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GOLDEN RESOURCES DEVELOPMENT INTERNATIONAL LIMITED

金源米業國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 677)

CONNECTED TRANSACTION IN RESPECT OF DISPOSAL OF WUHAN GOLDEN RESOURCES RICE INDUSTRY LIMITED

Financial adviser to the Company



Baron Capital Limited

The Directors announce that Sinofit, an indirect wholly-owned subsidiary of the Company, entered into the Agreement on 25 October 2005 with Wuhan No. 1, pursuant to which Sinofit agreed to sell its 55% equity interests in WGR to Wuhan No. 1 at a consideration of RMB4,060,000 (approximately HK\$3,900,000). On the same date, Mr. Lam agreed to sell his 10% equity interests in WGR to Ms. Yang Zhixin (楊志新) ("Ms. Yang"), being the chief executive and the secretary of Wuhan No. 1.

Prior to the Agreement, WGR was owned as to 55% by Sinofit, 35% by Wuhan No. 1 and 10% by Mr. Lam. Immediately following Completion, WGR will be owned as to 90% by Wuhan No. 1 and 10% by Ms. Yang.

By virtue of the fact that Wuhan No. 1 is the substantial shareholder of WGR, an indirect non-wholly-owned subsidiary of the Company, the Disposal constitutes a connected transaction for the Company under Rule 14A.13 (1)(a) of the Listing Rules. Given that the Relevant Ratio for the Disposal does not exceed 2.5% and the consideration is less than HK\$10,000,000 under Rule 14A.32(2) of the Listing Rules, the Disposal is subject to the reporting and announcement requirements in accordance with Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

Date

25 October 2005

Vendor

Sinofit, an indirect wholly-owned subsidiary of the Company

Purchaser

Wuhan No. 1, a substantial shareholder of WGR

Assets to be disposed of

Sinofit agreed to sell its 55% equity interests in WGR to Wuhan No. 1 at a consideration of RMB4,060,000 (approximately HK\$3,900,000).

According to the audited consolidated financial statements of the Group as at 31 March 2005 prepared under Hong Kong generally accepted accounting principles, the carrying value of the Group's interest in WGR as at 31 March 2005 was fully written down to zero. Since WGR ceased its operation in 1999 and the shareholders of WGR had no concrete plans to resume its operation, the Group made a full provision to write off the carrying value of the Group's interest in WGR amounted to approximately HK\$31.9 million in 1999.

Consideration

Pursuant to the Agreement, the consideration of RMB4,060,000 (approximately HK\$3,900,000) payable by Wuhan No. 1 to the Company will be settled in the following manner: 50% of the consideration i.e. RMB2,030,000 (approximately HK\$1,950,000) will be payable on the date of the Agreement and the outstanding balance will be payable within 55 business days from the date of the Agreement. As at the date of this announcement, the initial instalment of the consideration, i.e. RMB2,030,000 (approximately HK\$1,950,000) has been received.

The consideration was arrived at after arm's length negotiations between the parties to the Agreement with reference to the dormant and insolvent status of WGR.

Settlement Agreement

On 25 October 2005 and prior to the signing of the Agreement, Sinofit entered into the Settlement Agreement pursuant to which, among others, Sinofit agrees to sell its entire 55% equity interest in WGR to Wuhan No. 1 in order to settle their different views among the shareholders of the WGR regarding the treatment and the prospects of WGR following the suspension of its operation.

Pursuant to the Settlement Agreement, Sinofit agrees to waive the whole outstanding principal amount of shareholder's loan of approximately US\$2.73 million (approximately HK\$21.18 million) and its accrued interest of approximately US\$1.5 million (approximately HK\$11.64 million) advanced by Sinofit to WGR. Sinofit will be responsible for the other liabilities of WGR to the extent of approximately RMB1.41 million (approximately HK\$1.36 million) as at the date of the Settlement Agreement. Sinofit will be entitled to own one automobile with no fair value and no carrying value in the accounts of WGR as at the date of the Settlement Agreement.

