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# CHINA FORCE OIL & GRAINS INDUSTRIAL HOLDINGS CO., LTD.

## 中 盛 糧 油 工 業 控 股 有 限 公 司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1194)**

### DISCLOSEABLE TRANSACTION

The Board would like to announce that the Share Transfer Agreement has been entered into pursuant to which China Force (BVI), as the transferor, has agreed to transfer the Sale Shares to Fairwill International, as the transferee, subject to the terms and conditions thereof.

Under the Share Transfer Agreement, closing will be taken place in two stages, namely the First Closing and the Second Closing, upon satisfaction of certain conditions. At the First Closing, China Force (BVI) will transfer 70 per cent. of the Sale Shares to Fairwill International after obtaining the Land Use Right. At the Second Closing, China Force (BVI) will transfer the remaining 30 per cent. of the Sale Shares to Fairwill International after the application for extending the business scope of China Force (Xiamen) is granted. The total consideration under the Share Transfer Agreement is RMB24.0 million which will be settled by way of cash by Fairwill International on the First Closing Date and the Second Closing Date in the proportion of 70:30, respectively.

Based on the applicable ratios set forth in Chapter 14 of the Listing Rules (other than the equity capital ratio which is not applicable to the Share Transfer), the Share Transfer constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company under rule 14.06(2) of the Listing Rules. A circular containing further information on the Share Transfer Agreement will be dispatched to the Shareholders pursuant to the requirements under rules 14.34 and 14.38 of the Listing Rules.

#### PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

**Date** 26 April 2007, after 4:00 p.m.

#### Parties

Transferor: China Force (BVI)

Transferee: Fairwill International, which is an independent third party that no members of the Group has conducted any transaction with it or its ultimate beneficial owner

Company: China Force Xiamen (BVI)

#### Major terms and conditions

##### *The sale and purchase of the Sale Shares*

Pursuant to the Share Transfer Agreement, China Force (BVI), as the transferor, has agreed to transfer the Sale Shares (representing all the issued shares in the share capital of China Force Xiamen (BVI)), to Fairwill International, as the transferee, subject to the terms and conditions thereof. China Force Xiamen (BVI) holds the entire equity interest in China Force (Xiamen).

China Force (BVI) will transfer 70 per cent. and 30 per cent. of the Sale Shares to Fairwill International at the time of the First Closing and the Second Closing, respectively. Following the Second Closing, both China Force Xiamen (BVI) and China Force (Xiamen) will cease to be subsidiaries of the Company.

### *Basis of determining the amount of the consideration*

The total consideration of RMB 24.0 million was determined by arm's length negotiations among the parties to the Share Transfer Agreement having considered the following factors:—

- 1) the appraised values of China Force (Xiamen) provided by an independent valuer in the PRC. The total asset value and net asset value of China Force (Xiamen) as at 19 April 2007 were appraised, based on replacement method, by an independent valuer in the PRC to be approximately RMB 32.02 million and RMB 17.64 million, respectively. As at 19 April 2007, the total liabilities of China Force (Xiamen) was in the amount of RMB 14.38 million, representing the amount due to other members of the Group which was principally applied in acquiring the assets of China Force (Xiamen). Following arm's length negotiations among the parties to the Share Transfer Agreement, it has been agreed that China Force (BVI) will ensure that all the existing liabilities of China Force (Xiamen) will be fully settled after the First Closing and China Force Xiamen (BVI) will not take up the existing liabilities of China Force (Xiamen);
- 2) the nature of assets of China Force (Xiamen). The principal assets of China Force (Xiamen) is the Land and a motor vehicle;
- 3) the location and the industrial usage of the Land; and
- 4) the financial condition of the Group as a whole.

China Force Xiamen (BVI) is an investment holding company with no business activities. The only asset of China Force Xiamen (BVI) is the entire equity interest in China Force (Xiamen). The assets of China Force (Xiamen) were financed by lending from other members of the Group and entered into the management accounts at historical costs without taking into account the appraised value. Hence, the unaudited net asset value of China Force Xiamen (BVI) as at the date of this announcement is approximately US\$10.0.

