



SHOWY INTERNATIONAL LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199106356W)

PROPOSED ACQUISITION OF THE ENTIRE SHARE CAPITAL OF FORTUNE COURT HOLDINGS LIMITED FOR A CONSIDERATION OF S\$545,395,762 AND THE PROPOSED DISPOSAL BY THE COMPANY OF ITS EXISTING BUSINESS, IN ITS ENTIRETY, TO SHOWY PTE. LTD.

1. INTRODUCTION

The board of directors (the “**Board**”) of Showy International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company has entered into a conditional sale and purchase agreement (the “**S&P Agreement**”) dated 7 July 2008 with Newest Luck Holdings Limited (“**Newest Luck**”), Leap Forward Holdings Limited (“**LFH**”), Tan Hoo Lang and Tan Fuh Gih (together with Tan Hoo Lang, referred to as the “**Tan Brothers**”) (collectively referred to as the “**Vendors**” in this Announcement), for the proposed acquisition by the Company of the entire issued and paid-up capital of Fortune Court, and the allotment and issue of shares in the Company as consideration for such acquisition, resulting in the reverse take-over of the Company (the “**Proposed Acquisition**”). LFH and the Tan Brothers will become shareholders of Fortune Court Holdings Limited (“**Fortune Court**” and together with its subsidiaries, the “**Fortune Court Group**”) upon redemption of the Redeemable Loan Stock (as defined herein) which is expected to occur before the despatch of the Circular (as defined below) to shareholders of the Company

The Company has also entered into a business transfer agreement (the “**Business Transfer Agreement**”) dated 7 July 2008 to dispose of (i) Showy’s Existing Business, (ii) Assets, (iii) the Transferred Employees, (iv) its shareholding interest in Showy Overseas Pte. Ltd., and (v) all Liabilities (all as defined in the Business Transfer Agreement) in its entirety to Showy Pte. Ltd., a company wholly-owned by Mr Lim Hong Ching and Mdm Yeo Sock Kon, both of whom are currently directors and Controlling Shareholders (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) of the Company (the “**Proposed Disposal**”). The existing business of the Company comprises the design and manufacture of three main categories of products: sanitary fittings, bathroom products and accessories and kitchen products and accessories, founded by Mr Lim Hong Ching and Mdm Yeo Sock Kon.

2. RATIONALE FOR THE PROPOSED ACQUISITION AND THE PROPOSED DISPOSAL

The rationale for the Proposed Acquisition and the Proposed Disposal:

(a) **Opportunity to enter the rapidly growing property development industry in the People’s Republic of China (“PRC”), with focus in Chongqing**

The Proposed Acquisition represents an opportunity to revive the Company and enable the Company and the Fortune Court Group after the completion of the Proposed Acquisition (the “**Enlarged Group**”) to penetrate the rapidly growing property development industry in Chongqing. Upon completion of the Proposed

Acquisition, the Enlarged Group will be the first listed property company in Singapore that focuses primarily on property development and investment in Chongqing.

The Board notes that the real estate industry in the PRC, in particular Chongqing, is a growth industry. Real estate investment in Chongqing has increased rapidly, experiencing a CAGR of 29.4% from 2000 to 2007 (*Source: Chongqing Statistics Bureau*). Being designated a Special Economic Zone (*Source: Chongqing Statistics Bureau*), Chongqing enjoys favourable governmental support, including preferential corporate tax rates of 15% and various other policies that encourage investment. The Board is optimistic that the local government's favourable policies that encourage investment in Chongqing will spur economic growth further and fuel the growth of property values in Chongqing.

(b) Capitalize on Chongqing Yingli's established business and proven track record

The Proposed Acquisition by the Company of Fortune Court would mean that an established business with a proven track record is injected into the Company. Fortune Court's subsidiary, Chongqing Yingli Real Estate Development Co., Ltd ("**Chongqing Yingli**"), is a premier property developer in Chongqing with a unique track record of old city reconstruction, which involves working with local authorities to revamp the landscape of the city of Chongqing, and has since developed several major commercial buildings, such as Future International and New York New York. In addition, Chongqing Yingli has earned numerous accolades and awards such as the Leading Brand in Chongqing Construction in 2007 and Chongqing's Top 50 Real Estate Development Enterprises in 2001, 2003, 2005 and 2007.

With its track record and focus on the commercial property development sector, the Directors believe that Chongqing Yingli will be in a good position to capitalize on the growing commercial property sector in the PRC, with particular focus in Chongqing. The Proposed Acquisition will offer the Company an opportunity to become a major player in the Chongqing real estate market.

(c) Chongqing Yingli has an experienced management with an in-depth knowledge of the property market

The proposed management of the Enlarged Group is experienced in real estate development in Chongqing and has an in-depth knowledge of the Chongqing real estate sector. Mr Fang Ming, a Proposed Director, who is also the Chairman and General Manager of Chongqing Yingli, has more than 15 years of experience in the PRC property sector. In addition, the key members of the management team have an average of more than 10 years of experience in the PRC property sector which has enabled Chongqing Yingli to identify and source quality projects. In view of the Fortune Court Group's expertise and good relationships with local government authorities and business communities in Chongqing, we believe that the Proposed Acquisition would be a good opportunity to invest in a growing business, with a strong management team and a proven track record.

3. THE PROPOSED ACQUISITION

3.1 ABOUT THE FORTUNE COURT GROUP

Fortune Court was incorporated under the laws of Hong Kong on 3 September 1996 as a private company limited by shares. Fortune Court is the holding company of Chongqing

Yingli, a Chinese-Hong Kong joint venture company established under the laws of the PRC in 1993.

