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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 IN RESPECT OF THE ISSUANCE OF THE EXCHANGEABLE BONDS AND THE MORTGAGE OF SHARES BY THE CONTROLLING SHAREHOLDER RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Note (3) to Rule 13.09(1) of the Listing Rules.

On 16 January 2007, the Company has been advised by Absolute Target, being the controlling shareholder of the Company holding 388,000,000 Shares (representing approximately 55.36% of the issued share capital of the Company) that (i) the Subscription Agreement was entered into on 16 January 2007 pursuant to which, among other things, each of Absolute Target, Messrs. Wong Yin Sen and Hon Lik agreed to the issue the Exchangeable Bonds exchangeable into the aggregate number of 65,000,000 Shares (representing approximately 9.28% of the issued share capital of the Company) held by Absolute Target to the said two investors in the principal amount of HK\$39,000,000 each; (ii) Absolute Target agreed to execute two mortgages (as security for the performance of Absolute Target under the Exchangeable Bonds) on 16 January 2007 pursuant to which Absolute Target agreed to mortgage 175,600,000 Shares (representing approximately 25.055% of the issued share capital of the Company) held by it in favour of one of the two investors and also 175,600,000 Shares (representing approximately 25.055% of the issued share capital of the Company) held by it in favour of the remaining investor; (iii) Messrs. Wong Yin Sen and Hon Lik agreed to execute a mortgage (as security for the performance of Absolute Target under the Exchangeable Bonds) on 16 January 2007 pursuant to which Absolute Target agreed to mortgage certain shares of US\$1.00

each of Absolute Target (representing approximately 88.75% of the issued share capital of Absolute Target) held by them in favour of the two investors; and (iv) Dragon Concept will execute a guarantee in favour of each of the two investors prior to the Completion Date to guarantee the obligations of Absolute Target under the Subscription Agreement and the Exchangeable Bonds.

At the request of the Company, trading in Shares was suspended with effect from 9.39 a.m. on Wednesday, 17 January 2007 pending the publication of this announcement in respect of the Exchangeable Bonds and the Mortgage of Shares. Application has been made to the Stock Exchange for resumption of trading with effect from 9:30 a.m. on Thursday, 18 January 2007.

The Company makes this announcement pursuant to Note (3) to Rule 13.09 (1) of the Listing Rules.

On 16 January 2007, the Company has been advised by Absolute Target, being the controlling shareholder of the Company holding 388,000,000 Shares (representing approximately 55.36% of the issued share capital of the Company), that (i) the Subscription Agreement was entered into on 16 January 2007 pursuant to which among other things, each of Absolute Target, Messrs. Wong Yin Sen and Hon Lik agreed to the issue the Exchangeable Bonds exchangeable into the aggregate number of 65,000,000 Shares (representing approximately 9.28% of the issued share capital of the Company) held by Absolute Target to the said two investors in the principal of HK\$39,000,000 each; (ii) Absolute Target agreed to enter into two mortgages (as security for the performance of Absolute Target under Exchangeable Bonds) on 16 January 2007 pursuant to which Absolute Target agreed to mortgage 175,600,000 Shares (representing approximately 25.055% of the issued share capital of the Company) held by it in favour of one of the said two investors and another 175,600,000 Shares (representing approximately 25.055% of the issued share capital of the Company) held by it in favour of the remaining investor; (iii) Messrs. Wong Yin Sen and Hon Lik agreed to enter into a mortgage (as security for the performance of Absolute Target under the Exchangeable Bonds) on 16 January 2007 pursuant to which Absolute Target agreed to mortgage certain shares of US\$1.00 each of Absolute Target (representing approximately 88.75% of the issued share capital of Absolute Target) held by them in favour of the said two investors; and (iv) Dragon Concept will execute a guarantee in favour of each of the two investors prior to the Completion Date to guarantee the obligations of Absolute Target under the Subscription Agreement and the Exchangeable Bonds.

The purpose of the issuance of the Exchangeable Bonds by Absolute Target is to on-lend the net proceeds of such issuance for the general business development and working capital purposes of Dragon Concept and its subsidiaries. Such proceeds are, not and will not be, used for financing the proposed acquisition of a minimum of 30% equity interest in the Target Company.

On the Maturity Date, unless the Exchangeable Bonds were previously redeemed or exchanged for Shares, Absolute Target shall redeem any of the outstanding Exchangeable Bonds at (i) the principal amount of the Exchangeable Bonds; and (ii) an amount

representing a gross annual yield of 10% from and including the issue date of the Exchangeable Bonds but up to excluding the Maturity Date.

Each of the holder of the Exchangeable Bonds shall have the right to exchange all or part of the principal amount of the Exchangeable Bonds for Shares at the price of HK\$1.20 per Share (representing a discount of amount 20% to the closing price of HK\$1.50 quoted on the Stock Exchange on 16 January 2007) (“**Exchange Price**”), which is subject to adjustments and resets, at any time following the earlier of (i) the completion of the acquisition by the Company of a minimum of 30% equity interest in the Target Company; and (ii) 30 April 2007, until 10 Business Days prior to the Maturity Date.

