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# CENTRAL CHINA ENTERPRISES LIMITED

中洲控股有限公司

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 351)

## PLACING OF NEW SHARES UNDER GENERAL MANDATE AND RESUMPTION OF TRADING

PLACING AGENT



KINGSTON SECURITIES LIMITED

On 27 August 2004, the Company entered into a Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis, 134,660,000 new Shares to independent investors at a price of HK\$0.45 per Placing Share.

The Placing Shares represent about 20.00% of the Company's existing issued share capital of 673,337,100 Shares and about 16.67% of the Company's issued share capital of 807,997,100 Shares as enlarged by the Placing.

The gross proceeds from the Placing will be HK\$60,597,000. The net proceeds from the Placing will be about HK\$58.7 million. Not more than HK\$30.0 million of the net proceeds will be used for making future investments in a waste incineration and processing business in the PRC as announced by the Company on 25 June 2004. About HK\$20.0 million of the net proceeds will be used for making future investments in a environmental protection project in the PRC, and the rest of about HK\$8.7 million of the net proceeds will be used for general working capital purpose. In the event that the aforesaid project(s) does/do not proceed or no appropriate investment opportunity is identified by the Group, the net proceeds will be retained for general working capital purpose. The net proceeds raised per Share upon the completion of the Placing will be about HK\$0.436 per Share.

The Placing Price of HK\$0.45 represents a discount of 15.09% to the benchmarked price of the Shares, which is the higher of i) the closing price of HK\$0.53 on 27 August 2004 before the suspension of trading in the Company's Shares, being the date of the Placing Agreement; and ii) the average closing price of HK\$0.481 in the last 5 trading days prior to the date of the Placing Agreement.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Placing is conditional upon, among other things, the Stock Exchange granting the listing of and permission to deal in the Placing Shares.

**The Placing is subject to termination on the occurrence of, amongst other things, any event of force majeure (which include events set out in more detail below) at or before 10:00 a.m. on the completion date of the Placing.**

At the request of the Company, trading in the Shares was suspended with effect from 2:30 p.m. on 27 August 2004 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 August 2004.

### The Placing Agreement dated 27 August 2004

#### Issuer

Central China Enterprises Limited

#### Placing Agent

Kingston Securities Limited is the Placing Agent. The Placing Agent has conditionally agreed to place in aggregate 134,660,000 Placing Shares on a best effort basis and will receive a placing commission of 3.0% on the gross proceeds of the Placing paid by the Company, which was arrived at after arm's length negotiations between the Company and the Placing Agent. A further announcement will be made by the Company in the event that the number of new Shares finally placed is less than 134,660,000.

The Placing Agent is not a connected person (as defined in the Listing Rules) and is independent of and not connected with the Company nor with the directors, chief executive or substantial shareholder of the Company, and any of their subsidiaries or any of their respective associates.

#### Placees

The Placing Shares will be placed to not fewer than six placees who are institutional or corporate or individual investors. All the placees and their respective ultimate beneficial owners will be independent of and not connected with the Company, any of the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates (as defined in the Listing Rules).

#### Placing Shares

The Placing Shares represent about (i) 20.00% of the Company's existing issued share capital of 673,337,100 Shares as at the date of this announcement, and (ii) about 16.67% of the Company's issued share capital of 807,997,100 Shares as enlarged by the Placing.

#### Ranking of Placing Shares

The Placing Shares will rank, upon issue, pari passu in all respect with the Shares in issue on the date of allotment and issue of the Placing Shares.

#### Placing Price

The Placing Price of HK\$0.45 represents a discount of 15.09% to the benchmarked price of the Shares, which is the higher of i) the closing price of HK\$0.53 on 27 August 2004 before the suspension of trading of the Company's Shares, being the date of the Placing Agreement; and ii) the average closing price of HK\$0.481 in the last 5 trading days prior to the date of the Placing Agreement.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing are fair and reasonable based on the current market conditions and in the interests of the Company and its Shareholders as a whole.

#### General mandate

The Placing Shares will be allotted and issued pursuant to the general mandate to allot, issue and deal with a maximum of 134,667,420 Shares granted to the Directors by a resolution passed at the Company's extraordinary general meeting held on 9 August 2004. As at the date of this announcement, the existing general mandate has not been utilized.

