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GOLDBOND GROUP HOLDINGS LIMITED
金榜集團控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 172)

DISCLOSEABLE AND CONNECTED TRANSACTION
AND
DISCLOSURE PURSUANT TO RULES 13.13 AND 13.16 OF THE LISTING RULES

On 1 November 2004, Perfect Honour, a wholly owned subsidiary of the Company, agreed to subscribe for 40 new shares of Rongzhong BVI, representing 40% of the enlarged share capital of Rongzhong BVI at a cash consideration of USD40 (equivalent to approximately HK\$312) which will be paid by Perfect Honour within 14 calendar days after the Fulfilment Date, or on such other date as may be agreed by parties to the Subscription Agreement (namely, Perfect Honour, Mr. Xie, Nanfang Poly and Legend Crown) in writing.

Pursuant to the Subscription Agreement, Perfect Honour has undertaken to the other parties to the Subscription Agreement to advance to Rongzhong BVI the Shareholder's Loan of RMB42,000,000 (equivalent to approximately HK\$39,623,000), or its equivalent in Hong Kong dollars at an annual interest rate equivalent to the Prime Rate. The Shareholder's Loan will be advanced within 30 calendar days from the Fulfilment Date, or such later date as may be agreed by parties to the Subscription Agreement (namely, Perfect Honour, Mr. Xie, Nanfang Poly and Legend Crown) in writing, which sum will be used as working capital for the Rongzhong Group.

The subscription of new shares in Rongzhong BVI and the provision of the Shareholder's Loan by Perfect Honour to Rongzhong BVI will constitute a connected transaction for the Company under the Listing Rules. In addition, as the relevant figures for the Subscription, which comprises the consideration for the subscription of new shares in Rongzhong BVI and the Shareholder's Loan, under the Percentage Ratios, exceed 5%, the entering into of the Subscription Agreement constitutes a discloseable transaction for the Company under the Listing Rules. As a result, the Subscription will constitute a discloseable and connected transaction for the Company and is subject to disclosure and independent shareholders' approval requirements under the Listing Rules.

The amount of the Shareholder's Loan of RMB42,000,000, or its equivalent in Hong Kong dollars, represents approximately 19.1% of the Market Capitalisation of the Company. As such percentage exceeds 8% under the Percentage Ratios, the provision of the Shareholder's Loan by Perfect Honour will be subject to the disclosure requirements under Rules 13.13 and 13.16 of the Listing Rules.

Mr. Wong has represented to the Board that he and his associates shall abstain from voting at the EGM.

An independent board committee will be formed to advise the Independent Shareholders in relation to the Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

A circular containing, among other things, further details of the Subscription, letter from the Independent Board Committee to the Independent Shareholders, letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders together with the notice of EGM will be despatched to the Shareholders as soon as practicable.

THE SUBSCRIPTION AGREEMENT

Reference is made to the announcement of the Company dated 20 October 2004 in relation to the Company's intention to establish a Sino-foreign joint venture or joint co-operation company.

Date

1 November 2004

Parties

- (1) Perfect Honour, a wholly owned subsidiary of the Company;
- (2) Mr. Xie;
- (3) Nanfang Poly;
- (4) Legend Crown; and
- (5) Rongzhong BVI.

Mr. Xie, Legend Crown and Rongzhong BVI and their respective ultimate beneficial owners are independent third parties not connected with the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries, and/or their respective associates. Nanfang Poly is the holding company of 廣州保利投資有限公司 (for identification purpose, in English, Guangzhou Poly Investment Limited) which is interested in 10% of the issued share capital of Goldbond Poly Investment Holdings Limited, a 90% owned subsidiary of the Company. As a result, Nanfang Poly is an associate of a connected person of the Company under the Listing Rules by virtue of its indirect interest in a subsidiary of the Company.

The subscription of new shares in Rongzhong BVI

Perfect Honour agreed to subscribe for 40 new shares of Rongzhong BVI, representing 40% of the enlarged share capital of Rongzhong BVI at a cash consideration of USD40 (equivalent to approximately HK\$312) which will be paid by Perfect Honour within 14 calendar days after the Fulfilment Date, or on such other date as may be agreed by parties to the Subscription Agreement (namely, Perfect Honour, Mr. Xie, Nanfang Poly and Legend Crown) in writing.

