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G-PROP (HOLDINGS) LIMITED

*(Incorporated in
Bermuda with limited liability)
(Stock Code: 286)*

Asian Kingdom Limited

*(Incorporated in
the British Virgin Islands
with limited liability)*

KB

**Kingboard Chemical
Holdings Limited**

*(Incorporated in
the Cayman Islands
with limited liability)
(Stock Code: 148)*

**Fame Ascent
Investments Limited**

*(Incorporated in
the British Virgin Islands
with limited liability)*

**(1) ACQUISITION OF PRC COMPANY;
(2) SUBSCRIPTION OF SHARES AND CONVERTIBLE BONDS
AND WHITEWASH WAIVER;
AND
(3) RESUMPTION OF TRADING OF THE SHARES OF THE COMPANY**

Financial adviser to G-Prop (Holdings) Limited



BNP PARIBAS
CORPORATE & INVESTMENT BANKING

Financial adviser to Kingboard Chemical Holdings Limited



1. Acquisition of PRC Company

On 1 August 2007, the Purchaser entered into the Acquisition Agreement pursuant to which the Purchaser had agreed to acquire 100% equity interest in the PRC Company from the Vendor, which is an Independent Third Party. KB Sub had joined as a party to the Acquisition Agreement so that if the Purchaser decides not to, or fails to, perform its obligations under the Acquisition Agreement for whatever reasons, KB Sub will take up the obligations to perform the Acquisition Agreement in place of the Purchaser.

The Acquisition by the Purchaser is conditional upon obtaining the approval from the Independent Shareholders and subject to the obtaining of Independent Shareholders' approval of the Subscription and the Whitewash Waiver as more particularly set out in paragraph 1.7 below.

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

2. Subscription of Subscription Shares and Convertible Bonds and Whitewash Wavier

On 1 August 2007, the Company entered into the Subscription Agreement with AK and KB Sub pursuant to which the Company had conditionally agreed to:

- (1) allot and issue to each of AK and KB Sub, and each of AK and KB Sub had conditionally agreed to subscribe for, 493,678,883 Subscription Shares and 740,518,325 Subscription Shares respectively at the issue price of HK\$0.162 per Subscription Share; and
- (2) issue to each of AK and KB Sub, and each of AK and KB Sub had agreed to subscribe for, the AK Bonds and the KB Bonds with principal amounts of HK\$72,000,000 and HK\$108,000,000 respectively.

Completion of the Subscription shall be conditional upon, among other matters, the Independent Shareholders approving the Acquisition Agreement, the allotment and issue of the Subscription Shares and the Conversion Shares, the Whitewash Waiver and that the Company is reasonably satisfied that the Acquisition by the Purchaser pursuant to the Acquisition Agreement shall take place in accordance with the terms of the Acquisition Agreement.

The entering into of the Subscription Agreement by the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

Upon completion of the allotment and issue of the Subscription Shares, AK, KB Sub and parties acting in concert with them will, in aggregate, hold approximately 74.55% of the enlarged issued share capital of the Company. AK, CE and KB Sub will apply to the Executive for the Whitewash Waiver which, if granted, will be subject to the approval by the Independent Shareholders by way of a poll at the SGM.

This announcement is made by AK, KB and KB Sub pursuant to the requirements under the Takeovers Code.

3. SGM

Each of the Acquisition Agreement, the Subscription Agreement and the Whitewash Waiver is subject to the approval of the Independent Shareholders at the SGM. An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the Acquisition Agreement, the Subscription Agreement and the Whitewash Waiver. An independent financial adviser will also be appointed by the Company to advise the independent board committee and the Independent Shareholders. A circular containing details of, among other things, the Acquisition and the Subscription, the advice and recommendation from the independent board committee and the letter from the independent financial adviser, together with a notice of the SGM, will be despatched to the Shareholders as soon as practicable.

4. Resumption of trading of the Shares

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 31 July 2007 pending the release of this announcement. Application for the resumption of trading in the Shares on the Main Board of the Stock Exchange with effect from 9:30 a.m. on 8 August 2007 has been made by the Company.

1. ACQUISITION AGREEMENT

1.1 Date

1 August 2007

1.2 Parties

- (1) Vendor: a domestic limited liability company established in the PRC whose business scope includes, among other things, investment in raw coal processing and the sale of chemical products.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties and that there were no prior transactions between the Vendor and the Group which may require aggregation under Rule 14.22 of the Listing Rules.

To the best of the knowledge, information and belief of the KB Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of KB and its Connected Persons and that there were no prior transactions between the Vendor and KB.

- (2) Purchaser: an indirect wholly-owned subsidiary of the Company.

- (3) KB Sub: an indirect wholly-owned subsidiary of KB.

1.3 Subject matter of the Acquisition Agreement

100% equity interest in the PRC Company after completion of the reorganisation as more particularly described in paragraph 1.4 below.

