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GOLDEN SHIELD
Holdings . Industrial . Limited

Golden Shield Holdings (Industrial) Limited

金盾控股(實業)有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 2123)

(1) DISCLOSEABLE TRANSACTION — ASSETS LEASE AGREEMENT

(2) CESSATION OF OPERATION IN DALI PRODUCTION PLANT

The Board announces that on 13 May 2013 (after trading hours), Jingyang Golden Shield entered into the Assets Lease Agreement with Tongxing for 12 months at a monthly rental of RMB800,000 in order to relocate the operation of the Dali Production Plant. At the same time, the Group will cease the operation of the Dali Production Plant when the Leased Production Facilities commences its operation in May 2013.

The Directors (including the independent non-executive Directors) considered that the terms of the Assets Lease Agreement are fair and reasonable and on normal commercial terms, and the entering into of the Assets Lease Agreement and the relocation of the operation of the Dali Production Plant are in the interests of the Company and its shareholders as a whole. To the best of the knowledge, information and belief of the Directors and after having made all reasonable enquiries, Tongxing and its ultimate beneficial owner(s) are Independent Third Parties.

The applicable percentage ratio under the Listing Rules in relation to the entering into of the Assets Lease Agreement is more than 5% but less than 25%, therefore, the transactions contemplated under the Assets Lease Agreement constitute a discloseable transaction for the Company, and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ASSETS LEASE AGREEMENT

The principal terms of the Assets Lease Agreement are as follows:

Date

13 May 2013

Parties

1. Jingyang Golden Shield
2. Tongxing

Leased Assets and Production and Ancillary Facilities

Certain land use rights, buildings and production facilities thereon and such other facilities which are ancillary or related to the manufacture of carded cotton yarn.

Rental

RMB800,000 per month (payable in cash in advance on the 10th day of each month), representing an aggregate sum of RMB9,600,000 for 12 months, the term of the Assets Lease Agreement.

Deposit

A sum of RMB8,000,000 as refundable deposit is payable to Tongxing upon the commencement of the Assets Lease Agreement as security for the rental payment obligations of Jingyang Golden Shield under the Assets Lease Agreement. The said deposit shall be refunded to Jingyang Golden Shield within 7 days of the fulfillment of the obligations of Jingyang Golden Shield under the Assets Lease Agreement.

Term

12 months from the date following the date of the Assets Lease Agreement.

Use

The Leased Production Facilities shall be used by Jingyang Golden Shield in its production of carded cotton yarn.

Others

During the term of the Assets Lease Agreement, Tongxing shall not (1) transfer all or any part of the Leased Production Facilities without the prior consent of Jingyang Golden Shield; and (2) subject all or any part of the Leased Production Facilities to mortgage, liens, pledges or any form of encumbrance. In the event Tongxing transfers the Leased Production Facilities during the term of the Assets Lease Agreement, Jingyang Golden Shield shall have the right of first refusal to purchase the Leased Production Facilities on the same terms.

During the term of the Assets Lease Agreement, Jingyang Golden Shield shall obtain the prior written consent from Tongxing before Jingyang Golden Shield can make any modification to any part of the Leased Production Facilities. In relation to any part of the Leased Production Facilities as modified by Jingyang Golden Shield after having obtained the written consent from Tongxing, Jingyang Golden Shield shall be entitled to purchase such part of the Leased Production Facilities from Tongxing at the appraised value thereof upon the termination of the Assets Lease Agreement.

REASONS AND BENEFITS FOR ENTERING INTO OF THE ASSETS LEASE AGREEMENT AND CESSATION OF OPERATION IN DALI PRODUCTION PLANT

The Group is principally engaged in the production and sale of cotton yarn and grey fabric in the PRC.

Tongxing is a company established under the laws of the PRC with limited liability. Tongxing is principally engaged in the production of carded cotton yarn.