Chongqing Yingli is principally engaged in the development of high-grade real estate projects in Chongqing. Since its establishment in 1993, Chongqing Yingli has successfully developed several large and comprehensive real estate projects such as New York New York (纽约纽约), Zou Rong Plaza (邹容广场), and Future International (未来国际), with a focus on the development of landmark, commercial and office buildings. Situated in the heart of the central business district of Chongqing, tenants of these real estate projects of Chongqing Yingli include local and multinational companies.

The sale and rental of all the properties developed by Chongqing Yingli, together with a team of experienced and professional sales personnel familiar with the local market, form an integral part of Chongqing Yingli's business. Proceeds from the sale and rental of its properties are thereafter utilised by Chongqing Yingli for, *inter alia*, future development projects.

As at 30 June 2008, the total gross floor area (“GFA”) of completed properties held for investment by Chongqing Yingli is approximately 140,621 sq m, comprising commercial area of 78,985 sq m, office area of 22,668 sq m, residential area of 485 sq m and car park space of 38,483 sq m. In addition, the total estimated GFA of Chongqing Yingli's land bank as at 30 June 2008 is 512,329 sq m. Chongqing Yingli engages third parties to assist in the project management of its properties and to provide project consultancy services.

As at 30 June 2008, Chongqing Yingli owns a subsidiary, Chongqing San Ya Wan Aquatic Products Integrative Trading Market Development Co., Ltd. (重庆三亚湾水产品综合交易市场开发有限公司) (“Chongqing San Ya Wan”), through the acquisition of a 69% interest in the said company pursuant to share transfer agreements executed in May and June of 2008. Chongqing San Ya Wan is a project company that holds the land use rights to Yubei Project, one of the land banks to be developed by Chongqing Yingli.

3.2 PRINCIPAL TERMS AND SALIENT FEATURES OF THE PROPOSED ACQUISITION

3.2.1 Sale and Purchase

Pursuant to the S&P Agreement, the Company shall acquire the entire issued and paid-up capital of Fortune Court, which is to comprise 381,428,846 ordinary shares of par value HK\$0.00004 each (the “**Sale Shares**”) for an aggregate consideration of S\$545,395,762, on the date of the completion of the Proposed Acquisition (“**Completion Date**”).

LFH and the Tan Brothers currently hold in aggregate S\$95 million in principal amount of redeemable loan stock issued by Fortune Court (“**Redeemable Loan Stock**”). It is expected that Fortune Court will redeem all outstanding redeemable loan stock prior to the issuance of the Circular, and LFH and the Tan Brothers will apply the proceeds of such redemption towards subscribing for and Fortune Court will issue and allot shares in Fortune Court, resulting in them holding an aggregate of 34.46% of the issued share capital of Fortune Court immediately following such issue and allotment. These shares in Fortune Court to be issued and allotted to LFH and the Tan Brothers form part of the Sale Shares to be acquired by the Company.

The Sale Shares are to be acquired (a) free from all encumbrances and (b) together with all rights, dividends, entitlements and benefits attaching to the Sale Shares as at and from the Completion Date.

3.2.2 Purchase Consideration

The aggregate consideration payable by the Company for the Sale Shares is approximately S\$545,395,762 (the “**Consideration**”). The consideration for the Proposed Acquisition was arrived at on a willing-buyer willing-seller basis, and was derived from the property valuations as of 30 June 2008 provided by Jones Lang LaSalle Sallmanns in its property valuation report and the cash and debt levels of the Fortune Court Group as at the last day of the month immediately preceding the signing of the S&P Agreement.

The Consideration shall be satisfied by the allotment and issuance of a total of 1,652,714,429 new ordinary shares in the capital of the Company (the “**Consideration Shares**”), being 1,083,239,014 Consideration Shares, 509,530,634 Consideration Shares and 59,944,781 Consideration Shares to the Vendors, namely Newest Luck, LFH, and the Tan Brothers, respectively, credited as fully-paid at the issue price of S\$0.33 each, representing not less than 60.87%, 28.63% and 3.36%, respectively, of the issued and paid up share capital of the Company immediately following the Proposed Acquisition.

3.2.3 Salient Terms of the S&P Agreement

The S&P Agreement contains various representations, warranties and covenants of the parties, including the following:

- (a) **Moratorium Undertakings**
 - (a) The Vendors having to jointly and severally warrant to the Company that Fortune Court is the legal and beneficial owner of 93.99% of the paid up registered capital in Chongqing Yingli, such equity interest is held free from all and any encumbrances, and that no other person has any rights of pre-emption over the equity interest in Chongqing Yingli.
 - (b) Newest Luck having to undertake that for an initial period of six (6) months commencing from the Completion Date, it and/or its nominees may not sell, realize, transfer or otherwise dispose of any part of the Consideration Shares that were issued and allotted to it upon the completion of the Proposed Acquisition, save for any of the Consideration Shares that may form part of the vendor sale pursuant to the Compliance Placement, as the case may be. For the subsequent six months, it shall also undertake not to sell, realize, transfer or otherwise dispose of 50.0% of the Consideration Shares that were issued and allotted to it upon the completion of the Proposed Acquisition. For the period from twelve (12) months to eighteen (18) months commencing from the Completion Date, it have also undertaken not to sell, realise, transfer or otherwise dispose of 25.0% of the Consideration Shares.
 - (c) LFH and the Tan Brothers having to jointly and severally undertaken that for an initial period of six (6) months commencing from the Completion Date, they and/or their nominees may not sell, realize, transfer or otherwise dispose of any part of the Consideration Shares that are to be issued and allotted to them upon the completion of the Proposed Acquisition, save for any of the Consideration Shares that may form part of the vendor sale pursuant to the Compliance Placement, as the case may be.
- (b) **Appointment of New Directors to the Board on Completion of the Proposed Acquisition**

Upon completion of the Proposed Acquisition, the Board shall comprise:

 - (i) Mr Fang Ming;

- (ii) Mr Xie Xin;
- (iii) Ms Xu Li;
- (iv) Mr Lee Chong Min;
- (v) Mr He Zhao Ju @ Danny Ho;
- (vi) Mr Christopher Chong Meng Tak;
- (vii) Mr Lui Seng Fatt; and
- (viii) Mr Xiao Zu Xiu.