1.4 Pre-completion reorganisation

As at the date of the Acquisition Agreement, the PRC Company was a domestic limited liability company established in the PRC. The PRC Company is in the development stage of setting up a plant in Erdos (鄂爾多斯) in Inner Mongolia of the PRC for manufacturing methanol products using coal as raw material (“**Methanol Project**”).

The Vendor had undertaken in the Acquisition Agreement that within 90 days from the date of the Acquisition Agreement, it shall procure the existing business, assets and liabilities of the PRC Company be split up (分立) to the effect that the existing business, assets and liabilities (other than those relating to the Methanol Project) will be owned by a new company to be established by the Vendor and that, the PRC Company will solely own the business, assets and liabilities relating to the Methanol Project.

The assets to be retained by the PRC Company after the split up process will mainly comprise of 12 sets of flat in Erdos, certain land use rights for the construction of the plant for the Methanol Project and certain construction contracts in relation to the Methanol Project. The liabilities to be retained by the PRC Company after the split up process will mainly include

certain sums due to the service provider and PRC governmental authority incurred in relation to the Methanol Project. The PRC Company has also obtained various PRC governmental approvals for the construction of the plant for the Methanol Project and the construction of such plant is expected to commence after completion of the Acquisition. During the split up process which is permitted under the PRC Company Law, the PRC Company will transfer all its assets and liabilities which are not related to the Methanol Project to a new company to be established by the Vendor. The split up process of the PRC Company is subject to approval by the relevant PRC governmental authorities which is expected to be obtained within 90 days from the date of the Acquisition Agreement.

1.5 Consideration

The consideration for the Acquisition is RMB59,962,900 (equivalent to HK\$61,761,787) which shall be paid by the Purchaser in cash in the following manner:

- (1) RMB10,000,000 (equivalent to HK\$10,300,000) (“**Deposit**”) shall be paid within 15 days after the date of the Acquisition Agreement;
- (2) RMB49,962,900 (equivalent to HK\$51,461,787) (“**Balance of Consideration**”) shall be paid within two weeks after the granting of the new Certificate of Approval (批准証書) to the PRC Company by the Commerce Department (商務廳) of the PRC. The Purchaser has undertaken to apply for and obtain the new Certificate of Approval (批准証書) of the PRC Company within three weeks after the completion of the split up procedures of the PRC Company.

Out of the Deposit, the Vendor shall pay RMB2,940,400 (equivalent to HK\$3,028,612) to the PRC Company for the settlement of certain liabilities of the PRC Company in the equivalent amount before the reorganisation mentioned in paragraph 1.4 above.

1.6 Basis of the consideration

The consideration of the Acquisition was determined after arm’s length negotiation between the Vendor, the Purchaser and KB Sub and on normal commercial terms taking into account of various factors, including the proforma assets value of the PRC Company as at the completion of the split up process and the growth prospects and earnings potentials of the PRC Company as more particularly discussed in paragraph 1.10 below. Although the Methanol Project is still at the development stage, it is expected that the sale of methanol can be recognised by the PRC Company after the commercial operation of the Methanol Project. Accordingly, it will have a positive effect to the earning position of the Group after commercial operation of the Methanol Project and the business profile of the Group can be strengthened.

1.7 Completion of the Acquisition

According to the terms of the Acquisition Agreement, the Acquisition by the Purchaser is conditional upon obtaining the approval from the Independent Shareholders.

Further, pursuant to the Subscription Agreement, the Company has undertaken in favour of AK and KB Sub that in the event that the Shareholders (who are not required, under the Takeovers Code and the Listing Rules or by the SFC or the Stock Exchange, to abstain from voting on the relevant resolution) only approve the Acquisition Agreement but not (i) the allotment and issue of the Subscription Shares; (ii) the creation and issue of the Convertible Bonds and authorising the Board to allot and issue the Shares upon the exercise of Conversion Rights attaching to the Convertible Bonds; and (iii) the Whitewash Waiver, the Company shall procure the Purchaser (being its indirect wholly owned subsidiary) not to proceed with the Acquisition in accordance with the terms of the Acquisition Agreement. In such event, KB Sub will assume the obligations of the Purchaser under the Acquisition Agreement to proceed with the Acquisition in accordance with the terms of the Acquisition Agreement.

In view of the above undertaking, Shareholders and public investors should note that the Purchaser will only proceed with the Acquisition if the Independent Shareholders also approve (i) the allotment and issue of the Subscription Shares; (ii) the creation and issue of the Convertible Bonds and the allotment and issue of the Conversion Shares; and (iii) the Whitewash Waiver.

The Acquisition shall be treated as completed when the Balance of Consideration is paid to the Vendor.

1.8 Fall back arrangement

KB Sub has joined as a party to the Acquisition Agreement so that if the Purchaser decides not to, or fails to, perform its obligations under the Acquisition Agreement for whatever reasons, KB Sub will take up the obligations to perform the Acquisition Agreement in place of the Purchaser. In such event, KB Sub shall reimburse, without interest and on a dollar-for-dollar basis, all sums paid by the Purchaser under the Acquisition Agreement within 10 days after the Purchaser has notified KB Sub in writing about its decision not to, or its failure to, perform its obligations under the Acquisition Agreement.

