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**TAUNG GOLD** | **TAUNG GOLD INTERNATIONAL LIMITED**  
**壇金礦業有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock code: 621)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO THE DISPOSAL OF  
ENTIRE INTEREST IN A SUBSIDIARY**

**THE SALE AND PURCHASE AGREEMENT**

On 19 March 2012 (after trading hours), the Company as the vendor entered into the Sale and Purchase Agreement with the Purchaser and the Guarantor, pursuant to which, the Purchaser conditionally agreed, among other things, to purchase and the Company conditionally agreed to sell the Sale Share, which represents the entire issued share capital of the Target, and the Sale Loan, for an aggregate consideration of HK\$96 million which will be satisfied as to (i) HK\$10 million in cash as refundable deposit upon signing of the Sale and Purchase Agreement; and (ii) HK\$86 million by way of issue of the Promissory Notes upon Completion.

**IMPLICATIONS OF THE LISTING RULES**

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

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\* For identification purpose only

Principal terms of the Sale and Purchase Agreement are set out as follows:

## **THE SALE AND PURCHASE AGREEMENT**

**Date** : 19 March 2012

**Parties** : (1) Vendor : Taung Gold International Limited  
(2) Purchaser : Sharp Volition Limited  
(3) Guarantor : Zhang Lan

The entire issued share capital of the Purchaser is legally and beneficially owned by the Guarantor. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties. The Purchaser is principally engaged in investment holding and the Guarantor is a merchant.

### **Assets to be disposed of**

The Sale Share, which represents the entire issued share capital of the Target, and the Sale Loan.

### **Consideration**

The Consideration for the Sale Share and Sale Loan shall be satisfied by the Purchaser in the following manner:

- (a) HK\$10 million has been paid in cash by the Purchaser to the Company upon signing of the Sale and Purchase Agreement as refundable deposit; and
- (b) the balance of HK\$86 million by way of issuing the Promissory Notes by the Purchaser to the Company upon Completion.

The Consideration was determined after arm's length negotiation between the Purchaser and the Company with reference to (i) consolidated net assets value of the Target Group attributable to the Company as at 29 February 2012 of approximately HK\$6.6 million; and (ii) the amount of Sale Loan. Having considered the above and the factors described under the section headed "Reasons for the Disposal" below, the Directors (including the independent non-executive Directors) are of the opinion that the Consideration is fair and reasonable and on normal commercial terms and that the entering into the Sale and Purchase Agreement is in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent**

Completion shall be conditional upon and subject to:

- (a) all relevant regulatory requirements (including but not limited to those under the Listing Rules and all relevant regulatory requirements in Hong Kong) in relation to the transactions contemplated under the Sale and Purchase Agreement having been complied with and satisfied; and
- (b) the Purchaser having completed the due diligence in relation to the Target Group and having notified the Company that the Purchaser is satisfied with the result of the due diligence.

Condition (a) above is not waivable under the Sale and Purchase Agreement. If the conditions have not been fulfilled (or, as the case may be, waived) on or before 30 April 2012, or such later date as the Company and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine, and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. The Company shall forthwith return the deposit(s) received to the Purchaser.

## **Completion**

Completion shall take place on the date falling two Business Days after the fulfillment or waiver (as the case may be) (or such later date as the parties hereto may agree) of the conditions or such later date as may be agreed between the parties to the Sale and Purchase Agreement. Upon Completion, the Target will cease to be a subsidiary of the Company and the results of the Target Group will not be consolidated into the consolidated financial statements of the Group after the Completion. After Completion, the Remaining Group shall be principally engaged in the gold mines related business in South Africa and sales of minerals. The Sale Loan will be assigned to the Purchaser on the maturity date of the Second Promissory Note.

## **Guarantee**

Under the Sale and Purchase Agreement, the Guarantor has guaranteed to the Company the due and punctual performance of the Purchaser of its obligations under the Sale and Purchase Agreement.

## **TERMS OF PROMISSORY NOTES**

The terms of the Promissory Notes have been negotiated on an arm's length basis and the principal terms of which are summarised below:

### **Issuer**

The Purchaser

### **Principal amount**

The principal amount of the First Promissory Note and the Second Promissory Note is HK\$41 million and HK\$45 million respectively.

