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## **G-PROP (HOLDINGS) LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock Code: 286)

### **(1) MAJOR AND CONNECTED TRANSACTION: FORMATION OF PRC JOINT VENTURE COMPANIES; (2) CHANGE OF PROPOSED USE OF SUBSCRIPTION PROCEEDS; AND (3) RESUMPTION OF TRADING**

#### **1. Major and connected transaction: Formation of PRC Joint Venture Companies**

On 17 January 2008, the Company and KB entered into the Master Agreement pursuant to which the Company shall procure Wisestar (being an indirect wholly owned subsidiary of the Company) and KB shall procure Shenzhen KB (being an indirect wholly owned subsidiary of KB) to establish Hebei Chungshun and Hebei Yingdu in the PRC. Hebei Chungshun and Hebei Yingdu will be principally engaged in the production and sale of acetic acid in the PRC.

The formation of Hebei Chungshun and Hebei Yingdu, when aggregated, constitute a major transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company under Chapter 14A of the Listing Rules. The formation of the JV Companies is subject to the reporting, announcement and Independent Shareholders' approval requirements.

#### **2. Change of proposed use of Subscription Proceeds**

Reference is made to the Subscription Announcement and the Subscription Circular. Completion of the Subscription took place in October 2007 and the Company has received the Subscription Proceeds of approximately HK\$373 million net of expenses from the Subscription which the Directors intended to use for the construction of the production plant of the Methanol Project.

As set out in the Subscription Circular, the Directors expect that the construction of the first phase of the plant for the Methanol Project will be completed by 2010 and the construction of the second phase is expected to be completed by 2012. As at the date of this announcement, the Group has used approximately HK\$110 million from the Subscription Proceeds for the Methanol Project. It is expected that approximately HK\$88 million from the Subscription

Proceeds will be applied by the Group to the Methanol Project in the year 2008. As there is no immediate need for the remaining unused Subscription Proceeds, the Company intends to re-allocate approximately HK\$175 million to fund the Acetic Acid Project should the formation of the JV Companies be approved by the Independent Shareholders at the SGM.

### **3. SGM**

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms and conditions of the formation of the JV Companies contemplated by the Master Agreement. 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 Master Agreement and the JV Companies, the letter 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 in accordance with the requirements of the Listing Rules.

### **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 18 January 2008 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 22 January 2008 has been made by the Company.

## **1. MAJOR AND CONNECTED TRANSACTION: FORMATION OF PRC JOINT VENTURE COMPANIES**

On 17 January 2008, the Company and KB entered into the Master Agreement, the major terms of which are summarised below:

### **1.1 Parties**

- (1) The Company
- (2) KB, a controlling shareholder of the Company and, through its indirect wholly owned subsidiary, Fame Ascent Investments Limited, is interested in approximately 36.51% of the entire issued share capital of the Company as at the date of this announcement. KB is an investment holding company and the KB Group is principally engaged in the manufacture and sale of laminates, printed circuit boards and chemicals (including methanol).

### **1.2 Major terms of the Master Agreement**

Pursuant to the Master Agreement, the Company agreed to procure Wisestar (being an indirect wholly owned subsidiary of the Company) and KB agreed to procure Shenzhen KB (being an indirect wholly owned subsidiary of KB) to enter into the JV Contracts and the JV Articles to establish the JV Companies in the PRC.

Signing of the JV Contracts and the JV Articles will take place on the day following the day on which the Master Agreement becomes unconditional.

### **1.3 Condition of the Master Agreement**

The Master Agreement shall become unconditional upon the obtaining of the Independent Shareholders' approval on the formation of the JV Companies contemplated by the Master Agreement at the SGM. If such condition is not fulfilled on or before 30 June 2008 (or such other date as the Company and KB shall agree in writing), the Master Agreement shall terminate and the respective obligations of the parties under the Master Agreement shall forthwith cease and terminate and neither the Company nor KB shall have any claim against the other of them save for any antecedent breach.

