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KENFAIR INTERNATIONAL (HOLDINGS) LIMITED

建發國際（控股）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 223)

VERY SUBSTANTIAL ACQUISITION – ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN WEALTH GAIN GLOBAL INVESTMENT LTD. INVOLVING PAYMENT OF CASH, ISSUE OF CONSIDERATION SHARES AND CONVERTIBLE NOTE; AND RESUMPTION OF TRADING

FINANCIAL ADVISER TO THE COMPANY

 **Baron Capital Limited**

THE ACQUISITION

The Board announces that on 25 September 2007, the Company entered into a conditional Sale and Purchase Agreement with the Vendor, pursuant to which, amongst other things, the Vendor has agreed to sell and the Company agreed to acquire the entire issued share capital of the Target Company at the consideration of HK\$700 million.

The Consideration is to be satisfied as to (i) HK\$320 million in cash; (ii) HK\$35 million by the issue of the Consideration Shares to the Vendor at an issue price of HK\$0.50 per Consideration Share; and (iii) HK\$345 million by the issue of the Convertible Note by the Company to the Vendor. Details of the Consideration, the Consideration Shares and the Convertible Note are set out in this announcement.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

GENERAL

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares and the Conversion Shares.

At the request of the Stock Exchange, the Company has agreed to appoint an independent compliance adviser to the satisfaction of the Stock Exchange to advise on the terms of the Acquisition. A circular containing, among others, (a) further information on the Acquisition, (b) further details of the Consideration Shares, the Convertible Note, the Conversion Shares and the terms thereof; (c) a letter from the independent compliance adviser to be appointed by the Company to advise on the terms of the Acquisition; and (d) a notice of the EGM, will be despatched to the Shareholders in accordance with the Listing Rules.

Completion of the Acquisition and the transactions contemplated thereunder may or may not take place. Shareholders and potential investors should exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 25 September 2007 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 October 2007.

INTRODUCTION

The Target Company entered into the non-binding Framework Agreement on 18 July 2007 and proposes to enter into the Mine Acquisition Agreement with the Mine Seller, pursuant to which the Target Company will, upon completion of the Transfer, acquire the entire equity interest of the Coal Mine Company from the Mine Seller, subject to the terms and conditions of the Framework Agreement and the Mine Acquisition Agreement. As the restructuring of the Coal Mine Company is still in progress, the Mine Acquisition Agreement is expected to be signed as soon as the restructuring is completed, which is expected to be on or before 31 October 2007. Further announcement will be made if the Mine Acquisition Agreement is signed.

SALE AND PURCHASE AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

Date of the Sale and Purchase Agreement

25 September 2007

Date of the Supplemental Agreement

26 October 2007

The main terms of the Supplemental Agreement are (i) to include completion of the Transfer as a condition precedent to the Sale and Purchase Agreement; (ii) to include approval of the Sale and Purchase Agreement by Independent Shareholders as a condition precedent to the Sale and Purchase Agreement; and (iii) to change the time for payment of the balance of the cash consideration of HK\$300 million to a day falling 3 months (or such other date as the parties may agree) after the Completion. The Supplemental Agreement also includes consequential changes to the Sale and Purchase Agreement as a result of the changes to the condition precedent described in (i) above.

Parties

- 1) Vendor; and
- 2) The Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is a third party independent of the Company and its subsidiaries and connected persons of the Company and its subsidiaries or any of their respective associates. The Vendor is also independent of and not connected with Baron International and/or its ultimate beneficial owners and/or his/its associates.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Company has no prior transaction with the Vendor and its associates in the past 24 months.

Assets to be acquired

The Sale Share represents the entire issued share capital of the Target Company. The Sale Share will be acquired by the Company free from all pre-emption, options, liens, claims, equities, charges, encumbrances or third-party rights of any nature, together with all rights as at the date of the Sale and Purchase Agreement or thereafter attaching to it, including all rights to any dividends or other distribution declared, made or paid on or after the date of the Sale and Purchase Agreement.

The Target Company is an investment holding company which was wholly-owned by the Vendor as at the date of this announcement and which will, upon completion of the Transfer, hold 100% of the equity interest of the Coal Mine Company. Upon completion of the Sale and Purchase Agreement and the Mine Acquisition Agreement (the details of which are set out in the section headed "The Mine Acquisition Agreement"), the Company, through the Target Company, will acquire full ownership and control of the Coal Mine Company.

Consideration

The Consideration of HK\$700 million in aggregate is to be satisfied in the following manner:

1. HK\$20 million was paid in cash by the Company to the Vendor upon signing of the Sale and Purchase Agreement as a refundable deposit;
2. HK\$35 million is to be satisfied by the issue of Consideration Shares to the Vendor at an issue price of HK\$0.50 per Consideration Share on Completion;
3. HK\$345 million is to be satisfied by the issue of Convertible Note to the Vendor on Completion; and
4. HK\$300 million in cash is to be satisfied to the Vendor or as it may direct in writing on the day falling 3 months (or such other date as the parties may agree) after the Completion. The Vendor has directed the Company to pay part of the amount as may be notified by him to the Company for the purposes of settlement of liabilities of the Coal Mine Company due to creditors of the Coal Mine Company directly to such creditors, and as to the balance thereof to the Vendor, the payment of which shall constitute full and final settlement of the Company's obligation to pay HK\$300 million of the Consideration.

Completion of the Transfer is a condition precedent to Completion and the Convertible Note and Consideration Shares will be issued only on Completion.

The Directors have considered settling the consideration for the Acquisition in cash. However, the Directors are concerned that fund raising exercises of such magnitude may be difficult. The Directors consider settling the Consideration by using a mixture of cash, Consideration Shares and Convertible Note to the benefit of the Company and the Shareholders as a whole because it can lessen the working capital burden on the Company. Besides, the Directors consider that the issue of Convertible Note will not have an immediate dilution effect on the existing Shareholders.

According to the Sale and Purchase Agreement, the Vendor acknowledges that no further funding will be advanced or made by the Company for the purpose of the completion of the Transfer, other than the Consideration.

The cash portion of the Consideration (being HK\$320 million) will be financed by internal financial resources of the Company, available banking facilities, and/or future debt or equity fund raising exercises of the Company. The Company has not yet reached a decision on the form or mix of such financing activities and has not entered into any agreement in relation to the fund raising activities. The Company has specially negotiated a 3-month payment term after the Completion to allow enough time for such fund raising negotiations/activities.

Details of the Consideration Shares and the Convertible Note are set out in the paragraphs headed “Consideration Shares” and “Convertible Note” below.

Basis of the Consideration

The Consideration was determined after arm’s length negotiation with reference to, among other things, (i) the potential prospect of the coal mining industry in the PRC; (ii) the current revenues and net profits generated by the Coal Mine Company as shown in the financial statements prepared under PRC GAAP; (iii) the estimated reserves and resources of the Coal Mine; (iv) a price-to-earning ratio (“P/E ratio”) of 25.7 based on the earnings for the year ended 31 December 2006 as shown in the financial statements of the Coal Mine Company prepared in accordance with PRC GAAP and the Consideration of HK\$700 million, and a P/E ratio of 32.05 (assuming exercise of the Convertible Note to its maximum extent of 29.9% of the enlarged issued share capital of the Company), and 57.77 (assuming full conversion of the Convertible Note) based on the adjusted consideration of which the Consideration Shares and Conversion Shares are adjusted at the closing price of HK\$1.65 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the date of the Sale and Purchase Agreement; and (v) a draft valuation report on the Coal Mine Company.

