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GOOD FELLOW GROUP LIMITED

金威集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 910)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION — THE ECOLOGICAL FORESTRY BUSINESS AND RESUMPTION OF TRADING

Joint Financial Advisers to the Company



KINGSTON CORPORATE FINANCE LIMITED



匯金(資本)有限公司

Vision Finance (Capital) Limited

VERY SUBSTANTIAL ACQUISITION

The Board is pleased to announce that on 16 October 2006, Strong Lead, a wholly owned subsidiary of the Company, and the Vendor entered into the Acquisition Agreement, pursuant to which Strong Lead agreed to acquire from the Vendor the remaining 30% of the registered capital in Beijing WFC at a total consideration of HK\$300 million after the previous acquisition of 70% of the registered capital in Beijing WFC through the acquisition of Strong Lead by the Company (details of the Previous Acquisition had been set out in the Company's announcement dated 20 January 2006 and the circular dated 18 April 2006). Upon completion of the Acquisition, the Company, together with the Previous Acquisition, will be beneficially interested in the entire interest of Beijing WFC, a company principally engaged in the business of tree planting and management, seedling propagation, manufacture and distribution of forest products such as timber and wood chips. The Completion is expected to take place on or about 31 December 2006 (or such later date as may be agreed between Strong Lead and the Vendor).

The Consideration of HK\$300 million was determined with reference to the asset back-up, profitability, business scalability and market potential of Beijing WFC and after arm's length negotiation between the Company and the Vendor and is payable in cash to the Vendor in installments as detailed below.

IMPLICATIONS FROM THE LISTING RULES

The Vendor is a connected person of the Company by virtue of it being a substantial shareholder of Beijing WFC, a non-wholly owned subsidiary of the Company, and the Acquisition therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition in aggregate with the Previous Acquisition also constitutes a very substantial acquisition of the Company under the Listing Rules. The Acquisition is therefore subject to the requirements of reporting, announcement and independent shareholders' approval, voting by way of poll, under Rules 14A.45 to 14A.48 of the Listing Rules. The Directors confirm that no substantial Shareholder has any material interest in the transactions mentioned in this announcement and therefore no Shareholder is required to abstain from voting for the approval of the Acquisition at the SGM.

GENERAL

The SGM will be held to consider and, if thought fit, pass the resolutions to approve the Acquisition.

A circular containing, amongst other things, further details of (i) the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules; and (ii) valuation report to be issued by an independent appraiser on the fair value of certain assets of Beijing WFC, principally including the proprietary technical know-how underlying accelerated plant growth, the saplings inventories, the leased agricultural premise in Shandong province; and the pine tree forests in Shanxi province; (iii) an advice from an independent financial adviser and a recommendation from the independent board committee of the Company, together with notice of SGM will be despatched to the Shareholders as soon as practicable.

An independent board committee of the Company will be established to advise the independent shareholders of the Company in relation to the Acquisition and an independent financial adviser will be appointed to advise the independent board committee and the independent shareholders of the Company in respect of the Acquisition.

The Stock Exchange is concerned that the ultimate intention of the Company, the Vendor and the vendors of the Previous Acquisition is to inject a business into a listed company which is under the control of the Vendor and/or the vendors of the Previous Acquisition. The Stock Exchange will closely monitor all future transactions, if any, between (i) the Company and (ii) the Vendor and/or the vendors of the Previous Acquisition, and may aggregate such transactions and decide whether the reverse takeover rule should apply. The Stock Exchange may also revisit this matter in the event that there are evidences available to indicate that the Company is under the control of the Vendor and/or the vendors of the Previous Acquisition. Shareholders and potential investors should note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 16 October 2006 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 31 October 2006.

VERY SUBSTANTIAL ACQUISITION

Acquisition Agreement

Date: 16 October 2006

Parties:

Purchaser: Strong Lead, a wholly owned subsidiary of the Company

Vendor: FeiFei SenWang Resource Group Co., Ltd. (菲菲森旺資源集團有限公司), a PRC entity incorporated on 31 March 2004 and the shareholders of which are all PRC enterprises.

