

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **SUN CENTURY GROUP LIMITED**

**太陽世紀集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1383)**

### **(I) POTENTIAL LITIGATION AND (II) RESUMPTION OF TRADING**

#### **POTENTIAL LITIGATION**

On 20 November 2012, the Company received a letter from CCB's Solicitors alleging and claiming that:

- (i) as a result of the exercise of the Put Option by CCB, Grand Prosperity was required under the Credit Note to pay CCB the aggregate exercise price of the option shares of HK\$120,000,000;
- (ii) CCB has received from Grand Prosperity only partial payment in the sum of HK\$35,000,000, leaving the outstanding balance of HK\$85,000,000 which remains due and payable;
- (iii) pursuant to the terms of the Credit Note, the Company is required to indemnify CCB against any cost, loss or liability incurred by CCB as a result of, respectively, an event of default, and the failure by Grand Prosperity (being an obligor) to pay any amount due under a finance document as defined under the Credit Note on its due date; and
- (iv) pursuant to the terms of the Credit Note, an event of default includes the non-payment by an obligor of any amount payable pursuant to a finance document as defined under the Credit Note.

\* *For identification purposes only*

Under the Letter, CCB's Solicitors demanded payment from the Company (by way of indemnity) of (i) the unpaid sum of HK\$85,000,000, together with (ii) default interest at the rate of ten per cent per annum from 13 January 2012, the original completion date of the alleged exercise of the Put Option, until the date of payment and (iii) all costs and expenses (including legal fees) incurred by them in recovering payment.

It is stated in the Letter that if the Company failed to make payment within three business days of the date of the Letter (which was extended by CCB's Solicitors to 3 December 2012 requesting the Company's legal advisers to give them a substantive reply by that date), CCB's Solicitors may be instructed to commence formal proceedings to recover the unpaid sums. On 3 December 2012, the Company's legal advisers further requested CCB's Solicitors to withhold action for another two weeks to allow time for investigating the matter and taking the Company's instructions but no response has been received from CCB's Solicitors so far.

Up to the date of this announcement, the Company is not aware that CCB has commenced formal proceedings against the Company.

The Board has sought legal advice from its legal advisers in respect of the claims under the Letter and considers that based on the current information available to the Company, the Company is doubtful whether the Put Option as a distinct agreement between Grand Prosperity and CCB could be treated as a finance document within the meaning of the Credit Note.

Based on counsel opinion, the Directors are of the view that the Possible Claims are not valid and there shall be no change to the information in the Circular, in particular, the material change statement, indebtedness statement and working capital statement.

The Company will continue to seek legal advice in respect of the Possible Claims under the Letter and will make further announcement in due course as to any material development in connection with the aforesaid matter.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

#### **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange of Hong Kong Limited was suspended with effect from 9:00 a.m. on Thursday, 22 November 2012. The Company has applied to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on Monday, 17 December 2012.

This announcement is made by Sun Century Group Limited (the “**Company**”) pursuant to Rule 13.09(1) of the Rules Governing the Listing of the Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited.

Reference is made to the Company’s announcement dated 21 December 2009 (the “**Announcement**”) in relation to, among others, the grant of the Put Option. Unless otherwise defined, capitalized terms used in this announcement have the same meaning as defined in the Announcement.

## **BACKGROUND**

As disclosed in the Announcement, on 21 December 2009, the Company entered into the Credit Note with CCB International Asset Management Limited (“**CCB**”) under which CCB agreed to make available to the Company the Offshore Financing in the amount of US\$40,000,000 to the Company. Grand Prosperity was acting as the corporate guarantor in favour of CCB under the Credit Note.

Under the Credit Note, the Company agreed to pay to CCB an up-front fee of HK\$76,000,000, which was settled by issue and allotment of 80,000,000 Consideration Shares by the Company at the issue price of HK\$0.95.

Under the Credit Note, Grand Prosperity has granted the Put Option to CCB. On exercise of the Put Option, the price payable by Grand Prosperity for the purchase of each Consideration Shares would be HK\$1.50 per Share, being the aggregate of HK\$120,000,000.

## **POTENTIAL LITIGATION**

On 20 November 2012, the Company received a letter (the “**Letter**”) from the solicitors acting on behalf of CCB (“**CCB Solicitors**”) alleging and claiming that:

- (i) as a result of the exercise of the Put Option by CCB, Grand Prosperity Limited (“**Grand Prosperity**”) was required under the Credit Note to pay CCB the aggregate exercise price of the option shares of HK\$120,000,000;
- (ii) CCB has received from Grand Prosperity only partial payment in the sum of HK\$35,000,000, leaving the outstanding balance of HK\$85,000,000 which remains due and payable;
- (iii) pursuant to the terms of the Credit Note, the Company is required to indemnify CCB against any cost, loss or liability incurred by CCB as a result of, respectively, an event of default, and the failure by Grand Prosperity (being an obligor) to pay any amount due under a finance document as defined under the Credit Note on its due date; and

- (iv) pursuant to the terms of the Credit Note, an event of default includes the non-payment by an obligor of any amount payable pursuant to a finance document as defined under the Credit Note.

Under the Letter, CCB's Solicitors demanded payment from the Company (by way of indemnity) of (i) the unpaid sum of HK\$85,000,000, together with (ii) default interest at the rate of ten per cent per annum from 13 January 2012, the original completion date of the alleged exercise of the Put Option, until the date of payment and (iii) all costs and expenses (including legal fees) incurred by them in recovering payment (the "**Possible Claims**").