#### Conditions of the Placing

Completion of the Placing is conditional upon:

- the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares;
- the Company obtaining all consents and approvals from the relevant authorities, if applicable; and
- the obligation of the Placing Agent becoming unconditional and not being terminated in accordance with the terms of the Placing Agreement, including provisions regarding force majeure event.

The Company will bear all the cost and expenses of approximately HK\$1.9 million in relation to the Placing.

#### Termination and force majeure

**The Placing Agreement may be terminated by the Placing Agent if at any time at or before 10:00 a.m. on the date for completion of the Placing Agreement, there occurs:**

- the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or**
- the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or**

**affecting local securities market or the occurrence of any combination of circumstances which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing of the Shares by potential investor(s) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or**

- any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction on trading in securities) occurs which affect the success of the Placing (such success being the placing of the Shares to potential investor(s)) or otherwise in the sole and absolute opinion of the Placing Agent make it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.**

The Directors are not aware of the occurrence of any of such events as at the date of this announcement. However, in case the Placing Agreement has been terminated, a further announcement will be issued by the Company.

#### Completion of the Placing

Completion of the Placing is expected to take place on or before the third Business Day after the fulfillment of all the conditions set out in the Placing Agreement, that is on or before 30 September 2004, or such later date as may be agreed by the Company and the Placing Agent.

#### Reasons for the Placing

The Directors consider the timing of the fund raising by the Placing is appropriate as the recent stock market has shown the sign of recovery and the Placing will be attractive to the potential investors. The Directors consider that notwithstanding that the Placing will result in the dilution of the shareholding interest of the existing shareholders of the Company, the Placing represents an opportunity to raise capital for the Company to further enhance the existing business and to finance possible future investments of the Group while broadening the shareholder base and the capital base of the Company.

#### Future investment opportunities

Beijing Yuk Chak and Abba China entered into the LOI on 27 August 2004 in relation to the negotiation of an acquisition of approximately 32.89% stake of Beijing China Sciences from Beijing Yuk Chak, being 100% of the interest owned by Beijing Yuk Chak in Beijing China Sciences. Beijing China Sciences is principally engaged in waste combustion electric power business. Abba China has been granted an exclusive right for negotiation of the Negotiating Acquisition for three months from the date of the LOI. During these three months, Abba China can conduct due diligence on the businesses, ownership and assets of Beijing Yuk Chak and Beijing China Sciences, respectively. Abba China agreed to deposit HK\$10,000,000 as earnest money within seven days from the date of the LOI to Beijing Yuk Chak or bank account designated by Beijing Yuk Chak. If no agreement can be reached between Beijing Yuk Chak and Abba China after expiry of the three months' exclusivity period stipulated by the LOI, such deposit shall be returned to Abba China (without interest) by Beijing Yuk Chak. On the other hand, if an agreement is entered, such deposit will be used as the consideration or part of it for the acquisition of stake in Beijing China Sciences from Beijing Yuk Chak. The LOI is legally-binding but the Negotiating Acquisition is subject to further agreement, which may or may not happen.

#### Use of net proceeds

The gross proceeds from the Placing will be HK\$60,597,000. The net proceeds from the Placing will be about HK\$58.7 million. Not more than HK\$30.0 million of the net proceeds will be used for making future investments in a waste incineration and processing business in the PRC as announced by the Company on 25 June 2004. About HK\$20.0 million of the net proceeds will be used for making future investments in a environmental protection project in the PRC as stated in the aforesaid paragraph, and the rest of about HK\$8.7 million of the net proceeds will be used for general working capital purpose. In the event that the aforesaid project(s) does/do not proceed or no appropriate investment opportunity is identified by the Group, the net proceeds will be retained for general working capital purpose. The net proceeds raised per Share upon the completion of the Placing will be about HK\$0.436 per Share.

