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Golden Dragon Group (Holdings) Limited

金龍集團（控股）有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 329)

ANNOUNCEMENT VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION - SUPPLEMENTAL AGREEMENT TO THE SALE AND PURCHASE AGREEMENT DATED 13 FEBRUARY 2007 AND RESUMPTION OF TRADING

On the 30 March, 2007, the Vendor, the Purchaser and the Guarantors entered into a Supplemental Agreement to amend the terms of the Convertible Note under the Agreement. Under the Supplemental Agreement, the initial conversion price of the Convertible Note will be increased from HK\$1.20 to HK\$1.80 and the maturity date of the Convertible Note will be amended from 5 years from the date of issue of the Convertible Note to 3 years from the date of issue of the Convertible Note.

The Supplemental Agreement is conditional upon (i) the Agreement becoming unconditional and not being terminated in accordance with the terms thereof, (ii) approval by the independent shareholders of the Company (i.e. shareholders other than Mr. Wong Yin Sen, Mr. Hon Lik, Mr. Wong Hei Lin and Mr. Li Kim Hung, Isaacs and their respective associates) of the Shareholders' resolution in relation to, inter alia, the Supplemental Agreement and all transactions contemplated thereunder at the EGM and (iii) the waiver granted by the Executive waiving the obligations of the Vendor and its concert parties to make a mandatory offer for all the Shares not already owned by them under Rule 26 of the Takeovers Code pursuant to Note 6 to Rule 26.1 of the Takeovers Code as a result of the full conversion of the Convertible Note by the Vendor, not being revoked as a result of the amendments of the terms of the Convertible Note under the Supplemental Agreement.

Trading in the Shares was suspended at the request of the Company with effect from 9:30 a.m. on 30 March 2007 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the trading in the Shares to resume from 9:30 a.m. on 4 April 2007 following the publication of this announcement.

INTRODUCTION

Reference is made to the announcement of the Company dated 19 March 2007 ("Announcement") in respect of the sale and purchase of the entire issued share capital of Best Partners. Unless otherwise stated herein, words and expressions defined in the Announcement shall have the same meaning when used in this announcement.

SUPPLEMENTAL AGREEMENT

The Board is pleased to announce that a supplemental agreement was entered into on 30 March 2007 ("Supplemental Agreement") between the Vendor, the Purchaser and the Guarantors whereby the parties thereto agreed to amend the terms of the Convertible Note under the Agreement as follows:

- the conversion price of HK\$1.20 per Share has been increased to HK\$1.80 per Share; and
- the maturity date of the Convertible Notes has been amended from five years from the date of issue of the Convertible Notes to three years from the date of issue of the Convertible Notes.

The revised conversion price of HK\$1.80 per Conversion Share represents:

- a premium of approximately 26.76% to the closing price of HK\$1.42 per Share as quoted on the Stock Exchange on the last trading day of the Shares on the Stock Exchange immediately prior to the date of this announcement ("Last Trading Day");
- a premium of approximately 53.84% to the average closing price of approximately HK\$1.17 per Share for the last five trading days up to and including the Last Trading Day;
- a premium of approximately 31.38% to the average closing price of approximately HK\$1.37 per Share for the last 10 trading days up to and including the Last Trading Day; and
- a premium of approximately 361.54% to the net asset value per Share of HK\$0.39 as at 31 December 2005 based on the latest published audited financial information of the Group as shown in the Company's 2005 annual report and the current issued Shares as at the date of this announcement.

Details of the shareholding structure of the Company (i) as at the date of this announcement, (ii) after Completion and full conversion of the Convertible Note by the Vendor in the amount of RMB1,120,000,000 and assuming that there is no further issue of Shares and (iii) after Completion and in the event that there is an Excess, full conversion of the Convertible Note in the amount of RMB1,500,000,000 which is the maximum amount of the Convertible Note that may be issued by the Company under the Agreement and assuming that there is no further issue of Shares are set out below:—

Name	Number of Shares held directly or indirectly as at the date of this announcement	Approximate percentage of the total issued share capital of the Company	Number of Shares held directly or indirectly immediately after Completion and full conversion of the Convertible Note in the amount of RMB1,120,000,000	Approximate percentage of the enlarged total issued share capital of the Company	Number of Shares held directly or indirectly immediately after Completion and in the event that there is an Excess, full conversion of the Convertible Note in the amount of RMB1,500,000,000	Approximate percentage of the enlarged total issued share capital of the Company
Absolute Target (<i>note 1</i>)	388,000,000	55.36%	388,000,000	29.33%	388,000,000	25.29%
The Vendor (<i>note 2</i>)	—	—	622,222,222	47.03%	833,333,333	54.32%
Sub-total of interest of Absolute Target and the Vendor and their respective concert parties	—	—	1,010,222,222	76.36%	1,221,333,333	79.61%
Public	312,800,000	44.64%	312,800,000	23.64%	312,800,000	20.39%
Total	700,800,000	100.00%	1,323,022,222	100.00%	1,534,133,333	100.00%