Assets to be acquired

30% equity interest in Beijing WFC, a sino-foreign joint venture company principally engaged in the business of tree planting and management, seedling propagation, manufacture and distribution of forest products as timber and wood chips, together with all rights attached to such equity interest as from 1 July 2006. The 30% equity interest in Beijing WFC was acquired by the Vendor for RMB15 million (or equivalent to approximately HK\$14.76 million) on 8 August 2005. The remaining 70% equity interest in Beijing WFC was acquired by the Company pursuant to the Previous Acquisition at a consideration of HK\$560 million.

For further information on Beijing WFC, please refer to the section headed "Information on Beijing WFC" in this announcement.

Consideration

The Consideration of HK\$300 million in cash to the Vendor was determined with reference to the asset back-up, profitability, business scalability and market potential of Beijing WFC and after arm's length negotiation between the Company and the Vendor and is payable as follows:-

- (i) HK\$30 million paid on the date of the Acquisition Agreement as a refundable deposit;
- (ii) HK\$30 million to be paid upon the Completion;
- (iii) HK\$100 million to be paid on 31 December 2007; and
- (iv) the remaining balance of HK\$140 million to be paid on 31 December 2008.

The Company intends to finance the Consideration with internal financial resources and future profit distributable from Beijing WFC.

Conditions

The Completion is conditional upon fulfillment of, inter alia, the following conditions:

- (i) the passing of relevant resolution at the SGM by the Shareholders for approving the Acquisition Agreement and the transactions contemplated therein;
- (ii) the representations, warranties and undertakings given by the Vendor in the Acquisition Agreement remain true, correct and not misleading in all respects as at the completion date of the Acquisition;
- (iii) approval from the board of directors of the Vendor in relation to the execution of the Acquisition Agreement and other documents required for the consummation of the transactions contemplated thereunder;
- (iv) approval from the board of directors of Beijing WFC to apply for regulatory approval from the original approving authority of the PRC for the Acquisition and the conversion of Beijing WFC into a wholly-foreign owned enterprise;
- (v) obtaining the regulatory approvals set out in (iv) above; and
- (vi) no indication from the relevant regulatory authorities that the Acquisition may have an adverse impact on the listing status of the Company.

In the event that the above conditions are not fulfilled on or about 31 December 2006 or such other later date as may be agreed between the parties, the Acquisition Agreement shall forthwith be of no further effect, in which all the obligations of the parties shall be released and the parties shall have no claims against each other in respect of the Acquisition Agreement except that the deposit paid by the Vendor on the date of the Acquisition Agreement shall be returned to Strong Lead within three business days after the date on which the Acquisition Agreement lapses.

Information on Beijing WFC

Beijing WFC, a company incorporated in the PRC on 17 September 2001, is principally engaged in the business of tree planting and management, seedling propagation, manufacture and distribution of forest products such as timber and wood chips since 26 September 2005. The business principal operations of Beijing WFC prior to its acquisition by Strong Lead on 5 September 2005 are not related to tree plantation and management, and such business operations have been fully discontinued.

Beijing WFC is a sino-foreign joint venture company beneficially owned as to 70% and 30% respectively as at the date of this announcement by Strong Lead and FeiFei SenWang Resource Group Co., Ltd. (菲菲森旺資源集團有限公司), a PRC entity incorporated on 31 March 2004 and the shareholders of which are all PRC enterprises. Immediately after the Acquisition, the Company will be effectively interested in 100% equity interests in Beijing WFC.

Beijing WFC is the legitimate owner of the technical know-how underlying accelerated plant growth and held, amongst other things, agricultural land premises under 50 years' lease term of approximately 300,000 Chinese mu in the Shandong province and also stock of saplings of not less than 100 million in number that are intended to be utilized in planting the genetically modified tree species *Broussonetia Papyriferalvent*. The Company has obtained PRC legal opinion that confirmed the validity of the land use right of Beijing WFC over the subject agricultural land premises does not contravene PRC laws. Further details of the operation of Beijing WFC have been set out in the section headed "Information on Beijing WFC" of the Company's announcement dated 20 January 2006.