An independent valuer, Savills, has been commissioned to prepare a valuation report on the business enterprise value of the Coal Mine Company. Savills has performed property valuation for China Coal Energy Company Limited (Stock code: 1898). In addition, Savills has substantial experience in the valuation of companies engaged in various kinds of businesses including toll road, electronic, textile, pharmacy, hotel, golf, manufacturing and water plant etc.

A draft report prepared by Savills, which gives a value of RMB680 million to the Coal Mine Company, has been reviewed by the Board in assisting the determination of the Consideration. The Directors are of the view that such preliminary valuation of the Coal Mine Company by Savills has been prepared after due and careful enquiry. In arriving at the assessed value, Savills has considered three accepted approaches. They are market approach, cost approach and income approach. For this valuation, the market approach is not appropriate as there are insufficient comparable transactions to form reliable basis for their opinion of value. The cost approach is not appropriate as it ignores the economic benefits of ownership of the business. Savills has therefore relied solely on the income approach in determining opinion of the value.

Savills has mainly used the income approach technique known as discounted cash flow method to assess the market value of business enterprise value of companies. Under the said method, Savills has discounted the projected cash flow of the Coal Mine Company based on the sales, operating cost and capital expenditure forecast as disclosed in the draft technical report provided by MMC and other relevant documents, financial information and projection provided by the Coal Mine Company and the Vendor. The final valuation report, together with the information under Rule 14.62 including, among other things, details of the principal assumptions, a letter from the Company's reporting accountants and a report from Baron Capital Limited, will be included in the circular to be despatched to the Shareholders. To the best of the Directors knowledge, information and belief having made all reasonable enquiries, Savills is independent and not connected with the Company, Baron International, the Mine Seller, the Vendor and their respective ultimate beneficial owners.

Given the increasing growth rate in the steel and energy related industries in the PRC, the Directors are of the view that the outlook of the coal mining industry in the PRC is positive. Taking into account that the Coal Mine Company can have immediate cash flow contribution upon the Completion, the Directors consider that the P/E ratio of 57.77, which is within the range of P/E ratios of other coal mining issuers and calculated based on the adjusted consideration as stated above, to be fair and reasonable.

The Directors are aware of the considerable premium when comparing the Consideration with the original cost payable by the Target Company in relation to its acquisition of the entire equity interest in the Coal Mine Company. The Directors consider the amount of the Consideration and premium payable is justifiable taking into account the following factors:

- 1) Without the connection of the Vendor, the Company would not have any information or knowledge about the Coal Mine Company or the Mine Seller and therefore it is impossible for the Company to directly acquire the equity interest of the Coal Mine Company and conclude the transaction with the Mine Seller at a lower cost, if at all;
- 2) The draft valuation report prepared by Savills gives a value comparable to the Consideration for the Coal Mine Company; and
- 3) The P/E ratio of 25.7 based on audited accounts of the Coal Mine Company for the year ended 31 December 2006 prepared in accordance with the PRC GAAP is less than the current P/E ratios of other coal mining issuers listed on the Stock Exchange. Set out below is a summary of P/E ratios of other coal mining issuers listed on the Stock Exchange.

| Company name (Stock Code) | Closing Price on 24 September 2007, being the last trading day prior to the date of the Sale and Purchase Agreement HK\$ | P/E ratio as at 24 September 2007, being the last trading day prior to the date of the Sale and Purchase Agreement |
|--|---|---|
| China Coal Energy Co. Ltd. (1898) | 21.15 | 52.46 |
| China Shenhua Energy Co. Ltd. (1088) | 46.15 | 46.38 |
| Hidili Industry International Development Ltd. (1393) | 11.78 | 152.35 |
| Yanzhou Coal Mining Co. Ltd. (1171) | 16.82 | 33.81 |

Notes:

- 1) Earnings per share figures are extracted from the respective latest published annual reports or prospectus of the listed issuers.
- 2) Exchange rate being used is HK\$1 = RMB0.97.

The Directors had reviewed several research reports in connection with the coal mining industry including research report dated 23 July 2007 issued by Deutsche Bank titled China Coal Monitor, research report dated 27 August 2007 issued by Scotia Capital titled China Commodities Weekly, and an industry report titled China Energy Weekly issued by Interfax China from 28 June 2007 to 4 July 2007. The overall sentiment is positive and the Directors are of the view that the coal mining industry in PRC will continue to boom in the future given the substantial gross domestic product growth rate and the increasing growth in steel and energy related industries. The Directors are of the view that given the prevailing market conditions for coal mining projects, the P/E ratio is within the range of the P/E ratios of other coal mining issuers, the business of the Coal Mine Company can have immediate cash-flow contribution upon the Completion, the P/E ratio of the Coal Mine Company is fair and reasonable.

The Directors are reasonably satisfied that the Target Company will own the Coal Mine Company as the Framework Agreement has documented the intention of the Mine Seller to sell the Coal Mine Company to the Vendor. The Completion is conditional upon, among other things, the completion of the Transfer. The Directors have reviewed a draft PRC legal opinion made available in relation to the Coal Mine Company.

The Company views the Coal Mine as a very promising asset since it is cash-flow generating. The structure of the Sale and Purchase Agreement is such that the Target Company has to, among other things, enter into the Mine Acquisition Agreement with the Mine Seller and complete the Transfer for the Sale and Purchase Agreement to become unconditional. The Directors consider that time is of essence for this investment as it may go to other potential buyers or may be settled at a much higher price if the Sale and Purchase Agreement is entered into at a later stage.

Under the Sale and Purchase Agreement, the Vendor has given warranties, inter alia, that the accounts of the Coal Mine Company are true and fair and prepared in accordance with the PRC GAAP and that there is no material adverse change in the financial and trading position of the Coal Mine Company since the date of the accounts of the Coal Mine Company. Such accounts are the audited financial statements for the years ended 31 December 2004, 2005 and 2006, and the unaudited financial statements for the 6 months ended 30 June 2007. If there are any breaches of the warranties, the Company can make claims against the Vendor under the Sale and Purchase Agreement.

The Vendor has also agreed that any change in the terms of the Mine Acquisition Agreement is subject to the Company's consent. If there are material variations in the terms of the signed version of the Mine Acquisition Agreement, a separate announcement will be made by the Company.

Taking into account the above factors and the fact that the Directors may not be able to conclude the transaction with the Mine Seller otherwise than through the Vendor, the Directors are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as a whole and the Consideration is fair and reasonable.

