

## **SUPER ENTERPRISE HOLDINGS BHD ("SUPER" OR THE "COMPANY")**

### **PROPOSED DISPOSAL BY SUPER OF ITS ENTIRE INTEREST IN SHANGHAI SUPER LABELS CO., LTD ("SSL") TO ANNE (HONG KONG) CO., LIMITED ("ANNE") ("PROPOSED DISPOSAL")**

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#### **1. INTRODUCTION**

On behalf of the Board of Directors of Super ("Board"), OSK Investment Bank Berhad ("OSK") wishes to announce that Super had, on 22 November 2011 entered into a conditional Share Sale Agreement ("SSA") with ANNE ("Purchaser") for the disposal of the entire interest in SSL to ANNE for a total cash consideration of RMB28,000,000 in USD equivalent ("Disposal Consideration") ("Proposed Disposal"). SSL will cease to be a subsidiary of the Company upon the completion of the Proposed Disposal.

Unless otherwise stated, the following exchange rates (using the middle rate prevailing at 12.00 p.m. on 15 November 2011 as published by Bank Negara Malaysia) are used throughout this announcement for illustration purposes, except for the translation of the audited results as at 31 March 2011, where the actual exchange rate prevailing on that date is applied:-

- i. Renminbi ("RMB") 1.00 : Ringgit Malaysia ("RM") 0.4949; and
- ii. United States Dollar ("USD") 1.00 : RM3.143.

Further details of the Proposed Disposal are set out in the ensuing sections.

#### **2. DETAILS OF THE PROPOSED DISPOSAL**

##### **2.1 Information on SSL**

SSL was incorporated in Shanghai, the People's Republic of China ("PRC") on 17 January 2002 as a Sino-Foreign Contractual Cooperative Enterprise upon the approval of the Shanghai Municipal Government with an operating term of 30 years. Subsequently on 15 February 2006, SSL was converted into a Wholly Foreign-owned Enterprise under the laws of the PRC.

SSL is principally engaged in the business of manufacturing and distribution of self-adhesive labels and stickers for a wide range of consumer goods in various industries such as electrical, pharmaceutical, personal care, automotive, manufacturing, retail and food industries. For the financial year ended ("FYE") 31 March 2011, SSL recorded an audited profit after tax of RMB1.997 million (equivalent to approximately RM0.934 million) while its audited net assets was approximately RMB22.325 million (equivalent to approximately RM10.307 million).

The total fully paid-up registered capital of SSL, which represents the investment value by the Company is USD3 million (or approximately RM11.404 million at cost) and is currently a wholly-owned subsidiary of the Company.

##### **2.2 Information on the Purchaser**

ANNE was incorporated in Hong Kong on September 10, 2008 under the Hong Kong Companies Ordinance as a private limited company. The principal activity of ANNE is the production, distribution and supply of integrated application services of business information paper. Anne is a wholly-owned subsidiary of Xiamen Anne Corporation Limited, a company listed on the Shenzhen Stock Exchange which is engaged in the same principal activity. The authorised and issued and paid-up share capital of ANNE is USD100,000 comprising 100,000 ordinary shares of USD1.00 each ("ANNE Shares").

As at 15 November 2011, the director and substantial shareholder of ANNE and their shareholdings in ANNE are as follows:-

Shareholder	<-----Direct----->		<-----Indirect----->	
	Number of ANNE Shares held	%	Number of ANNE Shares held	%
Xiamen Anne Corporation Limited	100,000	100%	-	-
<b>Director</b> Zhang Jie	-	-	-	-
<b>Total</b>	<u>100,000</u>	<u>100%</u>	<u>-</u>	<u>-</u>

### 2.3 Basis and justification of arriving at the Disposal Consideration

The Disposal Consideration for the Proposed Disposal was arrived at after taking into consideration the audited net asset in SSL of approximately RMB22.325 million (or approximately RM10.307 million), based on the audited financial statements of Super for the FYE 31 March 2011. The Disposal Consideration represents a price-to-book ratio ("PBR") of approximately 1.25 times, based on the net assets ("NA") of SSL as at 31 March 2011. The Disposal Consideration is also justified as it will result in a gain on disposal of approximately RMB5.675 million (or approximately RM2.808 million).