(c) Irrevocable Undertakings by Certain Substantial Shareholders

Mr Tan Kim Seng, Mr Lim Hong Ching and Mdm Yeo Sock Kon hold approximately 51.97%, 19.85% and 16.37% respectively, of the total issued and paid-up share capital of the Company. Pursuant to the S&P Agreement, Mr Tan Kim Seng, Mr Lim Hong Ching and Mdm Yeo Sock Kon having to provide irrevocable undertakings to vote, amongst other things, in favour of the following resolutions at the EGM referred to below:

- (i) for the Proposed Acquisition of the entire share capital of Fortune Court for a consideration of S\$545,395,762;
- (ii) for the allotment and issue of the Consideration Shares at an issue price of S\$0.33 credited as fully paid up each to the Vendors (and/or their nominees), in satisfaction of the consideration for the Proposed acquisition of the entire issued share capital of Fortune Court;
- (iii) for the Whitewash Resolution (as defined below);
- (iv) for the allotment and issue of the new ordinary shares of the Company to enable the Company, inter alia, to comply with the shareholding spread and distribution requirements set out in the Listing Manual or otherwise to raise funds and if agreed by the Company and the placement agent, a sale of all or part of the Consideration Shares held by the Vendors (together the “**Compliance Placement**”), on such terms as may be determined by the Board as it deems fit, including without limitation, the timing of the Compliance Placement, if and when it occurs, taking into account various factors, including without limitation, market conditions and prices; and
- (v) all other matters proposed at the EGM.

3.2.4 Conditions Precedent

Completion of the Proposed Acquisition is conditional upon the fulfilment of certain conditions precedent on or before Completion Date including, amongst others, the following:

- (a) the Company having received satisfactory documentation evidencing the redemption of all the outstanding Redeemable Loan Stock in Fortune Court and the issue and allotment of an aggregate of 131,428,846 ordinary shares in Fortune Court, such that the resulting issued share capital of Fortune Court immediately following such redemption of the Redeemable Loan Stock and issue and allotment of shares is held as follows:

<u>Name</u>	<u>Percentage held</u> ⁽¹⁾
Newest Luck	65.54%
LFH	30.83%
Tan Fuh Gih	1.81%
Tan Hoo Lang	1.81%

Note:

(1) The total percentages do not add up to 100% due to rounding differences.

- (b) the shares of Fortune Court to be sold to the Company constitutes the entire issued and paid up share capital of Fortune Court, there being no outstanding convertible securities convertible into voting shares of Fortune Court and Fortune Court being the legal and beneficial owner of ninety-three point ninety-nine per cent. (93.99%) of the paid-up registered capital of Chongqing Yingli and the Company having received satisfactory confirmation regarding the foregoing;
- (c) Mr Fang Ming having provided in favour of the Company personal indemnities for any losses, costs, damages, claims or other actions arising in relation to the issues relating to Min Sheng Mansion, New York New York, Zou Rong Plaza and the Lu Zu Temple Project and the interested person transactions as disclosed in the circular to shareholders of the Company and the Company having received the executed copies of such personal indemnities;
- (d) Mr Fang Ming having provided in favour of the Company a deed of undertaking in relation to, (i) shareholder's loan due to him from Fortune Court as at the end of the financial year ended 31 December 2007 by which he shall not demand repayment of the said loan during the period commencing from the date of the completion of the proposed acquisition and ending the date falling twelve (12) months after the completion of the Proposed Acquisition ("**Repayment Waiver Period**"), and a further agreement that any repayment of such loan after the Repayment Waiver Period shall be subject to the approval of the Audit Committee of the Purchaser, according to the cashflow and operating requirements of the Purchaser and its subsidiaries; and (ii) the transfer of 8,259,152 shares of China Everbright Bank (a bank established in the People's Republic of China) that Chongqing Tiancheng Industrial Company (重庆天成实业公司) ("**Tiancheng**") owns (the "**Everbright Shares**") to Chongqing Yingli upon completion of the Proposed Acquisition as part-payment for such loan granted by Chongqing Yingli, amongst other conditions, or if Chongqing Yingli does not become the legal and beneficial owner of the Everbright Shares under PRC laws within three (3) months of the completion of the Proposed Acquisition, for Chongqing Yingli to render all reasonable assistance to enable the transfer of the Everbright Shares to Mr Fang Ming or his nominee;
- (e) the release of the charge over the entire issued share capital of Fortune Court held by Newest Luck pursuant to the Memorandum of Charge dated 3 January 2008 executed by Newest Luck in favour of LFH and the Company having received satisfactory evidence of such release;
- (f) there being no fact or circumstance discovered by the Company pursuant to the legal and commercial due diligence conducted by the Company in respect of the financial position (including the accounts), assets, personnel and businesses of the Fortune Court Group which would, in the reasonable opinion of the Company, be of material significance in the context of the transaction contemplated under the S&P Agreement;
- (g) the receipt of in-principle approval from the SGX-ST for the listing and quotation of the Consideration Shares to be allotted and issued under the terms of the S&P Agreement and if such approval is obtained subject to any conditions imposed and where such conditions affect any Party, such conditions being acceptable to the party concerned and, and fulfilment of any conditions that are required to be fulfilled before completion of the Proposed Acquisition;
- (h) the approval of the Shareholders being obtained at the EGM for the following,

amongst others:

- (i) for the Proposed Acquisition;
 - (ii) for the allotment and issue of the Consideration Shares;
 - (iii) for the Compliance Placement, on such terms as may be determined by the Board as it deems fit, including without limitation, the timing of the Compliance Placement, if and when it occurs, taking into account various factors, including without limitation, market conditions and prices;
 - (iv) for the Proposed Disposal; and
 - (v) on the Whitewash Resolution (as hereinafter defined);
- (i) the receipt of a waiver from the Securities Industry Council (the “**SIC**”) of the requirement for Newest Luck and its concert parties to make a mandatory general offer for all the Shares that it does not already own, following the allotment and issue of the Consideration Shares to the Vendors, and all conditions to such waiver having been satisfied; and
 - (j) obtaining of all necessary approvals in Singapore, the PRC or elsewhere as may be necessary for, amongst others, the Proposed Acquisition, the Compliance Placement and the Proposed Disposal.

Completion of the Proposed Acquisition is to take place not later than fourteen (14) business days after all the conditions precedent set out above have been fulfilled (or if not fulfilled, are waived by the Company or the Vendors in accordance with the S&P Agreement).

Pursuant to the moratoriums to be undertaken by the Vendors under the Proposed Acquisition, the shareholders of the respective Vendors, where applicable, shall also have to provide the following undertakings:

- (a) Mr Fang Ming and Ms Xu Li who hold 80% and 20% of equity interest respectively in Newest Luck, to undertake jointly and severally that for an initial period of eighteen (18) months commencing from the Completion Date, they and/or their nominees may not sell, realize, transfer or otherwise dispose of any part of their shareholdings in Newest Luck.
- (b) CMIA Capital Partners Pte. Ltd., a company that manages LFH, has undertaken on behalf of the shareholders of LFH that, that for an initial period of six (6) months commencing from the Completion Date, the shareholders of LFH and/or their nominees may not sell, realize, transfer or otherwise dispose of any part of their shareholdings in LFH.

3.3 VERY SUBSTANTIAL ACQUISITION OR REVERSE TAKEOVER

Based on the audited financial statements of the Company for the year ended 31 December 2007, the pro forma consolidated financial information of the Enlarged Group for the financial year ended 31 December 2007 and the pro forma consolidated financial information of Chongqing Yingli for the year ended 31 December 2007, the relative figures of the Proposed Acquisition computed on the bases set out in Rule 1006(a) to (d) of the Listing Manual of the SGX-ST are as follows:

Relative figures under Rule 1006

Rule 1006(a)	
Net asset value of the assets to be disposed of	Not applicable
Net asset value of the Group	Not applicable
Size of relative figure	Not applicable

Rule 1006(b)	
Net profits ⁽¹⁾ attributable to the acquired assets for the 12 months ended 31 December 2007	S\$120.1 million
Net profits ⁽¹⁾ of the Group for the 12 months ended 31 December 2007	S\$120.1 million
Size of relative figure	100%

Rule 1006(c)	
Aggregate value of consideration to be given	S\$545,395,762
Company's market capitalisation ⁽²⁾ as at 27 June 2008, being the market day immediately preceding the date of the S&P Agreement	S\$76.2 million
Size of relative figure	715.7%

Rule 1006(d)	
Number of equity securities to be issued by the Company as consideration for the Proposed Acquisition	1,652,714,429
Number of equity securities in issue	127,000,000
Size of relative figure	1,301.3%

Notes:

- (1) Under Rule 1002(3), net profits is defined as profit or loss before income tax, minority interests and extraordinary items
- (2) The market capitalisation of S\$76.2 million is derived from the weighted average market price of S\$0.60 per Share as at 27 June 2008 (Source: Bloomberg).

Immediately following the allotment and issuance of the Consideration Shares and prior to the allotment and issue of the new ordinary shares in the capital of the Company pursuant to the Compliance Placement, the Vendors (and/or their nominees) will collectively hold at least 92.86% of the issued and paid-up capital of the Company, based on the Company's issued share capital of 1,779,714,429 Shares immediately following the issue and allotment of the Consideration Shares, thereby resulting in a change of control of the Company.

Pursuant to Chapter 10 of the Listing Manual, as one or more of the relative figures as computed on the bases set out in Rule 1006 exceeds 100.0% and there is a change in control of the Company, the Proposed Acquisition is classified as a "Very Substantial Acquisition" or "reverse takeover" and as such, the Proposed Acquisition shall be conditional upon the approval of Shareholders at an extraordinary general meeting (the "EGM") and the approval of the SGX-ST.

3.4 WHITEWASH WAIVER

Upon completion of the Proposed Acquisition but before the Equity Offering, Newest Luck will hold 1,083,239,014 new Shares, representing 60.87% of the then issued share capital of the Company. Pursuant to Rule 14 of the Code and Section 139 of the SFA, Newest Luck and/or its concert parties will be required to make a mandatory unconditional general offer for all the remaining issued Shares not owned, controlled or agreed to be acquired by Newest Luck and/or its concert parties at the highest price paid or agreed to be paid by Newest Luck and/or its concert parties for the Shares in the past six months from the date the Consideration Shares are issued to Newest Luck, unless such obligation is waived by the SIC.

It is a condition precedent to the Proposed Acquisition that the SIC grants Newest Luck and/or its concert parties, and does not revoke or repeal any such grant, a waiver of their obligation to make a general offer under Rule 14 of the Code for all the shares not owned or controlled by them and that independent shareholders approve at a general meeting of the Company a whitewash resolution to waive their rights to receive a mandatory offer from Newest Luck and its concert parties for all the shares in issue not already owned, controlled or agreed to be acquired by the Vendors and their concert parties following the allotment and issue of the Consideration Shares (the “**Whitewash Resolution**”).