#### Effect on Shareholding Structure

The existing shareholding structure of the Company and the shareholding structure of the Company upon issue of the Placing Shares are set out as below:

Name of Shareholders	Existing shareholding (Shares)	Per cent. (%)	Shareholding immediately after the Placing (Shares)	Per cent. (%)
Aimstar Holdings Limited ( <i>Note 1</i> )	295,000,000	43.81%	295,000,000	36.51%
Kwong Jimmy Cheung Tim (a executive Director)	15,000,000	2.23%	15,000,000	1.85%
Public shareholders	—	—	134,660,000	16.67%
— the Placees	—	—	—	—
— other public shareholders	363,337,100	53.96%	363,337,100	44.97%
Total	<u>673,337,100</u>	<u>100.00%</u>	<u>807,997,100</u>	<u>100.00%</u>

*Note:*

1. Aimstar Holdings Limited is a company beneficially owned by Mr. Chan Tat Chee, the Chairman of the Company, as to 50% and Ms. Tang Yuk Chee, Josephine, a director of the Company and the wife of Mr. Chan Tat Chee, as to 50%.

As the date of this announcement, the existing authorised share capital of the Company comprises 120,000,000,000 Shares out of which 673,337,100 Shares are issued and fully paid up.

**Application for listing**

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

**General**

The Group is principally engaged in provision of software design and development, sale of computer hardware and maintenance support services and investments.

The Directors consider the terms of the Placing Agreement to be fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

The following table summarises the capital raising activities of the Company for the 12 months immediately before the date of this announcement:

Date of announcement	Event	Placees	Discount/ premium to the market price	Net proceeds (Approximately)	Intended use of net proceeds (Approximately)	Actual use of net proceeds as at the date of this announcement (Approximately)
12 May 2004	Placing of 11,200,000 new Shares at HK\$1.40 per Share on a best effort basis	not fewer than 6 independent investors	a premium of about 14.75% to the closing price of HK\$1.22 per Share as quoted on the Stock Exchange on 11 May 2004	HK\$15.0 million	(i) HK\$2.0 million for repayment of loans; and (ii) HK\$13.0 million for general working capital purpose	(i) HK\$2.1 million for repayment of bank loans; (ii) HK\$6.42 million was used for operating expenses; and (iii) HK\$6.48 million will be retained for working capital purpose which is in line with the intended use of proceeds
25 June 2004	Subscription of HK\$ 20,000,000 8.5% extendable convertible notes due 2006	CITIC International Assets Management Limited	exercise price being at a discount of about 20.0% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on 24 June 2004	HK\$19.0 million	for future investment in waste incineration and processing business in the PRC	the Company has not yet utilised the net proceeds

As at the date of this announcement, the Board comprises Mr. Chan Tak Chee, Ms. Tang Yuk Chee, Josephine, Mr. Chow Ho Tung, Anthony, Mr. Kwong Jimmy Cheung Tim (executive Directors), Mr. Lee Yu Leung and Mr. Cham Yiu Keung (independent non-executive Directors).

**Resumption of trading**

At the request of the Company, trading in the Shares was suspended with effect from 2:30 p.m. on 27 August 2004 pending the publication of this announcement. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 30 August 2004.

**Terms and definitions**

“Abba China”	Abba China Holdings Ltd, a company incorporated in Hong Kong and being a wholly-owned subsidiary of the Company
“Beijing China Sciences”	Beijing China Sciences General Energy & Environment Co., Ltd, (北京中科通用能源環保有限責任公司), a company incorporated in the PRC
“Beijing Yuk Chak”	北京旭策置業有限公司 (“Beijing Yuk Chak Enterprise Ltd”), a company incorporated in the PRC and holding 32.89% interest of Beijing China Sciences as at the date of the LOI
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong
“Company”	Central China Enterprises Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LOI”	a letter of intent entered into between Abba China and Beijing Yuk Chak on 27 August 2004 in relation to the Negotiating Acquisition
“Negotiating Acquisition”	The acquisition under negotiation completed under the LOI
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agent’s obligation hereunder
“Placing”	the placing of 134,660,000 new Shares pursuant to the terms of the Placing Agreement
“Placing Agent”	Kingston Securities Limited, a deemed licensed corporation to carry on business in types 1, 4, 6, and 9 regulated activities (dealing in securities, advising on securities, corporate finance and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	a conditional placing agreement entered into between the Company and the Placing Agent dated 27 August 2004 in relation to the Placing
“Placing Price”	HK\$0.45 per Placing Share
“Placing Shares”	an aggregate of 134,660,000 new Shares to be placed pursuant to the terms of the Placing Agreement
“PRC”	the People’s Republic of China
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**Central China Enterprises Limited**  
**Chan Tat Chee**  
*Chairman*

Hong Kong, 27 August 2004