1.9 Information of the PRC Company

To the best knowledge of the Company and KB having made all reasonable enquiries and according to the existing Business Licence (企業法人營業執照) of the PRC Company, the business scope of the PRC Company is investment in mining, geological prospecting, raw coal processing and coal electricity; sale of mining industry machinery and equipment, building materials, chemical product; mining industry technical service (where PRC's laws and regulation require approvals, no production and operation prior to obtaining approval).

Upon completion of the Acquisition, the PRC Company will be undertaking the Methanol Project solely. As at the date of this announcement, the PRC Company has not been approved by the PRC governmental authorities to explore any coal or other natural resources nor has it been granted with any coal mine in the PRC. Having said that, since coal is the principal raw material for the Methanol Project, in order to secure a stable source of raw material, the PRC Company is also in negotiation with the relevant PRC governmental authority for the grant of the exploration right to a coal mine reserve located in approximately 220 kilometers from the plant of the Methanol Project.

As at 31 July 2007, the unaudited total assets value and total liabilities of the PRC Company (before completion of the split up procedures and prepared under the PRC GAAP) were approximately RMB160,159,000 (equivalent to approximately HK\$164,964,000) and approximately RMB60,159,000 (equivalent to approximately HK\$61,964,000) respectively.

On the assumption that the split up procedures were completed on 31 July 2007, the unaudited and pro forma total assets value and total liabilities of the PRC Company would be approximately RMB27,828,000 (equivalent to approximately HK\$28,663,000) and approximately RMB3,333,400 (equivalent to approximately HK\$3,433,000) respectively.

Since the PRC Company is in the development stage, it has not recorded any revenue during the two years ended 31 December 2006. According to PRC GAAP, all expenses incurred by the PRC Company (as a project company) at the development stage could be capitalised. Accordingly, no profit or loss has been recorded in the audited financial statements of the PRC Company for the two years ended 31 December 2006.

1.10 Reasons for the Acquisition

The opportunity to acquire the PRC Company by the Group was first introduced by KB to the Group. KB identified the opportunity to acquire the PRC Company and had negotiated with the Vendor to acquire the PRC Company on the condition that the PRC Company would undertake the pre-completion reorganisation as referred to in paragraph 1.4 above.

KB invited Mr. Lau to co-invest in the PRC Company on the basis of KB taking a 60% equity interest and the remainder for Mr. Lau. In view of the long-term development potentials of the PRC Company, Mr. Lau asked KB to consider the possibility of the Company, through its indirect wholly-owned subsidiary, to acquire the PRC Company. KB considered Mr. Lau's proposal and was agreeable to such proposal on the condition that both KB and Mr. Lau would invest in the Company through the Subscription. In addition, in order to provide the Vendor with certainty in respect of the Acquisition and to lock in the opportunity, it was proposed that KB Sub joined as a party to the Acquisition Agreement and would assume the obligations of the Purchaser under the Acquisition Agreement should the Purchaser decide not to, or fail to, perform its obligations under the Acquisition Agreement.

The Group is principally engaged in property investment and property leasing in Hong Kong. Having regard to the low level of business activities of the Group in recent years and that a significant portion of its assets is currently in the form of cash and small property interests, the Directors have actively and consistently sought for new investment opportunities in order to increase the value of the Company, irrespective of whether these opportunities fall within the Company's principal business activities.

The Directors consider that the Acquisition provides the Group with a business diversification opportunity into the new energy-related business activities in the PRC and its future potential.

Methanol has a wide application in chemical and plastics industries and is the principal raw material of a number of chemical products. The Directors believe that the Methanol Project has a good business potential in light of the increasing domestic demands for fuel and energy in the PRC with its continuous economic growth.

In addition, the PRC Company is also in negotiation with the relevant PRC governmental authority for the grant of the exploration right to a coal mine reserve located in approximately 220 kilometers from the plant of the Methanol Project. The PRC market is a global consumer of coal and for which there is a shortage of this irreplaceable form of energy. In view of the continued economic growth and accelerated industrialisation and urbanisation in the PRC and the development of the global economy, coal and other natural resources will have its sustained demand.

After considering the above factors, the Directors (excluding the independent non-executive Directors whose view will be formed after taking into account the advice of the independent financial adviser to be appointed by the Company) were of the view that the terms of the Acquisition Agreement were on normal commercial terms and were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is the present intention of the Directors that the Group will continue its current business which is property investment and property leasing in Hong Kong.

1.11 Listing Rules implications

The Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

2. SUBSCRIPTION OF SUBSCRIPTION SHARES AND CONVERTIBLE BONDS – SUBSCRIPTION AGREEMENT DATED 1 AUGUST 2007 AND WHITEWASH WAIVER

2.1 Issuer

The Company

2.2 Subscribers

- (1) AK, an investment holding company ultimately and wholly owned by Mr. Lau. Mr. Lau is a director and the Controlling Shareholder of CE, which is in turn a Controlling Shareholder of the Company.
- (2) KB Sub, an indirect wholly-owned subsidiary of KB. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Subscription, each of KB Sub and KB is an Independent Third Party.

