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## **Sun International Group Limited**

**太陽國際集團有限公司**

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

**(Stock Code: 8029)**

### **MEMORANDUM OF UNDERSTANDING – POSSIBLE ACQUISITION OF NOT LESS THAN 50% INTEREST IN VANADIUM AND IRON MINING COMPANY IN THE PRC**

The Board announces that the Purchaser, a wholly-owned subsidiary of Company, entered into the non-legally binding MOU with the Vendor in relation to the Possible Acquisition on 23 November 2010. Under the MOU, the Group intends to acquire and the Vendor intends to dispose of the Sale Capital.

The Target is principally engaged in mining and exploitation of vanadium and iron resources in the PRC. The Target has already obtained the exploitation and mining licence for the Mine which is situated at Hubei Province, the PRC.

**The Board wishes to emphasize that the MOU is not legally binding and the Possible Acquisition may or may not proceed. If the Formal Agreement is entered into, the Possible Acquisition may constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.**

This announcement is made by the Company pursuant to Rule 17.10 of the GEM Listing Rules.

The Board announces that the Purchaser, a wholly-owned subsidiary of Company, entered into the non-legally binding MOU with the Vendor in relation to the Possible Acquisition.

#### **THE MOU**

Date: 23 November 2010 (after trading hours)

Parties:

- (i) Vendor : Yuet Sing Group Limited
- (ii) Purchaser : Fuxi Holdings Limited

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

## **Major terms of the MOU**

### ***Assets to be transferred***

Under the MOU, the Group intends to acquire and the Vendor intends to dispose of not less than 50% of the registered and paid up capital of the Target.

### ***Due Diligence Review***

The Purchaser will commence the due diligence review and analysis of the Target and the Mine as soon as practicable, and will in any event finish such review and analysis within 180 days after the execution of the MOU.

### ***Exclusivity Period***

Under the MOU, it is also agreed that neither the Target nor the Vendor will during the Exclusivity Period negotiate with any party other than the Purchaser or its affiliates for the Possible Acquisition. Under the MOU, it is also intended that the Purchaser and the Vendor will also negotiate in good faith towards each other and enter into the Formal Agreement within the Exclusivity Period.

### ***Earnest Money***

Pursuant to the MOU, a refundable earnest money in the sum of HK\$30,000,000 (the “**Earnest Money**”) shall be paid by the Purchaser to an escrow agent jointly appointed by the Purchaser and the Vendor within 14 Business Days from the date of signing of the MOU. Such escrow agent will refund the Earnest Money to the Purchaser if the Formal Agreement is not executed within 180 days after the execution of the MOU.

The escrow agent will pay the Earnest Money to the Vendor if the Formal Agreement is executed, and the Earnest Money will be applied to set off against part of consideration for the acquisition of the Sale Capital under the Formal Agreement.

### ***Consideration***

The consideration for the Possible Acquisition (including the method of payment) shall be subject to further negotiation between the parties. It is intended that the consideration will be satisfied by the Purchaser upon completion by way of (i) cash, and (ii) procuring the Company to issue consideration Shares at the issue price of not less than HK\$2 per Share.

### ***Conditions***

It is currently contemplated by the parties that completion of the Possible Acquisition is conditional upon, among other things:

- (1) the Purchaser being satisfied with the results of the due diligence review on the Target and the Mine;
- (2) the independent shareholders of the Company passing at its extraordinary general meeting an ordinary resolution approving the Formal Agreement and the transactions contemplated thereunder;

- (3) the Purchaser obtaining a valuation report (in form and substance satisfactory to the Purchaser) from a firm of independent valuer appointed by the Purchaser opining on the value of 100% equity interest of the Target and/or 100% interest of the Mine (as the case may be) being not less than HK\$800,000,000;
- (4) the Purchaser obtaining a technical report (in form and substance satisfactory to the Purchaser) from a firm of independent technical adviser appointed by the Purchaser opining on the quality, resources, reserves of the mineral resources at the Mine;
- (5) without prejudice to condition (2) above, all necessary approvals, consents, licenses and authorization required to be obtained on the part of the Target, the Vendor and the Purchaser in relation to the Formal Agreement and the transaction contemplated hereunder having been obtained;
- (6) the obtaining of a legal opinion (in form and substance satisfactory to the Purchaser) issued by a firm of PRC lawyers appointed by the Purchaser in relation to the transactions contemplated under the Formal Agreement, as well as the legality, validity and binding effect of the mining and exploitation licence held by the Target; and
- (7) all the warranties given by the Vendor in the Formal Agreement remaining true and accurate.