### 2.4 Settlement of the Disposal Consideration

The Disposal Consideration shall be satisfied in the following manner:-

No.	Mode of settlement	Date of settlement	RMB'000	RM'000
i.	Deposit	Within three (3) business days from the execution date of the deposit escrow agreement <sup>1</sup>	500	247
ii.	Cash	80% of the purchase price within two (2) business days from the date that SSL applies for the new business license and obtains acceptance by the relevant PRC government authority <sup>2</sup>	22,400	11,086
iii.	Cash	20% of the purchase price (after deducting the deposit) within five (5) business days from the date of completion of assets handover and confirmation thereof <sup>1</sup>	5,100	2,524
<b>TOTAL</b>			<u><b>28,000</b></u>	<u><b>13,857</b></u>

**Notes:-**

<sup>1</sup> The deposit shall be set off against the balance of 20% of the purchase consideration and shall be released to the vendor from the escrow agent's account within five (5) business days from the date of completion of assets handover and confirmation thereof.

<sup>2</sup> The following fees to be deducted from the 80% of the purchase consideration:-  
a) the tax expenses payable by the vendor that must be withheld by the Purchaser as may be required by the PRC authority.  
b) the amount deductible (if any) agreed by the parties after the completion of due diligence.

## **2.5 Liabilities to be assumed by the Purchaser**

Anne shall assume the current guarantee extended by the Company, for the benefit of SSL amounting to USD800,000 within five business days from the completion date of the Proposed Disposal.

## **2.6 Original cost of investment**

The total original cost of investment by Super in SSL was approximately RM11.404 million incurred in 2002.

The estimated gain on disposal at group level is RMB5.675 million (or approximately RM2.808 million) (before taking into consideration the estimated expenses in relation to the Proposed Disposal).

## **2.7 Salient terms and conditions of the SSA**

The salient terms and conditions of the SSA include, among others, the following:-

### **2.7.1 Sale and purchase**

Super agrees to sell to ANNE and ANNE agrees to purchase the entire registered and paid up shares of SSL held by Super free from all encumbrances and with all rights, risks and benefits attached and subject to the terms and conditions of the SSA.

### **2.7.2 Conditions precedent**

The Proposed Disposal is conditional upon fulfilment of the following conditions precedent within two (2) months from the completion of the due diligence exercise to be undertaken by ANNE on SSL. The deadline shall be extended accordingly if the approval of the relevant PRC authority takes more than two (2) months to obtain. The conditions precedent are as follows:

- (a) Subject to ANNE giving prior written notification to SSL and/or Super, then ANNE and its accountants, lawyers and agents are allowed full access to all the books, documents, contracts and accounting records of the SSL. Subject to Super supplying or procuring the supply of all information reasonably required by ANNE for the purpose of conducting the due diligence exercise, then ANNE's accountants, lawyers or agents shall prepare a report to ANNE on the affairs of SSL and such report being delivered to ANNE shall satisfy ANNE in all material respects. The precondition is that ANNE shall notify Super the results of the review in writing and its decision of proceeding with the contemplated purchase of the shares after the completion of the report, which should be within one month from the date of the SSA;
- (b) Results of the due diligence shall meet the following conditions:
  - audited net assets value of SSL amounts to RMB19,522,962.59 as at 31 March 2011 (any deviation shall not be more than 5% downward); and
  - there are no illegal or abnormal business operations or conducts of SSL and its financial standing is consistent with the information disclosed by Super;
- (c) Approval of the shareholders of ANNE; and
- (d) Approval from the relevant authority of the PRC for ANNE's registered capital increase by ANNE's shareholder.