## **Interest**

The Promissory Notes carries interest at a rate of 1.50% per annum payable in arrears on the respective dates of repayment of the Promissory Notes.

## **Maturity**

The maturity dates of the First Promissory Note and the Second Promissory Note are on 28 September 2012 and 29 March 2013 respectively.

## **Security**

The Promissory Notes are secured by the Share Charge.

## **Early repayment**

The Purchaser could, at its option, repay the Promissory Notes in whole or in part by giving a prior written notice to the Company, commencing on the date of the Promissory Notes up to the date immediately prior to the maturity date of the Promissory Notes.

## **Assignment**

The Promissory Notes may be transferred or assigned by the holder of the Promissory Notes to any party with prior written notice to the issuer of the Promissory Notes.

## **INFORMATION ON THE TARGET GROUP**

### **The Target**

The Target was incorporated in the British Virgin Islands and is wholly-owned by the Company. The Target is principally engaged in investment holding.

### **BVI Subsidiary**

Bestkin International Limited, incorporated in the BVI with limited liability, is wholly and beneficially owned by the Target. It is an investment holding company, which is the holding company of the HK Subsidiary.

### **HK Subsidiary**

New Famous Development Limited, incorporated in Hong Kong with limited liability, is wholly owned by BVI Subsidiary. It is an investment holding company, which is the holding company of the PRC Subsidiary.

### **The PRC Subsidiary**

The PRC Subsidiary is a company established in the PRC as a wholly-foreign owned enterprise and is principally engaged in provision of mining management services in the PRC. It is the holding company of the Project Company.

## **The Project Company**

The Project Company is a company established in the PRC with limited liability. It owns the Long Men Sou Mining Licence.

The Group acquired Long Men Sou Mine in July 2010. According to the consolidated financial information of the Target Group for the year ended 31 March 2011 prepared under Hong Kong Financial Reporting Standards, the net profit before and after taxation of the Target Group for the year ended 31 March 2011 was approximately HK\$0.5 million and HK\$0.4 million respectively. The consolidated net assets value of the Target Group as at 31 March 2011 was approximately HK\$5.0 million (already deducted the amount due from/to the Group).

## **LONG MEN SOU MINE**

The Long Men Sou Mine is located at Long Men District of the Chicheng County, Hebei Province, the PRC (赤城縣龍門所鎮金礦). The Long Men Sou Mine is currently with a mining area of approximately 0.3611 sq.km. and can be accessed by highway.

Details of the Long Men Sou Mining Licence are summarised as follows:

<b>Holder of the Licence</b>	<b>Licence Number</b>	<b>Mining Method</b>	<b>Mining Area</b>	<b>Validity Period</b>
Project Company	C1300002009044120033275	Underground mining	0.3611 sq.km.	14 February 2011 to 14 April 2014

The estimated total gold resources of Long Men Sou Mine as at 29 February 2012 are 1.39 million tons of ore and 7,400 kilogram of gold metal.

## **REASONS FOR THE DISPOSAL**

The Group is principally engaged in the operation of gold mine and sales of minerals.

The Board has from time to time reviewed the business operations and financial position of the Group with a view to achieving the best interests of the Company and the Shareholders. The Board is optimistic about the prospects of gold mining business in South Africa. It is the intention and development plan of the Group to allocate its resource for the development of gold mine related business in South Africa and sales of minerals.

The Directors consider that the Disposal represents a good opportunity for the Group to realise its investment in the gold mine related business in the PRC and to strengthen the financial position of the Group. Taking into account of the above, the Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Based on the carrying amount of the investment in the Target Group and the Sale Loan, the Group estimates that the expected net gain from the Disposal (after deducting the related transaction costs) will not be more than HK\$0.5 million. The Directors consider that the Disposal does not have any significant adverse effect on the financial position of the Group.

The net proceeds from the Disposal will be approximately HK\$95.8 million after deducting all transaction costs and expenses from the Consideration of HK\$96 million. The net proceeds from the Disposal will be applied as general working capital and as funds for future development of the Group when investment opportunities arise.