### **1.4 JV Companies**

The major terms of the JV Contracts and JV Articles of each of Hebei Chungshun and Hebei Yingdu are summarised as follows:

#### **1.4.1 Business scope**

Hebei Chungshun and Hebei Yingdu will be principally engaged in the production and sale of acetic acid in the PRC.

The proposed business scope of Hebei Chungshun is the production and sale of acetic acid (醋酸), vinyl acetate (醋酸乙烯), ethyl acetate (醋酸乙酯), dibutyl sebacate (丁酯) and acetic anhydride (醋酐).

The proposed business scope of Hebei Yingdu is the production and sale of carbon monoxide (一氧化碳), liquid oxygen (液氧), liquid nitrogen (液氮), carbon dioxide (二氧化碳), hydrogen (氫氣), methane (甲烷) and acetylene (乙炔). Carbon monoxide (一氧化碳) is one of the major components in the production of acetic acid. The other chemicals as included in the proposed business scope of Hebei Yingdu are the by-products in the production processes.

#### **1.4.2 Registered capital of JV Companies**

The proposed registered capital of each of Hebei Chungshun and Hebei Yingdu is US\$33,000,000 (equivalent to HK\$257,400,000) and will be owned and contributed by Wisestar and Shenzhen KB in the proportion of 50:50.

Each of Wisestar and Shenzhen KB shall contribute the initial 15% of the registered capital of the JV Companies, being US\$2,475,000 (equivalent to HK\$19,305,000) for each of Hebei Chungshun and Hebei Yingdu in cash within three months after the business licences of the JV Companies are issued. The remaining 85% of the registered capital of the JV Companies, being US\$14,025,000 (equivalent to HK\$109,395,000) for each of Hebei

Chungshun and Hebei Yingdu, shall be contributed by each of Wisestar and Shenzhen KB in cash within two years after the business licences of the JV Companies are issued.

The Group will fund the payment of 15% of the registered capital of the JV Companies by its internal resources and the remaining part of the registered capital of the JV Companies by the unused Subscription Proceeds, its general working capital and/or bank borrowings.

The registered capital of the JV Companies to be paid up by the Group as referred to above was determined after arm's length negotiations between the Group and the KB Group taking into account of the initial set-up cost required by the JV Companies and the growth prospects of the acetic acid industry in the PRC. The Directors (other than the independent non-executive Directors whose view will be formed after taking into account the advice of the independent financial adviser to be appointed) are of the view that the terms of the Master Agreement and the formation of the JV Companies are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Upon the injection of the registered capital, the Group will own 50% equity interest in each of the JV Companies which will be accounted for as jointly controlled entities of the Group.

#### **1.4.3 Total investment of JV Companies**

The total investment of each of Hebei Chungshun and Hebei Yingdu is US\$98,000,000 (equivalent to HK\$764,400,000).

The difference between the registered capital and the total investment of the JV Companies is expected to be funded by bank borrowings to be obtained by the JV Companies.

#### **1.4.4 Term of operation**

The proposed term of operation of each of the JV Companies is 50 years from the date of its business licence.

#### **1.4.5 Board of directors**

It is proposed that the board of directors of each of Hebei Chungshun and Hebei Yingdu will comprise of five directors. Wisestar is entitled to appoint two directors while Shenzhen KB is entitled to appoint three directors. The quorum for board meetings of the JV Companies will be two-third of the board of directors.

Although the shareholding interests of Shenzhen KB and Wisestar in the JV Companies will be the same, Shenzhen KB will have the right to appoint one more board representative because the board representatives from Shenzhen KB will be primarily responsible for the supervision and management of the

JV Companies.

The following matters will require unanimous consent from all directors:

- (a) any amendment or supplement to the JV Contracts and the JV Articles;
- (b) the dissolution or termination of the JV Companies;
- (c) any increase or decrease in the registered capital of the JV Companies; and
- (d) the merger of the JV Companies with other entities or the demerger of the JV Companies or other change of economic nature of the JV Companies.

