

RICH CITY PACKAGING HOLDINGS LIMITED

1. The Takeovers and Mergers Panel (the "Panel") has conducted an inquiry into the circumstances by which certain persons dealt in the shares of Rich City Packaging Holdings Limited ("Rich City") in about November 1994. The background to this matter is set out in the announcements made on behalf of Rich City and of the offeror in the course of the offer.

2. On 9 November 1994, Rich City announced, among other things, that on 4 November 1994, Mr. Chong Kim Fu, Henry ("Mr. Chong") had sold 85,000,000 shares (about 33.89%) in Rich City at \$1 each to Shimada Limited ("Shimada"), wholly owned by Mr. Martin Kwok Ying Chuen ("Mr. Kwok"). After the sale, Mr. Chong retained 90,560,000 shares (36.11%).

3. On 12 November 1994, Shimada announced that New China Hong Kong Corporate Finance Limited ("New China") would on Shimada's behalf make a voluntary conditional cash offer (the "Offer") to acquire all the issued shares in Rich City (the "Shares") at \$1.00 per share other than those already owned by Shimada. Rich City announced that New China had informed its board of Shimada's offer. The Rich City announcement also stated:

"it is not certain at this stage whether or not Mr. Chong will accept all or part of the Offer in respect of the Shares beneficially owned by him. It is noted however that the effect of Rule 10.07(1)(b) of the rules Governing the Listing of Securities on the Stock Exchange ... prohibits Mr. Chong from ceasing to be a controlling shareholder of the Company ... until 29 April 1995."

4. On 15 November 1994, Rich City announced that Morgan Grenfell Asia (Hong Kong) Limited ("Morgan Grenfell") had been appointed as the independent financial adviser to the independent board committee in relation to the Offer.

5. From 9 November 1994, when Mr. Kwok's purchase of 85,000,000 Shares from Mr. Chong was announced, the market price of the Share increased from a last closing price of \$1.07 to a high of \$2.425 on 16 November 1994 with an average daily turnover of around 12,000,000 Shares during the period from 9 to 17 November 1994.

6. On 18 November 1994, Shimada and Rich City jointly announced that they were not aware of any reasons for the increases in the price and trading volume of the Shares.

Shimada Limited stated that it and parties acting in concert with it had not dealt in the Shares other than the announced purchase from Mr. Chong. The announcement stated that Shimada and the directors of Rich City had been informed by the Securities and Futures Commission ("SFC") that it was reviewing dealings in the Shares and that at the suggestion of the SFC, Shimada and the directors of Rich City requested a suspension in the trading in the Shares with effect from 10:00 a.m. on 21 November, 1994.

7. On 21 December 1994, Rich City announced that the suspension of trading in the Shares since 21 November, 1994 had been made in response to concerns about the possible existence of a false market in the trading of the Shares before suspension. The announcement stated:

"Mr. Chong has advised that prior to the listing (of Rich City) in April 1994, he had pledged his shares to secure borrowings of approximately HK\$25,000,000 to finance his personal investments ... unrelated to the Company (A)fter the public offering, Mr. Chong required further substantial borrowings to honour commitments to additional business ventures, again, unconnected with the Company ... and to acquire a residence ... He therefore ... (redeemed) the original loan and (arranged) loan facilities secured by his shareholding in the Company. This facility was arranged in June 1994 through a Hong Kong solicitor from a Taiwanese party which is an independent third party not connected with the Company or any of its subsidiaries at a rate of 3.5% per month ...

Subsequently, in October 1994, having agreed to provide the indemnity (in the amount of about \$34,000,000 in relation to the Company's dispute with a customer), Mr. Chong sought to utilize his loan facility to pay the indemnity. Unfortunately, there were insufficient funds in the facility ...

In consequence of this Mr. Chong felt he had no alternative other than to arrange the Disposal (of 85,000,000 Rich City shares to Mr. Kwok, who) ... was introduced by the same Hong Kong solicitor who had arranged the loan in June 1994 ..."

8. On 22 December 1994, following this announcement, trading of the shares resumed.

9. After discussion with the SFC and the Panel, that offer price was voluntarily increased by Shimada to HK\$1.25 per share on 13th February 1995.

10. On 21 February 1995, Shimada announced that on that day, it acquired 500,000 Shares and 200,000 Shares at \$1.22 and \$1.23 each respectively in the market and also 2,560,000 Shares from Mr. Chong at \$1.25 each, representing approximately 1.02% of the

total issued Shares. As a result, Shimada was interested in 88,260,000 Shares, representing approximately 35.19% of the total issued Shares. Accordingly, Shimada was required to extend a mandatory general offer pursuant to Rule 26 of the Hong Kong Code on Takeovers and Mergers to acquire all the Shares (other than those already acquired by Shimada Limited) at \$1.25 each.

11. On 27 February 1995, the Offer Document was despatched to Rich City shareholders.

12. On 4 March 1995, Mr. Kwok was appointed a director of Rich City.

13. On 13 March 1995, Shimada and Rich City jointly announced that the despatch of the document from Rich City, containing, inter alia, the recommendations of the independent board committee of Rich City and Morgan Grenfell had been postponed to 15 March, 1995. In order to allow sufficient time for shareholders of Rich City to consider the Offer, the closing date of the Offer was extended to 22 March, 1995.

14. On 22 March 1995, Shimada had become interested in 50.29% of the total issued shares after taking into account shares tendered for acceptance of the Offer, which then became unconditional. The Offer was therefore kept open until 6 April 1995.

15. The Offer closed on 6 April 1995. Acceptances of the Offer, in respect of 1,850,000 Shares, representing approximately 0.74% of the total issued Shares, were received. As at 6 April, 1995, Shimada Limited held 50.29% interest in Rich City, which would, when aggregated with the Shares tendered to the Off