2.3 Subscription Shares and the Convertible Bonds

Pursuant to the Subscription Agreement, the Company has conditionally agreed to:

- (1) allot and issue to each of AK and KB Sub, and each of AK and KB Sub has conditionally agreed to subscribe for, 493,678,883 Subscription Shares and 740,518,325 Subscription Shares respectively at the issue price of HK\$0.162 per Subscription Share; and
- (2) issue to each of AK and KB Sub, and each of AK and KB Sub has conditionally agreed to subscribe for, the AK Bonds and the KB Bonds with principal amounts of HK\$72,000,000 and HK\$108,000,000 respectively.

The Company is not obliged to issue any of the Subscription Shares and/or the Convertible Bonds unless the completion of subscription of the Subscription Shares and the Convertible Bonds by AK and KB Sub as contemplated under the Subscription Agreement shall take place simultaneously.

The Company will seek the grant of a special mandate to allot, issue or otherwise deal in the Subscription Shares and the Conversion Shares from the Shareholders at the SGM.

The effect on the changes in the Company's shareholding structure upon the completion of the Subscription and the conversion of the Convertible Bonds are set out in paragraph 2.13 below.

The Subscription Shares and the Conversion Shares will rank equally in all respects among themselves and with all other Shares in issue as at the date of their allotment and issue.

2.4 Subscription Price and the Conversion Price

The Subscription Price and the Conversion Price of HK\$0.162 each represents:

- a discount of approximately 92.17% to the closing price of HK\$2.07 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 92.36% to the average closing price of approximately HK\$2.12 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- a discount of approximately 92.47% to the average closing price of approximately HK\$2.151 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

The Subscription Price and the Conversion Price are determined by the Company, AK and KB Sub on arm's length basis by reference to the latest audited consolidated net asset value of HK\$0.162 per Share (based on the audited financial statements of the Company for the year ended 31 December 2006).

The Company, AK and KB Sub have also taken into account, among other things, the following factors when determining the Subscription Price and the Conversion Price:

- the low level of revenue of the Company in recent years;
- the declining profit of the Company in recent years;
- that a substantial portion of the Company's assets is in the form of cash and its relatively small holdings of property assets (e.g. car parking spaces); and
- the relatively small size of the Company's asset value relative to its considerably larger market capitalisation.

In view of the above, the Directors (excluding the independent non-executive Directors whose view will be formed after taking into account the advice of the independent financial adviser to be appointed by the Company) consider that although the Subscription Price and the Conversion Price represent more than 90% discount of the recent trading price of the Shares, it is fair and reasonable to use the audited consolidated net asset value of the Company per Share as the pricing benchmark of the Subscription Price and the Conversion Price.

2.5 Conditions of the Subscription

Completion of the Subscription shall be conditional upon the following conditions being fulfilled or waived (as the case may be) at or before 5:00 p.m. on 31 December 2007 (or such other day as may be agreed between the parties):

- (1) the passing of ordinary resolutions by the Shareholders (who are not required, under the Takeovers Code and the Listing Rules or by the SFC or the Stock Exchange, to abstain from voting on the relevant resolution) at the SGM approving (i) the Acquisition Agreement and the transactions contemplated thereunder; (ii) the allotment and issue of the Subscription Shares; and (iii) the creation and issue of the Convertible Bonds and authorising the Board to allot and issue the Conversion Shares upon the exercise of the Conversion Rights attaching to the Convertible Bonds;
- (2) the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to such Whitewash Waiver;
- (3) the passing by the Shareholders (who are not required, under the Takeovers Code and the Listing Rules or by the SFC or the Stock Exchange, to abstain from voting on the relevant resolution) at the SGM of an ordinary resolution to approve the Whitewash Waiver;
- (4) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in (i) the Subscription Shares; and (ii) the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds;
- (5) if required, the Bermuda Monetary Authority granting its consent to the issue of (i) the Subscription Shares; (ii) the Convertible Bonds; and (iii) the Conversion Shares which may fall to be issued upon the exercise of the Conversion Rights attaching to the Convertible Bonds;
- (6) the Company is reasonably satisfied that the Acquisition by the Purchaser pursuant to the Acquisition Agreement shall take place in accordance with the terms of the Acquisition Agreement; and
- (7) none of the warranties made by the Company as contained in the Subscription Agreement having been breached in any material respect nor is misleading or untrue in any material respect, or if there is any breach of any of the warranties which is capable of being remedied, such breach has been remedied to the reasonable satisfaction of AK and KB Sub.

None of the above conditions (other than condition (7)) can be waived by the parties. KB Sub (for itself and on behalf of AK) may at its absolute discretion at any time waive in writing condition (7) above.

If any of the conditions above are not fulfilled or waived (as the case may be) by 5:00 p.m. on 31 December 2007 (or such other day as may be agreed between the parties), the Subscription shall lapse and none of the parties shall have any claim against the other of them save for any antecedent breach.

