5,914)	(3,000)

The unaudited net liabilities of the Target Company was HK\$5,920, HK\$11,834 and HK\$14,834 as at 31 December 2012, 31 December 2013 and 31 March 2014, respectively.

### *Excellent Top*

Set out below is the unaudited financial information of Excellent Top for the two years ended 31 December 2013 and three months ended 31 March 2014:

	<b>For the year ended 31 December 2012 HK\$</b>	<b>For the year ended 31 December 2013 HK\$</b>	<b>For the three months ended 31 March 2014 HK\$</b>
Revenue	–	–	–
Net loss before and after taxation	(14,670)	(9,940)	(1,800)

The unaudited net liabilities of Excellent Top was HK\$13,670, HK\$23,610 and HK\$25,410 as at 31 December 2012, 2013 and 31 March 2014, respectively.

### *Chongqing Yuyi and Chongqing Jinyu*

As Chongqing Yuyi was established on 9 June 2014 and Chongqing Jinyu was established on 20 June 2014, there was no financial information in relation thereto for the two years ended 31 December 2013 nor for the three months ended 31 March 2014.

### *PRC Subsidiary*

Based on the audited financial information of PRC Subsidiary for the two years ended 31 December 2013 and the unaudited financial information of the PRC Subsidiary for the three months ended 31 March 2014 as extracted from the management account of the PRC Subsidiary prepared under PRC GAAP and provided by the Vendor, the PRC Subsidiary did not record any revenue, profit or loss before taxation and profit or loss after taxation.

Based on the unaudited financial information of the PRC Subsidiary for the three months ended 31 March 2014 as extracted from the management account of the PRC Subsidiary prepared under PRC GAAP and provided by the Vendor, the unaudited total assets and net assets value of the PRC Subsidiary was approximately RMB51.2 million and RMB10 million, respectively. The total assets of the PRC Subsidiary included the original acquisition cost of the Land Use Right of approximately RMB38.2 million. As set out under the section headed “The Agreement - Consideration” in this announcement above, the preliminary valuation of the Land as advised by an independent professional valuer was RMB47.2 million as at 30 June 2014.

## **REASONS AND BENEFITS OF FOR THE PROPOSED ACQUISITION**

The Group is principally engaged in the manufacture and sale of electronic components, properties investment and hotel operation. As stated in the 2013 annual report, the Group anticipates that the consumer electronics market is still stagnant and the demand for electronic components will remain challenging. The rising trend in costs of both labour and materials is expected to continue to place repeated pressure on profit margin. To cope with the challenges of intense competition and hostile environment, the Directors have been conducting a review of the financial position and operations of the Group and adopting appropriate business strategies to enhance the growth of its business and asset base. As such, the Group diversified its business into hotel operation and property development through completion of the acquisition of a resort in Victoria, British Columbia, Canada, which contains a carpark land with a site area of approximately 20,997 sq. ft. Relevant development permit were issued to the Group for the redevelopment of the carpark land which was proposed to be developed with certain apartment condominium units, commercial units and parking spaces.

The Group has also been actively exploring other investment opportunities in hotel operation, property investment and development both in the PRC and other overseas countries which can enhance the Shareholders’ return and are within the core competence of the Group. The Proposed Acquisition would be an opportunity to strengthen our asset base and increase our scale of operation. The Directors believe that the Proposed Acquisition will bring in economic benefits to the Group including broadening the Group’s income source and provision of the potential attractive return. It is proposed that the Land will be developed into a hotel and residential composite which is in line with our growth strategies and will benefit from our core management expertise. The Group is confident that, with the expertise and experience of our management in hotel operation, property investment and development, the Proposed Acquisition will be beneficial to the Group’s business development.

