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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)

MAJOR AND CONNECTED TRANSACTIONS

On 19 March 2004, Perfect Honour, a wholly owned subsidiary of the Company, entered into the Subscription Agreement (as supplemented by a supplemental agreement dated 30 March 2004) with Mr. Xie, Ms. Cheng and Rongzhong BVI pursuant to which Perfect Honour agreed to subscribe for 3,725 new shares of Rongzhong BVI, representing 37.25% of the issued share capital of Rongzhong BVI as enlarged by such subscription, at a cash consideration of RMB62 million (equivalent to approximately HK\$58.49 million).

On 19 March 2004, Perfect Honour also entered into the Option Agreement with Wah Link pursuant to which Wah Link agreed to grant to Perfect Honour the Option to require Wah Link to purchase all the interest of Perfect Honour in Rongzhong BVI, comprising 3,725 shares in Rongzhong BVI and any shareholder's loans advanced by Perfect Honour to Rongzhong BVI, at an aggregate amount of RMB62 million (equivalent to approximately HK\$58.49 million) and the face value of the shareholder's loans (if any).

On 19 March 2004, the Company entered into the CN Subscription Agreement with Wah Link pursuant to which Wah Link agreed to subscribe for the Convertible Note at a consideration of HK\$70 million. The Conversion Price of HK\$0.170 per Share was determined on an arm's length basis and represents (i) a discount of approximately 3.41% to the closing price of HK\$0.176 per Share as quoted on the Stock Exchange on 19 March 2004, being the last trading day immediately prior to the date of the CN Subscription Agreement; and (ii) a discount of approximately 1.73% to the average closing price of approximately HK\$0.173 per Share as quoted on the Stock Exchange for the last five trading days up to and including 19 March 2004. Assuming full conversion of the Convertible Note at the conversion price of HK\$0.17 per Share, the Company will have to issue 411,764,705 Converted Shares which represents (i) approximately 24.77% of the existing issued share capital of the Company; and (ii) approximately 19.85% of the issued share capital of the Company as enlarged by the issue of the Converted Shares. Application will be made to the Stock Exchange for the listing of, and the permission to deal in, the Converted Shares.

One of the conditions precedent of the Subscription Agreement is that Rongzhong BVI will undergo the Reorganisation. As part of the Reorganisation, Perfect Honour, Mr. Xie, Ms. Cheng and Rongzhong BVI will enter into the Shareholders' Agreement whereby, among other matters, Perfect Honour will assume the control of the board of directors of Rongzhong BVI and provide a shareholder's loan of up to RMB138 million (equivalent to approximately HK\$130.19 million) to Rongzhong BVI for its business expansion. Furthermore, Rongzhong BVI will set up the Management Company which will then enter into the Management Agreements with the Five Rongzhong Companies, which are currently controlled by Mr. Xie, and Shanghai Rongzhong and Hangzhou Rongzhong, which will be set up and controlled by Mr. Xie. Details of the Reorganisation are set out below.

Wah Link is beneficially owned as to 51% by a family member of Mr. Wong, a Director, and as to 49% by Mrs. Wong, the spouse of Mr. Wong, and therefore is an associate of Mr. Wong under the Listing Rules. Accordingly, the CN Subscription Agreement and the Option Agreement constitute connected transactions for the Company under the Listing Rules. The Company will seek approval from the Independent Shareholders for the CN Subscription Agreement and the Option Agreement at the EGM. As the aggregate value of the consideration of the Subscription Agreement represents more than 50% of the consolidated net tangible assets of the Group, the entering into of the Subscription Agreement constitutes a major transaction for the Company under the Listing Rules. The Subscription Agreement is conditional upon the Independent Shareholders approving the CN Subscription Agreement and the Option Agreement at the EGM, therefore the Subscription Agreement is also subject to the approval by the Independent Shareholders at the EGM. Mr. Wong and his associates will abstain from voting on the proposed resolutions in relation to the Transaction Agreements. An independent board committee will be formed to advise the Independent Shareholders in relation to the Transaction Agreements. An independent financial adviser will be appointed to advise the independent board committee in relation to the Transaction Agreements.

A circular containing, among other things, further details of the Transaction Agreements, letter from the independent board committee of the Company 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.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 March 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 2 April 2004.

THE SUBSCRIPTION AGREEMENT (AS SUPPLEMENTED BY A SUPPLEMENTAL AGREEMENT DATED 30 MARCH 2004)

Date

19 March 2004

Parties

Perfect Honour, a wholly owned subsidiary of the Company;
Mr. Xie;
Ms. Cheng; and
Rongzhong BVI, a company wholly owned by Mr. Xie.

Mr. Xie, Ms. Cheng and Rongzhong BVI are independent third parties, not connected with the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, and/or their respective associates.

