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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

On 15 October 2004, the Company, the Purchaser (a wholly owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement pursuant to which, the Vendor agreed to sell and the Purchaser agreed to purchase the Sale Shares, representing 20% equity interest of the issued share capital of GCHL at a consideration of HK\$30,000,000, which will be satisfied by the issue of the Convertible Note by the Company.

The Vendor is indirectly owned as to 90% by Mr. Kee and as to 10% by Mr. Wong, both being Directors and hence connected persons of the Company under the Listing Rules. Therefore the entering into of the Acquisition Agreement constitutes a connected transaction for the Company. In addition, since the relevant figures for the Acquisition under the Percentage Ratios exceed 5%, the entering into of the Acquisition Agreement constitutes a discloseable transaction for the Company under the Listing Rules. As both the Vendor and Armstrong are connected persons of the Company under the Listing Rules, the entering into of the Deed of Adherence by the Purchaser will constitute a connected transaction for the Company. As the Acquisition constitutes a connected transaction, the Company will seek approval from the Independent Shareholders for the Acquisition (including the issue of the Convertible Note and Conversion Shares and the entering into of the Deed of Adherence by the Purchaser) at the EGM by way of poll. Mr. Wong, Mr. Kee, Mr. Ko and their respective associates will abstain from voting on the proposed resolution in relation to the Acquisition.

An independent board committee will be formed to advise the Independent Shareholders in relation to the Acquisition Agreement and all transactions contemplated therein (including the issue of the Convertible Note and Conversion Shares and the entering into of the Deed of Adherence by the Purchaser). An independent financial adviser will be appointed to advise the Independent Board Committee in relation to the Acquisition.

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

THE ACQUISITION AGREEMENT

Date

15 October 2004

Parties

- (1) Flourish Global Limited, a wholly owned subsidiary of the Company (the “Purchaser”);
- (2) the Company, being the warrantor to certain warranties under the Acquisition Agreement;
and
- (3) the Vendor.

The Acquisition

The Vendor agreed to sell and the Purchaser agreed to purchase 30,000,000 shares of HK\$1.00 each in GCHL (“Sale Shares”), representing 20% of the total issued share capital of GCHL at a consideration of HK\$30,000,000, which will be satisfied by the issue of the Convertible Note by the Company.

The consideration for the Acquisition of HK\$30,000,000 was arrived at after arm’s length negotiation between the parties and with reference to the nominal value of the total issued share capital and net asset value of GCHL, which represents 20% of the nominal value of the total issued share capital of GCHL and a premium of approximately 7.7% over the net asset value of GCHL as at 31 August 2004.

Conditions precedent

Completion of the Acquisition Agreement is conditional upon the fulfilment or, as the case may be, waiver of the following conditions:

- (a) the approval of the Acquisition (including but not limited to the issue of the Convertible Note) by the Independent Shareholders at the EGM;
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares;
- (c) the Purchaser being satisfied upon inspection and investigation as to the respective financial, corporate, taxation and trading positions of GCHL;
- (d) the Vendor having complied fully with the pre-completion obligations specified in the Acquisition Agreement and otherwise having performed all of the covenants and agreements required to be performed by it under the Acquisition Agreement (other than those to be performed at or after completion);
- (e) a certified copy of the board minutes of the Vendor approving execution of the Acquisition and completion of the transactions contemplated under the Acquisition Agreement;
- (f) the warranties set out in the Acquisition Agreement having remained true and accurate and not misleading at all dates from the date of the Acquisition Agreement up to and including the completion date of the Acquisition Agreement;
- (g) all waivers or consents (if any) which are required for the entering into and/or the performance of obligations under the Acquisition Agreement by the parties having been obtained, including, without limitation, the waiver and/or consents (if required) of the shareholders of the Company, the Stock Exchange and the Securities and Futures Commission of Hong Kong and such waivers and/or consents (if any) remaining in full force and effect and there being no statement, notification to revoke or not to renew the same having been received/obtained;
and

- (h) such other documents as may be reasonably required to give to the Purchaser good title to the Sale Shares and to enable the Purchaser or its nominees to become its registered holders thereof.

