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## **MASCOTTE HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code : 136)**

### **DISCLOSEABLE TRANSACTION**

On 16 July 2008, in consideration of the Option Fee payable by the Company to Hennabun PT, Hennabun PT as grantor and the Company as grantee entered into the Agreement pursuant to which Hennabun PT granted and the Company accepted an irrevocable option to the Company requiring Hennabun PT to acquire all or part of the Debt at its face value together with all other rights, including the First Refusal Rights of the Company under the Amended Facility Letter and the Guarantee, respectively, subject to any consents that may be required from the Borrower and the Guarantor under the Facility Letter and the Guarantee, respectively.

As the applicable percentage ratios (as set out in the Listing Rules) are more than 5% but less than 25%, the transaction contemplated under the Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules.

A circular containing, among other things, further details of the Agreement and the transaction contemplated thereunder will be despatched to the Shareholders as soon as practicable and in accordance with the Listing Rules.

### **THE AGREEMENT**

Date: 16 July 2008

Parties: Hennabun PT (as grantor)  
The Company (as grantee)

On 16 July 2008, Hennabun PT and the Company entered into the Agreement pursuant to which Hennabun PT granted and the Company accepted an irrevocable option to the Company requiring Hennabun PT to acquire all or part of the Debt at its face value together with all other rights, including the First Refusal Rights of the Company under the Amended Facility Letter and the Guarantee, respectively, subject to any consents that may be required from the Borrower and the Guarantor under the Facility Letter and the Guarantee, respectively.

As of the date of this announcement, the Directors are not aware of any further development on the Acquisition and the exercise of the First Refusal Rights.

Hennabun PT is a company incorporated in the BVI with limited liability and is a securities investment holding company. As of the date of this announcement, the Company is owned as to 1.93% by Hennabun PT, a wholly-owned subsidiary of Hennabun Capital Group. Mr. Chuang Eugene Yue-Chien

is the controlling shareholder of Hennabun Capital Group. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, so far as the Directors are aware, each of Hennabun PT and its ultimate beneficial owners including Mr. Chuang Eugene Yue-Chien is an Independent Third Party. As far as the Directors are aware, Hennabun PT and its associates have no relationship with the Borrower and the Guarantor as well as their respective associates.

### **Grant of the Option**

Subject to the terms of this Agreement and the Consent, Hennabun PT shall grant and the Company shall accept the Option. The Company shall have the right but not the obligation to exercise the Option.

### **Option Fee, the Deposit and the Relevant Sum**

In consideration of Hennabun PT granting the Option to the Company, the Company shall pay to Hennabun PT the Option Fee in cash within seven (7) business days after the Final Repayment Date or such other date as may be agreed between Hennabun PT and the Company.

Hennabun PT shall make available the Deposit in a bank account opened in the name of Hennabun PT upon signing of the Agreement and maintain such Deposit until (i) the full payment of the Debt by the Borrower on or before the Final Repayment Date or (ii) the full payment of the Relevant Sum by Hennabun PT to the Company in the event that the Company exercises the Option on the Exercise Date. Hennabun PT shall designate such amount of the Deposit specifically for the purpose of the Agreement and Hennabun PT shall not withdraw such amount of the Deposit before the Relevant Date without the prior written consent from the Company.

In the event that the Company determines at its sole and absolute discretion to exercise the Option, the Company may give not less than one (1) business day's notice prior to the Exercise Date to the Grantor and require the Grantor to acquire the Relevant Sum at its face value. Within one (1) business day after the Exercise Date, Hennabun PT shall withdraw the amount of the Deposit together with any interest accrued thereon from the bank account and pay the same to the Company. In the event that the Relevant Sum exceeds the amount of the Deposit and the interest accrued thereon, Hennabun PT shall, after deducting the Option Fee, pay the difference between the amount of the Relevant Sum and the Deposit and the interest accrued thereon to the Company within one (1) business day after the Exercise Date.

### **Exercise of the Option**

In the event that the Borrower fails to repay all or part of the Debt on the Final Repayment Date, the Company shall have the right to exercise the Option at the Exercise Date, by giving not less than one (1) business day's notice to Hennabun PT in writing prior to the Exercise Date and require Hennabun PT to acquire the Relevant Sum at its face value together with all other rights of the Grantee under the Amended Facility Letter and the Guarantee, including but not limited to, institute, make or bring any Actions as Hennabun PT may in its absolute discretion determine to enforce repayment of the Relevant Sum and all the monies due under the Amended Facility Letter and the Guarantee. Hennabun PT undertakes to enter into all such necessary documents (including but not limited to deed of assignment or other similar documents) with the Company in order to facilitate the exercise of the Option by the Company. The Company will comply with the disclosure requirements under Chapter 14 of the Listing Rules upon exercise of the Option.