The Group has been producing carded cotton yarn and grey fabric at the Dali Production Plant. In order to keep pace with the advancement in technology, the Group has conducted a thorough assessment in the Dali Production Plant on facilities' technological modification. Based on the assessment result, the Directors estimated that a large sum of capital expenditure is expected to incur for the implementation of the modification plan. Currently, given that an alternative solution to lease the Leased Production Facilities which has already achieved the technological level that the Group desires is identified by the Board, the Directors decided to change their plan from implementing the modification plan to leasing the Leased Production Facilities and at the same time to cease the operation of the Dali Production Plant. As a result, most of the production staff at the Dali Production Plant will be deployed to other existing production facilities of the Group. The Group will commence its operation in the Leased Production Facilities in May 2013 and its production capacity of carded cotton yarn will be approximately 27,072 spindles.

The terms of the Assets Lease Agreement were arrived at after arm's length negotiations between Jingyang Golden Shield and Tongxing with reference to the terms of similar lease arrangement between the Group and Shaanxi Pucheng Yinhe in respect of the Pucheng Production Facilities in the past as adjusted for the differences in the production capacity, nature of production output and facilities' condition of the Leased Production Facilities.

The Directors (including the independent non-executive Directors) considered that the terms (including the rental) of the Assets Lease Agreement are fair and reasonable and on normal commercial terms, and the entering into of the Assets Lease Agreement and the relocation of the operation of the Dali Production Plant are in the interests of the Company and its shareholders as a whole. To the best of the knowledge, information and belief of the Directors and after having made all reasonable enquiries, Tongxing and its ultimate beneficial owner(s) are Independent Third Parties.

LISTING RULES IMPLICATION

The applicable percentage ratio under the Listing Rules in relation to the entering into of the Assets Lease Agreement is more than 5% but less than 25%, therefore, the transactions contemplated under the Assets Lease Agreement constitute a discloseable transaction for the Company, and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Assets Lease Agreement”	the assets lease agreement dated 13 May 2013 entered into between Jingyang Golden Shield and Tongxing
“Board”	the board of Directors
“Company”	Golden Shield Holdings (Industrial) Limited (金盾控股(實業)有限公司), a company incorporated in Bermuda with limited liability and the Shares are listed on the Stock Exchange
“Dali Production Plant”	the spinning and weaving plant equipped with production and ancillary facilities located at Dali County in Shaanxi Province, the PRC and used by the Group to produce and sell carded cotton yarn and grey fabric
“Director(s)”	the director(s) of the Company

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Group”	the Company and its subsidiaries
“Independent Third Parties”	third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Jingyang Golden Shield”	金盾紡織(涇陽)有限公司 (Golden Shield Textile (Jingyang) Co., Ltd*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding, for the purposes of this announcement only, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Pucheng Production Facilities”	the production facilities of the Group located in Pucheng Town, Weinan City, Shaanxi Province, the PRC
“RMB”	renminbi, the lawful currency of the PRC
“Leased Production Facilities”	the assets and production and ancillary facilities leased from Tongxing to Jingyang Golden Shield under the Assets Lease Agreement
“Shaanxi Pucheng Yinhe”	陝西蒲城銀河紡織有限責任公司 (Shaanxi Pucheng Yinhe Textile Co., Ltd.*), a limited liability company established under the laws of the PRC
“Share(s)”	share(s) of HK\$0.1 (each) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Tongxing”

陝西同興紡織有限責任公司 (Shaanxi Tongxing Textile Co., Ltd.*), a company established under the laws of the PRC with limited liability

“%”

per cent

By Order of the Board
Golden Shield Holdings (Industrial) Limited
Chen Binghui
Chairman

Hong Kong, 13 May 2013

As at the date of this announcement, the Board comprises 7 Directors, namely Mr. Chen Binghui, Mr. Chen Zhifeng, Mr. Wu Shoumin and Mr. Qiu Jianfa as executive Directors; and Mr. Kwong Kwan Tong, Ms. Xue Fang and Ms. Tong Jinzhi as independent non-executive Directors.

** for identification purposes only*