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Shanghai Land Holdings Limited

上海地產控股有限公司

(Incorporated in Hong Kong with limited liability)

ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF AND THE ENTIRE OUTSTANDING SHAREHOLDER'S LOAN TO HIP YICK PROFITS LIMITED (DISCLOSEABLE TRANSACTION)

The Directors are pleased to announce that King Success, a wholly owned subsidiary of the Company, has entered into the Conditional Sale and Purchase Agreement on 15th January, 2003 with Ms. Yu, pursuant to which (inter alia) (i) King Success conditionally agreed to purchase and, Ms. Yu, conditionally agreed to sell the entire issued share capital of and the entire shareholder's loan of approximately HK\$105.3 million as at 30th November, 2002 to Hip Yick for an aggregate consideration of RMB400.0 million (equivalent to approximately HK\$381.0 million) (subject to adjustments); and (ii) Ms. Yu has personally agreed to furnish a profit guarantee to King Success that the net profit after tax of Longbai Co Ltd, a wholly owned subsidiary of Hip Yick, for the financial year ending 31 December 2003 shall not be less than RMB20.0 million (equivalent to approximately HK\$19.0 million). The Consideration will be satisfied in cash by internal resources.

Hip Yick owns the entire issued share capital of Longbai Co Ltd, the sole asset of which is its investment in Longbai Hotel. Longbai Hotel comprises six buildings, one of which is the main building which is occupied as a hotel and the other five buildings house the ancillary facilities. The main building is a 11-storey four-star hotel with 385 rooms of a total gross floor area of approximately 31,214 square metres. Longbai Hotel is granted the Certificate of Four Star Hotel issued by the National Tourism Administration of the PRC in February 1991.

The terms of the Conditional Sale and Purchase Agreement have been arrived at after arm's length negotiations and are based on normal commercial terms with reference to an independent property valuation performed by Vigers dated 11th September, 2002 of Longbai Hotel of RMB500.0 million (approximately HK\$476.19 million) and such property valuation was based on "profit method". The Directors believe that the Proposed Transaction represents a good opportunity for the Company to diversify its property investment and to capture the exponential growth in the property market in Shanghai, the PRC.

A circular containing, among other things, information relating to the Proposed Transaction and the Valuation Report will be despatched to the Shareholders as soon as practicable.

1. THE PROPOSED TRANSACTION

Date of the Conditional Sale and Purchase Agreement:

15th January, 2003

Parties:

Vendor: Ms. Yu, the 100% beneficial owner of Hip Yick

Purchaser: King Success, a wholly-owned subsidiary of the Company

Assets to be acquired:

Pursuant to the Conditional Sale and Purchase Agreement, King Success conditionally agreed to purchase and, Ms. Yu, conditionally agreed to sell the entire issued share capital of and the entire shareholder's loan of approximately HK\$105.3 million as at 30th November, 2002 to Hip Yick, for an aggregate consideration of RMB400.0 million (equivalent to approximately HK\$381.0 million) (subject to adjustments). Hip Yick will become a wholly-owned subsidiary of the Company upon the Completion.

Information on Hip Yick:

Hip Yick was incorporated in August 2000 under the laws of BVI and acquired the 90% equity interest in Longbai Co Ltd in July 2001 and the remaining 10% interest in April 2002. Hip Yick is an investment holding company whose sole asset is its wholly-owned subsidiary, Longbai Co Ltd which in turn wholly owns and operates Longbai Hotel.

The unaudited consolidated profit before and after taxation of Hip Yick for the eleven months ended 30th November, 2002 was approximately HK\$3.2 million. The unaudited consolidated net asset value of Hip Yick as at 30th November, 2002, after including the revaluation surplus of Longbai Hotel based on the Valuation Report of approximately RMB395.0 million (equivalent to approximately HK\$376.2 million), was approximately HK\$389.5 million.

Information on Longbai Co Ltd:

Longbai Co Ltd was established in 1985 under the laws of the PRC and has been granted a business license with an operating period expiring in August 2035. Longbai Co Ltd is currently a wholly-foreign owned enterprise, the sole asset of which is its investment in Longbai Hotel. Longbai Hotel is situated at Hong Qiao Road within Hong Qiao District, Shanghai, the PRC. It is erected on a site with an area of approximately 21,992 square metres with a total gross floor area of approximately 31,365 square metres.