Mr. Xie is the controlling shareholder of the Five Rongzhong Companies. Ms. Cheng currently is a minority shareholder interested in 10% of the equity interest of Chengdu operation, one of the Five Rongzhong Companies.

The subscription

Perfect Honour agreed to subscribe for 3,725 new shares of Rongzhong BVI at a cash consideration of RMB62 million (equivalent to approximately HK\$58.49 million) which will be paid by Perfect Honour on completion of the Subscription Agreement.

The consideration was arrived at after arm's length negotiation between the parties and with reference to the trading multiples of the financial services providers listed on the Stock Exchange. The consideration represents a price-earnings multiple of approximately 11.0962 times of the 37.25% of the average warranted Pro Forma Profits for each of the two years ending 31 December 2005 of Rongzhong BVI, which is relatively lower than the price-earnings ratios of the financial services providers listed on the Stock Exchange. The consideration also represents a price-to-book ratio of approximately 1.360 times of the 37.25% of the pro forma net book value of Rongzhong BVI, after taken into account of the net book value of the Five Rongzhong Companies as at 31 December 2003. The consideration will be funded by the proceeds from the issue of the Convertible Note.

In addition, Mr. Xie and Ms. Cheng will subscribe for 3,274 and 3,000 new shares of Rongzhong BVI respectively, at cash considerations of RMB32,353,841.25 and RMB29,646,158.75 respectively.

Upon completion of the Subscription Agreement, Rongzhong BVI will be owned as to 37.25% by Perfect Honour, as to 32.75% by Mr. Xie and as to 30.00% by Ms. Cheng.

Pursuant to the Subscription Agreement, the Group shall have the right to nominate at least three representatives to the board of directors of Rongzhong BVI while Mr. Xie and Ms. Cheng together will have the right to nominate up to two representatives to such board. Therefore, the Group will

control the board of directors of Rongzhong BVI and upon completion of the Subscription Agreement, Rongzhong BVI will become a subsidiary of the Company. After arm's length negotiation between the parties to the Subscription Agreement, Perfect Honour will subscribe for new shares of Rongzhong BVI at a relatively higher price per share than the price per share to be paid by Mr. Xie and Ms. Cheng as a premium paid for its control over the board of directors of Rongzhong BVI. The Directors consider that, after also taking into account the warranted Pro Forma Profits of Rongzhong BVI for the two years ending 31 December 2005, such premium is in the interests of the Company and is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Adjustment of the consideration

Pursuant to the Subscription Agreement, Mr. Xie and Ms. Cheng have provided warranty regarding the aggregate amount of the Pro Forma Profits of Rongzhong BVI for the year ending 31 December 2004. Pursuant to a supplemental agreement (the "Supplemental Agreement") entered into between Mr. Xie, Ms. Cheng, Rongzhong BVI and Perfect Honour on 30 March 2004, all parties agreed to amend the provision in relation the Pro Forma Profits of Rongzhong BVI warranted by Mr. Xie and Ms. Cheng. Pursuant to the Supplemental Agreement, Mr. Xie and Ms. Cheng warranted that the aggregate amount of the Pro Forma Profits of Rongzhong BVI for the two years ending 31 December 2005 shall not be less than RMB30 million.

Should Rongzhong BVI fail to meet the above profit guarantee, Mr. Xie and Ms. Cheng shall be obliged to pay Perfect Honour compensation calculated as below:

$(\text{RMB30 million} - \text{aggregate amount of the Pro Forma Profits of Rongzhong BVI for the two years ending 31 December 2005}) \times 5.5481 \times 37.25\%$

The multiple of 5.5481 used in calculating the compensation is based on the consideration of RMB62 million paid by Perfect Honour divided by its attributable portion of the aggregate amount of the Pro Forma Profits of RMB30 million for the two years ending 31 December 2005.

Save as above, none of the terms of the Subscription Agreement were amended or altered under the Supplemental Agreement.

Since the Supplemental Agreement extends the protection of the interests of the Group to also covering the year ending 31 December 2005, the Directors consider that the terms of the Supplemental Agreement are fair and reasonable and the entering into of the Supplemental Agreement is in the benefits of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Subscription Agreement is conditional upon, among other things, the fulfilment or, as the case may be, waiver of the following conditions:

- (i) Mr. Xie and Ms. Cheng having subscribed for 3,274 and 3,000 new shares of Rongzhong BVI and the issue and allotment of such new shares to Mr. Xie and Ms. Cheng by Rongzhong BVI;