### *Payment of the consideration*

The total consideration under the Share Transfer Agreement is RMB24.0 million which will be settled in cash by Fairwill International according to the following timetable:-

- (i) Fairwill International shall pay RMB 16.8 million (equivalent to approximately HK\$16.97 million), representing 70 per cent. of the total consideration, to an escrow account on the third calendar day prior to the First Closing Date and shall instruct the escrow agent to transfer such amount to China Force (BVI) on the First Closing Date; and
- (ii) Fairwill International shall pay RMB 7.2 million (equivalent to approximately HK\$7.27 million), representing 30 per cent. of the total consideration, to an escrow account on the third calendar day prior to the Second Closing Date and shall instruct the escrow agent to transfer such amount to China Force (BVI) on the Second Closing Date.

### **First Closing and Second Closing**

At the First Closing, China Force (BVI) will transfer 70 per cent. of the Sale Shares to Fairwill International after obtaining the Land Use Right. At the Second Closing, China Force (BVI) will transfer the remaining 30 per cent. of the Sale Shares to Fairwill International after the application for extending the business scope of China Force (Xiamen) is granted.

### **Other major terms of the Share Transfer Agreement**

Pursuant to the Share Transfer Agreement, Fairwill International acknowledges that China Force (BVI) shall be entitled to a land premium in respect of the Land in the amount of approximately RMB 1.1 million to be refunded by the relevant PRC authority upon the First Closing and any such refund obtained by China Force (Xiamen) after the First Closing shall belong to China Force (BVI) entirely.

### **REASONS FOR THE SHARE TRANSFER**

#### **Reasons for the Share Transfer**

The Group is principally engaged in refining, fractionation, sale and trading of edible oil products in the PRC. As disclosed in its 2005 and 2006 results announcements, the refining and fractionation business of the Group suffered exceptional losses principally due to adverse market conditions. As such, the Directors plan to shift the business focus of the Group to become a producer and supplier of edible oil in retail packages in the PRC. Entering into the Share Transfer Agreement is therefore a step taken by the Group to implement this business strategy. The Directors, including the independent non-executive Directors, confirm that the terms of the Share Transfer Agreement are negotiated on an arm's length basis and are of the views that the terms and conditions are fair and reasonable and in the interest of the Shareholders as a whole.

China Force Xiamen (BVI) is an investment holding company with no business activities. The only asset of China Force Xiamen (BVI) is the entire equity interest in China Force (Xiamen), the business scope of which is refining, storage, transit and sale of edible oils. As at the date of this announcement, China Force (Xiamen) has yet to commence business.

### **Proposed use of net proceeds**

Following completion of the Share Transfer, the Group will receive net proceeds of approximately RMB23.0 million. The Directors intend to apply such proceeds as the general working capital of the Group.

### **NET PROFIT/LOSS OF CHINA FORCE XIAMEN (BVI)**

China Force Xiamen (BVI) was established on 20 June 2006 as an investment holding company with no business activities. The entire equity interest in China Force (Xiamen), being the only asset of China Force Xiamen (BVI), was transferred from China Force (BVI) in January 2007. As a result, the net profit or loss of China Force Xiamen (BVI) before and after taxation and extraordinary items for the two financial years ended 31 December 2006 is nil.

### **GAIN OF THE SHARE TRANSFER**

Following the First Closing and the Second Closing, the gain on the Share Transfer is approximately RMB 8.62 million which represents the net proceeds of the Share Transfer in the amount of approximately RMB 23.0 million deducted by the liabilities of China Force (Xiamen) of approximately RMB14.38 million and the unaudited net asset value of China Force Xiamen (BVI) as at the date of this announcement of approximately US\$10.0. Since the liabilities of China Force (Xiamen) of approximately RMB14.38 million is the amount due to other members of the Group, there will be a cash inflow of approximately RMB 23.0 million after the First Closing and the Second Closing.

### **BUSINESS OF FAIRWILL INTERNATIONAL**

To the best of the Directors' knowledge, information and belief, Fairwill International is an investment holding company with no business activity nor any subsidiary as at the date of this announcement.

To the best of the Directors' knowledge, information and belief, having made all reasonable inquiry, Fairwill International and its ultimate beneficial owner are third parties independent of the Company and connected persons (as such term is defined under the Listing Rules) of the Company and are not connected persons (as such term is defined under the Listing Rules) of the Company.