Conditions precedent to the Sale and Purchase Agreement

Completion of the Acquisition is subject to the following conditions precedent:

- 1) a due diligence investigation on the Target Company having been completed to the satisfaction of the Company in its sole discretion;
- 2) the issue of a legal opinion in form and substance satisfactory to the Company by a PRC lawyer approved by the Company, in relation to certain matters in relation to the Coal Mine Company and the Transfer;
- 3) the obtaining of a technical report on the Coal Mine in form and substance satisfactory to the Company issued by a Qualified Technical Adviser;
- 4) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares and the Consideration Shares;
- 5) a valuation report on the Coal Mine Company in form and substance satisfactory to the Company issued by a qualified independent PRC valuer;
- 6) the Company being satisfied that there has not been any material adverse change (being any change which has a material and adverse effect on the financial position, business or operations) of the Target Company and the Coal Mine Company;

- 7) The Mine Acquisition Agreement having been executed and production of evidence satisfactory to the Company (including an opinion issued by a PRC lawyer approved by the Company) that the Transfer has been completed.
- 8) the passing by the Independent Shareholders of a resolution to approve the Sale and Purchase Agreement and the transactions contemplated by it; and
- 9) the Stock Exchange not having indicated that it will treat (a) the transactions contemplated under the Sale and Purchase Agreement as a “reverse takeover” under Rule 14.06(6) of the Listing Rules and/or (b) the Company as a new listing applicant under Rule 14.54 of the Listing Rules.

In the event that the above conditions have not been fulfilled (or waived by the Company) on or before 5:00 p.m. on 31 December 2007 (or such other date as the Vendor and the Company may agree in writing) and the Company gives notice to terminate the Sale and Purchase Agreement, the Sale and Purchase Agreement shall terminate and the Vendor shall return the Deposit without interest to the Company forthwith on demand. On the termination of the Sale and Purchase Agreement and refund of the Deposit, the parties to the Sale and Purchase Agreement shall have no further claims against each other for costs, damages, compensation or otherwise, save in respect of antecedent breaches and claims.

The Vendor has agreed with the Mine Seller that the Mine Seller will effect the Transfer before the payment of the consideration for the Mine Acquisition Agreement. Please refer to the section headed “Mine Acquisition Agreement” below, Jingtian Gongcheng Attorneys at Law will be issuing the legal opinions referred to the above.

Completion

Completion is to take place on the tenth business day after all conditions precedent to the Sale and Purchase Agreement have been satisfied or waived by the Company (or such other time and date as the parties to the Sale and Purchase Agreement may agree). The Vendor has undertaken to procure that the Transfer to be completed on or before 31 December 2007.

At Completion, the Company will, among other things, (i) issue to the Vendor the Convertible Note; (ii) issue and allot to the Vendor the Consideration Shares credited as fully paid; and (iii) procure that the Vendor is registered on the register of members of the Company as the registered holder of the Consideration Shares.

CONSIDERATION SHARES

The issue price of HK\$0.50 per Consideration Share was determined after arm’s length negotiations between the parties with reference to the recent market price of the Shares and the net asset value per Share as at 31 March 2007 of HK\$0.195.

The Consideration Shares represent approximately 19.82% of the existing issued share capital of the Company and approximately 16.54% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares. An ordinary resolution will be proposed to the Shareholders at the EGM for the issue of the Consideration Shares. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

For comparison of the Issue Price to the latest traded price of the Shares on the Stock Exchange, please refer to the section headed “Issue Price and Conversion Price” below.

CONVERTIBLE NOTE

The principal terms of the Convertible Note are as follows:

| | |
|------------------------------|--|
| Principal amount: | HK\$345 million |
| Interest: | Non-interest bearing |
| Conversion Price: | HK\$0.50 (subject to adjustment for standard adjusting events including sub-division or consolidation of Shares, issue of Shares by way of capitalization of profit or reserves; capital distribution, rights issues, etc. The adjustment to the Conversion Price is subject to review by approved merchant bank and/or auditor appointed by the Company) |
| Maturity date and repayment: | Fifth anniversary from the issue date of the Convertible Note. The outstanding principal amount of the Convertible Note, unless previously converted into Shares or repaid in accordance with the conditions of the Convertible Note, shall be repaid subject to and in accordance with the terms of the Convertible Note on the fifth anniversary following the issue date of the Convertible Note at 100% of the outstanding principal amount of the Convertible Note. |
| Conversion: | The holder of the Convertible Note shall have the right to convert the whole or any part (in an authorised denomination) of the outstanding principal amount of the Convertible Note at any time from its date of issue at the Conversion Price (subject to adjustment for, among other matters, subdivision or consolidation of Shares, bonus issues, rights issue and other events which have diluting effects on the issued share capital of the Company as provided for under the Convertible Note instrument) up to (and excluding) the commencement of the 7 calendar day period ending on (and including) the Maturity Date. The conversion rights attaching to the Convertible Note shall not in any event be exercisable at any time when the Conversion Price is less than the par value of the Shares. No fraction of a Share shall be issued on conversion and no amount in respect thereof shall be refunded to the holder of the Convertible Note. |

In addition, the conversion right attaching to the Convertible Note cannot be exercised and accordingly the Company will not issue any Conversion Shares if and to the extent that the total number of Shares with voting rights held by the holder of the Convertible Note and parties acting in concert with it within the meaning of the Takeovers Code immediately after the issue of the Conversion Shares would be more than 29.9% of the enlarged issued share capital of the Company or such other amount equal to 0.1% below the amount as may be specified in the Takeovers Code as being the level for triggering a mandatory general offer.

- Redemption: The Company may at any time and from time to time, by written notice to the holder of the Convertible Note to redeem the whole or part (being an authorised denomination) of the then outstanding principal amount of the Convertible Note at any amount equal to 100% of the principal amount of the Convertible Note sought to be redeemed.
- Authorised denomination: HK\$1 million
- Transferability: The Convertible Note (and any part of the Convertible Note) may not be transferred without the prior written consent of the Company. The Convertible Note may not be transferred by the holder of the Convertible Note without the consent of the Company, to any connected person of the Company. Any transfer of the Convertible Note shall be in respect of the whole or any part (in an authorised amount) of the outstanding principal amount of the Convertible Note.
- Ranking: The Conversion Shares issued upon conversion will rank pari passu in all respects with all other existing Shares outstanding at the date of conversion and the holder of the Conversion Shares shall be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of conversion.
- Voting: The holder of the Convertible Note will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being the holder of the Convertible Note.
- Listing: No application will be made for the listing of the Convertible Note on the Stock Exchange or any other stock exchange. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Note.

The Company shall notify the Stock Exchange as soon as practicable when it becomes aware of any dealings in the Convertible Notes by any connected persons of the Company.

ISSUE PRICE AND CONVERSION PRICE

The Issue Price and the Conversion Price represent:

- (i) a discount of approximately 69.7% to the closing price of HK\$1.65 per Share as quoted on the Stock Exchange on the last trading day immediately prior to the date of the Sale and Purchase Agreement;
- (ii) a discount of approximately 69.7% to the average closing prices of HK\$1.65 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the date of the Sale and Purchase Agreement;
- (iii) a discount of approximately 61.8% to the average of the closing prices of HK\$1.31 per Share as quoted on the Stock Exchange for the period from 1 January 2007 up to the date of the Sale and Purchase Agreement; and
- (iv) a premium of approximately 156.41% over the audited net asset value per Share as at 31 March 2007 of HK\$0.195 (based on the audited consolidated net assets of approximately HK\$45,796,000 as at 31 March 2007 and 235,452,000 Shares then in issue as shown in the latest annual report of the Company).