On the other hand, Wuhan No.1 will be responsible for the principal amount of the bank loan of WGR of RMB6,000,000 (approximately HK\$5,769,000) plus accrued interest; and the fees and expenses regarding the land being occupied by WGR as the rice plant.

Pursuant to the Settlement Agreement, in the event that Wuhan No. 1 cannot complete the share transfer registration with the relevant PRC authorities within 55 business days from the date of the Agreement by reason of Sinofit did not provide all the necessary documents for facilitating the share transfer registration process, Wuhan No. 1 will procure the payment of the outstanding balance of RMB2,030,000 (representing the second instalment of the total consideration of RMB4,060,000 to be payable to Sinofit) (approximately HK\$1,950,000) to the arbitrator. The arbitrator will transfer RMB2,030,000 (approximately HK\$1,950,000) to Sinofit once the registration of share transfer has been completed. There is no specific time frame for Wuhan No. 1 to procure the payment of the outstanding balance to the arbitrator according to the Settlement Agreement.

Pursuant to both the Agreement and the Settlement Agreement, in case of any breach of the agreement(s), the defaulting party shall pay to the non-defaulting party a compensation fee which is equivalent to 0.2% per day of the total consideration under the Agreement. The Agreement and the Settlement Agreement are inter-conditional.

Completion

Completion of the Agreement shall take place within 55 business days after signing of the Agreement. There is no time frame for the completion of the Settlement Agreement.

REASONS FOR AND BENEFITS OF THE DISPOSAL

WGR has ceased its operation since 1999 as a result of its substantial operating loss. Since the cessation of WGR's operation in 1999, the shareholders of WGR hold different views regarding the disposal treatment and the prospects of WGR. To compromise different views among the shareholders of WGR, Wuhan No. 1 has agreed to purchase the equity interests in WGR from Sinofit. In view of the above, the Directors consider that it is beneficial for the Group to dispose of its entire interests in WGR.

The Directors consider that the Disposal was conducted on normal commercial terms and in the ordinary and usual course of the business of the Company and the terms of the Agreement were negotiated and entered into on an arm's length basis which, in the opinion of the Directors, the terms of the Disposal are fair and reasonable and the Disposal is in the interests of the Shareholders as a whole.

Upon successful completion of the Disposal, the accounts of WGR will no longer be consolidated into the accounts of the Company. Taking into consideration of the carrying value of the Group's interest in WGR being fully written down to zero and the consideration of approximately HK\$3.9 million, the Directors expect that an estimated gain of approximately HK\$2.44 million, after deducting WGR's other liabilities to the extent of approximately HK\$1.36 million being taken up by Sinofit and the professional expenses of approximately HK\$0.1 million, will be reflected in the next financial year ending 31 March 2006 of the Group as a result of the Disposal. The Group intends to use the net proceeds of the Disposal for general working capital purposes.

Information on WGR

WGR is a sino-foreign joint equity venture incorporated in Wuhan of the PRC. Prior to the Disposal, WGR was owned as to 55% by the Company and was an indirect non-wholly-owned subsidiary of the Company. Prior to the cessation of operation, WGR was engaged in the business of processing, packaging, marketing, sale and distribution of rice.

In view of the continuous and substantial operating loss of WGR, the shareholders of WGR decided to cease business operations of WGR in 1999. WGR has been dormant since then. As a result, an impairment loss of approximately HK\$31.9 million in respect of the carrying value of the Group's interest in WGR was made in the Group's audited consolidated financial statements for the year ended 31 March 1999.

According to the audited consolidated financial statements of the Group, the carrying value of the Group's interest in WGR as at 31 March 2005 was fully written down to zero. WGR remained dormant with no turnover for the two financial years ended 31 March 2005 and no audited accounts were prepared since then. According to the unaudited management accounts of WGR as at 31 March 2005, the total net liabilities of WGR were approximately RMB3.46 million (approximately HK\$3.33 million).