### **DISCLOSEABLE TRANSACTION**

Based on the applicable ratios set forth in Chapter 14 of the Listing Rules (other than the equity capital ratio which is not applicable to the Share Transfer), the Share Transfer constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company under rule 14.06(2) of the Listing Rules. A circular containing further information on the Share Transfer Agreement will be dispatched to the Shareholders pursuant to the requirements under rules 14.34 and 14.38 of the Listing Rules.

### **DEFINITIONS USED IN THIS ANNOUNCEMENT**

Unless the context requires otherwise, the capitalized terms used in this announcement shall have the following meanings:-

“Board”	means the board of Directors;
“China Force (BVI)”	means China Force Oils & Grains Industrial Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“China Force Xiamen (BVI)”	means China Force Oils & Grains Xiamen Limited 中盛糧油(廈門)有限公司, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of China Force (BVI) prior to the First Closing and the Second Closing;
“China Force (Xiamen)”	means 中盛統一糧油工業(廈門)有限公司 (China Force Oils & Grains Industrial (Xiamen) Limited*), a wholly-foreign owned enterprise established in the PRC and a wholly-owned subsidiary of China Force Xiamen (BVI);
“Company”	means China Force Oil & Grains Industrial Holdings Co., Ltd. (中盛糧油工業控股有限公司), a company incorporated in the Cayman Islands on 14 January 2004 with limited liability whose shares are listed on the Stock Exchange;
“Directors”	means the directors of the Company;
“Fairwill International”	means Fairwill International Co. Ltd., a company incorporated in Brunei with limited liability;
“First Closing”	means completion of the transfer of 70 per cent. of the Sale Shares pursuant to the Share Transfer Agreement after obtaining the Land Use Right by China Force (Xiamen);
“First Closing Date”	means the date on which the First Closing takes place;
“Group”	means the Company and its subsidiaries (with the same meaning as defined in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong));
“HK\$”	means the lawful currency of Hong Kong;
“Hong Kong”	means The Hong Kong Special Administrative Region;

“Land”	means a parcel of land of approximately 60,000 square metres situated within Haicang Logistics Park, Xiamen, the PRC, owned by China Force (Xiamen);
“Land Use Right”	means land use right of the Land;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	means the People’s Republic of China which for the purpose of this announcement does not include Hong Kong, Taiwan and The Macau Special Administrative Region of the PRC;
“RMB”	means the lawful currency of the PRC;
“Sale Shares”	means the entire issued shares of the share capital of China Force Xiamen (BVI);
“Second Closing”	means completion of the transfer of the remaining 30 per cent. of the Sale Shares pursuant to the Share Transfer Agreement after the application for extending the business scope of China Force (Xiamen) is granted;
“Second Closing Date”	means the date on which the application for extending the business scope of China Force (Xiamen) is granted;
“Share Transfer”	means the transaction contemplated under the Share Transfer Agreement;
“Share Transfer Agreement”	means an agreement dated 26 April 2007 entered into among China Force (BVI), Fairwill International and China Force Xiamen (BVI);
“Shareholder(s)”	means the holder(s) of the ordinary shares of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited; and
“US\$”	means the lawful currency of the United States of America.

\* For identification purpose only

By order of the Board of  
**China Force Oil & Grains Industrial Holdings Co., Ltd.**  
**LIM Wa**  
*Chairman*

The Directors as at the date of this announcement are as follows:—

*Executive Directors:—*

Mr. LIM Wa  
Mr. LAM Cham  
Mr. LI Xiao Ning  
Mr. DING Ming Shan

Hong Kong, 2 May 2007

*Independent non-executive Directors:—*

Professor XIAO Zhuo Ji  
Dr. WONG Lung Tak, Patrick, J.P.  
Mr. CHAN Kin Sang

For the purpose of this announcement and for illustration purpose only, the exchange rate between RMB and HK\$ is RMB 1.00 = HK\$ 1.01. The Directors are not able to confirm that this exchange rate is the prevailing exchange rate between RMB and HK\$ or that RMB can be converted to HK\$ at all.

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