Given the Issue Price and the Conversion Price represent a premium of approximately 156.41% over the audited net asset value per Share as at 31 March 2007 and the Directors are of the view that the high historical trading price of the Company is not sustainable and the Consideration Shares and Conversion Shares cannot be absorbed by the market at such high share price. Therefore, the Directors are of the view that, with reference to the net asset value per Share, the Issue price and the Conversion Price of HK\$0.50, which was arrived at after arm's length negotiation with the Vendor, are fair and reasonable and in the interests of the Company and Shareholders as a whole.

SHAREHOLDING STRUCTURE OF THE COMPANY

The following chart sets out the shareholding structure of the Company, (i) as at the date of this announcement; (ii) after issue of the Consideration Shares but before the issue of the Conversion Shares; and (iii) after issue of the Consideration Shares and the issue of the Conversion Shares (assuming that the Convertible Note is converted up to the extent that the Vendor and the parties acting in concert with it hold 29.9% of the enlarged issued share capital of the Company at the initial Conversion Price):

| | As at the date of this announcement | | After issue of the Consideration Shares but before the issue of the Conversion Shares | | After issue of the Consideration Shares and issue of the Conversion Shares (assuming the Convertible Note is converted up to the extent that the Vendor and the parties acting in concert with it hold 29.9% of the enlarged issued share capital of the Company at the initial Conversion Price) | |
|--|--|---------------------------|--|---------------------------|---|----------------------------|
| | Number of Shares | Approximate percentage | Number of Shares | Approximate percentage | Number of Shares | Approximate percentage |
| Capital Concord Profits Limited (<i>Note 1</i>) | 177,000,000 | 50.12 | 177,000,000 | 41.83 | 177,000,000 | 35.13 |
| Vendor | – | – | 70,000,000 | 16.54 | 150,642,000 | 29.90 (<i>Note 2</i>) |
| Public Shareholders | | | | | | |
| Baron International | 1,875,503 | 0.53 | 1,875,503 | 0.44 | 1,875,503 | 0.37 |
| Other public Shareholders | <u>174,302,497</u> | <u>49.35</u> | <u>174,302,497</u> | <u>41.19</u> | <u>174,302,497</u> | <u>34.60</u> |
| Sub-total | <u>176,178,000</u> | <u>49.88</u> | <u>176,178,000</u> | <u>41.63</u> | <u>176,178,000</u> | <u>34.97</u> |
| Total | <u><u>353,178,000</u></u> | <u><u>100.00</u></u> | <u><u>423,178,000</u></u> | <u><u>100.00</u></u> | <u><u>503,820,000</u></u> | <u><u>100.00</u></u> |

Notes:

- 1) The entire issued share capital of Capital Concord Profits Limited (“Capital Concord”) is beneficially owned as to 50% by Best Aims Finance Limited (“Best Aims”), 30% by Harbour Rich Finance Limited (“Harbour Rich”) and 20% by Pace Maker Finance Limited (“Pace Maker”). The entire issued share capital of Best Aims is beneficially owned by Mr. Ip Ki Cheung (“Mr. Ip”), an executive Director. Accordingly, Mr. Ip is deemed to be interested in 177,000,000 Shares held by Capital Concord, representing approximately 50.12% of the entire issued share capital of the Company. The entire issued share capital of Harbour Rich is beneficially owned by Mr. Cheung Shui Kwai, an executive Director. The entire issued share capital of Pace Maker is beneficially owned by Mr. Chan Siu Chung, an executive Director. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Capital Concord or its ultimate beneficial owners are not parties acting in concert with the Vendor. Also, to the best information and knowledge of the Vendor, the Vendor is not acting in concert with other existing Shareholders.

- 2) It is expected that pursuant to the terms of the Convertible Note, the conversion right attaching to the Convertible Note cannot be exercised if as to the extent that the total number of Shares with voting rights held by the holder of the Convertible Note and parties acting in concert with it within the meaning of the Takeovers Code immediately after the issue of the Conversion Shares would be more than 29.9% of the enlarged issued share capital of the Company or such other amount equal to 0.1% below the amount as may be specified in the Takeovers Code as being the level for triggering a mandatory general offer.

DILUTION EFFECT ON SHAREHOLDERS

In view of the potential dilution effect on existing Shareholders on the exercise of conversion rights attaching to the Convertible Note, the Company will keep the Shareholders informed by way of an announcement of the level of dilution effect and all relevant details of any conversion of the Convertible Note in the following manner:

- (a) the Company will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
- (i) whether there is any conversion of the Convertible Note during the relevant month. If yes, details of the conversion(s), including the conversion date, number of Conversion Shares issued, conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (ii) the outstanding principal amount of the Convertible Note after the conversion, if any;
 - (iii) the total number of Shares issued pursuant to other transactions, including Shares issued pursuant to exercise of options under any share option scheme(s) of the Company;
 - (iv) the total issued share capital of the Company as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of Conversion Shares issued pursuant to the conversion of the Convertible Note reaches 5% of the 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 Convertible Note (as the case may be) (and thereafter in a multiple of such 5% threshold), the Company will as soon as practicable but in any event no later than the fifth business day thereafter make an announcement on the website of the Stock Exchange including details as stated in (i) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement made by the Company in respect of the Convertible Note (as the case may be), up to the date on which the total amount of Shares issued pursuant to the conversion amounts to 5% of the 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 Convertible Note (as the case may be).

THE FRAMEWORK AGREEMENT

The major terms of the non-binding Framework Agreement are as follows:

- 1) The Mine Seller has agreed to sell the entire equity interest of the Coal Mine Company to the Target Company pursuant to the terms and conditions of the Framework Agreement and the proposed Mine Acquisition Agreement;
- 2) Pursuant to the Framework Agreement, the Target Company will conduct due diligence review on the Coal Mine Company within next 3 months from the date of Framework Agreement; and
- 3) The Transfer Consideration will be based on a valuation report as provided by an independent qualified PRC valuer.

THE MINE ACQUISITION AGREEMENT

Pursuant to the Mine Acquisition Agreement to be signed between the Mine Seller and the Target Company, the Mine Seller will sell and the Target Company will acquire the entire equity interest of the Coal Mine Company, the principal assets and business of which is the holding and operation of the Coal Mine. It is expected that the Mine Acquisition Agreement will contain the following terms:–