2.6 Completion of the Subscription

Completion of the Subscription will take place on the third business day following the fulfillment or waiver (as the case may be) of all conditions referred to above.

2.7 Board seat

Subject to completion of the Subscription:

- (1) the Company will appoint two persons nominated by KB Sub as additional executive Directors to the Board; and
- (2) the Company will appoint such persons with the appropriate expertise and experience as nominated by KB Sub to act as chief executive officer, chief financial officer and general manager of the PRC Company with effect from the completion of the Acquisition.

There is no present intention of the parties that any of the existing Directors will resign after the completion of the Subscription and that any of the new executive Directors which may be appointed will become chairman of the Company.

2.8 Principal terms of the Convertible Bonds

The principal terms of the Convertible Bonds were determined after arm's length negotiations between the Company, AK and KB Sub and are summarised below:

- (1) Principal amount : HK\$72,000,000 and HK\$108,000,000 for each of AK and KB Sub respectively
- (2) Interest : Zero coupon
- (3) Maturity date : the third anniversary of the issue date of the Convertible Bonds (if that is not a business day, the first business day thereafter)
- (4) Conversion period : The Convertible Bonds are convertible in whole or in part into new Shares by the Bondholders at any time from the issue date of the Convertible Bonds at the Conversion Price, subject to adjustment for subdivision or consolidation of Shares, bonus issues, capital reduction, rights issue and other events which have dilution effects on the issued share capital of the Company. Any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 and no fraction of a Share shall be issued on conversion.

Notwithstanding any conditions attached to the Convertible Bonds, each Bondholder shall only exercise the Conversion Rights attaching to the Convertible Bonds if it is confirmed by the Company in writing that the allotment and issue of the Conversion Shares to such Bondholder pursuant to an exercise of the Conversion Right attaching to the Convertible Bonds will not cause the Company to be in breach of the minimum public float requirement stipulated under Rule 8.08 of the Listing Rules.

- (5) Conversion Price : HK\$0.162 per Conversion Share (subject to adjustment).
- (6) Conversion Shares : The Conversion Shares will be issued free from any encumbrances or third party rights of any kind and will rank pari passu in all respects with the existing issued Shares together with all rights to dividends and other distributions declared, made or paid on or after the date on which the name of the Bondholder is entered into the Company's register of Shareholders as holder of the relevant Conversion Shares.
- (7) Redemption : The Company has no right to redeem the Convertible Bonds prior to the maturity date.

The Bondholder may, at any time during the period commencing from the day immediately after the second anniversary of the issue date of the Convertible Bonds and expiring on the maturity date, by giving the Company seven business days' prior notice, request the Company to redeem the outstanding principal amount of the Convertible Bonds held by it provided that the Bondholder shall only make such redemption request after making prior consultation with the Company and is reasonably satisfied that after making the redemption as requested by such Bondholder, the Company will be able to pay its other debts when they fall due.

- (8) Final redemption and mandatory redemption by the Company : Unless the Conversion Rights have been exercised in full during the conversion period in accordance with the terms of the Convertible Bonds, the Company is obliged to redeem any Convertible Bonds which remains outstanding on the maturity date.

Upon the occurrence of an event of default, the Bondholder may, unless such event of default has been waived in writing by it, by notice in writing require the Company to redeem the whole (but not part) of the outstanding principal amount of the Convertible Bonds.

- (9) Voting rights at general meeting : The Bondholder shall not be entitled to attend or vote at any general meeting of the Company by reason only of it being a Bondholder.

(10) Transferability : The Convertible Bonds may be assigned or transferred in whole or in part to any third party provided that any transfer of the Convertible Bonds to any Connected Persons of the Company shall be subject to the requirements (if any) that the Stock Exchange may impose from time to time.

The Company has undertaken to the Stock Exchange that it will disclose to the Stock Exchange any dealings in the Convertible Bonds by any Connected Persons or their associates (as defined in the Listing Rules).

2.9 Reasons for the Subscription

As discussed in paragraph 1.10 above, in view of the growth potentials of the PRC Company, the Group will devote substantial resources to develop the Methanol Project approved to be undertaken by the PRC Company. KB Group is principally engaged in the manufacturing and sale of laminates, printed circuit boards and chemicals (including methanol) and KB Group is an experienced market player in the methanol industry.

The Directors consider that the Subscription not only represents an ideal opportunity for the Company to raise additional capital for its future business development and enhance its capital base but also brings to the Group an experienced market player in the methanol industry which can provide technical and industry support to the Group.

The Directors also consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since the Convertible Bonds are non-interest bearing and therefore do not have any immediate negative impact on the working capital condition of the Group.

The Directors (excluding the independent non-executive Directors whose view will be formed after taking into account the advice of the independent financial adviser to be appointed by the Company) consider that the terms of the Subscription Agreement (including the Subscription Price and the Conversion Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

2.10 Use of proceeds

The Company will receive approximately HK\$373 million net of expenses from the Subscription which the Directors intend to use for the construction of the plant of the Methanol Project.