The consideration was arrived at after arm's length negotiation between the parties and represents the nominal value of the 40 shares of Rongzhong BVI to be subscribed by Perfect Honour.

Mr. Xie, Nanfang Poly's Nominee and Legend Crown will subscribe for 34, 20 and 5 new shares of Rongzhong BVI at a total cash consideration of USD34, USD20 and USD5 (equivalent to approximately HK\$265, HK\$156 and HK\$39) respectively.

As at the date of this announcement, the total issued share capital of Rongzhong BVI is one share with par value at USD1 and is wholly owned by Mr. Xie. Upon completion of the Subscription Agreement, Rongzhong BVI will be owned as to 40%, 35%, 20% and 5% by Perfect Honour, Mr. Xie, Nanfang Poly's Nominee and Legend Crown respectively. As Perfect Honour is only interested in 40% of the share capital of Rongzhong BVI, therefore Rongzhong BVI will not be treated as a subsidiary of Perfect Honour upon completion of the Subscription. Pursuant to the Subscription Agreement, the subscription of

new shares in Rongzhong BVI will be completed within 14 calendar days after the Fulfilment Date, or on such other date as may be agreed by parties to the Subscription Agreement (namely, Perfect Honour, Mr. Xie, Nanfang Poly and Legend Crown) in writing.

The Shareholder's Loan

Pursuant to the Subscription Agreement, Perfect Honour has undertaken to the other parties to the Subscription Agreement to advance to Rongzhong BVI the Shareholder's Loan of RMB42,000,000 (equivalent to approximately HK\$39,623,000), or its equivalent in Hong Kong dollars at an annual interest rate equivalent to the Prime Rate. The Shareholder's Loan will be advanced within 30 calendar days from the Fulfilment Date, or such later date as may be agreed by parties to the Subscription Agreement (namely, Perfect Honour, Mr. Xie, Nanfang Poly and Legend Crown) in writing, which will be used as working capital for the Rongzhong Group. The Shareholder's Loan will be financed by the proceeds from the CN Subscription Agreement (as defined in the circular of the Company dated 14 May 2004). In addition, Mr. Xie has undertaken to the other parties to the Subscription Agreement to advance to Rongzhong BVI a shareholder's loan of RMB20,000,000 (equivalent to approximately HK\$18,868,000), or its equivalent in Hong Kong dollars at an annual interest rate equivalent to the Prime Rate. Such shareholder's loan will be advanced within 30 calendar days from the Fulfilment Date, or such later date as may be agreed by parties to the Subscription Agreement (namely, Perfect Honour, Mr. Xie, Nanfang Poly and Legend Crown) in writing.

The two shareholders' loans to Rongzhong BVI to be advanced by Perfect Honour and Mr. Xie in the amounts of RMB42,000,000 and RMB20,000,000 (equivalent to approximately HK\$39,623,000 and HK\$18,868,000) (collectively, the "Registered Monies") respectively, or their respective equivalent in Hong Kong dollars will be unsecured and repayable in two years, or such later date as may be agreed by Perfect Honour, Mr. Xie and Rongzhong BVI in writing. Considering the relatively small shareholding held by Legend Crown, the parties to the Subscription Agreement consider it to be reasonable not to require Legend Crown to provide any initial shareholder's loan to Rongzhong BVI. The Registered Monies will be applied as Rongzhong BVI's registered capital contribution in the Management Company. At present, it is intended that the registered capital of the Management Company will be RMB62,000,000, or its equivalent in Hong Kong dollars (or such amount as agreed by parties to the Subscription Agreement (namely, Perfect Honour, Mr. Xie, Nanfang Poly and Legend Crown)).

According to the annual report of the Company for the financial year ended 31 March 2004 and adjusted for the issue of the convertible note pursuant to the CN Subscription Agreement (as defined in the circular of the Company dated 14 May 2004), the adjusted consolidated total assets of the Group as at 31 March 2004 amounted to approximately HK\$589,559,000. The market Capitalisation of the Company based on the average closing price of the Shares for the last five trading days preceding and including 1 November 2004 (being the date of the Subscription Agreement) amounted to approximately HK\$207,805,000 (the "Market Capitalisation"). The amount of the Shareholder's Loan of RMB42,000,000, or its equivalent in Hong Kong dollars, represents approximately 19.1% of the Market Capitalisation of the Company. As such percentage exceeds 8% under the Percentage Ratios, the provision of the Shareholder's Loan by Perfect Honour will be subject to the disclosure requirements under Rules 13.13 and 13.16 of the Listing Rules.