Consideration for the Transfer

The Transfer Consideration will be approximately RMB140 million, which is to be determined and with reference to the final PRC valuation report and after arms length negotiation, payable within 3 months from the date of the completion of the Transfer under the Mine Acquisition Agreement. The final consideration is to be confirmed upon the issue of the valuation report by a qualified PRC valuer and the signing of the Mine Acquisition Agreement. The valuation report will be issued by Heilongjiang Hua Peng CPA Company Limited (known as 黑龍江華鵬會計師事務所有限公司). Such valuation report has not been issued pending the completion of the restructuring of the Coal Mine Company, but it is expected to be in the range of RMB90 million to RMB140 million. The valuation is based on the net asset value of the Coal Mine Company, for which only approximately RMB10 million of the long-term liabilities out of the RMB156 million is taken into account due to the fact that the Mine Seller was previously in negotiation with the government authorities regarding such payment. In addition, the contingent Mining Rights Fee has not been included in the net asset value calculation as such amount is not relevant for the purpose of the calculation of the net asset value of the Coal Mine Company. For the purpose of determining the Consideration, the Company has made reference to a draft valuation report prepared by Savills, an international valuation firm. The valuation method is fundamentally different between the international valuation report and the PRC valuation report. The PRC valuation report uses a net asset value approach and the international valuation report used a discounted cash flow approach. Furthermore, the subject matter is different as the Coal Mine Company will not have any long-term liabilities after completion of the Transfer and payment of the consideration under the Mine Acquisition Agreement. It is intended that the Transfer Consideration payable by the Target Company will be used by the Coal Mine Company in whole or in part to settle the long term liabilities due to the creditors of the Coal Mine Company plus part of its liabilities in relation to Mining Rights Fee required to be paid in 2007. However, according to the Sale and Purchase Agreement, on full settlement of the Company's payment obligation of HK\$700 million, the Vendor acknowledges that no further

funding will be advanced or made by the Company for the purpose of the completion of the Transfer and payment of the consideration under the Mine Acquisition Agreement. Pursuant to the Sale and Purchase Agreement, the Vendor has given a warranty that upon completion of the Transfer and payment of the consideration under the Mine Acquisition Agreement, the Coal Mine Company will have no other liabilities other than the balance of the Mining Rights Fee payable to the PRC government of approximately RMB77.1 million and accounts payable incurred in the ordinary course of business (the “Liability Warranty”). It is one of the conditions precedent to completion of the Mine Acquisition Agreement that there is no material adverse change in the financial position, business and operations of the Coal Mine Company from 30 June 2007, up to the date of approval of the Mine Acquisition Agreement by the authorities.

Under the Mine Acquisition Agreement, the Mine Seller agrees that if the Transfer Consideration is not sufficient to repay the long-term liabilities of the Coal Mine Company and the liabilities as disclosed in the Mine Acquisition Agreement (the “Completion Liabilities”) or causes a breach of the Liability Warranty, the Mine Seller shall pay the difference between Completion Liabilities and the Transfer Consideration and indemnify the Coal Mine Company and the Target Company for losses caused by the breach of the Liability Warranty.

If the creditors of the Completion Liabilities accept sums less than the face value of the Completion Liabilities as full settlement of such liabilities, the Mine Seller shall retain the difference between the Transfer Consideration and the sums used to settle the Completion Liabilities.

Conditions precedent to the Mine Acquisition Agreement

Conditions precedent to the Mine Acquisition Agreement include, among other things,

- 1) the execution of the Mine Acquisition Agreement;
- 2) the Transfer is approved by the authorized persons of the Coal Mine Company (according to PRC company laws, the transfer of the Coal Mine Company has to be approved by the board of the Coal Mine Company in addition to the shareholders of the Coal Mine Company);
- 3) the legal due diligence on the Coal Mine Company having been completed by the PRC legal adviser and the Target Company having obtained a PRC legal opinion (in such form and substance to its satisfaction) covering matters relating to such due diligence exercise;
- 4) the obtaining of a technical report issued by a qualified technical adviser in relation to the Coal Mine and its operating parameters, including but not limited to production, coal qualities, resources and reserves, operating costs, safety and environmental issues;
- 5) a valuation report on the Coal Mine Company in form and substance satisfactory to the Target Company issued by a qualified independent PRC valuer;
- 6) the Mine Seller’s representation and warranties contained in the Mine Acquisition Agreement remaining true and accurate in all material respects;

- 7) the obtaining of the approval from the relevant authorities in the PRC in respect of the Mine Acquisition Agreement;
- 8) there has not been any material adverse change in the financial position, business or operations of the Coal Mine Company from 30 June 2007 up to the date of approval of the Mine Acquisition Agreement by the authorities;
- 9) the Coal Mine Company having completed a reorganisation from a state-owned to a limited liability company in accordance with PRC laws; and
- 10) the Coal Mine Company having obtained all necessary licences and approvals for its reorganization into a limited liability company and the operation of its business including valid business licence with exploitation of coal and coal mine operation in its business scope, 國有土地使用証 (the Land Use Rights Certificate), 房屋所有權証 (Building Ownership Certificate) for the Coal Mine, 採礦許可証 (the Coal Mining Licence), 安全生產許可証 (the Safety Production Permit), 煤炭經營資格証 (the Coal Operation Permit) and the relevant environmental protection approvals.

Completion

The fulfillment of all conditions precedent of the Mine Acquisition Agreement, including the Transfer, is expected to be completed on or before 31 December 2007 (or such other date as may be agreed between the parties in writing). The Transfer Consideration is payable within 3 months from the completion of the Transfer, which is currently expected to be on or before 31 March 2008.

Representations and warranties

Set out below is a summary of certain representations and warranties proposed to be given by the Mine Seller in the Mine Acquisition Agreement:

- 1) The equity interest to be transferred is held by the Mine Seller free from all pre-emption, options, liens, claims, equities, charges, encumbrances or third-party rights of any nature;
- 2) To the best knowledge of the Mine Seller, the business of the Coal Mine Company will be operated in the ordinary course of business since 30 June 2007;
- 3) All necessary licences and approvals for the operations of the Coal Mine Company and the execution and completion of the Mine Acquisition Agreement have been obtained;
- 4) Other than the information disclosed separately in the Mine Acquisition Agreement, the accounts of the Coal Mine Company give a true and fair view of the state of affairs of the Coal Mine Company as at the accounts date and have been prepared in accordance with the PRC GAAP. There has been no material adverse change in the financial position of the Coal Mine Company since 30 June 2007;
- 5) To the best knowledge of the Mine Seller, the information provided by the Coal Mine Company to the independent PRC valuer is true and accurate in all material respects;

- 6) The Coal Mine Company is not a party to any material litigation or arbitration proceedings which (i) would affect the validity of the Mine Acquisition Agreement and the transaction contemplated thereunder; or (ii) are not incurred in the ordinary course of business and that would have an adverse impact on the business and assets of the Coal Mine Company if there are adverse findings against the Coal Mine Company;
- 7) The Mine Seller and the Coal Mine Company are duly incorporated and validly existing;
- 8) The Coal Mine Company has obtained all the necessary approvals and licences for its operations and such licences are valid and in full force and effect;
- 9) The Coal Mine Company and its management have complied with relevant PRC laws in relation to quality control, insurance, loans, environmental protection, intellectual property, employee management and tax;
- 10) The Coal Mine Company has been reorganised into a limited liability company from a state owned enterprise. The reorganisation has been completed in accordance with PRC laws;
- 11) The mining licence is held by the Coal Mine Company and is validly existing under PRC laws;
- 12) The Coal Mine Company holds the Coal Mine free from encumbrances;
- 13) The Coal Mine Company has obtained all the necessary licences and permits for its incorporation and operation of the Coal Mine and such licences and permits are valid and existing;
- 14) The registered capital of the Coal Mine Company has been fully paid up;
- 15) The Coal Mine Company has the power and authority to own its assets and carry on its business according to the scope set out in its business licence. It has not conducted any business which falls out of the scope of its business licence since incorporation;
- 16) The long-term liabilities, bank loans and other contingent liabilities of the Coal Mine Company as at 30 June 2007 are fully disclosed in the Mine Acquisition Agreement; and
- 17) After payment of the Transfer Consideration, the Coal Mine Company will not have any liabilities save for Mining Rights Fee of approximately RMB77.1 million and other payables incurred in the ordinary course of business.