Save as above, all other matters which require consent from the board of directors of the JV Companies shall be approved by 4 out of 5 of the directors of the respective JV Companies.

#### **1.4.6 Contracts signed in relation to the Acetic Acid Project**

In preparation for the Acetic Acid Project, the KB Group has signed certain contracts with third parties independent of and not connected with the Company and its connected persons for acquiring technology and machinery, and the design of the plants for the Acetic Acid Project. As at the date of this announcement, the aggregate consideration of those contracts amounted to approximately RMB536.6 million among which approximately RMB97.7 million has been paid by the KB Group. The consideration of these contracts was arrived at with reference to market prices. Upon the establishment of the JV Companies, the JV Companies will reimburse the KB Group all the amounts paid by the KB Group on behalf of the JV Companies at cost.

Although the formation of the JV Companies is subject to Independent Shareholders' approval, the Company consider it is in the interest of the Group for the KB Group to commence the preparation work for the Acetic Acid Project because the JV Companies can commence the construction of the production plants for the Acetic Acid Project as soon as the formation of the JV Companies is approved.

In the event that the Independent Shareholders' approval for the formation of the JV Companies is not obtained at the SGM, the Group will not be required to reimburse the KB Group any amounts paid by the KB Group on behalf of the JV Companies and the Group will not participate in the Acetic Acid Project.

## **2. REASONS FOR THE MASTER AGREEMENT**

The Group is principally engaged in property investment and property leasing in Hong Kong and is developing the Methanol Project. Having regard to the low level of business activities of the Group in recent years, 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 Acetic Acid Project provides the Group with a business diversification opportunity into the chemical products business in the PRC and its future potential.

Acetic acid has a wide application in the chemical, medical and synthetic fiber industries. It is expected that the annual production capacity of acetic acid project to be undertaken by the JV Companies can reach 500,000 tonnes.

The Directors (other than the independent non-executive Directors whose view will be formed after taking into account the advice of the independent financial adviser to be appointed) consider that the terms and conditions of the Master Agreement and the formation of the JV Companies are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

### **3. LISTING RULES IMPLICATIONS**

The formation of Hebei Chungshun and Hebei Yingdu, when aggregated, constitute a major transaction for the Company under Chapter 14 of the Listing Rules and a connected transaction for the Company under Chapter 14A of the Listing Rules. The formation of the JV Companies is subject to the reporting, announcement and Independent Shareholders' approval requirements.

To the best knowledge of the Directors, Fame Ascent Investments Limited, being an indirect wholly owned subsidiary of KB, is interested in approximately 36.51% of the entire issued share capital of the Company as at the date of this announcement and is required to abstain from voting at the SGM. KB, being the ultimate holding company of Fame Ascent Investment Limited, and other associates (within the meaning of the Listing Rules) of Fame Ascent Investments Limited are also required to abstain from voting on the resolution to be proposed at the SGM.

### **4. CHANGE OF PROPOSED USE OF SUBSCRIPTION PROCEEDS**

Reference is made to the Subscription Announcement and the Subscription Circular. Completion of the Subscription took place in October 2007 and the Company has received the Subscription Proceeds of approximately HK\$373 million net of expenses from the Subscription which the Directors intended to use for the construction of the production plant of the Methanol Project.

As set out in the Subscription Circular, the Directors expect that construction of the first phase of the plant for the Methanol Project will be completed by 2010 and the construction of the second phase is expected to be completed by 2012. As at the date of this announcement, the Group has used approximately HK\$110 million from the Subscription Proceeds for the Methanol Project. It is expected that approximately HK\$88 million from the Subscription Proceeds will be applied by the Group to the Methanol Project in the year 2008. As there is no immediate need for the remaining unused Subscription Proceeds, the Company intends to re-allocate approximately HK\$175 million to fund the Acetic Acid Project should the formation of the JV Companies be approved by the Independent Shareholders at the SGM. If the unused Subscription Proceeds of approximately HK\$175 million is to be re-allocated to fund

the Acetic Acid Project, the Group intends to, depending on the timing and amount of fund required for the Methanol Project and the then market conditions, raise additional fund for the Methanol Project by way of debt financing or equity financing.