Therefore, the Directors (excluding the independent non-executive Directors whose views will be given after considering the advice from Vinco Capital) consider that the Proposed Acquisition is in the interest of the Company and the Shareholders as a whole and that the terms of the Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Proposed Acquisition exceed 5% while all applicable percentage ratios are less than 25%, the Proposed Acquisition and the transactions contemplated under the Agreement constitute a discloseable transaction for the Company which is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Proposed Acquisition and the transactions contemplated under the Agreement also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules by reason that the Vendor, is a connected person of the Company under the Listing Rules. The Proposed Acquisition and the transactions contemplated under the Agreement, including the allotment and issue of Consideration Shares under the Specific Mandate, are therefore subject to reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Loan shall constitute financial assistance to be provided by a connected person to the Company upon Completion pursuant to Chapter 14A of the Listing Rules since the Loan is provided by the associates of the Vendor. Since the Loan will be for the benefit of the Company on normal commercial terms or better and it is not secured by the assets of the Group, the Loan will therefore be exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

Given Mr. Shen Yong is the Vendor, Mr. Shen Yong, Ultra Harvest, Ms. Meng Qing, Mr. Shen Ke, together with their respective associates, are considered to have a material interest in the Proposed Acquisition and are therefore required to abstain from voting on the relevant resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares). As at the date of this announcement, (i) Ultra Harvest, a Controlling Shareholder of the Company owned as to 60% by the Vendor and as to 40% by Mr. Shen Ke, owns 176,272,950 Shares, representing 54.42% of the existing issued share capital of the Company; (ii) Ms. Meng Qing, the spouse of the Vendor, owns 5,500,000 Shares, representing 1.70% of the existing issued share capital of the Company; and Mr. Shen Ke, a son of the Vendor who is also owning 40% equity interest in Ultra Harvest, owns 5,500,000 Shares, representing 1.70% of the existing issued share capital of the Company.

## **GENERAL**

The Company has established the Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Yu Lei, Ms. Zhang Cui Lan and Mr. Ernst Rudolf Zimmermann, to advise the Independent Shareholders as to whether the terms of the Proposed Acquisition (including the allotment and issue of the Consideration Shares) are fair and reasonable, whether the Proposed Acquisition is on normal commercial terms or better and in the ordinary and usual course of business of the Group 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 the Independent Financial Adviser. Grand Vinco Capital Limited has been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened for the purpose of, among other things, considering, and if thought fit, approving the Agreement and the Proposed Acquisition, including the issue and allotment of the Consideration Shares and the grant of the Specific Mandate.

## **DESPATCH OF CIRCULAR**

The circular containing, among other things, (i) details of the Proposed Acquisition; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Proposed Acquisition; (iii) the letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Acquisition; (iv) valuation report on the Land; and (v) the notice of the EGM together with a form of proxy, will be despatched to the Shareholders on or before 14 August 2014.