- (ii) the Management Company and Rongzhong BVI having entered into the Management Agreements with the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong;
- (iii) the provision of a PRC legal opinion by a PRC lawyer approved by Perfect Honour confirming, among other things, the legality and validity of the establishment of the Five Rongzhong Companies, Shanghai Rongzhong, Hangzhou Rongzhong and the Management Company, and the legality and validity of the entering into of the Management Agreements and other relevant agreements;
- (iv) all necessary consents and approvals (or waivers) from any third parties, including but not limited to the Independent Shareholders' approval of the Subscription Agreement, having been obtained for completion of the transactions contemplated under the Subscription Agreement;
- (v) all parties to the Subscription Agreement having agreed on the terms of the Shareholders' Agreement;
- (vi) the amendments to the articles of association of Rongzhong BVI reflecting the principal terms of the Shareholders' Agreement;
- (vii) Perfect Honour being reasonably satisfied with the results of the due diligence reviews (such as legal, financial and business due diligence reviews) on the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong;
- (viii) completion of the Reorganisation, including but not limited to, the establishment of the Management Company, Shanghai Rongzhong and Hangzhou Rongzhong, the entering into of the Shareholders' Agreement and the Management Agreements;
- (ix) Perfect Honour having obtained the Completion Accounts;
- (x) there is no material difference between the Completion Accounts and the Management Accounts;
- (xi) Perfect Honour having obtained the Management Accounts and list of properties owned and leased by the Five Rongzhong Companies within seven days after the date of the Subscription Agreement;
- (xii) Perfect Honour, Mr. Xie and Ms. Cheng having agreed to the contents of the disclosure letter in relation to the representations and warranties by Mr. Xie and Ms. Cheng under the Subscription Agreement and Perfect Honour having signed on such disclosure letter; and
- (xiii) the Company obtaining the Independent Shareholders' approval of the CN Subscription Agreement and the Option Agreement.

Conditions (iii), (vi) to (xi) and (xiii) above can be waived by Perfect Honour only. Other conditions above cannot be waived by any party. The above conditions precedent (subject to Perfect Honour's rights to waive the fulfilment of certain conditions precedent) shall be fulfilled by no later than 5:00 p.m. on the Long Stop Date. If the aforesaid conditions have not been fulfilled or waived by 5:00 p.m. on the Long Stop Date, the Subscription Agreement shall cease to have any effect and no party shall have any liability thereunder (but without prejudice to the rights of any party against the others for antecedent breaches of the Subscription Agreement).

The Directors currently have no intention to waive any of the conditions (iii), (vi) to (xi) and (xiii) above.

Completion

Completion of the Subscription Agreement shall take place within five Business Days after all the above conditions have been fulfilled or, if applicable, waived by Perfect Honour, or on such other date as may be agreed by the parties in writing.

THE OPTION AGREEMENT

Date

19 March 2004

Parties

Perfect Honour, a wholly owned subsidiary of the Company; and
Wah Link.

The grant of the Option

In consideration of HK\$1.00 paid by Perfect Honour to Wah Link, Wah Link agrees to grant to Perfect Honour the Option to require Wah Link to purchase all the interests of Perfect Honour in Rongzhong BVI referred below. The Option shall be exercised during a period of three years commencing from the date of the grant of the Option.

Upon the exercise of the Option, Perfect Honour will sell to Wah Link its 3,725 shares of Rongzhong BVI and all others (if any) shares in the issued share capital of Rongzhong BVI resulting from any subdivision, consolidation or re-classification of such shares and further or addition shares in Rongzhong BVI acquired by Perfect Honour pursuant to capitalisation issue and assign and transfer any shareholder's loan advanced by Perfect Honour to Rongzhong BVI free from all liens, charges, encumbrances and third party rights of any kind and together with all rights attaching thereto as at the date of exercise of the Option. In return, Wah Link will pay Perfect Honour the aggregate amount of RMB62 million (equivalent to approximately HK\$58.49 million) (representing Perfect Honour's cost of subscription for the 3,725 shares of Rongzhong BVI) and the face value of the shareholder's loan advanced by Perfect Honour to Rongzhong BVI, if any, in cash by no later than seven Business Days after the parties to the Option Agreement having obtained all necessary consents and approvals (or waivers) from any third parties, including but not limited to regulatory authorities.

The Company will comply with the requirements under the Listing Rules for disposals of its interests in Rongzhong BVI upon exercise of the Option.

Conditions precedent

Completion of the Option Agreement is conditional upon fulfilment of the following conditions precedent:

- (i) the approval of the Option Agreement by the Independent Shareholders at the EGM;
- (ii) the completion of the Subscription Agreement; and
- (iii) all necessary consents and approvals (or waivers) from any third parties, including but not limited to regulatory authorities, having been obtained for completion of the transactions contemplated under the Option Agreement.