## 5. SGM

An independent board committee comprising the independent non-executive Directors will be formed to advise the Independent Shareholders on the terms and conditions of the Master Agreement and the formation of the JV Companies contemplated thereunder. 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 Master Agreement and the JV Companies, the letter 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 in accordance with the Listing Rules.

## 6. 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 18 January 2008 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 22 January 2008 has been made by the Company.

## 7. DEFINITIONS

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

“Acetic Acid Project”	the construction of acetic acid factory and the production and sale of acetic acid to be undertaken by the JV Companies
“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
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hebei Chungshun”	河北忠信化工有限公司 (Hebei Chung Shun Chemical Co., Ltd.), a sino-foreign equity joint venture to be established in the Hebei Province in the PRC

<b>“Hebei Yingdu”</b>	河北英都氣化有限公司 (Hebei Ying Du Gasification Co., Ltd.), a sino-foreign equity joint venture to be established in the Hebei Province in the PRC
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Shareholders”</b>	the shareholders of the Company (other than KB and its associates)
<b>“JV Articles”</b>	the articles of each of Hebei Chungshun and Hebei Yingdu to be signed by Wisestar and Shenzhen KB
<b>“JV Companies”</b>	collectively, Hebei Chungshun and Hebei Yingdu
<b>“JV Contracts”</b>	the joint venture contract of each of Hebei Chungshun and Hebei Yingdu to be signed by Wisestar and Shenzhen KB
<b>“KB”</b>	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 and a controlling shareholder (as defined the Listing Rules) of the Company
<b>“KB Group”</b>	KB and its subsidiaries
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Master Agreement”</b>	the agreement dated 17 January 2008 and entered into between the Company and KB
<b>“Methanol Project”</b>	the project 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 as currently undertaken by PRC Company, further details of which are set out in the Subscription Announcement and the Subscription Circular
<b>“PRC”</b>	the People’s Republic of China
<b>“PRC Company”</b>	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 and an indirect wholly owned subsidiary of the Company, further details of which are set out in the Subscription Announcement and the Subscription Circular
<b>“SGM”</b>	the special general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, among other matters, the formation of the JV Companies
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Shareholders”</b>	shareholder(s) of the Company
<b>“Shares”</b>	share(s) of HK\$0.01 each in the share capital of the Company
<b>“Shenzhen KB”</b>	深圳市建滔投资有限公司 (unofficial English translation as Shenzhen Kingboard Investments Limited), a wholly-owned foreign enterprise established in the PRC and an indirect wholly-owned subsidiary of KB
<b>“Subscription”</b>	collectively, the subscription of an aggregate of 1,234,197,208 Shares and convertible bonds with an aggregate principal amount of HK\$180,000,000 by Asian Kingdom Limited and Fame Ascent Investments Limited, further details of which are set out in the Subscription Agreement and the Subscription Circular
<b>“Subscription Announcement”</b>	the joint announcement dated 7 August 2007 issued by the Company, Asian Kingdom Limited, KB and Fame Ascent Investments Limited in relation to, among other matters, the Subscription
<b>“Subscription Circular”</b>	the circular of the Company dated 28 August 2007 in relation to, among other matters, the Subscription
<b>“Subscription Proceeds”</b>	the net proceeds of approximately HK\$373 million received by the Company from the Subscription
<b>“US\$”</b>	United States dollars, the lawful currency of the United States of America
<b>“Wisestar”</b>	Wisestar Development Limited, an indirect wholly-owned subsidiary of the Company
<b>“%”</b>	per cent.

In this announcement, amounts quoted in US\$ have been converted into HK\$ at the rate of US\$1.00 to HK\$7.80 and amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.07. Such exchange rates have been used, where applicable, for purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at these or any other rates or at all.

By order of the Board  
**Lam, Kwong-wai**  
Company Secretary

Hong Kong, 21 January 2008

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