Longbai Hotel comprises six buildings, one of which is the main building which is occupied as a hotel and the other five buildings house the ancillary facilities. The main building is a 11-storey four-star hotel with 385 rooms of a total gross floor area of approximately 31,214 square metres. Longbai Hotel is granted the Certificate of Four Star Hotel issued by the National Tourism Administration of the PRC in February 1991.

The registered capital of Longbai Co Ltd is JPY2,255.0 million (equivalent to approximately HK\$143.4 million) and such registered capital has been fully paid up. The unaudited net asset value of Longbai Co Ltd as at 30th November, 2002, excluding the shareholder's loan of approximately JPY11,080.0 million (equivalent to approximately HK\$704.8 million) and after including the revaluation surplus of Longbai Hotel based on the Valuation Report of approximately RMB395.0 million (equivalent to approximately HK\$376.2 million), was approximately RMB521.9 million (equivalent to approximately HK\$497.0 million).

Extract of financial information of Longbai Co Ltd

Based on PRC GAAP

	Audited		Unaudited
	2000	2001	For the eleven months ended 30th November, 2002
RMB' million			
Turnover	43.8	44.1	48.0
Profit/(loss) before taxation and excluding exchange difference arising from intercompany shareholder's loan	58.0 ⁽¹⁾	(22.6)	14.1
Profit/(loss) after taxation and excluding exchange difference arising from intercompany shareholder's loan	58.0	(22.6)	14.1
		Unaudited	
Average Occupancy Rate (%)	58.0	55.0	73.5

(1) The profit before taxation, excluding exchange difference arising from intercompany shareholder's loan for the year ended 31st December, 2000, includes certain pre-operating expenses of RMB33.8 million incurred by Longbai Hotel and were subsequently waived by its holding company. The write back of pre-operating expense was included under the other operating income in the PRC audited accounts for the year ended 31st December, 2000.

2. THE CONSIDERATION

The consideration of RMB400.0 million (equivalent to approximately HK\$381.0 million) (subject to adjustments) was negotiated on an arm's length basis and on normal commercial terms with reference to an independent property valuation of Longbai Hotel of RMB500.0 million (approximately HK\$476.19 million) prepared by Vigers as at 11th September, 2002 and such property valuation was based on "profit method".

As soon as possible after Completion, King Success will instruct a reputable international certified public accountant to prepare the audited completion accounts to certify the net asset value of the Hip Yick Group (taking into account the Valuation Report) on a date as at the last date of the calendar month preceding the Completion Date by no later than 2 months after Completion. If the audited net asset value as at the last date of the calendar month preceding the Completion Date is less than RMB400.0 million (equivalent to approximately HK\$381.0 million), the Consideration shall be deducted by an amount which is equal to the shortfall. The Consideration (subject to the adjustment referred to above) will be satisfied from internal resources, payable to Ms. Yu, within 30 business days after the issue of the auditor's certificate in respect of the net asset value of the Hip Yick Group or within 5 business days after King Success's receipt of evidence that all loans and other indebtedness due and owing to banks by the Hip Yick Group due to be repaid as at 15th March, 2003 and have been repaid in full, whichever is the later.

In addition, pursuant to the Conditional Sale and Purchase Agreement, Ms. Yu has personally agreed to furnish a profit guarantee to King Success that the net profit after tax of Longbai Co Ltd for the financial year ending 31st December, 2003 shall not be less than RMB20.0 million (equivalent to approximately HK\$19.0 million). King Success will retain HK\$10.0 million out of the Consideration and shall pay the amount less the shortfall in profit, if any, to Ms. Yu within 30 business days after the issue of the audited accounts of Longbai Co Ltd for the year ending 31st December, 2003.

3. REASONS AND BENEFITS FOR THE PROPOSED TRANSACTION

The Directors consider that there is tremendous growth potential in the return from hotel operation in the PRC, in particular Shanghai. Following the PRC's entry into the World Trade Organisation, the opening of Shanghai Universal Studio in 2006 and the successful bid for China's World Expo in Shanghai, the Directors expect that number of exhibitions, conventions, forums and international events to be held in Shanghai and number of business travellers and tourists will be substantially increased which will lead to a huge demand for high quality hotel accommodations and services.

The Directors believe that the Proposed Transaction, together with the personal profit guarantee provided by Ms. Yu, represents a good opportunity for the Company to diversify itself in hotel investment and operation and to strengthen its position as one of the leading property investors and developers in Shanghai. In addition, the Directors believe that the Proposed Transaction is in line with the Group's business strategy and will bring a recurring income to strengthen the profitability and cash flow of the Group.