### 2.7.3 Covenants after the completion date

Pursuant to the SSA, Super would provide, among others, the following warranties to ANNE in relation to SSL:-

- (a) Super shall maintain SSL as its strategic partner to market all of its label products in PRC for a period of no less than five years from the completion of the Proposed Disposal;
- (b) Super, its existing controlling shareholder, actual controllers and other related parties shall not run on its own, or establish another company, agency, office through direct investment or any models such as joint venture or cooperation, within PRC which may compete, directly or indirectly, with the label product business of SSL for a period of no less than five years from the completion of the Proposed Disposal;
- (c) Super shall exclusively license SSL to use its trademark for marketing purposes within PRC for a period of no less than five years from the completion of the Proposed Disposal;
- (d) SSL shall only be allowed to use Super's trademark on its own labels products; and
- (e) Super shall continue to provide sourcing and technical assistance support to SSL on such terms and within such period which are to be mutually agreed by the relevant parties in writing.

### 2.7.4 Default by purchaser

In the event that ANNE fails to settle the purchase consideration as stipulated in the SSA or commits a material breach of the terms of the SSA prior to the completion of the Proposed Disposal, Super shall be, among others, entitled to claim for the specific performance of the SSA or to terminate the SSA.

## 2.8 Utilisation of proceeds

The cash proceeds of RMB28,000,000 (or equivalent to RM13,857,200) from the Proposed Disposal will be utilised in the following manner:-

	<b>Total RM'000</b>	<b>Estimated timeframe for utilisation</b>
Repayment of bank borrowings <sup>*1</sup>	1,780	Within one (1) year from receipt
Expansion of business <sup>*2</sup>	7,000	Within one (1) year from receipt
Capital Expenditure <sup>*3</sup>	3,920	Within one (1) year from receipt
Working capital <sup>*4</sup>	857	Within one (1) year from receipt
Estimated expenses	300	Within one (1) month from receipt
<b>Total proceeds<sup>*3</sup></b>	<b>13,857</b>	

**Notes:-**

- <sup>\*1</sup> As at 31 March 2011, the total borrowings of the Super group of companies ("Super Group" or the "Group") amounted to approximately RM13.8 million. The repayment of bank borrowings amounting to RM1.78 million is expected to result in interest savings of approximately RM194,000 upon the early retirement of such loans (which bears an average interest rate of approximately 11% per annum). However, the actual interest savings may differ due to various factors such as future changes in interest rates and the time of actual redemption.
- <sup>\*2</sup> Super intends to utilise RM7.0 million for the expansion of its Thailand subsidiary's operations which would involve the relocation of the latter's factory and office premises to Sinsakhon Printing City, Samut Sakorn from its current premises in Bangkhuntien, Bangkok. The estimated cost of the land acquisition and the erection of a building thereon is approximately RM5.4 million, of which the initial land value of approximately RM1.2 million has been fully paid. The built-up area of the new premises would be approximately 3,200 square meters (sq. m.) as compared to 694 sq. m. of its current premises. Upon the completion of the erection of the building, the subsidiary intends to utilise approximately RM2.8 million to acquire machineries which are expected to increase its current capacity by approximately 25% over the next 12 months from the operational date of the new machineries.
- <sup>\*3</sup> Super intends to utilise RM3.92 million for the purpose of upgrading the existing printing presses used in the manufacturing of labels and stickers within the Super Group.
- <sup>\*4</sup> The proceeds will also be used for the Group's working capital, which would include the financing of inventory purchases, payment to trade creditors and other operational expenses.

Any variation in the actual utilisation from the estimated amount will be adjusted in the allocation for working capital.

Pending utilisation of the proceeds from the Proposed Disposal for the above purposes, the proceeds would be placed in deposits with financial institutions and/ or short-term money market instrument(s).

**3. RATIONALE AND BENEFIT OF THE PROPOSED DISPOSAL**

The Proposed Disposal would result in a gain on disposal of approximately RMB5.675 million (or approximately RM2.808 million). The Proposed Disposal will also enable the Super Group to concentrate its efforts and resources on other countries which offer better business growth. The Board is of the view that the utilisation of proceeds as set out in Section 2.8 above would be more beneficial to the Group.