## **IMPLICATIONS OF THE LISTING RULES**

As the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Disposal exceed 5% but are below 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

## **DEFINITIONS**

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

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI Subsidiary”	Bestkin International Limited (卓建國際有限公司), a company incorporated in the British Virgin Islands and is wholly-owned by the Target as at the date of the Sale and Purchase Agreement
“Company”	Taung Gold International Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the sale and purchase of the Sale Share in accordance with the terms and conditions of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration of HK\$96 million payable by the Purchaser to the Company for the Disposal and to be satisfied in the manner as described in this announcement
“Director(s)”	the director(s) of the Company

“Disposal”	the disposal of the Sale Share and the Sale Loan by the Company as contemplated under the Sale and Purchase Agreement
“First Promissory Note”	the promissory note in the principal amount of HK\$41 million and with a maturity date on 28 September 2012 for the purpose of settling part of the Consideration
“Group”	the Company and its subsidiaries
“Guarantor”	Zhang Lan, the sole shareholder and sole director of the Purchaser, an Independent Third Party
“HK Subsidiary”	New Famous Development Limited (樂豐發展有限公司), a company incorporated in Hong Kong and is wholly-owned by BVI Subsidiary as at the date of the Sale and Purchase Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Men Sou Mining Licence”	the mining licence, which stipulates the boundary of Long Men Sou Mine, for conducting the exploitation activities at Long Men Sou Mine
“Long Men Sou Mine”	the gold mine located at Long Men District of the Chicheng County, Hebei Province, the PRC (赤城縣龍門所鎮金礦) which is subject to the Long Men Sou Mining Licence
“PRC”	the People’s Republic of China
“PRC Subsidiary”	貴州寶興礦業管理有限公司 (Guizhou Baoxin Mining Management Limited), a company established in the PRC as a wholly-foreign owned enterprise which is wholly-owned by HK Subsidiary
“Project Company”	赤城縣佛安礦業有限公司 (Chicheng County Faon Mining Company Limited), a company established in the PRC with limited liability which is wholly-owned by the PRC Subsidiary
“Promissory Notes”	the First Promissory Note and the Second Promissory Note to be executed by the Purchaser for the purpose of settling part of the Consideration

“Purchaser”	Sharp Volition Limited (銳志有限公司), a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which are beneficially owned by the Guarantor
“Remaining Group”	the Group upon the Completion
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 19 March 2012 entered into between the Purchaser, the Company and the Guarantor in relation to the sale and purchase of the Sale Share and the Sale Loan
“Sale Loan”	all obligations, liabilities and debts owing or incurred by the Target to the Company as at the Completion which as at the date of the Sale and Purchase Agreement, amounted to approximately HK\$88.6 million
“Sale Share”	1 ordinary share in the issued share capital of the Target, representing the entire issued share capital of the Target
“Second Promissory Note”	the promissory note in the principal amount of HK\$45 million and with a maturity date on 29 March 2013 for the purpose of settling part of the Consideration
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Share Charge”	the share charge to be executed by the Purchaser in favour of the Company upon Completion in relation to the charge of the Sale Share by the Purchaser to the Company as security for the performance of the payment obligations under the Promissory Notes by the Purchaser
“Shareholder(s)”	holder(s) of the Share(s)
“South Africa”	the Republic of South Africa
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Longold Win Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“Target Group”	the Target and the its subsidiaries



“HK\$” Hong Kong dollars, the lawful currency of Hong Kong  
“sq.km.” Square kilometers  
“%” per cent.

By order of the Board  
**Taung Gold International Limited**  
**Li Hok Yin**  
*Chairman & Chief Executive Officer*

Hong Kong, 19 March 2012

*As at the date of this announcement, the Board comprises six Directors. The Executive Directors are Mr. Li Hok Yin, Ms. Cheung Pak Sum and Mr. Shen Junchen. The Independent Non-executive Directors are Mr. Chui Man Lung, Everett, Mr. Hui Wah Tat, Anthony and Mr. Li Kam Chung.*