4. CONDITIONS PRECEDENT OF THE PROPOSED TRANSACTION

The obligation of the parties to effect Completion is conditional upon satisfaction of the following conditions within 60 days after the signing of the Conditional Sale and Purchase Agreement or such later date as may be agreed in writing between the parties:

- (i) the legal and financial due diligence review on the Hip Yick Group being completed by King Success to its absolute satisfaction;
- (ii) the obtaining of all approvals and consents required by King Success;
- (iii) the receipt by King Success of a legal opinion issued by a firm of PRC lawyers in such form and substance satisfactory to King Success, amongst other things, confirming Longbai Co Ltd's title to Longbai Hotel under applicable PRC laws and regulations;
- (iv) the obtaining of a certificate of good standing and certificate of incumbency issued by the registered agent of Hip Yick in form and substance satisfactory to King Success;
- (v) the conversion of all the inter-group balances within Hip Yick Group from JPY to US\$ at the then prevailing market rate as quoted by the People's Bank of China or the Bank of China being made and recorded; and

(vi) a “net profit” being recorded in the audited consolidated profit and loss accounts (or such other document or statement to be issued by an international certified public accountant in the form and substance as King Success may require) of the Hip Yick Group for the financial period from 1st January, 2002 and ended on 31st December, 2002.

If all of the above conditions are not fulfilled within 60 days after the signing of the Conditional Sale and Purchase Agreement or such later date as may be agreed in writing between the parties, the Conditional Sale and Purchase Agreement shall automatically terminate and all the obligations and liabilities of the parties to the Conditional Sale and Purchase Agreement will lapse.

5. GENERAL

The Proposed Transaction constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the disclosure requirements as contained in Chapter 14 of the Listing Rules. A circular containing, among other things, further details of the Proposed Transaction, together with the Valuation Report, will be despatched to the Shareholders as soon as possible.

6. DEFINITIONS

As used in this announcement, the following words and phrases have the meanings assigned:

“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are open for general banking transactions other than a Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“BVI”	the British Virgins Islands
“Company”	Shanghai Land Holdings Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange
“Completion”	completion of the Proposed Transaction which is subject to the conditions as set out under the paragraph headed “Conditions Precedent of the Proposed Transaction” being fulfilled or waived (if applicable) by the relevant parties to the Conditional Sale and Purchase Agreement
“Completion Date”	the day at which the conditions as set out under the paragraph headed “Conditions Precedent of the Proposed Transaction” being fulfilled or waived (if applicable) or such other date as the parties to the Conditional Sale and Purchase Agreement may agree in writing

“Conditional Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 15th January, 2003 entered into between King Success and Ms. Yu regarding King Success’ acquisition of the entire issued share capital of and the entire shareholder’s loan to Hip Yick
“Consideration”	RMB400.0 million (equivalent to approximately HK\$381.0 million) for the Proposed Transaction
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hip Yick”	Hip Yick Profits Limited, a company incorporated in the BVI, which owns the entire issued share capital of Longbai Co Ltd
“Hip Yick Group”	Hip Yick and Longbai Co Ltd
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“King Success”	King Success Holdings Limited, a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longbai Co Ltd”	Hotel Yihe Longbai Shanghai Company Limited, a company established as a wholly-foreign owned enterprise under the laws of the PRC
“Longbai Hotel”	Hotel Yihe Longbai Shanghai (上海逸和龍柏飯店)
“Ms. Yu”	Ms. Yu Kwo (虞戈), the vendor in the Proposed Transaction, who is independent of and not connected with the Company or the directors, chief executive or substantial shareholders of the Company or its subsidiaries or their respective associates (as defined in the Listing Rules)
“PRC”	the People’s Republic of China
“PRC GAAP”	the PRC Generally Accepted Accounting Principles
“Proposed Transaction”	the transaction contemplated under the Conditional Sale and Purchase Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Valuation Report”	the valuation report dated 11th September, 2002 prepared by Vigers
“Vigers”	Vigers Hong Kong Limited, an independent property valuer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“JPY”	Japanese Yen, the lawful currency of Japan
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America

By Order of the Board of
Shanghai Land Holdings Limited
Chau Ching Ngai
Chairman

Hong Kong, 16th January, 2003

Unless otherwise specified, the translation of RMB, US\$ and JPY into Hong Kong dollars is based on the exchange rate of HK\$1.00 to RMB1.05, US\$1.00 to HK\$7.80 and HK\$1.00 to JPY15.72 respectively. The above translation should not be construed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate at all.

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