2.11 Application for listing

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares which may fall to be allotted and issued upon the exercise of the Conversion Rights.

2.12 Connected transaction and Whitewash Waiver

The entering into of the Subscription Agreement by the Company constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

As Mr. Lau is a director and the Controlling Shareholder of CE (which in turn is the Controlling Shareholder of the Company and currently owns, through its subsidiaries, approximately 34.99 % of the issued share capital of the Company), AK (being ultimately and wholly-owned by Mr. Lau) and CE are parties acting in concert in relation to the Company under the Takeovers Code.

By virtue of the arrangements contemplated under the Subscription and upon the entering into of the Subscription Agreement, KB (through its interest in KB Sub) and Mr. Lau (through his interest in AK) are parties acting in concert in relation to the Company under the Takeovers Code.

On the above basis, CE, Mr. Lau, AK, KB and KB Sub are parties acting in concert in relation to the Company under the Takeovers Code.

Upon completion of the allotment and issue of the Subscription Shares, AK and KB Sub and parties acting in concert with them will, in aggregate, hold approximately 74.55% of the enlarged issued share capital of the Company. AK, CE and KB Sub will apply to the Executive for the Whitewash Waiver which, if granted, will be subject to the approval by the Independent Shareholders by way of a poll at the SGM.

The Whitewash Waiver will cover the following situations:

- (1) the increase in shareholding by AK and KB Sub as a result of the allotment and issue of the Subscription Shares;
- (2) the increase in shareholding by each of (a) KB Sub and (b) AK and CE as a result of the allotment and issue of the Conversion Shares thereby exceeding the 2% creeper; and
- (3) KB Sub becoming the leader of the Combined Concert Group as a result of KB Sub exercising the Conversion Rights attaching to the KB Bonds in full.

Save for the entering into of the Subscription Agreement, none of AK, KB Sub and parties acting in concert with any of them has acquired any Shares during the period commencing on the date falling six months prior to the date of the Subscription Agreement and up to the date of this announcement.

This announcement is made by AK, KB and KB Sub pursuant to the requirements under the Takeovers Code.

2.13 Changes in the Company's shareholding structure

The following table sets out the existing shareholding structure of the Company and the changes thereto as a result of the allotment and issue of the Subscription Shares and the conversion of the Convertible Bonds at the Conversion Price:

Name of Shareholders	Existing shareholding		Immediately after the allotment and issue of the Subscription Shares but before any conversion of the Convertible Bonds at the Conversion Price		Immediately after the allotment and issue of the Subscription Shares and assuming that only AK exercises its Conversion Rights to the extent that 25% of the Shares are held in public hands		Immediately after the allotment and issue of the Subscription Shares and assuming that only KB Sub exercises its Conversion Rights to the extent that 25% of the Shares are held in public hands	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Combined Concert Group								
Subsidiaries of CE	277,858,761	34.99	277,858,761	13.70	277,858,761	13.46	277,858,761	13.46
AK [#]	–	–	493,678,883	24.34	530,220,031	25.68	493,678,883	23.91
KB Sub [*]	–	–	740,518,325	36.51	740,518,325	35.86	777,059,473	37.63
Public	<u>516,199,039</u>	<u>65.01</u>	<u>516,199,039</u>	<u>25.45</u>	<u>516,199,039</u>	<u>25.00</u>	<u>516,199,039</u>	<u>25.00</u>
Total	<u>794,057,800</u>	<u>100.00</u>	<u>2,028,255,008</u>	<u>100.00</u>	<u>2,064,796,156</u>	<u>100.00</u>	<u>2,064,796,156</u>	<u>100.00</u>

Notes:

[#] AK is a company ultimately and wholly-owned by Mr. Lau, a director and the Controlling Shareholder of CE, which is in turn a Controlling Shareholder of the Company.

^{*} KB Sub is an indirect wholly-owned subsidiary of KB.

Shareholders and public investors should note that the above shareholding table is theoretical in nature and it is a term of the Convertible Bonds that any conversion shall be made in amounts of not less than a whole multiple of HK\$500,000 and no fraction of a Share shall be issued on conversion.

As a result of the Subscription and upon full conversion of the KB Bonds, KB Sub will become the leader in the Combined Concert Group for the purpose of the Takeovers Code.

After the subscription of the Subscription Shares but before any conversion of the Convertible Bonds at the Conversion Price, KB will be interested in approximately 36.51% of the Shares and the Company will become an associate of KB. The equity method of accounting will be applied by KB in accordance with Hong Kong Accounting Standard 28 issued by the Hong Kong Institute of Certified Public Accountants.

2.14 Dilution effect on shareholding of the Company

As set out in paragraph 2.13 above, the interests of the Company held by public shareholders as at the date of this announcement is approximately 65.01%. Subject to the obtaining of the approval from the Independent Shareholders on, among other things, the Subscription, the allotment and issue of the Subscription Shares will dilute the shareholding of the existing public Shareholders as illustrated in the shareholding table set out under paragraph 2.13 above. The Company foresees there may be future further dilution effect on the shareholding of the existing public Shareholders resulting from an exercise of the Conversion Rights attaching to the Convertible Bonds.

