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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)

DISCLOSEABLE TRANSACTION



**GR INVESTMENT
INTERNATIONAL LIMITED**

金源投資國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 310)

**CONNECTED TRANSACTION
AND
VERY SUBSTANTIAL DISPOSAL**

**Financial adviser to
GOLDEN RESOURCES DEVELOPMENT INTERNATIONAL LIMITED
AND
GR INVESTMENT INTERNATIONAL LIMITED**



BARON CAPITAL LIMITED

**Independent financial adviser to the independent board committee of
GR INVESTMENT INTERNATIONAL LIMITED**



HANTEC CAPITAL LIMITED

Summary

GR Investment Holdings and Citydragon Resources entered into the Sale and Purchase Agreement dated 9 September 2004 whereby GR Investment Holdings, an indirect wholly-owned subsidiary of GRI, has agreed to sell and Citydragon Resources, an indirect wholly-owned subsidiary of GRD, has agreed to purchase the entire paid-up registered capital of Sun Kai Yip, a wholly-owned subsidiary of GR Investment Holdings. The Consideration for the Transaction is approximately HK\$65 million which is determined with reference to the unaudited management accounts of Sun Kai Yip and is equivalent to the unaudited net asset value of Sun Kai Yip as at 30 June 2004. The Sale and Purchase Agreement is conditional on, amongst other things, the approval by Independent GRI Shareholders. The Consideration will be settled entirely in cash.

The terms of the Sale and Purchase Agreement were determined after arm's length negotiations and were concluded on normal commercial terms.

For GRD, the Transaction constitutes a discloseable transaction under the Listing Rules. For GRI, the Transaction constitutes a very substantial disposal under Rule 14.06(4) of the Listing Rules. Since GRI is approximately 19.96% owned by GRD and GRD is a substantial shareholder and hence a connected person of GRI as defined in Chapter 14A of the Listing Rules, the Transaction constitutes a connected transaction for GRI, which requires Independent GRI Shareholders' approval at the SGM by poll. GRD will abstain from voting on the resolutions to approve the Transaction at the SGM.

An independent board committee of GRI will be set up to advise the Independent GRI Shareholders in connection with the Transaction. Hantec Capital Limited has been appointed as the independent financial adviser of GRI for the purpose of providing independent advice to the independent board committee of GRI and the Independent GRI Shareholders in connection with the Transaction.

A circular containing, among other things, a letter from the independent board committee of GRI to the GRI Shareholders in connection with the terms of the Sale & Purchase Agreement, a letter of advice from the independent financial adviser to the independent board committee of GRI and the GRI Shareholders in connection with the terms of the Sale & Purchase Agreement, the accountants' report of GRI, the proforma financial information of the GRI excluding Sun Kai Yip and a notice of the SGM will be despatched to the GRI Shareholders in accordance with the relevant requirements of Chapter 14 and Chapter 14A of the Listing Rules.

A circular containing, among other things, detailed information regarding the Transaction will be despatched to the GRD Shareholders as soon as possible.

Trading in the shares of GRI on the Stock Exchange was suspended with effect from 9:30 a.m. on 10 September 2004 at the requests of GRI pending the release of this announcement. An application has been made by GRI for the resumption of trading of the shares of GRI with effect from 9:30 a.m. on 15 September 2004.

TRANSACTION

The Sale and Purchase Agreement

Date: 9 September 2004

Parties: GR Investment Holdings (as vendor)
Citydragon Resources (as purchaser)

Subject: the entire paid-up registered capital of Sun Kai Yip

Consideration and Payment Terms

The Considerations for the Transaction will be approximately HK\$65 million, which is determined with reference to the unaudited management accounts of Sun Kai Yip and is equivalent to the unaudited net asset value of Sun Kai Yip as at 30 June 2004. The Consideration has been determined after arm's length negotiations and was concluded on normal commercial terms by the GRD Board and the GRI Board.

The Consideration will be settled in cash and will be funded by internal resources of GRD. An initial consideration of HK\$40 million will be payable to GR Investment Holdings upon Completion. The remaining amount of approximately HK\$25 million will be payable to GR Investment Holdings within 6 months after the Completion Date.