**As completion of the Proposed Acquisition is subject to fulfillment and/or waiver of a number of conditions precedent under the Agreement, the Proposed Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the conditional sale and purchase agreement dated 24 July 2014 entered into between the Company, the Purchaser and the Vendor in relation to the sale and purchase of the Sale Shares
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday) on which banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“Chongqing Co”	重慶申基實業(集團)有限公司 (Chongqing Shenji Shiye (Group) Ltd.*), a company established in the PRC and owned as to 52% by the Vendor and as to 48% by Mr. Shen Ke
“Chongqing Jinyu”	重慶縉御貿易有限公司 (Chongqing Jinyu Trading Co., Ltd.*), a company established in the PRC with limited liability, a wholly-owned subsidiary of Chongqing Yuyi
“Chongqing Yuyi”	重慶御億企業管理有限公司 (Chongqing Yuyi Enterprise Management Co., Ltd.*), a company established in the PRC with limited liability, a wholly-owned subsidiary of Excellent Top
“Company”	Forebase International Holdings Limited (申基國際控股有限公司) (stock code: 2310), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Proposed Acquisition
“Completion Date”	date of the Completion
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration Shares”	a total of 4,000,000 new Shares to be allotted and issued at an issue price of HK\$2.5 per share by the Company and credited as fully paid in favour of the Vendor for satisfaction of the consideration of the Proposed Acquisition, each a “Consideration Share”
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules
“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 Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares)
“Encumbrance”	any mortgage, charge, pledge, lien (otherwise than arising by statute or operation of law), hypothecation, equities, adverse claims, or other encumbrances, priority or security interest, deferred purchase, title retention, leasing, sale-and-purchase, sale-and-leaseback arrangement over or in any property, assets or rights of whatsoever nature or interest or any agreement for any of the above
“Excellent Top”	Excellent Top Corporation Limited (御億有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Yu Lei, Ms. Zhang Cui Lan and Mr. Ernst Rudolf Zimmermann, to advise the Independent Shareholders on the Proposed Acquisition
“Independent Financial Adviser” or “Vinco Capital”	Grand Vinco Capital Limited, a wholly-owned subsidiary of Vinco Financial Group Limited (Stock code: 8340), a corporation licensed to carry out business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Acquisition
“Independent Shareholder”	Shareholders other than Mr. Shen Yong, Ultra Harvest, Ms. Meng Qing, Mr. Shen Ke, together with their respective associates
“Land”	the parcel of land numbered 532101204-01-02-007 with a site area of approximately 56,611.9 sq. m. and located at 雲南省昭通市昭陽區太平街道辦事處桃園社區二組 in the PRC
“Land Use Right”	the land use right owned by the PRC Subsidiary in respect of the Land
“Last Trading Date”	24 July 2014, being the last trading day on which the Shares were traded on the Stock Exchange immediately preceding to the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Loan”	the total amount of RMB45,007,225 (which is interest-free, unsecured and repayable on demand) due from the Target Group to Chongqing Co (as to RMB31,407,225 (equivalent to approximately HK\$39,259,031)) and Youji (as to RMB13,600,000 (equivalent to approximately HK\$17,000,000)), both being associates of the Vendor, as at the date of this announcement
“Mr. Shen Ke”	Mr. Shen Ke, an executive Director, the son of the Vendor and beneficially holding 40% equity interest in Ultra Harvest
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC GAAP”	the generally accepted accounting principles in the PRC
“PRC Subsidiary”	昭通泰陽房地產開發有限公司 (Zhaotong Taiyang Property Development Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of Chongqing Jinyu
“Proposed Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and condition of the Agreement
“Purchaser”	Forebase China Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 1,000 ordinary shares of US\$1.00 each of the Target Company legally and beneficially owned by the Vendor, representing the entire issued share capital of the Target Company as at the date of the Agreement and as at Completion
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the issue mandate to be granted to the Directors to allot and issue the Consideration Shares at the EGM
“sq. ft.”	square feet
“sq. m.”	square meters

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Best Dollar International Limited, a company incorporated in BVI with limited liability and wholly and beneficially owned by the Vendor as at the date of the Agreement
“Target Group”	the Target Company and its subsidiaries
“Ultra Harvest”	Ultra Harvest Limited, a company incorporated in the BVI with limited liability and the Controlling Shareholder of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Mr. Shen Yong, the Chairman of the Board, an executive Director and beneficially holding 60% equity interest in the Ultra Harvest
“Youji”	重慶祐基建築工程有限公司 (Chongqing Youji Construction Engineering Co., Ltd*), a company established in the PRC and beneficially wholly-owned by Chongqing Co
“%” or “per cent.”	percentage or per centum

*Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, RMB and US\$ amounts have been translated using the following rates: RMB1:HK\$1.25 and US\$1:HK\$7.75.*

*Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.*

*\* for identification purpose only*

By order of the Board  
**Forebase International Holdings Limited**  
**SHEN Yong**  
*Chairman*

Hong Kong, 24 July 2014

*As at the date hereof, the Board comprises six executive Directors Mr. SHEN Yong, Mr. KWAN Man Kit Edmond, Mr. Ronald Lew PODLAS, Mr. SHEN Ke, Mr. LI Zhi and Mr. HONG Sang Joon; and three independent non-executive Directors Mr. YU Lei, Ms. ZHANG Cui Lan and Mr. Ernst Rudolf ZIMMERMANN.*