INFORMATION ON WUHAN NO. 1

Wuhan No. 1 is a state-owned enterprise incorporated in Wuhan of the PRC, a substantial shareholder of WGR. The principal activities of Wuhan No. 1 are engaged in property investment and development in the PRC.

INFORMATION ON THE GROUP

The Company is an investment holding company, and the principal activities of its subsidiaries are engaged in sourcing, importing, wholesaling, processing, packaging, marketing and distribution of rice, securities investment, property investment and investment holding.

GENERAL

By virtue of the fact that Wuhan No. 1 is the substantial shareholder of WGR, the Disposal constitutes a connected transaction for the Company under Rule 14A.13(1)(a) of the Listing Rules. Given that the Relevant Ratio for the Disposal does not exceed 2.5% and the consideration is less than HK\$10,000,000 under Rule 14A.32(2) of the Listing Rules, the Disposal is subject to the reporting and announcement requirements in accordance with Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the date of this announcement, the Executive Directors are Mr. David LAM Kwing Chan (Chairman), Mr. Alvin LAM Kwing Wai (Managing Director), Madam Rosita YUEN LAM Kit Woo, Mr. Laurent LAM Kwing Chee and Mr. TSANG Siu Hung. The Non-Executive Director is Madam LAM TSANG Suk Yee. The Independent Non-Executive Directors are Mr. Andrew LAM Ping Cheung, Mr. Leo CHAN Fai Yue and Mr. John WONG Yik Chung.

DEFINITIONS

“Agreement”	the agreement dated 25 October 2005 entered into between Sinofit and Wuhan No. 1
“associates”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Golden Resources Development International Limited (金源米業國際有限公司), a limited company incorporated in Bermuda whose share(s) of a nominal value of HK\$0.10 each in the share capital of the Company are listed on The Stock Exchange of Hong Kong Limited
“Completion”	completion of the Agreement
“Director(s)”	the director(s) of the Company, including the executive directors, the non-executive director and the independent non-executive directors of the Company
“Disposal”	the disposal of 55% equity interest in WGR by Sinofit in accordance with the Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Lam”	Mr. LAM Hing Sie (林興識), a cousin and an associate of the following Directors: Mr. David LAM Kwing Chan (Chairman), Mr. Alvin LAM Kwing Wai (Managing Director), Madam Rosita YUEN LAM Kit Woo and Mr. Laurent LAM Kwing Chee. He is also a nephew of Madam LAM TSANG Suk Yee, a Director
“PRC”	The People's Republic of China
“Relevant Ratio”	any of the five ratios set out in Rule 14.07 of the Listing Rules which are relevant in categorizing the Disposal (for the purpose of categorizing the connected transactions, the profit ratio is not applicable)
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Agreement”	the settlement agreement entered into between Sinofit and Wuhan No. 1 on 25 October 2005
“Shareholder(s)”	the holder(s) of share(s) of a nominal value of HK\$0.10 each in the share capital of the Company

“Sinofit”	Sinofit International Limited (中富國際有限公司) incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“US\$”	United States dollars, the lawful currency of the United States of America
“WGR”	武漢金源米業有限公司 (Wuhan Golden Resources Rice Industry Limited), a sino-foreign joint equity venture incorporated in Wuhan of the PRC, an indirect non-wholly-owned subsidiary of the Company
“Wuhan No. 1”	武漢一米廠, a state-owned enterprise incorporated in Wuhan of the PRC, a substantial shareholder of WGR
“%”	per cent.

For the purposes of this announcement, unless otherwise indicated, the exchange rates at HK\$1.00=RMB1.04 and US\$1.00=HK\$7.76 have been used, where applicable, for purpose of illustration only and do not constitute a representation that any amount have been, could have been or may be exchanged.

For and on behalf of the Board
Golden Resources Development International Limited
Alvin LAM Kwing Wai
Managing Director

Hong Kong, 8 November 2005

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