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## **GOLDBOND GROUP HOLDINGS LIMITED**

**金榜集團控股有限公司**

*(incorporated in Hong Kong with limited liability)*

**(Stock code: 172)**

### **DISCLOSEABLE TRANSACTION**

#### **ACQUISITION OF 100% INTEREST IN A COMPANY WITH EXPLORATION RIGHTS IN PHOSPHOROUS MINE**

On 1 September 2006, Goodgrand entered into the Agreement with the Vendors pursuant to which the Vendors agreed to transfer the entire equity interest of Zhiyue to Goodgrand and/or its nominee(s) and Goodgrand agreed to purchase such equity interest of Zhiyue at a consideration of RMB30 million (equivalent to approximately HK\$28.8 million).

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Circular containing, among others, further details of the Acquisition and information required under Rule 18.09 of the Listing Rules, will be despatched to the Shareholders in accordance with the relevant requirements of the Listing Rules. As the technical expert requires additional time to compile the report for inclusion in the Circular, the Company has applied to the Stock Exchange for an extension of the deadline for the despatch of the Circular to no later than 29 December 2006.

#### **INTRODUCTION**

On 1 September 2006, Goodgrand entered into the Agreement with the Vendors pursuant to which the Vendors agreed to transfer the entire equity interest of Zhiyue to Goodgrand and/or its nominee(s) and Goodgrand agreed to purchase such equity interest of Zhiyue at a consideration of RMB30 million (equivalent to approximately HK\$28.8 million).

#### **THE AGREEMENT**

##### **Date**

1 September 2006

##### **Parties**

**Purchaser:** Goodgrand, directly wholly-owned subsidiary of Rongzhong Group, which is a 51% subsidiary of the Company

**Vendors:** Mr. Lan and Ms. Wang

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors are third parties independent of and not connected with the directors, chief executive, substantial shareholder of the Company or any of its subsidiaries or an associate of any of them.

### **Interests to be acquired**

Entire equity interest of Zhiyue

### **Consideration**

RMB30 million (equivalent to approximately HK\$28.8 million) to be satisfied by internal resources of Rongzhong Group. The consideration has been arrived at after arm's length negotiations between the parties to the Agreement and was determined by reference to the ownership by Zhiyue of the exploration rights to the Mine, the potential resources of the Mine and future prospects of Zhiyue.

Pursuant to the Agreement, the Vendors agreed to deduct, from the Consideration, any outstanding debt (if any) due to Zhiyue by either or both of the Vendors and the same shall be paid directly to Zhiyue for settlement of such debt.

### **Representations and warranties**

Pursuant to the Agreement, the Vendors have represented, warranted and undertaken, among others, the following:

- (a) the Vendors warrant that all tax liabilities (if any) would be settled before the Completion Date and saved as those disclosed in the management accounts of Zhiyue, there would not be any other payables or liabilities;
- (b) on Completion, not less than two selected senior management shall remain under the employment of Zhiyue for at least 12 months after the date of Completion; and
- (c) all decisions involving payment of more than RMB200,000 to be taken by Zhiyue before Completion Date shall be subject to Goodgrand's prior written consent.

Failing of any of the above and other representations, warranties and undertakings contained in the Agreement will constitute breach of the Agreement.

### **Payment terms**

The Consideration shall be paid by the Purchaser in the following manner:

- (i) RMB10 million payable within five days after Completion Date;
- (ii) RMB12 million payable within six months after Completion Date; and
- (iii) RMB8 million payable within 40 months after Completion Date.

Pursuant to the Agreement, any outstanding Consideration will have to be fully paid up as and when Goodgrand considers, after the Completion, that the "Repurchase undertaking" as explained below is no longer applicable.

The Consideration will be satisfied by internal resources of Rongzhong Group.

As of the date of this announcement, the Purchaser has not paid any part of the Consideration to the Vendors.

### **Conditions precedent**

Subject to the conditions set out in the Agreement, completion of the Acquisition will be conditional upon, inter alia:

- (i) the provision by the Vendors letters of resolutions of all directors and shareholders of Zhiyue agreeing to transfer the equity interest of Zhiyue to the Purchaser;
- (ii) Zhiyue having been issued with all relevant approval certificates and new business licence in respect of the Acquisition;
- (iii) expiry date of exploration rights having been legally extended to no earlier than 30 September 2007;
- (iv) approval (if necessary) in respect of the Acquisition by the relevant competent authorities having been obtained; and
- (v) Goodgrand having completed the due diligence work on the financial and legal affairs of Zhiyue and the result of which is satisfied to and accepted by Goodgrand; and the technical expert appointed by Goodgrand having compiled and submitted a report on the Mine as to its estimated phosphorous resource and other information thereof as required by Goodgrand; and such report has estimated that the phosphorous resource in the Mine is not less than four million tonnes and is in all other respects satisfied to and accepted by Goodgrand. In the event that the estimated phosphorous resource in the Mine as stated in such report is less than four million tonnes, Goodgrand has the right, at its absolute discretion, to waive this condition.