Conditions

Completion is conditional on, among others, (i) the requisite resolutions being passed by the Independent GRI Shareholders at the SGM in compliance with the Listing Rules and (ii) the obtaining of all necessary consents and approvals (or waivers) by the parties of the Sale and Purchase Agreement for Completion, including but not limited to, GRD being satisfied with the result of the due diligence process on Sun Kai Yip. In the event that any of the conditions will not have been fulfilled within 2 months after the signing of the Sale and Purchase Agreement (or such later date as the parties to the Sale and Purchase Agreement may agree in writing), the Sale and Purchase Agreement will cease to be of any effect save in respect of claims arising out of any antecedent breach of the Sale and Purchase Agreement.

Exclusion of White Cat

On 5 May 2000, Sun Kai Yip and Shanghai Light Industries executed the White Cat Agreement in a consideration of RMB108 million. Shanghai Light Industries failed to pay to Sun Kai Yip the balance of the aforesaid consideration in a sum of RMB33 million in accordance with the White Cat Agreement, which was originally due to Sun Kai Yip on October 2000. Sun Kai Yip therefore has not transferred the 26.8% of the paid-up registered capital of White Cat to Shanghai Light Industries.

White Cat is principally engaged in the manufacture and distribution of household products. Sun Kai Yip is still legally holding the 26.8% equity interest in White Cat, and its interest in the outstanding claim on the White Cat Agreement is completely excluded from the preparation of the unaudited management accounts of Sun Kai Yip, from which the Consideration is based on. Both GRD and GRI understand and agree that the 26.8% of the paid-up registered capital of White Cat is completely excluded from the Transaction. Sun Kai Yip has filed corresponding documents of the outstanding claim on the White Cat Agreement with 中國國際經濟貿易仲裁委員會上海分會 on 16 July 2004. Should Sun Kai Yip receive any compensation under the White Cat Agreement from Shanghai Light Industries, specifically all or part of the outstanding sum of RMB33 million, GR Investment Holdings is entitled to receive the aforesaid sum. Sun Kai Yip will transfer such sum to GRI or any of its nominees upon receipt and such sum will not have any implication on the remaining asset of Sun Kai Yip and Sun Kai Yip will then transfer the legal title of 26.8% equity interest in White Cat to Shanghai Light Industries. Should Shanghai Light Industries fail to pay the aforesaid sum pursuant to the White Cat Agreement, Sun Kai Yip will transfer the paid-up registered capital of White Cat to GR Investment Holdings or its nominees as reasonably requested by GR Investment Holdings. After the Completion Date, GR Investment Holdings will be responsible for all costs and expenses incurred as well as all liabilities that Citydragon Resources and/or Sun Kai Yip may incur in relation to the claim in relation to the White Cat Agreement.

Completion

Completion is expected to take place on the third Business Day after all the conditions of the Sale and Purchase Agreement are satisfied. Upon completion of the Sale and Purchase Agreement, Sun Kai Yip will become a wholly-owned subsidiary of Citydragon Resources, and Sun Kai Yip will cease to become a subsidiary of GR Investment Holdings.

Further information about Sun Kai Yip

Sun Kai Yip is a wholly foreign owned enterprise duly incorporated in Shanghai, the PRC. Sun Kai Yip is an indirect wholly-owned subsidiary of GRI and is principally engaged in investments in Shanghai, the PRC. The major holdings of Sun Kai Yip include 35% of the paid-up registered capital of EGT and 30% of the paid-up registered capital of TAB. EGT is principally engaged in the manufacture and distribution of textile products, while TAB is principally engaged in the manufacture and distribution of bearing products. Based on the unaudited management accounts of Sun Kai Yip as at 30 June 2004, Sun Kai Yip was holding cash to the extent of approximately RMB51 million.

The accounts of Sun Kai Yip for the years ended 2002 and 2003 were audited by a PRC auditor based on PRC GAAP, and the unaudited management accounts of Sun Kai Yip were prepared in accordance with Hong Kong GAAP and reviewed by a Hong Kong auditor. For the year ended 31 December 2002, the unaudited loss before tax of Sun Kai Yip was approximately HK\$1.8 million, while the unaudited loss after tax of Sun Kai Yip was approximately HK\$3.3 million. For the year ended 31 December 2003, the unaudited loss before tax of Sun Kai Yip was approximately HK\$6.3 million, while the unaudited loss after tax of Sun Kai Yip was approximately HK\$7.1 million. As at 30 June 2004, the accumulated unaudited losses of Sun Kai Yip amounted to approximately HK\$18.1 million. Based on the unaudited management accounts of Sun Kai Yip as at 30 June 2004, the unaudited net asset value of Sun Kai Yip (including the shareholder's loan and the dividends payable to GR Investment Holdings as mentioned below) amounted to approximately HK\$65 million.