Neither Perfect Honour nor Wah Link has the right to waive any of the abovementioned conditions to the Option Agreement. In the event that the aforesaid conditions are not fulfilled on or before 18 July 2004 or such other date as may be agreed by the parties in writing, the Option Agreement shall automatically terminate and no party shall have any liability and claim against the other party (save and except antecedent breach by any party accrued prior to such termination).

THE CN SUBSCRIPTION AGREEMENT

Date

19 March 2004

Parties

The Company; and
Wah Link.

The subscription of the Convertible Note

Wah Link agreed to subscribe (or procure the subscription by its nominee) for the Convertible Note in the principal amount of HK\$70 million at its face value.

Terms of the Convertible Note

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

Principal amount

HK\$70 million.

Interest

Nil.

Maturity

Unless previously converted into Converted Shares and/or redeemed, the outstanding principal amount of the Convertible Note will be automatically redeemed on the third anniversary of the issue date of the Convertible Note (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 (being HK\$1 million in the outstanding principal amount or an integral multiple thereof).

Conversion Price

HK\$0.170 per Share (subject to adjustment).

The Conversion Price was determined on an arm’s length basis and represents (i) a discount of approximately 3.41% to the closing price of HK\$0.176 per Share as quoted on the Stock Exchange on 19 March 2004, being the last trading day immediately prior to the date of the CN Subscription Agreement; and (ii) a discount of approximately 1.73% to the average closing price of approximately HK\$0.173 per Share as quoted on the Stock Exchange for the last five trading days up to and including 19 March 2004. The Directors consider that the Conversion Price is fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

Assuming full conversion of the Convertible Note at the conversion price of HK\$0.17 per Share, the Company will have to issue 411,764,705 Converted Shares which represent (i) approximately 24.77% of the existing issued share capital of the Company; and (ii) approximately 19.85% of the issued share capital of the Company as enlarged by the issue of the Converted Shares.

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 Converted 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 Converted 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.

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

Transferability

The Convertible Note may be assigned or transferred (in whole or in part) to any third party which is not a connected person (as defined in the Listing Rules) of the Company, subject to the prior written approval of the Company having been obtained. 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 upon conversion of the Convertible Note:

	Existing shareholding structure		Assuming full conversion of the Convertible Note	
	Shares	%	Shares	%
Allied Luck Trading Limited (<i>Note 1</i>)	497,232,000	29.91	497,232,000	23.97
Ace Solomon Investment Limited (<i>Note 2</i>)	338,888,343	20.39	338,888,343	16.34
Canasia Profits Corporation (<i>Note 3</i>)	133,701,300	8.04	133,701,300	6.45
Sparkle Power Technology Limited (<i>Note 4</i>)	65,881,800	3.96	65,881,800	3.18
Wah Link	–	–	411,764,705	19.85
	<hr/>	<hr/>	<hr/>	<hr/>
Sub-total	1,035,703,443	62.30	1,447,468,148	69.79
Public	626,736,557	37.70	626,736,557	30.21
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TOTAL	1,662,440,000	100.00	2,074,204,705	100.00
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Notes:

1. Allied Luck Trading Limited is owned as to 50% by Mr. Wong and as to the remaining 50% by Mrs. Wong.
2. Ace Solomon Investments Limited is owned as to 11% by Mr. Wong, 46% by Mr. Kee Wah Sze and 43% by Ms. Loh Jiah Yee, Katherine, all of them are executive Directors.
3. Canasia Profits Corporation is wholly owned by Mr. Kee Wah Sze.
4. Sparkle Power Technology Limited is owned as to 50% by Ms. Loh Jiah Yee, Katherine and 50% by Mr. Ko Po Ming, an executive Director.

If Wah Link converts the Convertible Note in full such that the aggregate holding of voting rights in the Company by Wah Link and parties acting in concert with it increases to 30% or more, or in the case where Wah Link and parties acting in concert with it together hold 30% to 50% of voting rights in the Company, shall exceed the 2% creeper, Wah Link and parties acting in concert with it will be required under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company other than those already held by Wah Link and parties acting in concert with it. In such case, Wah Link and parties acting in concert with it will make a general offer or take any other appropriate actions in order to fully comply with the Takeovers Code.

Conditions precedent

Completion of the CN Subscription Agreement is conditional upon the fulfilment of the following conditions precedent:

- (i) the approval of the CN Subscription Agreement and the issue of the Convertible Note by the Independent Shareholders at the EGM;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Converted Shares; and
- (iii) all necessary consents and approvals (or waivers) from any third parties, including but not limited to regulatory authorities, having been obtained for completion of the transactions contemplated under the CN Subscription Agreement.

Neither the Company nor Wah Link has the right to waive any of the abovementioned conditions to the Option Agreement.