**4. RISK FACTOR RELATING TO THE PROPOSED DISPOSAL**

The Proposed Disposal will not materially change the risk profile of the Super Group as the Proposed Disposal is not expected to materially affect the future earnings of the Super Group. Nevertheless, Super wishes to highlight that the Proposed Disposal may be subjected to certain completion risk as the completion of the Proposed Disposal is conditional upon, inter-alia, fulfilling the conditions precedent as set out under section 2.7.2 of this announcement.

There can be no assurance that the Proposed Disposal will not be exposed to such risk as the inability to fulfil the conditions precedent and/ or inability to obtain the approvals from the shareholders of ANNE and/ or relevant authorities, if any. However, the Company, Anne and the other relevant parties involved will ensure that it takes all reasonable steps to ensure completion of the Proposed Disposal.

## **5. EFFECTS OF THE PROPOSED DISPOSAL**

### **5.1 Share capital and substantial shareholders' shareholdings**

The Proposed Disposal will not have any effect on the issued and paid-up share capital as well as the substantial shareholders' shareholdings in Super as the Disposal Consideration will be fully satisfied in cash.

### **5.2 Earnings**

The Proposed Disposal is expected to result in a gain on disposal at group level of RMB5.675 million (or approximately RM2.808 million) (before taking into consideration the estimated expenses in relation to the Proposed Disposal), which is expected to translate into an increase in earnings per share from 21.31 sen to 28.02 sen for the FYE 31 March 2011. Furthermore, the proceeds from the Proposed Disposal will be used for business expansion purposes which is expected to contribute positively to the Group's earnings in the future. However, SSL will no longer contribute to the Group's future consolidated earnings upon completion of the Proposed Disposal.

### **5.3 Net Assets ("NA") and gearing**

The Proposed Disposal is expected to have a positive effect on the NA per Share and gearing of Super, after taking into consideration the gain on disposal at group level of RMB5.675 million (or approximately RM2.808 million) and the repayment of RM1.78 million of its existing borrowings as illustrated in Section 2.8 above. The gearing ratio will decrease from 0.19 times to 0.16 times after the completion of the Proposed Disposal.

### **5.4 Practice Note 16 ("PN16") and Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements")**

The Proposed Disposal is not expected to result in the Company becoming a Cash Company or a PN17 Company.

## **6. APPROVALS REQUIRED**

The Proposed Disposal is not subject to the approval of any shareholders nor any relevant government authority in Malaysia. The Proposed Disposal is subjected to:-

- i. the approval of the relevant authorities in the PRC; and
- ii. the shareholder of ANNE.

Barring any unforeseen circumstances, an application to the relevant authorities in the PRC for the Proposed Disposal will be submitted by the first (1<sup>st</sup>) quarter of calendar year 2012.

## **7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM**

None of the Directors, major shareholders and/ or persons connected to them has any interest, whether direct or indirect, in the Proposed Disposal.

## **8. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the second (2<sup>nd</sup>) quarter of calendar year 2012.

**9. PERCENTAGE RATIOS**

The highest percentage ratio applicable to the Proposed Disposal as per Paragraph 10.02(g), Chapter 10 of the Listing Requirements of Bursa Securities is the value of SSL Group compared with the net assets of Super Group which amounts to approximately 19.99%.

**10. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposed Disposal, is of the opinion that the terms of the Proposed Disposal is in the best interest of Super Group.

The view of the Board was arrived at after having considered the terms and conditions of the SSA, the rationale for the Proposed Disposal, as well as the effects of the Proposed Disposal on Super Group.

**11. DOCUMENTS FOR INSPECTION**

The SSA will be made available for inspection at the registered office of the Company at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor for a period of three (3) months from the date of this Announcement.

This announcement is dated 22 November 2011.