INFORMATION ON THE GROUP

The Group is principally engaged in the organization of trade fairs and exhibitions, publications and web portal and travel services. The Group intends to continue the current business and has no intention to change its existing business after the Acquisition.

The Group currently has no plan to change the current composition of the board of the Company upon or after the completion of the Sale and Purchase Agreement, and the Sale and Purchase Agreement has no provision for the appointment of the Vendor or his nominees to be the directors of the Company or any of its subsidiaries. The Company plans to recruit an expert in the mining industry and/or an individual with relevant qualification and experience in mining to oversee the Group's investment in the Target Company.

INFORMATION ON THE VENDOR, THE TARGET COMPANY AND THE COAL MINE COMPANY

The Vendor graduated from the Peking University and is currently the director of Wealthy Win Investment Limited, a private company engaged in business consulting, direct investment and operational management in the PRC and Hong Kong. The Vendor has over 20 years experience in management and investment in the PRC and Hong Kong. The Vendor came to know the Mine Seller and the Coal Mine Company through normal business contacts and acquaintances. The Vendor, after signing the Framework Agreement with the Mine Seller, has been sourcing potential investors to develop the project. The Company has come to know the Vendor through the introduction of Baron International Consulting Services Limited, who acts as the introducer to the Company in respect of the project.

On 18 July 2007, the Target Company, a company incorporated in the British Virgin Islands on 12 April 2007, entered into the Framework Agreement pursuant to which the Target Company agreed to acquire the entire equity interest of the Coal Mine Company from the Mine Seller subject to certain conditions therein.

The Mine Seller is a prominent Chinese enterprise based in the northeastern part of the PRC. The Mine Seller and its ultimate beneficial owners are independent of the Company and its subsidiaries and connected persons of the Company and its subsidiaries or any of their respective associates, Baron International and the Vendor and their respective ultimate beneficial owners.

The Mine Seller acquired the Coal Mine in June 1998 from the PRC government. Due to the decline of the coal industry and the increase in mine accidents in the PRC in the early 2000s, the Coal Mine was changed back to state-owned status in 2001. Due to the fact that the Coal Mine Company is in the process of reorganisation from a state-owned enterprise to a privately-owned corporation, the Mine Seller is currently not the legal owner of the Coal Mine Company. The Mine Seller must become the legal owner of the Coal Mine Company before the execution of the Mine Acquisition Agreement and the Company expects that the all the relevant approvals required for changing the status of the Coal Mine Company from state-owned to privately-owned will be obtained on or before 31 October 2007. In 2005, the Mine Seller intended to change the status of the Coal Mine Company from state-owned to privately-owned and began negotiation with the relevant government authorities regarding the Mining Rights Fee and staff compensation payments. The negotiation has been completed recently and the Mine Seller expects the reorganisation to be effective on or before 31 October 2007.

The Coal Mine Company was incorporated on 24 September 2001. The principal assets and business of the Coal Mine Company is the holding and operating of the Coal Mine, which is located in Jixian County, Shuangyashan City, Heilongjiang Province PRC and the closest major town is Shuangyashan which is about 25 km away to the south. The mining licence area of the Coal Mine is 36.83 sq. km. The Coal Mine Company is involved in the exploitation of the Coal Mine. To enhance the production cycle of the Coal Mine and expand the production capacity, the Coal Mine Company may also be involved in related exploration activities. The Coal Mine Company is principally engaged in the exploitation and mining of coal and does not intend to change the business activity into solely exploration.

MMC has carried out a preliminary independent technical review on the Coal Mine, and based on the preliminary review, the Coal Mine is currently producing 600kt annually from its underground operations and it is now in an expansionary phase and plans to ramp up the production to 900kt per annum by 2010.

According to the PRC lawyer, the Coal Mine Company currently holds the following licences and permits:

| Licences/Permits | Validity Period |
|--|---------------------------------------|
| 《企業法人營業執照》 The Business Licence | Not Applicable |
| 《佔有礦產資源儲量登記證》 (黑占儲證省字2006第576號) The Registration of Mineral Resources Licence (Heilongjiang Mineral Resources Department 2006 no. 576) | Not Applicable |
| 《採礦許可證》(2300000040862) The Mining Licence | From December 2000 to December 2012 |
| 《安全生產許可證》 (黑)MK安許證字20053165) The Safety Production Permit | From 13 July 2005 to 13 July 2008 |
| 《煤炭生產許可證》(D080502001G1) The Coal Production Permit | From 25 June 2004 to 31 December 2012 |
| 《煤炭經營資格證》(20230000010029) The Coal Operation Permit | From 1 April 2007 to 31 May 2010 |
| 《煤礦安全生產管理人員安全資格證書》 (安全資證04A字第0468號) The Coal Mine Safety Management Permit (Safety Permit 04A No. 468) | Not Applicable |
| 《煤礦安全培訓機構資格證書》 The Coal Mine Safety Training Organization Qualification Certificate | Valid till 30 December 2009 |

| | |
|--|----------------|
| 《黑龍江省爆炸物品使用許可證》 Heilongjiang Explosives Usage Licences | Not Applicable |
| 《黑龍江省民用爆破器材直購用戶證》 Heilongjiang Explosives for Private Usage Purchase Permit | For five years |
| 《國有土地使用證》 (集福國用(2002)第072號) Land Use Right Certificate | Not Applicable |
| 《房屋所有權證》房屋證字第029820號， 房屋證第029821號，房權證字第029819號 Building Ownership Certificates | Not Applicable |

The PRC lawyer has confirmed that the abovementioned licences and permits are all the necessary licences, permits and approvals required by the Coal Mine Company for its current operation. The validity periods of certain licences/ permits are not applicable because there is no specified period for such licences either because a) the licences are subject to an annual audit; or b) such licences do not have a fixed period of time.

The PRC lawyer also advised that the abovementioned licences and permits were issued to the Coal Mine Company in its current status as a state-owned enterprise. As part of the conditions precedent to the Completion, the Coal Mine Company will need to have the above licences issued in the name of the Coal Mine Company (after reorganisation into a limited liability company). To obtain the mining licence in the capacity of a privately owned limited liability company, the Coal Mine Company needs to pay a Mining Rights Fee of approximately RMB96.4 million, of which a contingent liability of approximately RMB77.1 million will remain outstanding upon the completion of the Transfer and the payment of consideration under the Mine Acquisition Agreement and which will be borne by the Target Company, and ultimately the Company after the Completion. It is a common practice for mining companies to pay the Mining Rights Fee attached to the mining licences over a 10 year period. Such amount is contingent in nature and is only required to be paid when the mining companies hold the title to the mining licence. As agreed between the Mine Seller and the Vendor, the Mine Seller will pay the first 20% of approximately RMB96.4 million. The balance of approximately RMB77.1 million will be paid by the Coal Mine Company over the next 9 years after the change of its status from state-owned to privately-owned. The basis of the calculation is based on the resource calculation in accordance with the Chinese resource classification and the fee is determined by the Land and Resources Department of the PRC. In addition, the Coal Mine Company may need to pay 土地出讓金 (land transfer fee) for the issue of land use right certificate for the Coal Mine Company (in the name of the limited liability company) at an amount to be negotiated with the PRC authorities. The Coal Mine Company will also need to pay on an ongoing basis various taxes and fees (including 資源稅 (resource tax), 資源補償費 (resource compensation fee), and 採礦權使用費 (mining rights usage fee)), which are in its ordinary course of business as determined according to fee scales set out in applicable PRC regulations. The PRC opinion will further cover the effect on the licences/ permits granted to the Coal Mine Company after the Coal Mine Company reorganised from state-owned to privately-owned.