Completion of the Subscription Agreement is one of the conditions precedent for the completion of the Option Agreement. The approvals of the Option Agreement and the CN Subscription Agreement by the Independent Shareholders at the EGM are also conditions precedent for completion of the Subscription Agreement, but they can be waived at the discretion of the Company. If the Option Agreement and the CN Subscription Agreement are not approved by the Independent Shareholders at the EGM and the Company decides to proceed with the Subscription Agreement, the Directors may source other fundings to finance the subscription under the Subscription Agreement.

THE REORGANISATION

One of the conditions precedent for the Subscription Agreement is that Rongzhong BVI will undergo the Reorganisation, details of which are summarised below:

Increase of authorised share capital of Rongzhong BVI, formation of the Management Company, Shanghai Rongzhong and Hangzhou Rongzhong

Rongzhong BVI will increase its authorised share capital from the existing US\$50,000 to US\$100,000,000 by the creation of 99,950,000 new shares of US\$1 each in Rongzhong BVI. In addition, Rongzhong BVI will set up a subsidiary, the Management Company, in Wuhan, the PRC, as a wholly foreign owned enterprise or a sino-foreign joint venture enterprise in which Rongzhong BVI will have at least 90% interest under the PRC laws, for the purpose of entering into the Management Agreements.

Mr. Xie will set up Shanghai Rongzhong and Hangzhou Rongzhong which will be engaged in the provision of loan guarantee services in Shanghai and Hangzhou, the PRC, respectively.

The entering into of the Shareholders' Agreement

Each of Perfect Honour, Mr. Xie, Ms. Cheng and Rongzhong BVI will enter into the Shareholders' Agreement in respect of Rongzhong BVI and its subsidiaries, the tentative terms of which are as follows:

- (i) Perfect Honour will be entitled to appoint at least three directors to the respective boards of directors of Rongzhong BVI, the Management Company and, when becoming the subsidiaries of the Management Company, the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong, while Mr. Xie and Ms. Cheng together will be entitled to appoint up to two directors;
- (ii) Mr. Xie will be responsible for the day-to-day operation of the Management Company and, when becoming the subsidiaries of the Management Company, the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong;
- (iii) each of the shareholders will have pre-emptive rights in case of transfer of the other parties' interests in Rongzhong BVI (other than upon exercise of the Option contemplated under the Option Agreement); and
- (iv) Perfect Honour will advance to Rongzhong BVI a shareholders' loan of up to RMB138 million (equivalent to approximately HK\$130.19 million) at an interest rate of 2.5% per annum. Such advance of shareholder's loan by Perfect Honour to Rongzhong BVI will constitute an ongoing connected transaction for the Company under Rule 14.25(2) of the Listing Rules, but is only subject to the disclosure requirements under the Listing Rules.

The entering into of the Management Agreements

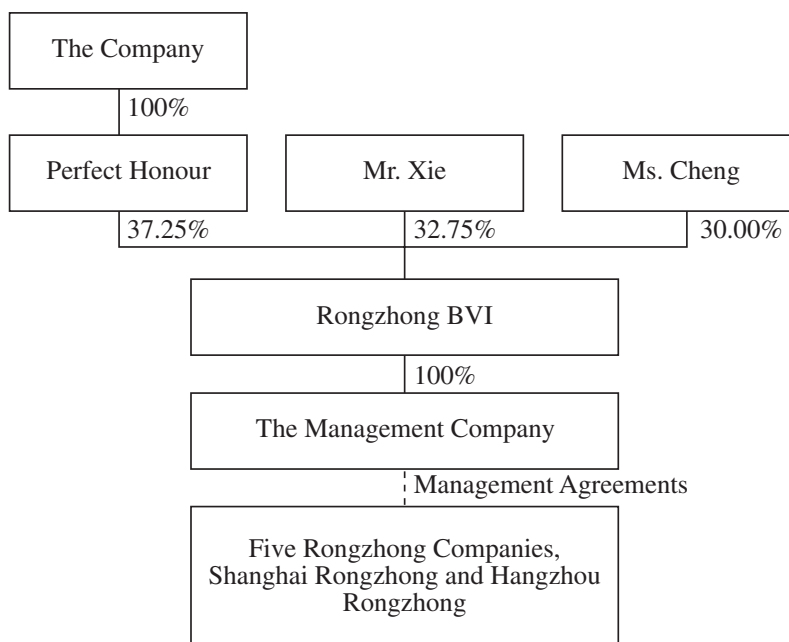
The Management Company will enter into the Management Agreements with the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong. The rationale of the entering into of the Management Agreements is for Rongzhong BVI to participate in the loan guarantee business in the PRC and share the economic benefits of the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong. Pursuant to the Management Agreements:

- (i) the Management Company will provide business management and other supporting services, including but not limited to human resources, administrations and financial services, in connection with the provision of loan guarantee services to the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong;
- (ii) the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong will pay the Management Company management fees equivalent to a fixed percentage of their respective turnover, plus bonus payments if any of the Five Rongzhong Companies, Shanghai Rongzhong or Hangzhou Rongzhong records any profits, and such payment will be guaranteed by the shareholders of the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong;
- (iii) the shareholders of the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong will charge their respective equity interests in these companies to the Management Company as security for guaranteeing the payment of management fees and bonus mentioned in paragraph (ii) above; and
- (iv) each of the shareholders of the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong will grant a call option to Rongzhong BVI, the exercise of which will require these shareholders to sell to Rongzhong BVI their respective equity interests in the relevant companies at their respective registered capital amount up to the limit of foreign investment allowed in the relevant companies under the PRC law and regulations.

As the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong are associates of Mr. Xie, who will become a substantial shareholder of Rongzhong BVI upon completion of the Subscription Agreement, the entering into of the Management Agreements by the Management Company with the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong constitute non-exempt ongoing connected transactions of the Company under the Listing Rules. As such, the Management Agreements will be subject to the approval by the Independent Shareholders at the EGM. To the best knowledge and belief of the Directors, none of the existing Shareholders will have a beneficial interest in the Management Agreements, therefore no shareholder will be abstained from voting for approval of such ordinary resolution in relation to the Management Agreements.

In addition, the Company will comply with the requirements under the Listing Rules for acquisition by Rongzhong BVI (which upon completion of the Subscription Agreement, will become a subsidiary of the Company) upon the exercise of the call options granted under the Management Agreements.

Set out below is a corporate structural chart of Rongzhong BVI immediately after the Reorganisation and completion of the Subscription Agreement:



INFORMATION ON RONGZHONG BVI

Rongzhong BVI is an investment holding company incorporated in the British Virgin Islands with limited liability on 3 March 2004. As at the date of the Subscription Agreement, Rongzhong BVI has not conducted any business since its incorporation. As at the date hereof, Rongzhong BVI is wholly owned by Mr. Xie.

INFORMATION ON THE RONGZHONG GROUP

The Rongzhong Group was established in 2001 and principally engaged in the provision of loan guarantee services in cooperations with banks in the PRC. The Rongzhong Group currently consists of the Five Rongzhong Companies, all controlled by Mr. Xie, with operations located in Wuhan, Guangzhou, Chongqing, Changsha and Chengdu. The Rongzhong Group employed approximately 550 staff as at 31 December 2003. According to the PRC legal advisers to the Company, there is no licence and/or approval requirement under the PRC laws and regulations for engaging in the loan guarantee business.

The Rongzhong Group provides loan guarantee services for individuals mainly in relation to six types of products: (1) consumables; (2) educational funds; (3) residential renovations; (4) travels and wedding functions; (5) new and second hand cars; and (6) new and second hand properties. The guarantee period for consumables is usually up to two years, while the guarantee period for cars is usually up to two years and for properties is five to 10 years. When an individual decides to make a purchase and requires loan financing, the lenders (including banks and licensed financial institutions) and/or the vendors of the products will typically require the borrower to provide sufficient collateral and/or suitable guarantee for repayment of the loan. The Rongzhong Group will then provide a guarantee to these lenders and/or vendors and will charge the individual a guarantee fee which is usually a fixed rate with reference to the loan amount per annum. The fee

varies depending on the type of products. Upon successful approval of the loan by the banks and/or the vendors of the products, the Rongzhong Group may also receive rebates from the banks and/or vendors. For the guarantees given by the Rongzhong Group in relation to cars and properties, they are secured by a charge on the underlying assets, while most of the guarantees in relation to consumables are unsecured. According to the management of the Rongzhong Group, the default rate for the past two financial years generally was low, at below 1% to the total amount guaranteed by Rongzhong Group due to its stringent approval procedures. Also, due to the limited loan size for the consumables, the incentive for the individuals to default is relatively low.

The Rongzhong Group has formed strategic alliances with several nationwide banks in the PRC.

It is the present intention of the Rongzhong Group to continue its geographical expansion in the PRC. According to its management, the Rongzhong Group is planning to set up two more operations, Shanghai Rongzhong and Hangzhou Rongzhong in the second quarter of 2004, and with an aim to further expand its coverage in northern China such as Jinan and Beijing by the end of 2004.