In the event that the Company determines in its sole and absolute discretion to exercise the Option but fails to obtain the Consent on or before the Exercise Date, the Company shall also execute a power of attorney authorising and appointing any director of Hennabun PT to be the Company's attorney to act for and on behalf of the Company to enforce all the rights that the Company is entitled under the Amended Facility Letter and the Guarantee, including but not limited to, institute, make or bring any Actions as Hennabun PT may in its absolute discretion determine to enforce repayment of the Relevant Sum and all the monies due under the Amended Facility Letter and the Guarantee, and Hennabun PT shall be entitled to all monies recovered under the Actions. Within one (1) business day after the Exercise Date, Hennabun PT shall withdraw the amount of the Deposit together with any interest accrued thereon from the bank account and pay the same to the Company. In the event that the Relevant Sum exceeds the amount of the Deposit and the interest accrued thereon, Hennabun PT shall, after deducting the Option Fee, pay the difference between the amount of the Relevant Sum and the Deposit and the interest accrued thereon to the Company within one (1) business day after the Exercise Date.

## **INFORMATION OF THE COMPANY AND HENNABUN PT**

The Company is principally engaged in the (i) manufacturing and sale of accessories for photographic, electrical and multimedia products, (ii) property investment and (iii) securities investment.

Hennabun PT is a company incorporated in the BVI with limited liability and is a securities investment holding company.

## **REASONS FOR ENTERING INTO THE AGREEMENT**

As far as the Directors are aware, it is a commercial decision for Hennabun PT to enter into the Agreement taking into account the followings: (i) the likelihood of recovery of the Debt with reference to the Borrower's record of repayment of interests accrued on the outstanding Loan to the Company on each extended repayment date; and (ii) the Option Fee payable by the Company.

The Board considers that by entering into the Agreement, the Company will be able to reduce its risk exposure in the event that it fails to recover the full amount of the Debt from the Borrower on the Final Repayment Date and ensure certainty as to the recoverability of part of the Debt.

The Board also considers that Hennabun PT has shown its creditworthiness to enter into the Agreement taking into account of the Deposit made available by Hennabun PT in its bank account upon signing of the Agreement until the Relevant Date and the assets base of Hennabun PT Group.

Given that a total amount of HK\$18,739,360.73 representing the interest and the Extension Fee recovered from the Loan has been received by the Company from the Borrower as at the date hereof, the previous extensions regarding the repayment of the outstanding Loan, and the Option Fee payable by the Company representing 1.5% of the outstanding Loan which will enable the Company to secure the recovery of the Debt, the Directors, including the independent non-executive Directors, consider that the terms of the Agreement are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

The Directors, including the independent non-executive Directors, consider that it is fair and reasonable to pay the Option Fee for the purpose of obtaining the Option requiring Hennabun PT to acquire its interest under the Amended Facility Letter and the Guarantee given the fact that the Loan has already been guaranteed by the Guarantor and there are security interests under the Loan as: (i) the undertaking given by the Borrower under the Facility Letter to submit to the Company share certificate representing all the issued capital of the BVI company acquired by the Borrower after the completion of the Acquisition is solely for the purpose to provide additional security to the Company to ensure that the Loan would be properly applied to the intended purposes, including but not limited to, the financing of the Acquisition. Such undertaking is not a perfect security for the Company from legal prospective; (ii) the Directors are not aware of any further development on the Acquisition and the exercise of the First Refusal Rights as at the date of this announcement; (iii) there is no convincing reason to further extend the repayment of the Loan based on the current circumstances; (iv) the Company may incur a more substantial legal cost than the amount of the Option Fee if the Company chooses to institute legal proceedings against the Borrower and the Guarantor if the Borrower fails to repay the Debt on the Final Repayment Date; (v) the Debt may not be fully recovered from the Borrower and the Guarantor even if the Company succeeded in the legal proceedings; (vi) it will be time consuming to recover the Debt by way of instituting legal proceedings against the Borrower and the Guarantor; and (vii) the Option granted by Hennabun PT provides certainty to the Company as to the recoverability of part of the Debt, if the Option is exercised, it will enable the Company to provide funding for its ongoing operations. If the Company is to obtain similar funding from any financial institutions, the interest to be incurred by the Company will have exceeded the Option Fee, which represents merely 1.5% of the outstanding Loan.

The Directors, including the independent non-executive Directors, also consider that the terms of the Agreement and the transaction contemplated thereunder including the Option Fee payable by the Company to Hennabun PT is entered into upon normal commercial terms following arm's length negotiations among the parties.