The following table sets out a summary of the audited financial results of Beijing WFC for the two years ended 31 December 2005 (on the basis of Generally Accepted Accounting Principles of Hong Kong) and unaudited financial results of Beijing WFC for the six months ended 30 June 2006 (on the basis of Generally Accepted Accounting Principles of the PRC):

| | For the year ended 31 December 2004 | For the year ended 31 December 2005 | For the six months ended 30 June 2006 |
|--------------------------|--|--|--|
| | <i>(HK\$'000)</i> (audited) | <i>(HK\$'000)</i> (audited) | <i>(HK\$'000)</i> (unaudited) |
| Turnover | – | – | 249,824 |
| Profit/(loss) before tax | – | 281,135 | 115,822 |
| Profit/(loss) after tax | (27) | 276,295 | 115,822 |
| | As at 31 December 2004 | As at 31 December 2005 | As at 30 June 2006 |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> (approximately) |
| Net assets | 9,540 | 324,297 | 443,938 |

Information on the Vendor

The Vendor is a PRC entity incorporated on 31 March 2004 and its principal activities are mainly trading of timber products, the plantation business, and the development of forestry resources.

To the best knowledge of the Directors, save for the Vendor being the shareholder of Beijing WFC before the Acquisition and there are two common directors, namely Mr. Yang Dongjun, who is also the chairman of the Vendor and the legal representative of Beijing WFC, and Ms. Cao Chuan, serving both the board of Beijing WFC and the Vendor, the Vendor did not have any other material business relationship with the Company and/or Beijing WFC since the Previous Acquisition and as of the date of this announcement.

Reasons for and benefits of the Acquisition

The Group is principally engaged in design, manufacture and sale of quality men's and ladies' wear and apparel items, manufacture uniforms for government authorities, state enterprises and other corporate customers, and investment holding.

In order to complement with the highly competitive apparel market, the Directors consider that diversification of business into new areas of high-growth potential will be in the best interest of its Shareholders. The Company takes initiative in identifying business opportunities in new emerging industries that will broaden its revenue sources and diversify its business into ecological forestry business in the beginning of 2006 through the Previous Acquisition. With availability of adequate cash resources, the Company is well positioned to make further acquisition of the remaining 30% equity interest in Beijing WFC in view of its promising prospects. The Directors (including the independent non-executive Directors) believe that the terms of the Acquisition are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

At this stage, the Directors have no existing plan to discontinue the Company's existing garment business and expect that these businesses will continue into the foreseeable future. Accordingly, the Directors confirm that there will be no change in principal business of the Company immediately subsequent to completion of the Acquisition.

Mr. Ge Wen Hong from the management of Beijing WFC was appointed as an executive Director and the director of Strong Lead by the Company on 18 May 2006 after completion of the Previous Acquisition, for the purpose of providing expertise on the ecological forestry business. Mr. Ge was previously the director of Beijing WFC but has resigned from directorship since 18 May 2006.

The Company's intention after the Acquisition

There are three members on the board of Beijing WFC as at the date of this announcement. In order to strengthen the management of Beijing WFC, the Board intends to appoint at least two representatives as directors into the board of Beijing WFC after the Company's forthcoming annual general meeting which is expected to be held on 28 November 2006. Presently, two Directors, namely Mr. Ng Leung Ho and Ms. Lee Ming Hin have indicated their preliminary willingness to be appointed as directors of Beijing WFC.

The Directors intend to retain Mr. Yang Dongjun and Ms. Cao Chuan as directors of Beijing WFC to share their respective in-depth experience and scientific research expertise in the forestry industry. The Company intends to discuss with these directors of Beijing WFC for appropriate remuneration packages including participation in share option schemes. Based on the Company's preliminary discussion with Mr. Yang and Ms. Cao, each of them has indicated their willingness to stay with Beijing WFC and the Group on reasonable terms.

Notwithstanding the foregoing, the Directors are of the view that Beijing WFC has been endowed with a competent management team and is able to weather potential transitional operational issues brought about by the cessation of employment of one or two senior management members of Beijing WFC.