In the event that a holder of Exchangeable Bonds exercises its right to exchange as mentioned above, Absolute Target has an option to pay cash (in whole and not in part), instead of transferring the related Shares, to such Bondholder in an amount equal to the Closing Price multiplied by the number of Shares that such holder of the Exchangeable Bonds would have received.

In the event that the Current Market Price of Shares at any time after the first anniversary of the issue date of the Exchangeable Bonds has reached HK\$2.00 per Share, Absolute Target may call upon each of the holders of the Exchangeable Bonds to exchange all, but not some, of the then outstanding principal amount of the Exchangeable Bonds (unless previously redeemed or exchanged for Shares) into Shares at the Exchange Price.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the two investors and the beneficial owner of each of them are third parties independent of the Company and the Company’s connected persons.

The Board considers that the financial position and operation of the Company will not be affected by the aforesaid, as Absolute Target only holds the Shares as an investment and the Company is operated independently from Absolute Target.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of the Company, trading in Shares was suspended with effect from 9.39 a.m. on Wednesday, 17 January 2007 pending the publication of this announcement in respect of the Exchangeable Bonds and the Mortgage of Shares. Application has been made to the Stock Exchange for resumption of trading with effect from 9:30 a.m. on Thursday, 18 January 2007.

## **DEFINITIONS**

In this announcement, the following terms shall have the following meanings:

“Absolute Target” means Absolute Target Limited, a company incorporated in BVI, and a substantial shareholder of the Company holding 55.36% interest in the issued share capital of the Company and it is beneficially owned as to approximately 46.25%, 42.5% and 11.25% by Messrs. Wong Yin Sen, Hon Lik and Wong Hei Lin, respectively.

“Board”	means the board of Directors.
“Business Day”	means any day which is not a Saturday, Sunday, statutory holiday or other day on which banking institutions in Hong Kong (or in any other place in which payments on the Exchangeable Bonds are to be made) are authorised by law or governmental regulation to close.
“BVI”	means British Virgin Islands.
“Closing Price”	means the higher of the volume weighted average trading price for one Share as reported by Bloomberg L.P. for the 10 consecutive Trading Days (which are prior to the date of the exercise notice) from the date of the exercise notice or the closing market price for the Shares quoted by the Stock Exchange on the date of the exercise notice;
“Company”	means Golden Dragon Group (Holdings) Limited, a company incorporated in Cayman Islands, the shares of which are listed on the main board of the Stock Exchange.
“Completion Date”	means 18 January 2007 or such other date (being not later than the 15th day after the date of the Subscription Agreement) as the two investors and Absolute Target may agree.
“Current Market Price”	means, in respect of a Share at a particular time on a particular date, the volume weighted average trading price for one Share as reported by Bloomberg L.P. for the 30 consecutive Trading Days ending on and including such date (if it is a Trading Day) or ending on and including the Trading Day immediately preceding such date (if it is not a Trading Day);
“Dragon Concept”	means Dragon Concept Investments Limited, a company incorporated in BVI, which is beneficially owned as to 52.11% and 47.89% by Messrs. Wong Yin Sen and Hon Lik, respectively.
“Exchangeable Bonds”	means the exchangeable bonds in the aggregate principal amount of HK\$78,000,000 to be issued by Absolute Target pursuant to the Subscription Agreement.
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China.
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange.
“Maturity Date”	means 3 years from the Completion Date, being the maturity date of the Exchangeable Bonds unless the Exchangeable Bonds were previously redeemed or exchanged for Shares.
“Shares”	means shares of HK\$0.10 each in the issued share capital of the Company.

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited.
“Subscription Agreement”	means the subscription Agreement dated 16 January 2007 entered into among (i) Absolute Target as issuer; (ii) Mr. Wong Yin Sen and Mr. Hon Lik as warrantors; (iii) the two investors; and (iv) Dragon Concept Investments Limited, a company beneficially owned by Mr. Wong Yin Sen and Mr. Hon Lik, as guarantor pursuant to which Absolute Target agreed to issue the Exchangeable Bonds to the two investors.
“Target Company”	has the meaning as defined in the announcement of the Company dated 7 December 2006.
“Trading Day”	means a day when the Stock Exchange or, as the case may be, an alternative stock exchange is open for dealing business, provided that if no closing price is reported in respect of the Shares on the Stock Exchange or, as the case may be, the alternative stock exchange for one or more consecutive dealing days, such day or days will be disregarded in any relevant calculation and shall be deemed not to have existed when ascertaining any period of dealing days.
“HK\$”	means the lawful currency of Hong Kong.
“US\$”	means the lawful currency of the United States of America.
“%”	per cent.

By Order of the Board  
**Golden Dragon Group (Holdings) Limited**  
**Wong Yin Sen**  
*Chairman*

Hong Kong, 17 January 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.*

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