Except for conditions (a) and (b), all of the above conditions above can be waived by the Purchaser. At present, the Directors do not have any intention to waive any of the aforesaid conditions (c) to (h) above. If the aforesaid conditions have not been fulfilled or waived (as the case may be) on the Long Stop Date, the Acquisition Agreement shall cease to have any effect and no party shall have any liability thereunder save in respect of claims arising out of any antecedent breach of the Acquisition Agreement.

Warranty

Pursuant to the Acquisition Agreement, the Company represents, warrants and undertakes to the Vendor that (i) so long as the Purchaser remains as a shareholder of GCHL, the Company shall not transfer, sell or dispose of any shares in the Purchaser to the effect that the Purchaser will cease to be a wholly owned subsidiary of the Company and (ii) the Company shall issue the Convertible Note pursuant to the terms of the Acquisition Agreement.

Completion

Completion of the Acquisition Agreement shall take place on the fifth Business Days after the day on which all the above conditions have been fulfilled or, if applicable, waived by the Company, or on such other date as may be agreed by the parties to the Acquisition Agreement in writing.

Deed of Adherence

Upon completion of the Acquisition, the Purchaser will enter into a deed of adherence (“Deed of Adherence”) with the existing shareholders of GCHL whereby the Purchaser covenants to be bound by all the terms of the shareholders’ agreement entered into among the existing shareholders of GCHL (“Shareholders’ Agreement”) dated 4 October 2004.

The Shareholders’ Agreement was executed by the Vendor, Armstrong Capital Limited (“Armstrong”), Hing Wong Finance Limited (“Hing Wong”) and Reliance Wealth Limited (“Reliance” or “Trustee”). GCHL is currently owned as to 66.250% by the Vendor, as to 18.125% by Armstrong (which is beneficially wholly owned by Mr. Ko, a Director), as to 9.375% by Hing Wong and as to the remaining 6.25% by Reliance. Hing Wong is independent of and not connected with the directors, chief executive, substantial shareholders of the Company or any of its subsidiaries, and/or their respective associates. In addition, Reliance holds such shares in GCHL (the “Management Shares”) as a trustee for the benefit of key management personnel (the “Key Management Personnel”), namely such employees of GCHL and its subsidiaries as may be determined by shareholders of GCHL holding 70% or more of the entire issued share capital of GCHL (“Majority Shareholders”) prior to public listing of GCHL or 8 January 2007, whichever is earlier. The Trustee shall forthwith after determination of the Key Management Personnel by the then Majority Shareholders allot and issue its own shares to such Key Management Personnel in such proportion as the Majority Shareholders may direct. The Trustee also undertakes to vote in such manner as the Majority Shareholders may lawfully direct in all general meetings of GCHL prior to such determination.

Pursuant to the Shareholders’ Agreement, the Vendor shall (if it desires to do so) have the right, at any time after the date of the Shareholders’ Agreement, to sell or transfer up to 90% of the shares of GCHL held by it from time to time to the Company or any of its wholly owned subsidiaries upon such terms as it may determine. For every 11% of the total issued share capital of GCHL sold or transferred by the Vendor to the Company or any of its wholly owned subsidiaries, the Company is entitled to appoint one director of GCHL in place of such director appointed by the Vendor. Further, for every 28% of the total issued share capital of GCHL sold or transferred by

the Vendor to the Company or any of its wholly owned subsidiaries, the Company is entitled to appoint its nominated director of GCHL in place of such director appointed by the Vendor as member of the management committee of GCHL. Save and except the aforementioned transfer, prior to 8 January 2007, no shareholder shall dispose or encumber any shares of GCHL without the prior written consent of all other shareholders.

Pursuant to the Shareholders' Agreement, the working capital of GCHL and its subsidiaries shall be financed by pro rata allotment of shares or by obtaining loan from banks or other financial institutions.

The Directors (other than Mr. Wong, Mr. Kee and Mr. Ko as interested Directors in the Acquisition) consider that the terms of the Shareholders' Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. GCHL is currently owned as to 66.250% by the Vendor (which is indirectly owned as to 90% by Mr. Kee and as to 10% by Mr. Wong, both being Directors) and as to 18.125% by Armstrong (which is beneficially wholly owned by Mr. Ko, a Director). As both the Vendor and Armstrong are connected persons of the Company under the Listing Rules, the entering into of the Deed of Adherence by the Purchaser will constitute a connected transaction for the Company and require the approval from the Independent Shareholders at the EGM by way of poll, with Mr. Kee, Mr. Wong and Mr. Ko and their respective associates abstaining from voting.