As of the date of this announcement, none of the conditions precedent as mentioned above has been satisfied.

### **Repurchase undertaking**

Pursuant to the Agreement, the Vendors undertake to repurchase the entire equity interest of Zhiyue for a sum not exceeding RMB30 million if (a) within 24 months after the Completion, a further estimation reported by the technical expert appointed by the Purchaser showed the estimated phosphorous resource of the Mine is less than eight million tonnes; or (b) within 36 months after Completion, Zhiyue failed to obtain the mining right of the Mine, Goodgrand shall have the right by notice in writing to require the Vendors to repurchase the entire equity interest of Zhiyue within three months from such notice provided that such notice have to be made within three months after such aforesaid 24 or 36 months period. Any outstanding payment to be paid by Goodgrand will be used to offset the abovementioned repurchase sum.

However, the abovementioned repurchase undertaking will be conditional upon:

- (i) the net asset value of Zhiyue as at the date of repurchase is not less than the net asset value of Zhiyue as at Completion Date, provided that if the earlier is less than the latter, Goodgrand shall have the right to require the Vendors to complete the repurchase by payment of the repurchase sum of RMB30 million less the difference in such net asset value; and

(ii) as at the date of repurchase, Goodgrand and/or its nominee(s) are the beneficial owner(s) of the entire equity interest of Zhiyue.

## Completion

Completion will take place on the day upon which the conditions of the Agreement as set out in the paragraph headed “Conditions precedent” of this announcement have been fulfilled. In the event that Completion has not taken place by 30 December 2006 (the “Long Stop Date”) due to any condition not being fulfilled, Goodgrand has the right to extend the Long Stop Date by an additional period of six months for not more than six times by serving a written notice to the Vendors before the Long Stop Date (or such later long stop date as extended by Goodgrand, where applicable). In the event that Completion has not taken place by 30 December 2006 (or such later date as extended by Goodgrand) and Goodgrand has not made a written notification to the Vendors to extend the Long Stop Date (or such later long stop date as extended by the Purchaser, where applicable), the Agreement will lapse and none of the parties thereto shall have any further liabilities towards the others save for antecedent breaches.

## INFORMATION ON ZHIYUE

Zhiyue owns the exploration rights to the Mine, a natural phosphorous mine located at 神農架林區新華鄉 (Shen Nong Jia Linq Xing Hua Xiang\*), Hubei Province, the PRC with area of approximately 8.22 sq. km. The exploration rights to the phosphorous mine was granted by 湖北省國土資源廳 (for identification purpose only, in English, the Department of Land and Resources of Hubei Province).

The exploration rights are the assessing rights given to the owner to ascertain the mine resource and potential production and legal advice has been obtained by the Company from its PRC legal advisors that the transactions contemplated under the Agreement comply with the laws of the PRC.

The registered capital of Zhiyue amounted to RMB500,000. As at 30 June 2006, the unaudited total asset and net asset value of Zhiyue (prepared in accordance with PRC GAAP) amounted to approximately RMB13,965,000 and RMB246,000 respectively. The followings are the net loss before and after taxation and extraordinary items of Zhiyue as prepared in accordance with PRC GAAP for the two years ended 31 December 2005 and the six months ended 30 June 2006:

	For the year ended 31 December		For the six months ended 30 June
	2004	2005	2006
	RMB'000	RMB'000	RMB'000
		(Audited)	(Unaudited)
Net loss before taxation and extraordinary items	–	153	101
Net loss after taxation and extraordinary items	–	153	101

The management of Zhiyue expects to apply for the mining rights of the Mine upon completion of the exploration. It is currently expected that Zhiyue may have to incur certain costs for the mining business, including but not limited to the payment of the mining rights, construction of operation and administrative facilities, which all of them are planned to be funded by internal resources and/or bank borrowings of Zhiyue.

## **INFORMATION ON VENDORS**

The Vendors, Mr. Lan and Ms. Wang, are two individuals of PRC. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Vendors are third parties independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

## **INFORMATION ON THE GROUP**

The Group is principally engaged in property development and investment and provision of financial services in Hong Kong and the PRC.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

As set out in the annual report of the Company for the financial year ended 31 March 2006, the Group takes every opportunity to focus upon and expand its strategic business developments in property and finance industries with proactive approach. The Group seek to find new potential investments and on the other hand, maintain effective cost control measures to maximize the Shareholders' return.