The Coal Mine was built in 1970 and has been operating since then. According to the preliminary technical report issued by the independent technical adviser, MMC (a prominent mining and energy industry adviser in the Asia Pacific region), the Coal Mine had an estimated reserve of coal of approximately 63,966kt. The independent technical report, which is in compliance with Rule 18.09 of the Listing Rules, will be included in the circular to be despatched to the Shareholders for the EGM. The existing production capacity of the Coal Mine reached 531kt in 2006 and it is expected to increase its production capacity to 600kt by the end of 2007. The Coal Mine has 4 different coal products, namely raw, washed, middling and fines and the products are mainly sold to local industrial consumers, including power plants, metallurgical plants and petrochemical factories. According to the figures in the first half of 2007 provided by the Coal Mine Company, the prices of raw, washed, middling, and fines are RMB264, RMB472, RMB151 and RMB34 per ton respectively.

Financial information of the Target Company and the Coal Mine Company

Immediately upon completion of the Acquisition, the Target Company and the Coal Mine Company will become wholly owned subsidiaries of the Company and their consolidated financial results will be consolidated into those of the Group. Set out below are the summary of the financial information of the Target Company and the Coal Mine Company:

Target Company (prepared under IFRS)

The Target Company has been incorporated recently with no assets and liabilities other than shareholder's loan advanced from the Vendor for the expenses incurred for the transaction, including incorporation fees and professional fees as at the date of this announcement.

**From 12 April 2007
(the date of incorporation)
to 31 July 2007
(unaudited)
HK\$**

| | |
|-----------------------------|-----|
| Turnover | Nil |
| Profit before and after tax | Nil |
| Net assets | 7.8 |

Coal Mine Company (prepared under the PRC GAAP)

| | For the six months ended 30 June 2007 (unaudited) RMB'000 | For the year ended 31 December 2006 (audited) RMB'000 | For the year ended 31 December 2005 (audited) RMB'000 |
|------------------------|--|--|--|
| Turnover | 110,602 | 168,037 | 106,256 |
| Profit before taxation | 21,991 | 31,171 | 1,605 |
| Profit after taxation | 21,991 (Note 1) | 26,428 | 1,042 |
| Net assets (Note 2) | 100,298 | 78,307 | 51,644 |

Notes:

- 1) It is the Coal Mine Company's accounting practice to make tax provision at the end of the financial year. Therefore, no tax provision has been made in the interim financial statements.
- 2) The net asset value has not taken into account the contingent liability of approximately RMB96.4 million Mining Rights Fee payment and approximately RMB146 million long-term liabilities.
- 3) Pursuant to the Sale and Purchase Agreement, the Vendor has given a warranty that upon completion of the Transfer and the payment of the consideration under the Mine Acquisition Agreement, the Coal Mine Company will have no other liabilities other than the contingent liability representing the balance of the Mining Rights Fee payable to the PRC government of approximately RMB77.1 million and accounts payable incurred in the ordinary course of business.

The Coal Mine Company has approximately RMB156 million long-term liabilities and interest payable to various government entities incurred in the 1990s when the state assisted in the construction and expansion of the Coal Mine, and approximately RMB96.4 million contingent liabilities being the Mining Rights Fee payment for obtaining the mining licence in the capacity of a privately-owned limited liability company.

As the Mine Seller was previously in the negotiation with the relevant government entities regarding the payment of the long-term liabilities, only approximately RMB10 million of the long-term liabilities is reflected in the accounts of the Coal Mine Company. The Mine Seller has disclosed other long-term liabilities of the Coal Mine Company in the Mine Acquisition Agreement which are not reflected in the accounts of the Coal Mine Company and agreed that the Transfer Consideration will be used to pay off all long-term liabilities before the Mine Seller receives any payment.

The proposed Mine Acquisition Agreement has provided that the Transfer Consideration (approximately RMB140 million) will be paid to an escrow account set up by the Target Company and the Mine Seller. The amount will be used to pay off all long-term liabilities and the remaining will be paid to the Mine Seller. Please refer to the paragraph headed "Consideration for the Transfer" under the section headed "The Mine Acquisition Agreement" in this announcement for further details.

Part of the HK\$320 million cash payment to the Vendor under the Sale and Purchase Agreement (namely, RMB140 million, which is approximately HK\$144.2 million) will be paid into the escrow account directly, and the balance will be paid to the Vendor separately. The payment of such sums shall constitute full and final settlement of the Company's obligation to pay HK\$320 million of the Consideration.

The accountant reports on the Target Company and the Coal Mine Company will be included in the circular to be despatched to the Shareholders.

REASONS FOR THE ACQUISITION

The Board considers that the Company will broaden its source of income by diversifying into the energy sector. The purpose of the Acquisition is to explore the opportunities and diversify the Company's income to include the sales of the coal extracted from the Coal Mine. The Target Company will contribute to the consolidated cash flow and income of the Group immediately following the completion of the Acquisition.

The price of coal has been rising over the past years, and the Directors believe that the demand for and the price of coal will continue to rise given the fact that the economy of the PRC will keep on growing. The Directors believe that the Acquisition enables the Company to diversify into the energy sector which has good future prospect.

The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition (including the Consideration and the payment structure thereof) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

RISKS ASSOCIATED WITH THE ACQUISITION

- 1) The renewal of the mining rights of the Coal Mine held by the Coal Mine Company is subject to the approval of the relevant government authorities.**
- 2) The revenue generated from the Coal Mine is subject to the cyclical nature of the domestic and international coal market which are affected by numerous factors beyond the Company's control, for example, general economic conditions in the PRC and elsewhere in the world, weather conditions, and fluctuations in the development and growth of industries with high demand of coal. The selling price and the profit margin will depend on market supply and demand forces in the domestic and international markets.**
- 3) The coal reserve mentioned in this announcement are estimates and may be inaccurate and hence the projected future production volumes and turnover, which are based on these estimates, may differ materially from actual figures.**
- 4) Mining and processing operations are subject to a number of operating risks and hazards, some beyond the Company's control, which could delay the production and delivery of coal and coal-related products or increase the cost of the coal mining and processing.**
- 5) The Coal Mine Company relies on major customers, of which the businesses are beyond the Company's control.**
- 6) The Coal Mine Company may suffer losses resulting from property damage (including, but not limited to, environmental damage) and personal injuries sustained from industry-related accidents.**

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Group has conducted the following fund raising activities in the past 12 months from the date of this announcement:

| Date of announcement | Event | Approximate net proceeds | Intended use of proceeds | Actual use of proceeds as at the date of this announcement |
|-----------------------------|---|---------------------------------|---|---|
| 17 August 2007 | Grant of option which require the Company to allot and issue up to a maximum of 47,090,400 Shares at a subscription price of HK\$0.83 per Share | HK\$39 million | For future development of its core exhibitions business in Hong Kong and overseas | The Company intends to use the net proceeds as planned |
| 27 June 2007 | Open offer of 117,726,000 Shares at HK\$0.10 per Share | HK\$10.18 million | For future development of its core exhibitions business in Hong Kong and overseas | The Company intends to use the net proceeds as planned |

Save as disclosed above, the Company has not conducted any fund raising activities during the past 12 months immediately prior to the date of this announcement.