The board of directors of Sun Kai Yip approved and declared a dividend of RMB6,992,355.46 payable to GR Investment Holdings for the year 2003. Both GRD and GRI understand and agree that GR Investment Holdings is entitled to receive dividends of RMB6,992,355.46 for the year 2003, and a sum of RMB1,137,260.20 from Sun Kai Yip being the repayment of shareholder's loan due to GR Investment Holdings. Upon Completion, such amount aggregate to RMB8,129,615.66 will be payable to GR Investment Holdings by Sun Kai Yip. Sun Kai Yip shall have a cash balance of approximately RMB42 million after making such payments to GR Investment Holdings.

Reason for the acquisition of Sun Kai Yip by GRD

GRD is principally engaged in sourcing, importing, wholesaling, processing, packaging, marketing, and distribution of rice, as well as warehouse operations, securities investment, property investment and investment holding. As at 31 March 2004, GRD had approximately HK\$97 million in cash and equivalent and approximately HK\$275 million in investments in securities. The GRD Board is constantly searching for prudent, long-term investments to reinvest its cash flow and diversify its core rice business while adding substantial value to its shareholders. The GRD Board holds a favorable outlook on the bearing industry and considers Sun Kai Yip's equity interest in TAB a great addition to its investment portfolio. In the future, the GRD Board might consider increasing its shareholding in TAB or other investment in PRC through Sun Kai Yip. However, under Rule 21.04(3) of the Listing Rules, an investment company such as GRI may not own more than 30% of any one company, which essentially restricts GRI from increasing its shareholding in TAB. The increase in shareholding on investment can be made feasible, however, through the acquisition of Sun Kai Yip by GRD. In addition, the GRD Board holds a favorable outlook on the growth potential of various industries in the PRC. Sun Kai Yip is a cash-rich PRC company that would serve as an excellent investment holding vehicle for GRD's future investments in the PRC. The GRD Board considers the Transaction to be in the best

interest of GRD and GRD Shareholders. Furthermore, the GRD Board considers the terms of the Sale and Purchase Agreement and the Consideration to be fair and reasonable so far as the GRD Shareholders are concerned.

Reason for the disposal of Sun Kai Yip by GRI

The principal activity of GRI is investment holding which in turn holds equity or equity-related investments and engages in the provision of management services to the investee companies through its subsidiaries. As at 31 December 2003, the audited consolidated net asset value of GRI was approximately HK\$236.9 million; hence, the unaudited net asset value of Sun Kai Yip as at 30 June 2004 represented approximately 27.4% of GRI's net asset value.

The GRI Board considers the Transaction to be an excellent way to retain a substantial amount of cash and invest it in more profitable, high-yielding investments which would provide the greatest value to the GRI Shareholders. The estimated net proceeds from the Transaction will be approximately HK\$65 million, which the GRI Board intends to invest in high-quality businesses and securities in Hong Kong and/ or the PRC and will disclose those investments as and when required. No particular investment has been identified as at the date of this announcement. Unused proceeds will be placed by GRI on deposit with financial institutions in Hong Kong in accordance with GRI investment policy.

The GRI Board considers the Transaction to be in the best interest of GRI and GRI Shareholders. Further, the GRI Board considers the terms of the Sale and Purchase Agreement and the Consideration to be fair and reasonable so far as GRI Shareholders are concerned.

General

For GRD, the Transaction constitutes a discloseable transaction under the Listing Rules. For GRI, the Transaction constitutes a very substantial disposal under Rule 14.06(4) of the Listing Rules. Since GRI is approximately 19.96% owned by GRD and GRD is a substantial shareholder and hence a connected person of GRI as defined in Chapter 14A of the Listing Rules, the Transaction constitutes a connected transaction for GRI, which requires Independent GRI Shareholders' approval at the SGM by poll. GRD will abstain from voting on the resolutions to approve the Transaction at the SGM.

An independent board committee of GRI will be set up to advise the Independent GRI Shareholders in connection with the Transaction. Hantec Capital Limited has been appointed as the independent financial adviser of GRI for the purpose of providing independent advice to the independent board committee of GRI and the Independent GRI Shareholders in connection with the Transaction.