In addition, Nanfang Poly has undertaken to arrange banking facility in the amount of RMB40,000,000 for the Management Company and/or such entities as sub-contracted by the Management Company for the management of the Rongzhong Group's business ("Bank Facility") within 90 days from the date on which the Registered Monies have been applied as registered capital contribution of Rongzhong BVI to the Management Company, or such other date as may be agreed by parties to the Subscription Agreement (namely, Perfect Honour, Mr. Xie, Nanfang Poly and Legend Crown) in writing. Nanfang Poly has also

undertaken to provide all collaterals and/or guarantees that the Bank Facility provider(s) may require for provision of the Bank Facility while Perfect Honour, Mr. Xie and Mr. Wong agreed to provide back-to-back guarantees, which is determined on arm's length basis between the parties to the Subscription Agreement, to Nanfang Poly in the following manner:

- (a) as to RMB17,500,000 by Perfect Honour and Mr. Xie on a several and 50:50 basis; and
- (b) as to RMB10,000,000 by Mr. Wong.

Nanfang Poly shall receive a fee equivalent to 3% per annum of the average daily outstanding amount of the Bank Facility during the financial year for its provision of guarantee services for the Bank Facility. Such fee is agreed with reference to the market rate for the provision of guarantee services in the PRC, payable annually within 60 days after the end of each financial year.

Pursuant to the Subscription Agreement, Perfect Honour shall have the right to nominate at least three representatives to the Rongzhong Board and each of Mr. Xie, Nanfang Poly and Legend Crown shall have the right to nominate one representative to the Rongzhong Board. One of the three representatives nominated by Perfect Honour to the Rongzhong Board shall act as the chairman of such board and he/she shall be entitled to a casting vote.

As Nanfang Poly is a minority shareholder of Rongzhong BVI and the arrangement of the Bank Facility relative to its shareholding in Rongzhong BVI is relatively much higher than that of Perfect Honour and Mr. Xie and in addition, Nanfang Poly is only entitled to appoint one representative to the Rongzhong Board as mentioned above. As a result, the parties to the Subscription Agreement consider that it is reasonable to provide the back-to-back guarantee to Nanfang Poly.

Pursuant to the Subscription Agreement and a letter from Ms. Cheng Xi (a party to the Previous Subscription Agreement (as defined below)) dated 1 November 2004, it was agreed that the subscription agreement dated 19 March 2004 (as supplemented by a supplemental agreement dated 30 March 2004 and two extension agreements dated 15 July 2004 and 15 October 2004 (as disclosed in the announcements of the Company dated 19 July 2004 and 18 October 2004 respectively)) (together the "Previous Subscription Agreement") will be terminated upon completion of the subscription of new shares in Rongzhong BVI and the provision of the two shareholders' loans by Perfect Honour and Mr. Xie. As completion of the Previous Subscription Agreement is one of the conditions precedent for completion of the option agreement dated 19 March 2004 made between Wah Link Investments Limited and Perfect Honour (as disclosed in the circular of the Company dated 14 May 2004) (the "Option Agreement"), the Option Agreement will be automatically terminated on 18 January 2005, being the long stop date for fulfilment of the conditions precedent pursuant to the terms thereof. As mutually agreed by the parties to the Previous Subscription Agreement, they considered that it would be a strategic move to introduce Nanfang Poly as one of the shareholders of Rongzhong BVI which will be beneficial to the overall operation of Rongzhong BVI. Therefore, they agreed to terminate the Previous Subscription Agreement. Further, the Directors confirm that the terminations of the Previous Subscription Agreement and the Option Agreement will not have any material adverse impact on the financial position and operation of the Group.

The Directors consider that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent to the subscription of new shares in Rongzhong BVI and the Shareholder's Loan

Completion of the subscription of new shares in Rongzhong BVI and the Shareholder's Loan are conditional upon the fulfilment of the following conditions:

- (a) the relevant announcement(s) and circular of the Company in relation to the Subscription having been published in accordance with the Listing Rules; and
- (b) the approval of the Subscription Agreement and the transactions contemplated therein by the Independent Shareholders at the EGM.