It is stated in the Letter that if the Company failed to make payment within three business days of the date of the Letter (which was extended by CCB's Solicitors to 3 December 2012 requesting the Company's legal advisers to give them a substantive reply by that date), CCB's Solicitors may be instructed to commence formal proceedings to recover the unpaid sums. On 3 December 2012, the Company's legal advisers further requested CCB's Solicitors to withhold action for another two weeks to allow time for investigating the matter and taking the Company's instructions but no response has been received from CCB's Solicitors so far.

Up to the date of this announcement, the Company is not aware that CCB has commenced formal proceedings against the Company.

As disclosed in the Announcement, Grand Prosperity was a controlling shareholder of the Company. Based on the shareholders' list as at 12 December 2012, Grand Prosperity has become a minority shareholder of the Company holding approximately 2,201,400 Shares, representing approximately 1.05% of the issued share capital of the Company. Furthermore, Grand Prosperity has no relationship with the underwriter to the open offer as disclosed in the circular of the Company dated 16 November 2012 (the "**Circular**"). Since the Company has fully repaid both the Onshore Facility and Offshore Financing, the Company believes that the share charges by Grand Prosperity to the Security Trustee and CCB in relation to the Onshore Facility and Offshore Financing as mentioned in the Announcement should have been released and all the obligations of the Company under the Credit Note should have been fully discharged. The Company's legal advisers have written to Grand Prosperity enquire the matters raised in the Letter including matters relating to the alleged exercise of the Put Option and the sum of HK\$85,000,000 alleged to be payable but unpaid. On 11 December 2012, the Company's legal advisers received a fax (the "**Fax**") from Grand Prosperity requesting for additional two to three weeks for them to review the relevant documents and seek legal advice and for their legal advisers to draft a reply to the Company's legal advisers. No further response has been received from Grand Prosperity apart from the Fax.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company has sought legal advice from its legal advisers in respect of the claims under the Letter and considers that based on the current information available to the Company, the Company is doubtful whether the Put Option as a distinct agreement between Grand Prosperity and CCB could be treated as a finance document within the meaning the Credit Note.

The Directors did not disclose the alleged contingent liabilities under the Credit Note in the Circular since they were not aware of the alleged exercise of the Put Option, let alone the contingent liability alleged by CCB’s Solicitors when the Circular was issued by the Company on 16 November 2012. Such alleged exercise of the Put Option and alleged contingent liability were only brought to the attention of the Directors after the receipt of the Letter by the Company on 20 November 2012.

Based on counsel opinion, the Directors are of the view that the Possible Claims are not valid and there shall be no change to the information in the Circular, in particular, the material change statement, indebtedness statement and working capital statement.

The Company will continue to seek legal advice in respect of the Possible Claims under the Letter and will make further announcement in due course as to any material development in connection with the aforesaid matter.

Veda Capital Limited (“**Veda Capital**”) had enquired with the management of the Company and was given to understand that the use of proceeds of Open Offer as contained in the circular (the “**Circular**”) of the Company dated 16 November 2012 will not be affected by the Possible Claims. If the Company is required to indemnify CCB, the Possible Claims will be settled by internal resources of the Company and/or by shareholder’s loan from Fame Select Limited (“**Fame Select**”). Veda Capital has reviewed the legal opinion issued by the legal advisers of the Company and made reasonable enquiries with the legal advisers of the Company on the procedures to take legal proceedings against the Company. Veda Capital has also reviewed the counsel opinion issued to the Company. Furthermore, on 10 December 2012, Fame Select gave an irrevocable undertaking in favour of the Company that it will make available the shareholder’s loan of HK\$85 million to the Company in the event that the Company will be required to make good the Possible Claims. Veda Capital was also given to understand from the Company and its reporting accountants that there is no new or extra contingent liabilities identified for the Group based on the current information available and the counsel opinion.

Having considered that, (i) the Possible Claims are still under investigation and the legal advisers of the Company are still in the course of collating evidence and based on the current evidence available to the Company, the Company is doubtful whether the Put Option as a distinct agreement between Grand Prosperity and CCB could be treated as a finance document within the meaning of the Credit Note; (ii) the Company had not been informed about the alleged exercise of the Put Option until the receipt of the Letter; (iii) the Possible Claims, if materialises, will be settled by the internal resources of the Company and/or shareholder's loan; (iv) the Company has a genuine need of funding for investing projects or other investments so that the use of proceeds of the Open Offer remains the same as contained in the Circular; and (v) after seeking counsel opinion, the Company is of the view that the Possible Claims are not valid and there will be no change in the material change statement, indebtedness statement and working capital statement as contained in the Circular, Veda Capital is of the view that its recommendations as contained in the Circular remain valid.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the shares of the Company on the Stock Exchange of Hong Kong Limited was suspended with effect from 9:00 a.m. on Thursday, 22 November 2012. The Company has applied to the Stock Exchange for resumption of trading in the shares of the Company with effect from 9:00 a.m. on Monday, 17 December 2012.

**Sun Century Group Limited**  
**Chau Cheok Wa**  
*Chairman*

Hong Kong, 14 December 2012

*As at the date of this announcement, the executive Directors are Mr. CHAU Cheok Wa, Ms. YEUNG So Mui, Ms. CHENG Mei Ching, Ms. YEUNG So Lai, and Mr. QIU Bin; and the independent non-executive Directors are Mr. TOU Kin Chuen, Dr. WU Kam Fun Roderick and Mr. LO Wai Tung John.*

*The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*