4. **THE PROPOSED DISPOSAL**

4.1 **THE PROPOSED DISPOSAL AS A MAJOR TRANSACTION**

The Company entered into the Business Transfer Agreement on 7 July 2008 to effect the Proposed Disposal of (i) Showy’s Existing Business, (ii) Assets, (iii) the Transferred Employees, (iv) the Transfer Shares, and (v) all Liabilities (all as hereinafter defined) (in its entirety) to Showy Pte. Ltd., a company wholly-owned by Mr Lim Hong Ching and Mdm Yeo Sock Kon, both Directors and Controlling Shareholders, for a cash consideration of S\$4.618 million (the “**Disposal Consideration**”), determined on a willing-seller willing-buyer basis, based on the adjusted book value of the Company’s assets and liabilities as shown in the audited consolidated balance sheet of the Group as at 31 December 2007. The Disposal Consideration is subject to adjustment pursuant to Clauses 3.2, 5 and Schedule 2 of the Business Transfer Agreement. Completion of the Proposed Disposal is conditional upon, among other things, the approval of Shareholders being obtained for the Proposed Disposal and completion of the Proposed Acquisition occurring simultaneously.

Based on the audited financial statements of the Company for the year ended 31 December 2007, the relative figures of the Proposed Disposal computed on the bases set out in Rule 1006(a) to (d) of the Listing Manual of the SGX-ST are as follows:

Relative figures under Rule 1006

Rule 1006(a)	
Net asset value of the assets to be disposed of	S\$4.618 million
Net asset value of the Group	S\$20.14 million
Size of relative figure	22.92%

Rule 1006(b)	
Net profits ⁽¹⁾ attributable to the disposed assets for the 12 months ended 31 December 2007	S\$0.81 million
Net profits ⁽¹⁾ of the Group for the 12 months ended 31 December 2007	S\$0.81 million
Size of relative figure	100%

Rule 1006(c)	
Aggregate value of consideration to be given	S\$4.618 million
Company's market capitalisation ⁽²⁾ as at 27 June 2008, being the market day immediately preceding the date of the S&P Agreement	S\$76.2 million
Size of relative figure	6.06%

Rule 1006(d)	
Number of equity securities to be issued by the Company as consideration for the Proposed Acquisition	Not applicable
Number of equity securities in issue	Not applicable
Size of relative figure	Not applicable

Notes:

- (1) Under Rule 1002(3), net profits is defined as profit or loss before income tax, minority interests and extraordinary items.
- (2) The market capitalisation of S\$76.2 million is derived from the weighted average market price of S\$0.60 per Share as at 27 June 2008 (Source: Bloomberg).

4.2 PRINCIPAL TERMS AND SALIENT FEATURES OF THE PROPOSED DISPOSAL

4.2.1 Disposal Consideration

The Company considered the adjusted book values of the following assets and liabilities (the "**Assets and Liabilities**") as shown in the audited consolidated balance sheet of the Company as at 31 December 2007 in its deliberation of the Disposal Consideration:

- (a) the stocks of the Company's existing business such as goods purchased for resale, consumable stores, inventories, raw materials and components, packing materials, work in progress, consignment stock, stock in transit, stock provision, partly finished and finished goods;
- (b) the property located at 35 Sungei Kadut Street 4 Singapore 729057 (the "**Property**"), plant and equipment of the Company (which includes fixed and loose plant, machinery and equipment, fittings and other chattels (including motor vehicles, office equipment, computer hardware and software) owned by the Company and used in connection with the Company's existing business);
- (c) the Company's trade and other receivables;
- (d) the Company's cash and cash equivalents (which is all sums held in the PRC and such other sums (save for all sums held in Showy (Shanghai) Impex Limited), which in aggregate shall be equal to S\$2,000,000);
- (e) the income tax payable by the Company; and
- (f) trade and other payables of the Company.

The Disposal Consideration shall also be adjusted after closing equivalent to the amount of the difference between the adjusted book value of the Company's Assets and Liabilities as shown in the unaudited consolidated balance sheet of the Group as at 30 June 2008 and the adjusted book value of the Company's Assets and Liabilities as at 31 December 2007. Accordingly, if the adjusted book value as at 30 June 2008 is less than the adjusted book value as at 31 December 2007, the Disposal Consideration will be reduced by the difference. If the adjusted book value as at 30 June 2008 is more than the adjusted book value as at 31 December 2007, then the Disposal Consideration will be increased by the difference.

4.2.2 Salient Terms of the Business Transfer Agreement

The salient terms of the Business Transfer Agreement, comprise, amongst others, the following:

- (a) The Company shall transfer to Showy Pte. Ltd. (i) Showy's Existing Business, (ii) the Assets, (iii) the Transferred Employees, (iv) the Transfer Shares, and (v) all Liabilities (all as defined hereinafter), of the Company in its entirety (all as defined hereinafter and collectively known as the "**Business**") as a going concern as at Completion, which shall include:
 - (i) Showy's existing business of manufacturing, trading and distributing sanitary fittings, bathroom products and accessories and kitchen products and accessories ("**Showy's Existing Business**");
 - (ii) plant and equipment, property, stock, trade and other receivables, cash and cash equivalents, intellectual property, intellectual property rights and goodwill, customer and supplier information and contracts held by the Company in Singapore, the PRC or elsewhere (save for any prepayments, deposits or other receivables in relation to the Proposed Acquisition) ("**Assets**");
 - (iii) employees that are protected under the Employment Act of Singapore ("**Transferred Employees**");
 - (iv) the shares of Showy Overseas Pte Ltd, a subsidiary of the Company, to be transferred by the Company to Showy Pte. Ltd. (the "**Transfer Shares**"); and
 - (v) all the liabilities incurred by the Company with respect to the Company's existing business, including trade and other payables, and contingent liabilities as at the Completion Date (save for dividends payable and any payables or accruals in relation to the Proposed Acquisition and Showy (Shanghai) Impex Limited, wholly-owned subsidiary of the Company which is currently undergoing deregistration in the PRC) ("**Liabilities**"); and
- (b) As a transitional arrangement, following the transfer of the Business, and for a period of one (1) year commencing from the completion date of the Proposed Disposal, the parties to the Business Transfer Agreement agreed that subject to the successful completion of the assignment of the land lease and the transfer of legal title to the Property, the Company shall permit Showy Pte. Ltd. to occupy the Property, subject to the condition that Showy Pte. Ltd. bears all associated and relevant costs in connection with such occupation and from thereon.