According to the consolidated unaudited management accounts of the Five Rongzhong Companies (excluding the Chengdu operation which was established in February 2004) prepared in accordance to the PRC accounting standard, its financial information is summarised as below:

	Year ended 31 December	
	2003	2002
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax	2,838	(2,471)
Profit after tax	1,536	(2,471)
	<hr/>	<hr/>
Net assets value	<u>50,342</u>	<u>18,806</u>

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE AGREEMENTS

The Group is principally engaged in property investment and other investments in Hong Kong and the PRC. As set out in the interim report for the six months ended 30 September 2003, with the recovery of economic and investment conditions in Hong Kong and the continuing prosperity of the economy in 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 Subscription Agreement as a strategic move for the Group to venture into the PRC loan guarantee industry which the Directors believe has optimistic and growth prospect. The Directors consider that the guarantee services sector, which helps the banks and financial institutions to diversify risks and facilitate the granting of loans, together with the banking and securities sectors, are imperative to the financial system in the PRC. However, when compared with the banking and securities sectors, the guarantee services sector in the PRC is relatively primitive and undeveloped. As the financial market of the PRC continues to develop, the Directors are of the view that the guarantee services sector will eventually play an important role, and therefore the Directors are optimistic on the growing prospects of the

Rongzhong Group. In particular, the Rongzhong Group focuses on the provision of loan guarantee services for consumables. As consumption in the PRC is expected to experience high growth as the living standard in the PRC continues to improve and per capita income level continues to increase, the entering into of the Subscription Agreement provides an opportunity for the Group to capture the potential growth in this market and therefore the Directors consider it to be beneficial to the Group and the Shareholders as a whole are concerned.

The proceeds from the subscription under the Subscription Agreement is intended to be used to expand the business of Rongzhong BVI, including but not limited to the acquisition of interests in the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong upon exercise of the options granted under the Management Agreements.

The Directors believe that the consideration to be paid by the Group for the subscription under the Subscription Agreement, which represents the prospective price earnings multiple of approximately 11.0962 times the average warranted Pro Forma Profit of Rongzhong BVI for the two years ending 31 December 2005, is fair and reasonable so far as the Company and the Shareholders as a whole are concerned, having considered the trading multiples of the financial institutions listed on the Stock Exchange.

The entering into of the Option Agreement is to provide a protection for the Group against any unforeseeable downturn or risks of its investment in Rongzhong BVI. The Directors consider that the terms of the Option Agreement are fair and reasonable so far as the Company and the Shareholders as a whole.

The proceeds from the issue of the Convertible Note under the CN Subscription Agreement is to fund the subscription under the Subscription Agreement. The Directors consider that the terms of the Convertible Note are fair and reasonable so far as the Company and the Shareholders as a whole are concerned.

The CN Subscription Agreement is not conditional on the Subscription Agreement and/or the Option Agreement. Should the Subscription Agreement not be approved by the Shareholders but the CN Subscription Agreement is approved by the Independent Shareholders, the Directors plan to apply the net proceeds from the issue of the Convertible Note to finance future investments of the Group. The Directors confirm that, save as disclosed in this announcement, the Company is not in negotiation of any acquisition at present.

GENERAL

Wah Link is beneficially owned as to 51% by a family member of Mr. Wong, a Director, and as to 49% by Mrs. Wong, the spouse of Mr. Wong, and therefore is an associate of Mr. Wong under the Listing Rules. Accordingly, the entering into of the CN Subscription Agreement and the Option Agreement constitute connected transactions for the Company under the Listing Rules. The Company will seek approval from the Independent Shareholders for the CN Subscription Agreement and the Option Agreement at the EGM. As the aggregate value of the consideration of the Subscription Agreement represents more than 50% of the consolidated net tangible assets of the Group, the entering into of the Subscription Agreement constitutes a major transaction for the Company under the Listing Rules. The Subscription Agreement is conditional upon the Independent

Shareholders approving the CN Subscription Agreement and the Option Agreement at the EGM, therefore the Subscription Agreement is also subject to the approval by the Independent Shareholders at the EGM. Mr. Wong and his associates will abstain from voting on the proposed resolutions in relation to the Transaction Agreements. An independent board committee will be formed to advise the Independent Shareholders in relation to the Transaction Agreements. An independent financial adviser will be appointed to advise the independent board committee in relation to the Transaction Agreements.

A circular containing, among other things, further details of the Transaction Agreements, 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.

Trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 22 March 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 2 April 2004.