SHAREHOLDING STRUCTURE OF THE COMPANY

| | Existing shareholdings | | Shareholdings immediately after the Convertible Notes have been exercised in full | |
|---|-------------------------------|---------------|--|---------------|
| | (Number of Shares) | % | (Number of Shares) | % |
| | <i>(Note 3)</i> | | <i>(Note 4)</i> | |
| Mr. Ng Leung Ho and his associates <i>(Note 1)</i> | 1,050,236,000 | 22.52 | 1,050,236,000 | 19.11 |
| Leading Power International Limited <i>(Note 2)</i> | 197,000,000 | 4.22 | 697,000,000 | 12.68 |
| Total Victory Investments Limited <i>(Note 2)</i> | 198,000,000 | 4.25 | 531,333,333 | 9.67 |
| Other public Shareholders | 3,217,571,600 | 69.01 | 3,217,571,600 | 58.54 |
| Total | 4,662,807,600 | 100.00 | 5,496,140,933 | 100.00 |

Notes:

- As at the date of this announcement, Mr. Ng Leung Ho is beneficially interested in an aggregate of 1,050,236,000 Shares comprising (i) corporate interest in 960,000,000 Shares held through Golden Prince Group Limited which is wholly owned by Mr. Ng Leung Ho; and (ii) personal interest in 90,236,000 Shares.
- The vendors of the Previous Acquisition. Neither the Vendor nor its associates (as defined under the Listing Rules) holds any Shares. The Vendor and its ultimate beneficial owners are also independent of and not connected with (i) Leading Power International Limited and Total Victory Investments Limited and their respective ultimate beneficial owners and (ii) their respective connected persons (as defined under the Listing Rules).
- Shareholdings as at the date of this announcement take into account completion of the Previous Acquisition and the Acquisition and Restricted Convertible Notes not being exercised at all.
- As at the date of this announcement, all the Unrestricted Convertible Notes have been exercised in full and the Restricted Convertible Notes with principal amount of HK\$100 million convertible into 833,333,333 Shares at the conversion price of HK\$0.12 per Share have not been exercised and are held by Leading Power International Limited and Total Victory Investments Limited in the principal amount of HK\$60 million and HK\$40 million respectively.

IMPLICATIONS FROM THE LISTING RULES

The Vendor is a connected person of the Company by virtue of it being a substantial shareholder of Beijing WFC, a non-wholly owned subsidiary of the Company, and the Acquisition therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition in aggregate with the Previous Acquisition also constitutes a very substantial acquisition in respect of the Company under the Listing Rules. The Acquisition is therefore subject to the requirements of reporting, announcement and independent shareholders' approval, voting by way of poll, under Rules 14A.45 to 14A.48 of the Listing Rules. The Directors are of the view and confirm that no substantial Shareholder has any material interest in the transactions mentioned in this announcement and therefore no Shareholder is required to abstain from voting for the approval of the Acquisition at the SGM.

GENERAL

The SGM will be held to consider and, if thought fit, pass the resolutions to approve the Acquisition.

A circular containing, amongst other things, further details of (i) the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules; and (ii) valuation report to be issued by an independent appraiser on the fair value of certain assets of Beijing WFC, principally including the proprietary technical know-how underlying accelerated plant growth, the saplings inventories, the leased agricultural premise in Shandong province; and the pine tree forests in Shanxi province; (iii) an advice from an independent financial adviser and a recommendation from the independent board committee of the Company, together with notice of SGM will be despatched to the Shareholders as soon as practicable.

An independent board committee of the Company will be established to advise the independent shareholders of the Company in relation to the Acquisition and an independent financial adviser will be appointed to advise the independent board committee and the independent shareholders of the Company in respect of the Acquisition.

The Stock Exchange is concerned that the ultimate intention of the Company and the Vendor and the vendors of the Previous Acquisition is to inject a business into a listed company which is under the control of the Vendor and/or the vendors of the Previous Acquisition. The Stock Exchange will closely monitor all future transactions, if any, between (i) the Company and (ii) the Vendor and/or the vendors of the Previous Acquisition, and may aggregate such transactions and decide whether the reverse takeover rule should apply. The Stock Exchange may also revisit this matter in the event that there are evidences available to indicate that the Company is under the control of the Vendor and/or the vendors of the Previous Acquisition. Shareholders and potential investors should also note that the Acquisition, which is subject to a number of conditions precedent, may or may not be completed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

SUSPENSION AND RESUMPTION OF TRADING IN THE SHARES

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 16 October 2006 at the request of the Company pending the issue and publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 31 October 2006.