A circular containing, among other things, a letter from the independent board committee of GRI to the GRI Shareholders in connection with the terms of the Sale & Purchase Agreement, a letter of advice from the independent financial adviser to the independent board committee of GRI and the GRI Shareholders in connection with the terms of the Sale & Purchase Agreement, the accountants' report of GRI, the proforma financial information of GRI excluding Sun Kai Yip and a notice of the SGM will be despatched to the GRI Shareholders in accordance with the relevant requirements of Chapter 14 and Chapter 14A of the Listing Rules.

A circular containing, among other things, detailed information regarding the Transaction will be despatched to the GRD Shareholders as soon as possible.

Suspension and Resumption of Trading

Trading in the shares of GRI on the Stock Exchange was suspended with effect from 9:30 a.m. on 10 September 2004 at the requests of GRI pending the release of this announcement. An application has been made by GRI for the resumption of trading of the shares of GRI with effect from 9:30 a.m. on 15 September 2004.

Definitions

“Business Day”	any day (other than Saturday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Citydragon Resources”	Citydragon Resources Limited, an indirect wholly-owned subsidiary of GRD
“Completion”	completion of the Sale and Purchase Agreement in accordance with its terms
“Completion Date”	the third Business Day after all the conditions of the Sale and Purchase Agreement are satisfied
“Consideration”	HK\$65,123,371 for the Transaction
“EGT”	上海恒泰紡織品有限公司, a sino-foreign joint equity venture incorporated in Shanghai of the PRC
“GAAP”	generally accepted accounting principles, standards, practices, and policies
“GR Investment Holdings”	GR Investment Holdings Limited, an indirect wholly-owned subsidiary of GRI
“GRD”	Golden Resources Development International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“GRD Board”	the board of GRD directors, including the independent non-executive directors of GRD
“GRD Shareholders”	holder(s) of shares of GRD
“GRI”	GR Investment International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“GRI Board”	the board of GRI directors, including the independent non-executive directors of GRI
“GRI Shareholders”	holder(s) of shares of GRI

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent GRI Shareholders”	GRI Shareholders, other than GRD
“Listing Rules”	the Rules governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 9 September 2004 entered into between Citydragon Resources and GR Investment Holdings in respect of the sale and purchase of the entire paid-up registered capital of Sun Kai Yip
“Shanghai Light Industries”	上海輕工控股(集團)公司, a company incorporated in Shanghai of the PRC, which is a third party independent of and not connected with the directors, chief executive or substantial shareholders of GRD and GRI and their subsidiaries and associates and any of them
“SGM”	the special general meeting of GRI to be convened to consider and, if thought fit, approve the Transaction
“Sun Kai Yip”	Sun Kai Yip (Shanghai) Industrial Investment Co., Ltd, a wholly foreign-owned enterprise incorporated in Shanghai of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TAB”	Shanghai Tian An Bearing Co., Ltd, a sino-foreign joint equity venture incorporated in Shanghai of the PRC
“Transaction”	the sale and purchase of the entire paid-up registered capital of Sun Kai Yip (excluding its interest in White Cat) pursuant to the Sale and Purchase Agreement
“White Cat Agreement”	the sale and purchase agreement dated 5 May 2000 entered into between Sun Kai Yip and Shanghai Light Industries in respect of the sale and purchase of 26.8% of the paid-up registered capital of White Cat
“White Cat”	Shanghai White Cat Company Limited, a sino-foreign joint equity venture incorporated in Shanghai of the PRC which is principally engaged in the manufacture and distribution of household products
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB”

Renminbi, the lawful currency of the PRC

“%”

per cent

As at the date of this announcement, the executive directors of GRD 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 of GRD is Madam LAM TSANG Suk Yee. The independent non-executive directors of GRD are Mr. CHIU Ming Hung, Mr. Andrew LAM Ping Cheung and Mr. Leo CHAN Fai Yue.

As at the date of this announcement, the executive directors of GRI are Mr. LAM Wo (Chairman) and Mr. CHEUK Yuk Lung. The independent non-executive directors of GRI are Mr. Leo CHAN Fai Yue and Mr. Ronald YAN Mou Keung.

Exchange rate: In this announcement, for reference only and unless specified otherwise, the translation between RMB and HK\$ is based on the exchange rate of HK\$1.00 = RMB1.06.

By Order of the Board of
**Golden Resources Development
International Limited**
Alvin Lam Kwing Wai
Managing Director

By Order of the Board of
**GR Investment
International Limited**
Lam Wo
Chairman

Hong Kong, 14 September 2004

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