Subject to the obtaining of the approval from the Independent Shareholders on, among other things, the Subscription and for so long as there is any outstanding Convertible Bonds, the Company will disclose by way of announcement all relevant details of the conversion of the Convertible Bonds in the following manner:

- (1) the Company will make a monthly announcement (“**Monthly Announcement**”) on the website of the Stock Exchange on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - (a) whether there is any conversion of the Convertible Bonds during the relevant month, and if yes, details of the conversion, including the conversion date, number of Conversion Shares issued and the Conversion Price for each conversion. However, if there is no conversion during the relevant month, a negative statement will be made to that effect;
 - (b) the outstanding principal amount of the Convertible Bonds after the conversion, if any;
 - (c) the total number of Shares issued during the relevant month pursuant to other transactions entered into by the Company (if any), including the Shares issued pursuant to the exercise of options under any share option scheme(s) of the Company; and
 - (d) the total issued share capital of the Company as at the commencement and the last day of the relevant month;
- (2) in addition to the Monthly Announcement, if the cumulative amount of Conversion Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the then issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Subscription Agreement (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will make an announcement on the website of the Stock Exchange including details as stated in (1) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Subscription Agreement (as the case may be) up to the date on which the total amount of Conversion Shares issued pursuant to the conversion amounted to 5% of the then issued share capital of the Company as disclosed in the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Subscription Agreement (as the case may be). The subsequent Monthly Announcements will only be released through the website of the Stock Exchange.

3. IMPLICATIONS ON RULES 14.82 AND 14.92 OF THE LISTING RULES

3.1 Rule 14.82 of the Listing Rules

Reference is made to the announcements of the Company dated 26 June 2007 (“**June Announcement**”) and 31 July 2007 (“**July Announcement**”) respectively. As stated in the July Announcement, upon completion of the Major Transaction (as defined in the June Announcement) but before the completion of the Legend Disposal (as defined in the June Announcement), the Company will satisfy the requirement under Rule 14.82 of the Listing Rules which requires that the Company shall not consist wholly or substantially of cash or short-dated securities.

Immediately upon completion of the Acquisition and the Subscription, the percentages of cash to total assets and net assets of the Group will be approximately 82% and 128% respectively. It is expected that part of the net proceeds from the Subscription will be utilised to construct the plant of the Methanol Project shortly after the completion of the Acquisition, barring unforeseen circumstances, the Group is able to satisfy the requirements under Rule 14.82 of the Listing Rules.

3.2 Rule 14.92 of the Listing Rules

Pursuant to Rule 14.92 of the Listing Rules, a listed issuer may not dispose of its existing business for a period of 24 months after a change of control (as defined in the Takeovers Code) unless the assets acquired from the person or group of persons gaining such control or his/their associates and any other assets acquired by the listed issuer after such change in control can meet the trading record requirement of Rule 8.05 of the Listing Rules.

In this connection, the Company will comply with Rule 14.92 of the Listing Rules and will not dispose of its existing business (i.e. property investment and property leasing in Hong Kong, including the 31 car parks together with 5 adjoining spaces acquired by the Group as announced in the June Announcement) within 24 months after the completion of the Subscription.

4. SGM

Each of the Acquisition Agreement, the Subscription Agreement and the Whitewash Waiver is subject to the approval of the Independent Shareholders at the SGM. To the best knowledge of the Directors having made all reasonable enquires, the Vendor is not a Shareholder. On such basis, other than the Combined Concert Group who will abstain from voting at the SGM, there is no other Shareholder who has a material interest in the Acquisition and the Subscription who is required to abstain from voting at the SGM.

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the Acquisition Agreement, the Subscription Agreement and the Whitewash Waiver. An independent financial adviser will also be appointed by the Company to advise the independent board committee and the Independent Shareholders. A circular containing details of, among other things, the Acquisition and the Subscription, the advice and recommendation from the independent board committee and the letter from the independent financial adviser, together with a notice of the SGM, will be despatched to the Shareholders as soon as practicable.

5. RESUMPTION OF TRADING OF THE SHARES OF THE COMPANY

At the request of the Company, trading in the Shares on the Main Board of the Stock Exchange was suspended with effect from 9:30 a.m. on 31 July 2007 pending the release of this announcement. Application for the resumption of trading in the Shares on the Main Board of the Stock Exchange with effect from 9:30 a.m. on 8 August 2007 has been made by the Company.

6. DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“acting in concert”	the meaning ascribed to it under the Takeovers Code
“Acquisition”	the proposed acquisition of 100% equity interests in the PRC Company pursuant to the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 1 August 2007 entered into between the Vendor, the Purchaser and KB Sub in relation to the Acquisition
“AK”	Asian Kingdom Limited, being one of the subscribers under the Subscription Agreement
“AK Bonds”	the Convertible Bonds to be issued by the Company to AK pursuant to the Subscription Agreement
“AK Subscription Shares”	the Subscription Shares to be allotted and issued by the Company to AK pursuant to the Subscription Agreement
“Board”	the board of Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“CE”	Chinese Estates Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange, being the Controlling Shareholder of the Company
“Combined Concert Group”	AK, KB Sub and parties acting in concert with any of them
“Company”	G-Prop (Holdings) Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Connected Person(s)”	the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	collectively, the AK Bonds and the KB Bonds

“Conversion Price”	HK\$0.162, being the conversion price for the subscription of one Conversion Share upon the exercise of the Conversion Rights attaching to the Convertible Bonds, subject to adjustments under the terms and conditions of the Convertible Bonds
“Conversion Right(s)”	the right(s) of a Bondholder to convert the whole or part of the outstanding principal amount of the Convertible Bonds into Shares subject to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	the new Share(s) to be allotted and issued to the Bondholder(s) upon the exercise of the Conversion Rights attaching to the Convertible Bonds
“Directors”	the directors of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than members of the Combined Concert Group and those who were interested in or involved in the Subscription
“Independent Third Party(ies)”	third party(ies) independent of the Company and its Connected Persons
“KB”	Kingboard Chemical Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“KB Bonds”	the Convertible Bonds to be issued by the Company to KB Sub pursuant to the Subscription Agreement
“KB Director(s)”	the director(s) of KB
“KB Group”	KB and its subsidiaries
“KB Sub”	Fame Ascent Investments Limited, an indirect wholly-owned subsidiary of KB, being one of the subscribers under the Subscription Agreement and a party to the Acquisition Agreement
“KB Subscription Shares”	the Subscription Shares to be allotted and issued by the Company to KB Sub pursuant to the Subscription Agreement
“Last Trading Day”	30 July 2007, being the last trading date of the Shares prior to the signing of the Subscription Agreement

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lau”	Mr. Joseph Lau, Luen-hung, the sole ultimate beneficial owner of AK and is a director and the Controlling Shareholder of CE, which is in turn a Controlling Shareholder of the Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company”	內蒙古伊澤礦業投資有限公司 (unofficial English translation as Inner Mongolia Yize Mining Investment Co., Ltd.), a company established in the PRC on 16 November 2004
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Purchaser”	Grade Crystal Investments Limited, an indirect wholly-owned subsidiary of the Company and the purchaser under the Acquisition Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SGM”	the special general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, among other matters, the Acquisition, the Subscription and the Whitewash Waiver
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	collectively, the subscription of the Subscription Shares and the Convertible Bonds by AK and KB Sub in accordance with the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 1 August 2007 entered into between the Company (as issuer) and AK and KB Sub (both as subscribers) in relation to the Subscription
“Subscription Price”	the price of HK\$0.162 per Subscription Share payable by AK and KB Sub pursuant to the Subscription Agreement
“Subscription Shares”	collectively, the AK Subscription Shares and the KB Subscription Shares
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong

“Vendor”	山東魯能礦業集團有限公司 (unofficial English translation as Shandong Luneng Mining Group Ltd.), the vendor under the Acquisition Agreement
“Whitewash Waiver”	a waiver to be applied for by AK, CE and KB Sub from compliance with the requirements to make a mandatory general offer in cash under Rule 26 of the Takeovers Code pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code as a result of the subscription of the Subscription Shares pursuant to the Subscription Agreement and the allotment and issue of the Conversion Shares upon the exercise of the Conversion Rights attaching to the Convertible Bonds
“%”	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.03. Such exchange rate has been used, where applicable, for purposes of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By order of
the board of
G-Prop
(Holdings) Limited
Lam, Kwong-wai
Company Secretary

By order of
the board of
Asian Kingdom
Limited
Joseph Lau, Luen-hung
Director

By order of
the board of
Kingboard Chemical
Holdings Limited
Chan Wing Kwan
Managing Director

By order of
the board of
Fame Ascent
Investments Limited
Chang Wing Yiu
Director

Hong Kong, 7 August 2007

As at the date of this announcement, the Board comprises Mr. Leung, Wing-pong and Mr. Kong, Chi-ming as executive Directors and Mr. Leung, Yun-fai, Mr. Lam, Yat-fai and Dr. David Chain, Chi-woo as independent non-executive Directors.

As at the date of this announcement, the board of directors of KB comprises Messrs. Cheung Kwok Wing, Chan Wing Kwan, Cheung Kwong Kwan, Chang Wing Yiu, Ho Yin Sang, Cheung Wai Lin, Stephanie and Mok Cham Hung, Chadwick as executive directors and Messrs. Cheng Ming Fun, Paul, Tse Kam Hung, Henry Tan and Cheng Wai Chee, Christopher as independent non-executive directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to AK and KB Group) 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 statements in this announcement misleading.

The directors of AK jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Group, KB Group, the Vendor and the PRC Company) 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 statements in this announcement misleading.

The directors of KB jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Group, CE, Mr. Lau and AK) 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 statements in this announcement misleading.

The directors of KB Sub jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Group, CE, Mr. Lau and AK) 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 statements in this announcement misleading.