GENERAL

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Baron International held 1,875,503 Shares, representing approximately 0.53% of the Company's total issued share capital. Baron International Consulting Services Limited, a company under the same control of Baron International, is the introducer of the project to the Company and will receive an introduction fee from the Company upon the Completion. Therefore, Baron International and its ultimate beneficial owner, being Mr. Wan and his associates including Ms. Mak and/ or her associates will abstain from voting at the EGM to approve the Acquisition. Saved as disclosed above, no other shareholder is materially interested in the Acquisition and no other Shareholder is required to abstain from voting at the EGM under the Listing Rules.

At the request of the Stock Exchange, the Company has agreed to appoint an independent compliance adviser to the satisfaction of the Stock Exchange to advise on the terms of the Acquisition. A circular containing, among others, (a) further information on the Acquisition, (b) further details of the issue of the Consideration Shares, the Convertible Note, the Conversion Shares and the terms thereof; (c) a letter from the independent compliance adviser to be appointed by the Company to advise on the terms of the Acquisition; and (d) a notice of the EGM, will be despatched to the Shareholders in accordance with the Listing Rules.

Warning:

Completion of the Acquisition and the transactions contemplated thereunder may or may not take place. Shareholders and potential investors should exercise caution when dealing in the Shares.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 25 September 2007 pending the release of this announcement. The Company has applied to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 October 2007.

DEFINITIONS

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

| | |
|-----------------------|---|
| “Acquisition” | the acquisition by the Company of the Sale Share pursuant to the Sale and Purchase Agreement |
| “associate(s)” | has the same meaning ascribed to it under the Listing Rules |
| “Baron International” | Baron International Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability |
| “Board” | the board of Directors |
| “Business Day” | a day (other than a Saturday or Sunday) on which banks are open for business in Hong Kong |
| “Coal Mine” | The coal mine situated at 黑龍江雙鴨山市集賢縣 (Jixian County, Shuangyashan City, Heilongjiang Province, PRC) |
| “Coal Mine Company” | 佳木斯升平煤礦 (Jiamusi Sheng Ping Coal Mine) (to be renamed as 雙鴨山北方升平礦業有限責任公司 (Shuangyashan Northern Sheng Ping Mining Limited)) |
| “Company” | Kenfair International (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange |

| | |
|----------------------------|--|
| “Completion” | completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement |
| “Consideration” | the consideration payable by the Company to the Vendor for the Acquisition, the particulars of which are set out in the section headed “Consideration” in this announcement |
| “Consideration Shares” | 70 million Shares to be issued and allotted to the Vendor at the Issue Price in part satisfaction of the Consideration pursuant to the terms of the Sale and Purchase Agreement |
| “Convertible Note” | a non-interest bearing convertible redeemable note to be issued by the Company in part satisfaction of the Consideration in the principal amount of HK\$345 million |
| “Conversion Date” | the date on which the conversion rights are exercised in accordance with the terms and conditions of the Convertible Note |
| “Conversion Price” | the initial conversion price of the Convertible Note, being HK\$0.50 (subject to adjustment) |
| “Conversion Shares” | new Shares issuable upon exercise of conversion rights attaching to the Convertible Note |
| “Deposit” | the deposit of RMB20 million for the Acquisition |
| “Directors” | the director(s) of the Company |
| “EGM” | an extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Consideration Shares, the Conversion Shares and the Convertible Note |
| “Framework Agreement” | non-binding agreement dated 18 July 2007 between Mine Seller and the Target Company in relation to the sale and purchase of the Coal Mine Company |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “IFRS” | International Financial Reporting Standards |
| “Independent Shareholders” | shareholders of the Company other than those who are required under the Listing Rules to abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder |

| | |
|-------------------------------|--|
| “Issue Price” | HK\$0.50 per Share, being the issue price for the Conversion Shares |
| “kt” | kilotonne(s) |
| “Listing Rules” | the Rules Governing the Listing of securities on the Stock Exchange |
| “Maturity Date” | fifth anniversary from the issue date of the Convertible Note |
| “Mine Acquisition Agreement” | a contract to be entered into between the Mine Seller as the vendor and the Target Company as the purchaser in respect of the Coal Mine Company |
| “Mining Rights Fee” | 採礦權價款, the mining rights fee |
| “Mine Seller” | 黑龍江北方集團有限責任公司 (Heilongjiang Northern Enterprises Group Co. Ltd.), a company incorporate in the PRC with limited liability |
| “MMC” | Minarco-Mine Consult, a technical consulting firm and the Qualified Technical Adviser appointed for the Coal Mine |
| “PRC” | the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “PRC GAAP” | the generally accepted accounting principles in the PRC |
| “Qualified Technical Adviser” | a person appointed with experience in the mining industry in the PRC |
| “RMB” | Renminbi yuan, the lawful currency of the PRC |
| “Sale and Purchase Agreement” | the conditional agreement entered into on 25 September 2007 between the Company and the Vendor in relation to the Acquisition (as amended by the Supplemental Agreement) |
| “Sale Share” | one share of US\$1 in the Target Company, representing the entire issued share capital of the Target Company immediately before Completion |
| “Savills” | Savills Valuation and Professional Service Limited, an independent professional valuation firm |
| “Shareholder(s)” | holders of Shares |
| “Shares” | ordinary shares of HK\$0.01 each in the share capital of the Company |

| | |
|--------------------------|--|
| “sq.km” | square kilometre(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplemental Agreement” | the agreement entered into on 26 October 2007 between the Company and the Vendor in relation to the Acquisition to amend certain terms in the Sale and Purchase Agreement |
| “Takeovers Code” | The Hong Kong Code on Takeovers and Mergers |
| “Target Company” | Wealth Gain Global Investment Ltd., a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is currently held by the Vendor and will be so held by the Vendor before Completion |
| “Transfer” | (1) satisfaction of the conditions precedent under the Mine Acquisition Agreement; (2) completion of the transfer of registered capital of the Coal Mine Company to the Target Company under the Mine Acquisition Agreement (save for payment of the consideration); and (3) registration of the name of the Target Company as shareholder of the Coal Mine Company by 黑龍江省工商行政管理局 (Heilongjiang Administration for Industry and Commerce) |
| “Transfer Consideration” | the consideration for the Transfer, being approximately RMB140 million |
| “Vendor” | Mr. Hung Chen, Richael |
| “%” | per cent |

By order of the Board
Kenfair International (Holdings) Limited
Ip Ki Cheung
Director

Hong Kong, 26 October 2007

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Ip Ki Cheung, Mr. Cheung Shui Kwai and Mr. Chan Siu Chung; and three independent non-executive Directors, namely Mr. Chan Wing Yau, George, Mr. Law Sung Ching, Gavin and Mr. Cheng Wing Keung, Raymond.