4.2.3 Conditions Precedent

Completion of the Proposed Disposal is conditional upon the fulfilment of certain conditions precedent on or before the completion date of the Business Transfer Agreement including, amongst others, the following:

- (a) the procurement of Jurong Town Corporation's approval for the assignment of the land lease and the approval of the Land Registry for the transfer of legal title of the Property by the Company to Showy Pte. Ltd. and in the event that the abovementioned approvals are not obtained by the completion date, the Company shall agree to sub-lease the Property to Showy Pte. Ltd. for the remaining tenure on such terms and conditions as accorded to the Company under the existing lease with Jurong Town Corporation and the Company shall refund the price paid by Showy Pte.

Ltd. for the Property in accordance with Clause 3.2 of the Business Transfer Agreement;

- (b) the approval of the Board and shareholders of the Company in an extraordinary general meeting being obtained for, amongst others, the Proposed Acquisition, the Proposed Disposal and the change of name of the Company;
- (c) the discharge of any personal guarantees of existing Directors of the Company;
- (d) the assignment and novation of all trade receivables, other receivables, deposits and prepayments free of encumbrances in relation to the Business (except for any prepayments, deposits or other receivables in relation to professional fees, legal, valuation fees, stamp duties and other fees for the Proposed Acquisition) and all sums owed by Showy Industrial Co. (Ningbo) Ltd. and Showy Overseas Pte. Ltd. (which are two of the Company's existing subsidiaries) to the Company, to Showy Pte. Ltd.;
- (e) the transfer of all trade payables, other payables and accruals, any contingent liabilities in relation to the Business (except for dividends payable and any payables or accruals in relation to the Proposed Acquisition and Showy (Shanghai) Impex Limited) and all sums owed by the Company to Showy Industrial Co. (Ningbo) Ltd) to Showy Pte. Ltd.;
- (f) the transfer to Showy Pte. Ltd. of the title of all stock and plant and equipment, intellectual property, IP rights of the Company, free from encumbrances;
- (g) the change of the Company's name to disassociate itself from the "SHOWY" brand name, subject to the approval of the Company's shareholders;
- (h) the delivery of the transfer letters for the Transferred Employees pursuant to clause 9 of the Business Transfer Agreement;
- (i) all third party consents for the Proposed Disposal having been obtained;
- (j) the completion of other documentation to the satisfaction of both parties to the Business Transfer Agreement in relation to the transfer of the Business; and
- (k) all licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary or desirable for or in respect of the proposed transfer of the Business to Showy Pte. Ltd. or for the implementation of the Business Transfer Agreement or for the proper carrying on of the business having been obtained from appropriate governments, governmental, supranational or trade agencies, courts or other regulatory bodies on terms reasonably satisfactory to Showy Pte. Ltd. and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect.

4.3 THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

Mr Lim Hong Ching and Mdm Yeo Sock Kon collectively own 100% of the issued share capital of Showy Pte. Ltd. Both Mr Lim Hong Ching and Mdm Yeo Sock Kon are currently Directors and Controlling Shareholders. Accordingly, the Proposed Disposal constitutes an interested person transaction pursuant to Chapter 9 of the Listing Manual. Furthermore, as the value of the transaction is above S\$100,000 and is equal to or exceeds 5% of the Company's latest audited NTA, Shareholders' approval by way of ordinary resolution is required in order for the Company to effect the Proposed Disposal (the "**Interested Person Transaction**").

5. FINANCIAL INFORMATION OF THE ENLARGED GROUP

Save for its equity interest in Chongqing Yingli and Chongqing Baijiang Industrial Development Co., Ltd. (重庆百江置业发展有限公司) (which is in the process of deregistration) and an amount due to a director, Mr Fang Ming, of RMB11,860,388. Fortune Court does not have other material assets or liabilities. As such, the business of the Fortune Court Group essentially comprises of the business of Chongqing Yingli.

(RMB)

Chongqing Yingli's income statement

	2005	2006	2007
Revenue	98,131,289	228,596,790	245,929,899
Gross profit	26,618,528	77,634,627	78,050,733
Profit from operations	13,507,085	48,270,646	62,770,750
Fair value gain on investment properties	-	-	813,162,988
Profit before tax	13,507,085	48,270,646	897,499,919
Income tax expense	5,957,516	21,337,143	217,406,215
Net profit	7,549,569	26,933,503	680,093,704

Chongqing Yingli's balance sheet

	As at 31 March 2008
Non-current assets	1,579,638,906
Current assets	313,344,076
Current liabilities	444,288,339
Net current assets	(130,944,263)
Non-current liabilities	415,000,748
Shareholders'equity	1,033,693,895

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE PROPOSED DISPOSAL

The unaudited pro forma financial effects of the Proposed Acquisition and the Proposed Disposal on the Company are set out below. The objective is to illustrate what the historical information might have been had the Proposed Acquisition and the Proposed Disposal been completed at an earlier date. However, such information is not necessarily indicative that the results of operations or the financial position as illustrated would have been attained had the Proposed Acquisition and the Proposed Disposal been completed at an earlier date.