Notes

- As at the date hereof, Absolute Target is owned as to 46.25% by Mr. Wong, 42.50% by Mr. Hon and 11.25% by Mr. Wong Hei Lin. As disclosed in the announcement of the Company dated 17 January 2007, Absolute Target has issued Exchangeable Bonds exchangeable for an aggregate of 65,000,000 Shares held by Absolute Target to two investors. It is also disclosed in such announcement that Absolute Target agreed to mortgage (i) 175,600,000 Shares in favour of one investor and (ii) 175,600,000 Shares in favour of the remaining investor.

- As at the date hereof, the shareholding of the Vendor is held (i) as to approximately 60.50% by Dragon Concept Investments Limited, a company whose interest is beneficially owned as to 52.11% by Mr. Wong and 47.89% by Mr. Hon; (ii) as to approximately 4.75% by Success Glory Group Limited, a company whose interest is beneficially owned by Mr. Li Kim Hung, Isaacs, an executive Director; (iii) as to approximately 4.75% by Goldtools Investment Limited, a company whose interest is beneficially owned by Mr. Wong Hei Lin, an executive Director; and (iv) as to 30% by the Six Other Individual Shareholders.
- As at the date of this announcement, there are no other outstanding convertible note, share option, warrant, derivative or other securities convertible into or exchangeable for the Shares.

The Supplemental Agreement is conditional upon (i) the Agreement becoming unconditional and not being terminated in accordance with the terms thereof, (ii) approval by the independent shareholders of the Company (i.e. shareholders other than Mr. Wong Yin Sen, Mr. Hon Lik, Mr. Wong Hei Lin and Mr. Li Kim Hung, Isaacs and their respective associates) of the Shareholders' resolution in relation to, inter alia, the Supplemental Agreement and all transactions contemplated thereunder at the EGM and (iii) the waiver granted by the Executive waiving the obligation of the Vendor and its concert parties to make a mandatory offer for all the Shares not already owned by them under the Takeovers Code as a result of the full conversion of the Convertible Note by the Vendor, not being revoked as a result of the amendments of the terms of the Convertible Note under the Supplemental Agreement.

In the event that conditions (i) and (ii) above cannot be fulfilled by the Long Stop Date or that the Executive revokes the aforesaid waiver on or before the Long Stop Date, the Supplemental Agreement shall forthwith terminate and be null and void and of no further effect. The Executive has confirmed that the aforesaid waiver remains valid as a result of the amendments of the terms of the Convertible Notes under the Supplemental Agreement.

REASONS OF THE SUPPLEMENTAL AGREEMENT

In view of the current market conditions after the release of the Announcement and after considering feedbacks from investors on the terms of the Acquisition, the Directors further negotiated the terms of the Acquisition with the Vendor and both parties resolved to enter into the Supplemental Agreement to amend the initial conversion price and the maturity date of the Convertible Note in the manner as set out above. In addition, the increase of the initial conversion price to HK\$1.80 will reduce the risk of insufficient minimum public float requirement as prescribed under Rule 8.08 of the Listing Rules.

The Directors are of the view that the terms of the Supplemental Agreement are fair and reasonable and in the interest of the Company and its shareholders as a whole.

GENERAL

The Board noted the recent increase in the price and trading volume of Shares of the Company.

Save for amendments to the terms of the Convertible Note as disclosed herein, the Board confirms that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under Rule 13.23 of the Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 13.09 of the Listing Rules, which is or may be of a price-sensitive nature.

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By order of the board
Golden Dragon Group (Holdings) Limited
Wong Yin Sen
Chairman

Hong Kong, 3 April 2007

As at the date of this announcement, the executive Directors are Mr. Wong Yin Sen, Mr. Hon Lik, Mr. Wong Hei Lin, Mr. Li Kim Hung, Isaacs; the non-executive Director is Ms. Cheng Kong Yin; and the independent non-executive Directors are Mr. Pang Hong, Mr. Cheung Kwan Hung, Anthony and Mr. Ding Xun.

The Directors jointly and severally accept full responsibility for the accuracy of the information (other than that in respect of the Vendor) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The directors of the Vendor, namely Mr. Wong Yin Sen and Mr. Hon Lik jointly and severally accept full responsibility for the accuracy of the information (other than that in respect of Group) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

Translation of Renminbi into Hong Kong dollars in this announcement is based on the exchange rate of HK\$1.00 = RMB1.00.