## **LISTING RULES IMPLICATION**

As the applicable percentage ratios as set out in the Listing Rules are more than 5% but less than 25%, the transaction also constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, amongst others, details of the transaction, will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

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

“Acquisition”	proposed acquisition by the Borrower of the entire share capital of a BVI company held 65% equity interests in a mining company in northwest as at the date of the announcement of the Company dated 22 November 2007
“Actions”	any actions, suits, claims demands or proceedings against the Borrower and/or the Guarantor
“Agreement”	the agreement dated 16 July 2008 entered into between Hennabun PT as grantor and the Company as grantee pursuant to which Hennabun PT granted and the Company accepted the Option

“Amended Facility Letter”	the Facility Letter as amended and supplemented by the 1st supplemental facility letter dated 20 November 2007, the 2nd supplemental facility letter dated as of 19 May 2008, a letter agreement dated 30 May 2008, an oral agreement made between the Borrower and the Company on 10 June 2008 and the 4th letter agreement dated as of 26 June 2008 and the details of which have been disclosed in the Company’s announcements dated 22 November 2007, 19 May 2008, 30 May 2008, 10 June 2008 and 26 June 2008, respectively and the Company’s circular dated 3 December 2007
“Board”	the board of Directors
“Borrower”	Leadup Resources Investments Ltd., a company incorporated in the British Virgin Islands with limited liability
“BVI”	British Virgin Islands
“Company”	Mascotte Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consent”	any consents that may be required from the Borrower and the Guarantor under the Facility letter and the Guarantee
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Debt”	a total amount of HK\$167,266,666.67 which comprises of (i) HK\$160,000,000, being the total principal amount of the Loan which remains outstanding as at the date of the Agreement; and (ii) HK\$7,266,666.67, being the interest accrued or to be accrued thereon calculated up to the Final Repayment Date
“Deposit”	a deposit of not less than HK\$59,780,000
“Directors”	the directors of the Company, including the independent non-executive directors of the Company
“Exercise Date”	11 August 2008 (or such other date as agreed between the Company and Hennabun PT)
“Extension Fee”	the consideration of HK\$5,000,000 paid by the Borrower to the Company for entering into a letter agreement dated 30 May 2008, which formed part of the Amended Facility Letter

“Facility Letter”	the facility letter entered into between the Borrower and the Company on 19 November 2007 pursuant to which the Company granted a term loan facility in an amount of HK\$200,000,000 to the Borrower and the Borrower granted the Company the First Refusal Rights and the details of which have been disclosed in the Company’s announcement dated 22 November 2007 and the Company’s circular dated 3 December 2007
“Final Repayment Date”	1 August 2008, being the last date that the Borrower shall repay the Debt to the Company
“First Refusal Rights”	the right of first refusal to purchase after the Acquisition any equity interests in a BVI company holding a titanium ore in the PRC or any of the investments of such BVI company granted by the Borrower to the Company as a consideration of the Company to enter into the Facility Letter, details of which are more particularly set out in the Company’s announcement dated 22 November 2007
“Guarantee”	a deed of guarantee executed by the Guarantor on 19 November 2007 in favour of the Company in support of the liabilities of the Borrower to the Company under the Facility Letter
“Guarantor”	Mr. Zeng Jian, the ultimate beneficial owner of and holds the entire equity interest in the Borrower
“Hennabun Capital Group”	Hennabun Capital Group Limited, a company incorporated in the BVI with limited liability and is owned as to 80.12% by Mr. Chuang Eugene Yue-Chien
“Hennabun PT”	Hennabun PT Limited, a company incorporated in the BVI with limited liability and is wholly owned by Hennabun Capital Group which is in turn owned as to 80.12% by Mr. Chuang Eugene Yue-Chien
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party”	third party independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a term loan facility in an amount of HK\$200,000,000 granted by the Company to the Borrower pursuant to the Facility Letter
“Option”	an irrevocable option requiring Hennabun PT to acquire all or part of the Debt at its face value together with all other rights, including the First Refusal Rights of the Company under the Amended Facility Letter and the Guarantee
“Option Fee”	an amount of HK\$2,400,000 payable by the Company to Hennabun PT for granting the Option by Hennabun PT to the Company
“PRC”	People’s Republic of China

“Relevant Date”	the Final Repayment Date or the Exercise Date, whichever is earlier
“Relevant Sum”	the Debt which remains outstanding as at the Exercise Date
“Shareholders”	holders of the Shares
“Shares”	shares of HK\$0.10 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board of  
**Mascotte Holdings Limited**  
**Lam Suk Ping**  
*Executive Director*

Hong Kong, 17 July 2008

*As at the date of this announcement, the Board comprises Mr. Peter Temple Whitelam (Chairman), Mr. Chung, Wilson (Deputy Chairman and Managing Director), Mr. Au Yeung Kai Chor and Mr. Lam Suk Ping as executive Directors, Mr. Chan Sze Hung, Ms. Kristi L Swartz and Ms. Hui Wai Man, Shirley as independent non-executive Directors.*