The pro forma financial effects in this section are based on the audited financial statements of the Company for the year ended 31 December 2007 and the unaudited pro forma consolidated financial information of the Enlarged Group for the financial year ended 31 December 2007. The financial effects of the Proposed Acquisition and the Proposed Disposal have been prepared based on the following assumptions and anticipated events:

- for the purpose of computing the financial effects of the Proposed Acquisition and the Proposed Disposal on the earnings of the Enlarged Group, the Proposed Acquisition and the Proposed Disposal are assumed to have been completed on 1 January 2007;
- for the purpose of computing the financial effects of the Proposed Acquisition and the Proposed Disposal on the NTA and gearing of the Enlarged Group, the Proposed Acquisition and the Proposed Disposal are assumed to have been completed on 31 December 2007;
- the pro forma consolidated financial statements of the Enlarged Group, where relevant, have been translated using the closing exchange rate of RMB5.0358 to

S\$1.00 as of 27 June 2008;

- (d) the Consideration is satisfied by the allotment and issue of the Consideration Shares;
- (e) the Net Cash Position of the Company upon completion of the Proposed Disposal (but before the Compliance Placement) is S\$20.0 million. This has not taken into account the final dividend of S\$0.81 million which was recently approved by the Shareholders of the Company at the annual general meeting held on 23 April 2008. This does not have a significant impact on the financial effects calculations of the Enlarged Group;
- (f) the cash benefit received by the Enlarged Group from the issue of the remainder amount of the S\$95 million Redeemable Loan Stock which has yet to be injected into Chongqing Yingli amounting to S\$51.9 million (equivalent to RMB261.3 million);
- (g) for the purpose of calculating the adjusted NTA of the Enlarged Group, the Fortune Court Group has included the revaluation of development properties, revaluation of land for development and land use rights amounting to RMB20.5 million (equivalent to S\$4.1 million), RMB1,225.9 million (equivalent to S\$249.4 million) and RMB485.1 million (equivalent to S\$96.3 million) respectively based on the property valuations as of 30 June 2008 provided by Jones Lang LaSalle Sallmanns in its property valuation report and after deducting Chongqing Yingli's existing book value of these properties as at 31 March 2008;
- (h) the management of the Fortune Court Group estimates that there would be an additional cash outlay to be committed by Chongqing Yingli to acquire land amounting to RMB275.3 million (equivalent to S\$54.7 million);
- (i) in accordance with FRS 103, the goodwill arising from the reverse acquisition is estimated to be S\$20.3 million based on the Company's effective interest of 7.14% in the Enlarged Group's market capitalisation of S\$545.4 million (on the assumption that the fair market value of the Company was S\$0.33 per share, being the issue price of the Consideration Shares) less the cash balance of S\$20.0 million retained in the Company; and
- (j) the consideration is based on the premise that the Company is acquiring 100% of the economic interest in Chongqing Yingli

Share Capital

The pro forma effects on the issued and paid-up share capital of the Company after the allotment and issuance of the Consideration Shares are as follows:

	No. of New Shares	S\$
Issued and paid-up share capital before the Proposed Acquisition and the Proposed Disposal as at 27 June 2008	127,000,000	16,618,892
Consideration Shares	1,652,714,429	545,395,762
Issued and paid-up share capital after the Proposed Acquisition but before the Proposed Disposal	1,779,714,429	562,014,654
Cancellation of shares pursuant to the Proposed Disposal	-	-
Enlarged issued and paid-up share capital	1,779,714,429	562,014,654

after the Proposed Acquisition and the Proposed Disposal

The pro forma effects on Shareholders after the allotment and issuance of the Consideration Shares are as follows:

	Before the Proposed Acquisition and the Proposed Disposal		After the Proposed Acquisition but before the Proposed Disposal		After the Proposed Acquisition and the Proposed Disposal	
	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%
Current Shareholders:						
Tan Kim Seng	66,000,000	51.97	66,000,000	3.71	66,000,000	3.71
Lim Hong Ching	25,208,000	19.85	25,208,000	1.42	25,208,000	1.42
Yeo Sock Kon	20,792,000	16.37	20,792,000	1.17	20,792,000	1.17
Other Shareholders	15,000,000	11.81	15,000,000	0.84	15,000,000	0.84
	127,000,000	100.0	127,000,000	7.14	127,000,000	7.14
New Shareholders:						
Vendors ⁽¹⁾	-	-	1,652,714,429	92.86	1,652,714,429	92.86
	127,000,000	100.0	1,779,714,429	100.0	1,779,714,429	100.0

Notes:

- (1) The Vendors are Newest Luck, LFH and the Tan Brothers.

Earnings per New Share

The pro forma financial effects of the Proposed Acquisition and the Proposed Disposal on the earnings per New Share of the Company are as follows:

	Before the Proposed Acquisition and the Proposed Disposal	After the Proposed Acquisition but before the Proposed Disposal
S\$'000		
Net profit of the Company	812	812
Add: Profit of the Fortune Court Group ⁽¹⁾	-	114,708
Adjusted net profit	812	115,520
Number of New Shares ⁽²⁾	127,000,000	1,779,714,429
Earnings per New Share (cents)	0.64	6.49

Notes:

- (1) This is computed by taking the net profit of Chongqing Yingli less goodwill of S\$20.3 million arising from the reverse acquisition.
- (2) The subscription by Mr Tan Kim Seng for 66,000,000 new ordinary shares in the Company is assumed to have been completed on 1 January 2007.