Phosphate rock is an important commercial source of phosphorus, which is used to make chemicals for use in many applications such as production of fine china, laundry detergents, food applications such as soda beverages, toothpaste and steel production. The most important use of phosphate rock, though, is in the production of phosphate fertilizers for agriculture and calcium phosphate nutritional supplements for animals. According to International Fertilizer Industry Association, phosphorus is the main raw material often used, among others, to produce chemical fertilizers and animal feed supplements.

According to China Phosphate Fertilizer Industry Association (中國磷肥工業協會), domestic PRC demand for phosphate rock was 43 million tonnes compared to domestic supply of 36 million tonnes in 2005. At the same time, export volume of phosphate rock have continued to increase due to strong demand for the mineral in the international market. Hubei Province increased its export of phosphate rock by 14.9% in 2004 to approximately 9.92 million tonnes and the export volume for the first two months of 2005 was approximately 5.3 million tonnes.

With the continued increase in demand and applications of phosphorus in these aspects, the Directors expect sustained demand for phosphate rock in both domestic and international markets. The Directors consider the Acquisition represents a good opportunity for the Group to expand into other business avenues and to explore its revenue sources. Having considered the above and the future prospects of Zhiyue, and also the Consideration was arrived at after arm's length negotiations with the Vendors and on normal commercial terms, the Directors (including the independent non-executive Directors) are of the opinion that the Acquisition was conducted upon normal commercial terms and are fair and reasonable so far as the Shareholders as a whole are concerned.

## **General**

The Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, among others, further details of the Acquisition and information required under Rule 18.09 of the Listing Rules (the "Circular"), will be despatched to the Shareholders in accordance with the relevant requirements of the Listing Rules. As the technical expert requires additional time to compile the report for inclusion in the Circular, the Company has applied to the Stock Exchange for an extension of the deadline for the despatch of the Circular to no later than 29 December 2006.

As at the date of this announcement, the Board comprised Mr. Wong Yu Lung, Charles, Mr. Lan Ning, Mr. Kee Wah Sze and Mr. Ding Chung Keung, Vincent (executive Directors), Mr. Ip Yin Wah, Mr. Ma Ho Fai JP and Mr. Melvin Jitsumi Shiraki (independent non-executive Directors).

## DEFINITIONS

“Acquisition”	the acquisition of the entire equity interest in Zhiyue by the Purchaser from the Vendors in accordance with the terms and conditions of the Agreement
“Agreement”	the formal sale and purchase agreement dated 1 September 2006 entered into between Goodgrand and the Vendors in relation to the Acquisition
“Board”	the board of Directors
“Company”	Goldbond Group Holdings Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement
“Completion Date”	on or before 30 December 2006, or such later date as Goodgrand may extend in accordance with the Agreement
“Consideration”	RMB30 million (equivalent to approximately HK\$28.8 million), being the consideration for the Acquisition under the Agreement
“Directors”	the directors of the Company
“Goodgrand”/“Purchaser”	Goodgrand Investments Limited, a company incorporated in the British Virgin Islands with limited liability directly wholly-owned by Rongzhong Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region of the PRC
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mine”	a natural phosphorous mine known as 湖北省神農架林區柳樹袍磷礦 (Shen Nong Jia Linqu Liushupao Phosphorous Mine*) and located at 神農架林區新華鄉 (Shen Nong Jia Linqu Xin Hua Xiang*), Hubei Province, the PRC
“Mr. Lan”	兰杰 (Lan Jie), a PRC individual and one of the Vendors

“Ms. Wang”	王莉 (Ms. Wang Li), a PRC individual and one of the Vendors
“PRC”	the People’s Republic of China
“PRC GAAP”	Generally accepted accounting principles of the PRC
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Rongzhong Group”	Rongzhong Group Limited, a 51% owned subsidiary of the Company
“Shareholders”	the holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendors”	Mr. Lan and Ms. Wang, being two PRC individuals and third parties independent of and not connected persons (as defined under the Listing Rules) of the Company
“Zhiyue”	神農架志越礦業有限責任公司 (Shen Nong Jia Zhiyue Mining Company Limited*), an enterprise established in the PRC on 17 August 2004 and is beneficially owned by the Vendors
“%”	per cent.
“sq. km.”	square kilometer(s)

*Translations of RMB into Hong Kong dollars are based on the exchange rates of RMB1.04 to HK\$1.00 for information purpose only. Such translations should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.*

By order of the Board  
**Goldbond Group Holdings Limited**  
**Wong Yu Lung, Charles**  
*Chief Executive Officer*

Hong Kong, 8 September 2006

\* *For identification purpose only*

“Please also refer to the published version of this announcement in The Standard”