#### ***Non legally-binding effect***

Save for the clause on the payment and refund of the Earnest Money, the Exclusivity Period granted to the Purchaser, the major terms of the MOU do not constitute legally-binding commitment in respect of the Possible Acquisition. The Possible Acquisition will be subject to the execution and completion of the Formal Agreement.

#### **Information of the Target**

The Target is a wholly owned foreign enterprise established in the PRC. The Target is the holder of a mining and exploitation licence in respect of the mineral resources at the Mine.

#### **Information of the Mine**

The Target is currently holding a mining and exploitation licence, which will expire in November 2012. The licence covers a mining area of approximately 3.8973 km<sup>2</sup>. The Mine consists of vanadium, and iron resources. An annual production volume of 100,000 tonnes is permitted under the mining licence.

After preliminary review conducted by a technical adviser to the Target, it is estimated that the Mine contains approximately 600,000 tonnes of vanadium and iron ore reserves. The technical adviser has also suggested feasible approaches to extract such vanadium and iron reserves. However, this investigation results is still subject to further investigation by the technical adviser.

#### **Reasons for the Possible Acquisition**

The Company is principally engaged in provision of computer hardware and software services, hotel operation and management services, mining iron ores and minerals.

Owing to the persistent high economic growth and high demand for natural resources in Asia, the Directors consider that the mining industry is likely to prosper in future. The Possible Acquisition will enable the Group to participate in the mining industry in PRC.

**The Board wishes to emphasize that the MOU is not legally binding and the Possible Acquisition may or may not proceed. If the Formal Agreement is entered into, it is expected that the Possible Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the GEM Listing Rules. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event any Formal Agreement has been signed.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	the board of Directors from time to time
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong for general banking business
“Company”	Sun International Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company from time to time
“Exclusivity Period”	the period from the date of the MOU to the date falling 180 days from the date of the MOU, in which the Vendor will not negotiate with any party other than the Purchaser for the Possible Acquisition
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Acquisition
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Mine”	the vanadium and iron mine located in Hubei Province, the PRC, with a mining area of approximately 3.8973 km <sup>2</sup>

“MOU”	the non-legally binding memorandum of understanding dated 23 November 2010 entered into between the Purchaser and the Vendor setting out the preliminary understanding in relation to the Possible Acquisition
“Possible Acquisition”	the possible acquisition by the Group from the Vendor of the Sale Capital as contemplated in the MOU
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchaser”	Fuxi Holdings Limited, a wholly-owned subsidiary of the Company which is principally engaged in investment holdings
“Sale Capital”	not less than 50% of the registered and paid up capital of the Target, which is currently beneficially owned by the Vendor
“Shareholders”	holders of the Shares of the Company from time to time
“Shares”	ordinary shares of HK\$0.04 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	日盛世紀(湖北)礦業有限公司 (Risheng Century (Hubei) Mining Company Limited <sup>#</sup> ), a wholly owned foreign enterprise established in the PRC
“Vendor”	Yuet Sing Group Limited, a company incorporated in the British Virgin Islands with limited liability
“%”	per cent.
“HK\$”	Hong Kong dollars

\* *For identification purpose only*

# *the English translation of Chinese name, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese name.*

By Order of the Board  
**Sun International Group Limited**  
**Mr. Chau Cheok Wa**  
*Executive Director*

Hong Kong, 23 November 2010

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Chau Cheok Wa, Mr. Tang Hon Kwong, Ms. Cheng Mei Ching and Mr. Lee Chi Shing, Caesar and three independent non-executive Directors, namely, Mr. Fung Kwok Ki, Mr. Poon Lai Yin, Michael and Mr. Ng Tat Fai.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting and the Company’s website at <http://www.sun8029.com>.*