All the conditions above cannot be waived by the parties to the Subscription Agreement.

Non-competition undertaking

At present, Mr. Xie operates loan guarantee businesses for individuals in the provinces of Guangzhou, Wuhan, Chongqing, Chengsha and Chengdu of the PRC (the "Existing Locations"). Pursuant to the Subscription Agreement, Mr. Xie has undertaken to offer the Rongzhong Group or any other company(ies) as designated by the Rongzhong Board the first right of refusal to operate loan guarantee businesses for individuals at the Existing Locations. In addition, Mr. Xie has undertaken to the other parties to the Subscription Agreement to cease the operation of loan guarantee businesses for individuals in the PRC in which he has any interest, direct or indirect, within 90 days from the date of obtaining of relevant business licenses in the PRC in relation to foreign investments by the Management Company, or such later time as the Rongzhong Board may decide.

In addition, pursuant to the Subscription Agreement and save and except for the abovementioned business operations by Mr. Xie at the Existing Locations, each of the parties to the Subscription Agreement has undertaken to each other that it will not conduct any business that may directly or indirectly compete with the business of the Rongzhong Group for (i) five years subsequent to the date of signing of the Subscription Agreement or (ii) 12 months subsequent to such party ceases to be a shareholder of any member of the Rongzhong Group, whichever is later.

For the avoidance of doubt, Mr. Xie will only be bound to this non-competition undertaking upon transfer of the business operations at the Existing Locations to the Rongzhong Group.

INFORMATION ON RONGZHONG BVI AND THE MANAGEMENT COMPANY

Rongzhong BVI is an investment holding company incorporated in the British Virgin Islands with limited liability on 3 March 2004. Rongzhong BVI did not hold any assets nor have any business activity since its incorporation, therefore its net asset value and profit and loss accounts were not available as at the date of this announcement. As at the date of this announcement, the total issued share capital of Rongzhong BVI is one share with par value at USD1 and is wholly owned by Mr. Xie.

Pursuant to the Subscription Agreement, Rongzhong BVI will establish a wholly foreign owned enterprise (i.e. the Management Company) upon completion of the Subscription.

The Management Company will be principally engaged in the provision of management and support services to loan guarantee companies in the PRC and other businesses as may be approved by the Rongzhong Board. Upon completion of the Subscription, Perfect Honour may consider to propose to the Rongzhong Board to acquire the loan guarantee businesses/companies in the PRC, including but not limited to the business operations carrying out by Mr. Xie at the Existing Locations.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in property investment and other investments in Hong Kong and the PRC. As set out in the annual report of the Company for the year ended 31 March 2004, with the gradual increasing consuming power in Hong Kong and the PRC, the Board considers that it would now be the opportune time for the Group to seek business diversification.

Under the existing rules and regulations in the PRC, foreign investors are not allowed to be directly engaged in loan guarantee businesses in the PRC. Nanfang Poly is principally engaged in the development of real estate projects, constructions, trading, investments, internet technology and production and sales of pharmaceuticals and has extensive business network in the PRC, in particular in the Guangzhou area. Coupled with Mr. Xie's and his management team's experience in the loan guarantee businesses for individuals in the PRC, the Directors believe that the Subscription would assist the Group in seeking business diversification in a positive manner.

The Directors consider that the entering into of the Subscription Agreement as a strategic move for the Group to venture into loan guarantee businesses for individuals in the PRC which the Directors believe has optimistic and growth prospect. Having taken into account of, among others, Mr. Xie's and his management team's experience and expertise in the loan guarantee businesses for individuals in the PRC and Nanfang Poly's provision of collaterals and/or guarantees to the Bank Facility, the Directors consider that the terms of the Subscription Agreement, including the subscription of new shares of Rongzhong BVI and the provision of the Shareholder's Loan, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GENERAL

The subscription of new shares in Rongzhong BVI and the provision of the Shareholder's Loan by Perfect Honour to Rongzhong BVI will constitute a connected transaction for the Company under the Listing Rules. In addition, as the relevant figures for the Subscription, which comprises the consideration for the subscription of new shares in Rongzhong BVI and the Shareholder's Loan, under the Percentage Ratios, exceed 5%, the entering into of the Subscription Agreement constitutes a discloseable transaction for the Company under the Listing Rules. As a result, the Subscription will constitute a discloseable and connected transaction for the Company and is subject to disclosure and independent shareholders' approval requirements under the Listing Rules.