DEFINITIONS

“Board”	the board of Directors
“Business Day(s)”	any days (excluding Saturday) on which banks in Hong Kong are open for business
“CN Subscription Agreement”	the subscription agreement entered into between Wah Link and the Company dated 19 March 2004 in relation to the subscription of the Convertible Note by Wah Link
“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
“Completion Accounts”	the audited accounts of each of the Rongzhong Group as at the date of completion of the Subscription Agreement as prepared in accordance with HK GAAP
“connected person(s)”	has the meaning as ascribed to it under the Listing Rules
“Converted Shares”	up to a total of 411,764,705 Shares to be allotted and issued by the Company upon full conversion of the Convertible Note, based on the conversion price of HK\$0.17 per Share
“Convertible Note”	convertible note in an aggregate principal amount of HK\$70 million to be issued by the Company to Wah Link (or its nominee) under the CN Subscription Agreement

“Directors”	the directors of the Company
“Five Rongzhong Companies”	the five companies established under the PRC laws engaging in the loan guarantee business which are controlled by Mr. Xie
“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 Transaction Agreement
“Group”	the Company and its subsidiaries
“Hangzhou Rongzhong”	a company to be established under the PRC laws which will be engaged in the loan guarantee business in Hangzhou, the PRC, which will be controlled by Mr. Xie
“HK GAAP”	Hong Kong Statements of Standard Accounting Practices issued by the Hong Kong Society of Accountants and the accounting principles generally accepted in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Mr. Wong and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	18 July 2004 or such later date as the parties to the Subscription Agreement may agree in writing
“Management Accounts”	the unaudited management accounts of the Five Rongzhong Companies as at the date of completion of the Subscription Agreement
“Management Agreements”	management agreements to be entered into between, among others, the Management Company and each of the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong under which the Management Company will provide certain management and support services to the Five Rongzhong Companies, Shanghai Rongzhong and Hangzhou Rongzhong
“Management Company”	a wholly foreign owned enterprise wholly owned by Rongzhong BVI or a sino-foreign joint venture enterprise owned as to at least 90% by Rongzhong BVI to be established under the PRC laws for the purpose of entering into of the Management Agreements
“Ms. Cheng”	Ms. Cheng Xi

“Mr. Xie”	Mr. Xie Xiao Qing
“Mr. Wong”	Mr. Wong Yu Lung, Charles, a Director and Vice Chairman of the Company
“Mrs. Wong”	Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong
“Option”	the option to be granted by Wah Link to Perfect Honour to require Wah Link to purchase all the interest of Perfect Honour in Rongzhong BVI comprising 3,725 shares in Rongzhong BVI and any shareholder’s loan extended by Perfect Honour to Rongzhong BVI
“Option Agreement”	option agreement dated 19 March 2004 entered into between Perfect Honour and Wah Link, the details of which are set out above
“Perfect Honour”	Perfect Honour Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“PRC”	The People’s Republic of China
“Pro Forma Profits”	the pro forma combined profit after taxation and minority interests of Rongzhong BVI and its subsidiaries as if the Reorganisation has already been completed on 1 January 2004, as prepared in accordance with HK GAAP by a firm of auditors approved by Perfect Honour
“Reorganisation”	the corporate reorganisation of Rongzhong BVI to be undertaken, including but not limited to the establishment of the Management Company, Shanghai Rongzhong and Hangzhou Rongzhong, the entering into of the Shareholders’ Agreement, the entering into of the Management Agreements
“Rongzhong BVI”	Rongzhong Group Limited, a company incorporated in the British Virgin Islands on 3 March 2004 which is wholly owned by Mr. Xie
“Rongzhong Group”	the Five Rongzhong Companies and, when upon completion of the Reorganisation, Rongzhong BVI, Shanghai Rongzhong, Hangzhou Rongzhong and the Management Company
“Shanghai Rongzhong”	a company to be established under the PRC laws which will be engaged in the loan guarantee business in Shanghai, the PRC which will be controlled by Mr. Xie
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the shareholders’ agreement to be entered into between Perfect Honour, Mr. Xie, Ms. Cheng and Rongzhong BVI in relation to the control and management of Rongzhong BVI and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 19 March 2004 (as supplemented by a supplemental agreement dated 30 March 2004) entered into between Perfect Honour, Mr. Xie, Ms. Cheng and Rongzhong BVI in relation to the subscription of new shares in Rongzhong BVI
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Transaction Agreements”	the Subscription Agreement, the CN Subscription Agreement and the Option Agreement
“Wah Link”	Wah Link Investments Limited, a company incorporated in Hong Kong with limited liability on 23 November 1990, which is owned as to 51% by a family member of Mr. Wong and as to 49% by Mrs. Wong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

The Directors are: Mr. Wong Yu Lung, Charles, Mr. Ko Po Ming, Ms. Loh Jiah Yee, Katherine, Mr. Lan Ning, Mr. Kee Wah Sze, Mr. Ma Ho Fai and Mr. Zhang Xiao Shu.

By order of the Board
Goldbond Group Holdings Limited
Lam Kwok Wah
Company Secretary

Hong Kong, 1 April 2004

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