Terms of the Convertible Note

The principal terms of the Convertible Note were determined after arm's length negotiation between the Company and the Vendor and are summarised as below:

Principal amount
HK\$30,000,000.

Interest
Nil.

Maturity
Unless previously converted into Conversion Shares and/or redeemed, the outstanding principal amount of Convertible Note will be automatically redeemed on 5 August 2007 (the "Maturity Date").

Redemption
At any time from the date of issue of the Convertible Note up to the fifth Business Day prior to the Maturity Date, the Company may redeem all or, from time to time, part only of the Convertible Note (in an amount or integral multiple of HK\$500,000).

Conversion Price
The conversion price of the Convertible Note is HK\$0.129, being the average closing price of the Shares for the past 10 trading days immediately prior to 15 October 2004 (i.e. the date of the Acquisition Agreement), which represents approximately 1.6% premium to the closing price of the Shares on 14 October 2004, being the date preceding the date of the Acquisition Agreement (subject to adjustment).

Conversion
Holder of the Convertible Note will have the right to convert the whole or any part of the principal amount of the Convertible Note into Conversion Shares on any Business Day commencing from the date of issue of the Convertible Note up to the Business Day immediately prior to the Maturity Date. No fraction of a Share shall be issued on conversion.

The Conversion Shares which fall to be issued upon conversion shall rank pari passu in all respects with all other existing Shares outstanding as at the date of the notice of conversion and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the notice of conversion.

Assuming full conversion of the Convertible Note at the conversion price of HK\$0.129 per Share, being the average closing price of the Shares for the past 10 trading days immediately prior to 15 October 2004 (i.e. the date of the Acquisition Agreement), the Company will have to issue 232,558,140 Conversion Shares which represent (i) approximately 13.99% of the existing issued share capital of the Company; and (ii) approximately 12.27% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares.

Application will be made to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares but not the Convertible Note.

Transferability

The Convertible Note (in whole or in part) is freely transferable, subject to holder of the Convertible Note having given prior written notification to the Company of such transfer. The Company will inform the Stock Exchange if any connected person (as defined in the Listing Rules) becomes the holder of the Convertible Note.

Voting

Holder of the Convertible Note shall not be entitled to receive notice of, attend or vote at any meetings of the Company.

Shareholding structure

The following table sets out the changes in shareholding structure of the Company, assuming full conversion of the Convertible Note at the conversion price of HK\$0.129 per Share:

	Existing shareholding structure		Assuming full conversion of the Convertible Note (Note 5)	
	Shares	%	Shares	%
Allied Luck Trading Limited (Note 1)	497,232,000	29.91	497,232,000	26.24
Ace Solomon Investments Limited (Note 2)	338,888,343	20.39	338,888,343	17.88
Canasia Profits Corporation (Note 3)	133,701,300	8.04	133,701,300	7.06
Sparkle Power Technology Limited (Note 4)	65,881,800	3.96	65,881,800	3.48
Vendor	–	–	232,558,140	12.27
Sub-total	<u>1,035,703,443</u>	<u>62.30</u>	<u>1,268,261,583</u>	<u>66.93</u>
Public	<u>626,736,557</u>	<u>37.70</u>	<u>626,736,557</u>	<u>33.07</u>
TOTAL	<u>1,662,440,000</u>	<u>100.00</u>	<u>1,894,998,140</u>	<u>100.00</u>

Notes:

- Allied Luck Trading Limited is owned as to 50% by Mr. Wong and as to the remaining 50% by Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong.
- Ace Solomon Investments Limited is beneficially owned as to 11% by Mr. Wong, 46% by Mr. Kee and 43% by Ms. Loh Jiah Yee, Katherine, all of them are executive Directors.
- Canasia Profits Corporation is wholly owned by Mr. Kee.

4. Sparkle Power Technology Limited is owned as to 50% by Ms. Loh Jiah Yee, Katherine and 50% by Mr. Ko, an executive Director.
5. Assuming full conversion of the Convertible Note at the conversion price of HK\$0.129 per Share.