NTA/(NTL) per New Share

The pro forma financial effects of the Proposed Acquisition and the Proposed Disposal on the NTA/(NTL) of the Company are as follows:

S\$'000	Before the Proposed Acquisition and the Proposed Disposal	After the Proposed Acquisition but before the Proposed Disposal	After the Proposed Acquisition, the Proposed Disposal and the Revaluation of development properties and land for development
NTA of the Company	20,144	20,144	15,385
NTA of Fortune Court	-		
- Chongqing Yingli per 31 December 2007		159,501	159,501
- revaluation of development properties			3,654
- revaluation of land for development			354,137
- Conversion of Redeemable Loan Stock			95,000
Elimination of investment in Chongqing Yingli at Fortune Court level	-	(1,334)	(1,334)
- Less cash outlay to be used on various expenditure to land			(54,669)
Net proceeds from Disposal	-		4,618
- Less incremental debt relating to acquisition of land			(5,957)
Adjusted NTA of the Company	20,144	178,311	570,335

Number of New Shares	127,000,000	1,779,714,429	1,779,714,429
FY2007 NTA (cents)	15.9	10.0	32.0
FY2007 NTA (cents) adjusted for deferred tax			34.3 ⁽¹⁾

Note:

(1) Excludes deferred tax of RMB203,290,746 provided in Chongqing Yingli's 2007 audited accounts.

Gearing

The pro forma financial effects of the Proposed Acquisition and the Proposed Disposal on the gearing of the Company are as follows:

	Before the Proposed Acquisition and the Proposed Disposal	After the Proposed Acquisition but before the Proposed Disposal	After the Proposed Acquisition and the Proposed Disposal
Borrowings of the Company (S\$'000)	8	8	-

Total borrowings of the Fortune Court Group representing total borrowings of the Enlarged Group (S\$'000) ⁽¹⁾	-	93,228	93,228
Total Borrowings	8	93,236	93,228
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Cash and cash equivalents (S\$'000)			
- Company	(17,399)	(17,399)	(15,385)
- Fortune Court Group	-	(6,631)	(6,631)
- Net proceeds from the Proposed Disposal	-	-	(4,618)
Net Borrowings/(Net Cash)	(17,391)	69,206	66,594
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Shareholders' funds (S\$'000)			
- Company	20,144	20,144	15,385
- Fortune Court Group	-	159,501	159,501
- Net proceeds from the Proposed Disposal	-	-	4,618
Total Shareholders' funds	20,144	179,645	179,504
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Gearing (times)	Not meaningful	0.52	0.52
Net gearing (times)	Net cash	0.39	0.37

7. COMPLIANCE PLACEMENT

Following the completion of the Proposed Acquisition and the issue and allotment of the Consideration Shares, it is expected that the percentage of the Company's issued shares that are held in public hands will fall below 10%, and as a result trading in the Company's Shares on the SGX-ST will likely be suspended until the float requirements under the SGX-ST Listing Manual are met. To achieve this, it is anticipated that there will be a Compliance Placement, on such terms as may be determined by the Board as it deems fit. Shareholders should note that the details of the Compliance Placement, if and when it occurs, would take into account various factors, including without limitation, market conditions and prices. Further details on the Compliance Placement will be released in due course.

8. INTERESTS OF THE DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save for the Mr Lim Hong Ching and Mdm Yeo Sock Kon (who, are Controlling Shareholders and directors of the Company and are interested in the Proposed Disposal which is an Interested Person Transaction) and Mr Tan Kim Seng (who is a Controlling Shareholder of the Company and the brother of the Tan Brothers), none of the Directors (other than in his or her capacity as a director or shareholder of the Company) and substantial Shareholders has any interest, direct or indirect, in the Proposed Acquisition and the Proposed Disposal.

Mr Tan Kim Seng, Mr Lim Hong Ching and Mdm Yeo Sock Kon, have given irrevocable undertakings to vote in favour of the resolutions at the EGM.

9. INDEPENDENT FINANCIAL ADVISER

The Company has appointed Ernst & Young Corporate Finance Pte Ltd as independent financial adviser in respect of the Proposed Acquisition, the Proposed Disposal and the Whitewash Resolution and the Interested Person Transaction.

10. RESPONSIBILITY STATEMENT

The Directors of the Company (including those who have been delegated supervision of this Announcement) collectively and individually accept full responsibility for the accuracy of the information given in this Announcement (save for information relating to the Fortune Court Group) and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed in this Announcement are fair and accurate in all material respects as at the date hereof, and that there are no material facts the omission of which would make this Announcement misleading in any material respect.

The Vendors accept full responsibility for the accuracy of the information given in this Announcement in respect of Fortune Court Group and confirm, after making all reasonable enquiries that to the best of their knowledge and belief, the facts stated and opinions expressed by them in this Announcement in respect of Fortune Court Group are fair and accurate in all material respects as at the date hereof, and that there are no material facts in respect of Fortune Court Group the omission of which would make any statement in respect of Fortune Court Group misleading in any material respect.

11. CIRCULAR AND DOCUMENTS AVAILABLE FOR INSPECTION

The circular to shareholders of the Company (the “**Circular**”) containing further information on the Proposed Acquisition and the Proposed Disposal and other related matters, and enclosing the notice of the extraordinary general meeting of the Company, will be dispatched by the Company to shareholders in due course.

A copy of the S&P Agreement and the Business Transfer Agreement will be made available for inspection during normal business hours at registered office of the Company for three (3) months from the date of this Announcement.

12. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares. The Proposed Acquisition is subject to numerous conditions and further due diligence by the Company. There is no certainty or assurance as at the date of this Announcement that the Proposed Acquisition or the Proposed Disposal will be completed, or whether the Compliance Placement will occur, or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments on the Proposed Acquisition, the Proposed Disposal and other matters contemplated by this Announcement. Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD
Showy International Limited
Ong Chong Beng
Director
7 July 2008