DEFINITIONS

The following words and phrases used in this announcement have the following meaning:

| | |
|-------------------------|--|
| “Acquisition” | the acquisition by the Company from the Vendor of 30% equity interest in Beijing WFC pursuant to the Acquisition Agreement |
| “Acquisition Agreement” | the agreement dated 16 October 2006 entered into by Strong Lead and the Vendor in relation to the Acquisition |
| “associate” | has the meaning ascribed to it in the Listing Rules |

| | |
|--------------------------------|---|
| “Beijing WFC” | 北京萬富春森林資源發展有限公司 (Beijing Wen Fu Cun Forest Resources Development Company Limited), a company incorporated in the PRC on 17 September 2001, is a sino-foreign joint venture beneficially owned as to 70% by Strong Lead and as to 30% by FeiFei SenWang Resource Group Co., Ltd. (菲菲森旺資源集團有限公司) |
| “Company” | Good Fellow Group Limited, a company incorporated in Bermuda whose securities are listed on the Stock Exchange |
| “Completion” | completion of the Acquisition Agreement in accordance with the terms thereof |
| “Consideration” | consideration for the Acquisition, being in total of HK\$300 million |
| “Convertible Notes” | collectively the Restricted Convertible Notes and the Unrestricted Convertible Notes, issued by the Company in aggregate principal amount of HK\$210.4 million with an exercise price of HK\$0.12 per Share |
| “Directors” | directors of the Company |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan |
| “Previous Acquisition” | the previous acquisition of the entire issued share in Strong Lead whose sole assets is 70% equity interest in Beijing WFC by the Company (details of such previous acquisition has been set out in the Company’s announcement dated 20 January 2006 and the circular dated 18 April 2006) |
| “Restricted Convertible Notes” | the convertible notes in principal amount of HK\$100 million as part of the consideration for the Previous Acquisition which was put under security to the Company for performance by the vendors of the Previous Acquisition of the profit guaranteed given by such vendors to the Company in the Previous Acquisition, under which such vendors undertake not to exercise the rights attaching on the Restricted Convertible Notes up to end of the period of such profit guarantee |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the existing share capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “SGM” | a special general meeting of the Company to be convened to approve, amongst other things, the Acquisition |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Strong Lead” | Strong Lead Investment Limited, a wholly owned subsidiary of the Company and incorporated on 8 August 2005 in the British Virgin Islands |
| “Vendor” | FeiFei SenWang Resource Group Co., Ltd. (菲菲森旺資源集團有限公司), a PRC entity incorporated on 31 March 2004 and the shareholders of which are all PRC enterprises |

“Unrestricted Convertible Notes”

the convertible notes in principal amount of HK\$110.4 million as part of the consideration for the Previous Acquisition under which vendors of the Previous Acquisition shall have the rights at any time and from time to time, following the date of issue of the Convertible Notes, to convert the whole or any part of the outstanding principal amount into Shares, subject to the conditions set out in the agreement dated 26 October 2005 in respect of the Previous Acquisition entered into by the Company and the vendors of the Previous Acquisition

“%” or “per cent”

percentage

By Order of the Board
Good Fellow Group Limited
Ng Leung Ho
Chairman

27 October 2006, Hong Kong

* *For identification purposes only*

For the purpose of illustration only and unless otherwise stated, the translation of HK\$1 = RMB1.0161.

As at the date of this announcement, the Directors comprises of Mr. Ng Leung Ho, Ms. Lee Ming Hin, Mr. Wang Weining, Mr. Hu Xiaoming and Mr. Ge Wen Hong being the executive Directors, Mr. Ng Leung Tung being the non-executive Director, and Mr. Lo Chung Kin, Mr. Zhou Zi Ping and Mr. Zhu Jian Hong being the independent non-executive Directors.

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