Allied Luck Trading Limited, Ace Solomon Investments Limited, Canasia Profits Corporation, Sparkle Power Technology Limited the Vendor, Mr. Wong, Mr. Kee and Mr. Ko are parties acting in concert under the Takeovers Code. If the Vendor converts the Convertible Note, the Vendor and parties acting in concert with it will comply with the requirements of the Takeovers Code and the Listing Rules from time to time.

The Directors (other than Mr. Wong, Mr. Kee and Mr. Ko as interested Directors in the Acquisition) consider that the terms of the Convertible Note are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders.

INFORMATION ON GCHL

GCHL is currently owned as to 66.250% by the Vendor, as to 18.125% by Armstrong (which is beneficially wholly owned by Mr. Ko, a Director), as to 9.375% by Hing Wong and as to the remaining 6.250% by Reliance.

GCHL was incorporated on 2 July 2002 and does not conduct any business activity other than investment holding. As at the date of this announcement, the total issued share capital of GCHL amounted to HK\$150,000,000. The maximum number of directors of GCHL holding office at any time shall not be more than eight. At present, the board of directors of GCHL comprises five directors. Upon completion of the Acquisition, the Company shall have the right to request the resignation of one existing director of GCHL nominated by the Vendor and to appoint one person nominated by the Purchaser as new director of GCHL. At present, the Directors do not have any intention to exercise such right to request the resignation of one existing director of GCHL nominated by the Vendor.

GCHL's subsidiaries are principally engaged in the provision of investment and financial-related services, including but not limited to securities and futures trading, distribution and placement of listed and unlisted securities, financial advisory, initial public offering, mergers and acquisitions, underwriting and arrangement of fund raising as well as debt and corporate restructuring with its head office located in Hong Kong. Recently, the GCHL Group, through one of its subsidiaries, has further expanded its business coverage to asset management. With the exception of its asset management subsidiary which is in the progress of applying a licence from the Securities and Futures Commission of Hong Kong, all of the GCHL's subsidiaries have obtained all the necessary licences and approvals from the Securities and Futures Commission of Hong Kong and other regulatory bodies to conduct securities-related business in Hong Kong.

According to the audited consolidated accounts of the GCHL Group for the period from 2 July 2002 (date of incorporation*) to 31 December 2003, the financial information of GCHL is summarised as below:

	<i>HK\$'000</i>
Loss before tax and minority interests	5,011
Loss after tax and minority interests	4,918
Net assets value	95,082

* *No separate audited figures were available for the period from 2 July 2002 to 31 December 2002.*

According to the unaudited consolidated financial information of the GCHL Group for the eight months ended 31 August 2004, net loss after minority interest (before and after taxation) for the period amounted to approximately HK\$5,850,000 and net asset value of GCHL Group as at 31 August 2004 amounted to approximately HK\$139,232,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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.

The Directors consider that the entering into of the Acquisition Agreement as a strategic move for the Group to venture into the investment and financial services businesses in Hong Kong which the Directors believe has optimistic and growth prospect. Following the PRC's entry to the World Trade Organisation, the Directors are of the view that the economic outlook of the PRC looks promising. With the introduction of the Closer Economic Partnership Arrangement ("CEPA") and the fact that Hong Kong is one of the largest financial centres in Asia, the Directors believe that the financial services sector in Hong Kong is set to ride on the expected growth of fund raising exercise activities by PRC enterprises. Though the GCHL Group is currently loss making, the Directors believe that the GCHL Group possesses experienced and competent personnel in the financial industry and has potential to contribute to the Group in the near future.

In addition, having considered the trading multiples of other financial services providers listed on the Stock Exchange, the Directors believe that the consideration for the Acquisition, which represents a price-to-book ratio of approximately 1.08 times of the 20% equity interest in the net book value of GCHL as at 31 August 2004, is in line with the trading multiples of other financial services providers listed on the Stock Exchange and the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL

The principal business of the Group is property development and investment and other investments in Hong Kong and the PRC. As it is stated in the annual report of the Company for the financial year ended 31 March 2004, the Company completed an open offer by issuing 1,325,952,000 offer Shares at a price of HK\$0.10 per Share (the "Offer Shares") on the basis of four Offer Shares for every one Share held by the Shareholders in December 2003 (the "Open Offer"). The net proceeds from the Open Offer of approximately HK\$131,585,000 has been used as to HK\$100,000,000 for the acquisition of 25% equity interest in and a shareholder's loan to Nanjing City Plaza Construction Co., Ltd. and the remaining as general working capital of the Group. Further, the Company completed an issue of a convertible note in the principal amount of HK\$70,000,000 to Wah Link Investments Limited in August 2004 (the "August Convertible Note"). Pursuant to the CN Subscription Agreement (as defined in the circular of the Company dated 14 May 2004 (the "May Circular")), such proceeds from the issue of the August Convertible Note will be used for the subscription for 3,725 new shares of Rongzhong BVI (as defined in the May Circular) at a cash consideration of RMB62,000,000 (equivalent to approximately HK\$58,491,000), details of which have been disclosed in the May Circular.

The Vendor is indirectly owned as to 90% by Mr. Kee and as to 10% by Mr. Wong, both being Directors and hence connected persons of the Company under the Listing Rules. Therefore the entering into the Acquisition Agreement constitutes a connected transaction for the Company. In addition, since the relevant figures for the Acquisition under the Percentage Ratios exceed 5%, the entering into of the Acquisition Agreement constitutes a discloseable transaction for the Company under the Listing Rules. As both the Vendor and Armstrong are connected persons of the Company under the Listing Rules, the entering into of the Deed of Adherence by the Purchaser constitutes a connected transaction for the Company. The Company will seek approval from the

Independent Shareholders for the Acquisition Agreement and all transactions contemplated therein (including the issue of the Convertible Note and Conversion Shares and the entering into of the Deed of Adherence by the Purchaser) at the EGM by way of poll. Mr. Wong, Mr. Kee, Mr. Ko and their respective associates will abstain from voting on the proposed resolution in relation to the Acquisition.

An independent board committee will be formed to advise the Independent Shareholders in relation to the Acquisition Agreement and all transactions contemplated therein (including the issue of the Convertible Note and Conversion Shares and the entering into of the Deed of Adherence by the Purchaser). An independent financial adviser will be appointed to advise the Independent Board Committee in relation to the Acquisition.

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

DEFINITIONS

“Acquisition”	the transaction contemplated under the Acquisition Agreement
“Acquisition Agreement”	the agreement entered into between the Company, the Purchaser and the Vendor dated 15 October 2004 in relation to the acquisition of a 20% equity interest in GCHL by the Company
“associates”	has the meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any days (excluding Saturday) on which banks in Hong Kong are open for business
“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
“Conversion Shares”	the Shares to be allotted and issued by the Company upon full conversion of the Convertible Note, based on the conversion price of HK\$0.129 per Share, being the average closing price of the Share for the past 10 trading days immediately prior to 15 October 2004 (i.e. the date of the Acquisition Agreement) (subject to adjustment)
“Convertible Note”	convertible note in an aggregate principal amount of HK\$30,000,000 to be issued by the Company to the Vendor (or its nominee) under the Acquisition Agreement
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company (or any adjourned meeting thereof) to be convened for the purpose of considering and, if thought fit, approving the Acquisition
“GCHL”	Goldbond Capital Holdings Limited, a company incorporated in Hong Kong with limited liability which is owned as to 66.250% by the Vendor, as to 18.125% by Armstrong, as to 9.375% by Hing Wong and as to 6.250% by Reliance

“GCHL Group”	GCHL and its subsidiaries
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board established for the purpose of reviewing the Acquisition Agreement
“Independent Shareholders”	Shareholders other than Mr. Wong, Mr. Kee, Mr. Ko and their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	15 April 2005 or such later date as the parties to the Acquisition Agreement may agree in writing
“Mr. Kee”	Mr. Kee Wah Sze, a Director
“Mr. Ko”	Mr. Ko Po Ming, a Director
“Mr. Wong”	Mr. Wong Yu Lung, Charles, a Director and Vice Chairman of the Company
“Percentage Ratios”	the percentage ratios under Rule 14.07 of the Listing Rules
“PRC”	The People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendor”	Goldbond Capital Investment Holdings Limited, a company indirectly owned as to 90% by Mr. Kee and as to 10% by Mr. Wong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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.

By order of the Board
Goldbond Group Holdings Limited
Li Sang Edward
Company Secretary

Hong Kong, 20 October 2004

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