The Previous Subscription Agreement shall cease to be in effect and the proceeds from the CN Subscription Agreement (as defined in the circular of the Company dated 14 May 2004) will be applied for the Subscription and provision of the Shareholder's Loan.

Mr. Wong has represented to the Board that he and his associates shall abstain from voting at the EGM.

An independent board committee will be formed to advise the Independent Shareholders in relation to the Subscription. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription.

A circular containing, among other things, further details of the Subscription, letter from the Independent Board Committee to the Independent Shareholders, letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders together with the notice of EGM will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the executive Directors are Mr. Wong Yu Lung, Charles, Mr. Ko Po Ming, Ms. Loh Jiah Yee, Katherine, Mr. Lan Ning and Mr. Kee Wah Sze; and the independent non-executive Directors are Mr. Ip Yin Wah, Mr. Ma Ho Fai, Mr. Shiraki Melvin Jitsumi and Mr. Zhang Xiao Shu.

DEFINITIONS

“associates”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Goldbond Group Holdings Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to approve the transactions contemplated in the Subscription Agreement
“Fulfilment Date”	the date on which all the conditions set out in the paragraph headed “Conditions precedent to the subscription of new shares in Rongzhong BVI and the Shareholder’s Loan” above have been fulfilled
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Wong and his associates
“Legend Crown”	Legend Crown International Limited, a company incorporated in the British Virgin Islands with limited liability and is an independent third party not connected with the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries, and/or their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Company”	a wholly foreign owned enterprise wholly owned by Rongzhong BVI to be established under the PRC laws
“Mr. Wong”	Mr. Wong Yu Lung, Charles, a Director
“Mr. Xie”	Mr. Xie Xiao Qing, an independent third party not connected with the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries, and/or their respective associates
“Nanfang Poly”	保利南方集團有限公司 (for identification purpose, in English, Nanfang Group Poly Limited), a company established under the laws of the PRC

“Nanfang Poly’s Nominee”	the nominee of Nanfang Poly, a company acceptable by Perfect Honour, Mr. Xie and Legend Crown, for the purpose of subscription of shares in Rongzhong BVI
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules, other than the revenue ratio, profit ratio and equity capital ratio
“Perfect Honour”	Perfect Honour Limited, a wholly owned subsidiary of the Company
“PRC”	The People’s Republic of China
“Prime Rate”	the best lending rate offered by The Hongkong and Shanghai Banking Corporation Limited
“Rongzhong Board”	the board of directors of Rongzhong BVI
“Rongzhong BVI”	Rongzhong Group Limited, a company incorporated in the British Virgin Islands on 3 March 2004 whose entire issued share capital as at the date of this announcement is wholly owned by Mr. Xie
“Rongzhong Group”	Rongzhong BVI, the Management Company and other associated companies and subsidiaries which Rongzhong BVI may establish in the future
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the shareholder’s loan of RMB42,000,000 (equivalent to approximately HK\$39,623,000), or its equivalent in Hong Kong dollars to be advanced by Perfect Honour to Rongzhong BVI pursuant to the terms of the Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the transactions contemplated under the Subscription Agreement, including the subscription of the new shares of Rongzhong BVI and the provision of the Shareholder’s Loan
“Subscription Agreement”	the subscription agreement dated 1 November 2004 entered into between Perfect Honour, Mr. Xie, Nanfang Poly, Legend Crown and Rongzhong BVI in relation to the Subscription
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“USD”	United States Dollars, the lawful currency of the United States

Translation of United States dollars into Hong Kong dollars is based on the exchange rate of USD1 to HK\$7.80 and Renminbi into Hong Kong dollars is based on the exchange rate of RMB1.06 to HK\$1.00.

By order of the Board
Goldbond Group Holdings Limited
Lin Fung Yi
Company Secretary

Hong Kong, 4 November 2004

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