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UPBEST GROUP LIMITED

(Incorporated in Cayman Islands with limited liability)
(Stock code: 335)

DISCLOSEABLE AND CONNECTED TRANSACTION

Financial Advisor to Upbest Group Limited



Upbest Securities Company Limited

On 3 January 2005, the Group entered into Agreement A and Agreement B with Companhia De Fomento Predial E Investimento San San, Limitada and Mr. Lam Iam Weng respectively. These two agreements are relating to the acquisition of two properties located in Macau for a consideration of HK\$28.5 million and HK\$27 million respectively and are both payable in cash.

Ms. Chim Mei Hing, spouse of an executive director of the Company and one of the beneficiaries of a trust which assets include interests in the entire issued share capital of CCAA, which holds 75% equity interest of the Company, has 50% equity interest in Companhia De Fomento Predial E Investimento San San, Limitada. The First Acquisition constitutes a connected and discloseable transaction for the Company under Chapter 14A and Chapter 14 of the Listing Rules.

Mr. Lam Iam Weng is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or an associate (as defined in the Listing Rules) of any of them. The Second Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

A circular containing, inter alia, further details of the First Acquisition, valuation report, a letter from the independent board committee, a letter of advice from the independent financial adviser to the independent board committee and a notice for convening an extraordinary general meeting to approve the Agreement A will be sent to shareholders of the Company as soon as practicable.

At the request of the Company, the shares of the Company have been suspended from trading on the Stock Exchange at 9:30am on 4 January, 2005 pending the release of this announcement. Application has been made for resumption of trading in the shares of the Company on the Stock Exchange from 9:30 a.m. on 7 January, 2005.

(1) THE FIRST ACQUISITION

The Board hereby announces that Upbest Land Company Limited and Upbest Macau Land Company Limited, both wholly owned subsidiaries of the Company, have entered into a sales and purchase agreement dated 3 January 2005 (the “Agreement A”) to acquire the entire share capital of San San from Ms. Chim, Mr. Chan and Mr. Song (the “First Acquisition”).

Agreement A

Date:

3 January 2005

Parties:

Ms. Chim, Mr. Song and Mr. Chan together as the vendors (“Vendor A”)

Upbest Land Company Limited and Upbest Macau Land Company Limited, both wholly owned subsidiaries of the Company, as the purchasers (“Purchaser A”) to acquire 20% and 80% of San San respectively.

Subject matter of the sale and purchase:

San San is a company incorporated in Macau with limited liability. The principal activity of San San is investment holding. San San's total existing share capital is MOP 500,000. As at the date of the Agreement A, San San is owned as to 50%, 28% and 22% by Ms. Chim, Mr. Song and Mr. Chan respectively.

San San will dispose all its other existing assets before completion. Upon completion of the First Acquisition, San San's sole asset will be the legal ownership of the land use right of the property located at Avenida Do Almirante Lacerda, Macau ("Property A")

Consideration and payment:

The consideration payable by Purchaser A to Vendor A, on a prorata basis according to their shareholding, under Agreement A is HK\$28,500,000. The consideration payable by Purchaser A was determined and agreed between Purchaser A and Vendor A on normal commercial terms after arm's length negotiations and represents a discount of approximately 35% to the estimated market value of Property A of HK\$44 million which appraised by the Valuer, an independent professional valuer retained for preparing the valuation, as at 3 January 2005. The original acquisition cost of San San for Vendor A is HK\$18.5 million.

The Board considers that the terms of Agreement A are fair and reasonable to the shareholders of the Company as a whole, are on normal commercial terms and are beneficial to and in the best interests of the Group and the shareholders.

Condition:

Completion of the transaction will be conditional upon:

- (a) the approval at the EGM by the Independent Shareholders of the transaction in accordance with the requirements of the Listing Rules; and
- (b) (if necessary) the approval of the transaction by any other applicable regulatory, governmental or quasi-governmental body, whether in Hong Kong, Macau or the Cayman Islands.

Completion:

The consideration will be payable in cash to Vendor A in the following manner:

- (1) HK\$5 million upon signing of Agreement A;
- (2) HK\$15 million within 45 days from the date of Agreement A; and

(3) The balance of HK\$8.5 million within 90 days from the date of Agreement A.

The total consideration will be sourced from internal generated funding or by banking facilities.

Information relating to Property A

Upon completion of the First Acquisition, San San's sole asset will be the legal ownership of the land use right of the Property A. Property A is located at Parcela "C" separated from Predio 10755 and also referred to as Descricao nºX22500 (AR) situated at Avenida do Almiranta Laccrda Sto. Antonio, Macau. The property comprises a roughly square share site with a site area of approximately 499 sq. m. The property is currently vacant. The Company intends to develop a residential / commercial building on the site with a marketable floor area of approximately 7,788 sq. m.

Implication under the Listing Rules:

Ms. Chim, who has 50% equity interest in San San, is also one of the beneficiaries of a trust which assets include interests in the entire issued share capital of CCAA, which holds 75% equity interest of the Company. Ms. Chim is also the spouse of Mr. Cheng Kai Ming, Charles, an executive director of the Company. Ms. Chim is therefore a connected person to the Company. The First Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to the Listing Rules, the First Acquisition is subject to the Independent Shareholders' approval by poll. CCAA, holds 840,000,000 shares of the Company (representing 75% of the Company issued share capital), will be abstained from voting in respect of the relevant resolution at the EGM in accordance with Listing Rule 14A.54. A circular containing, inter alia, details of the terms of the First Acquisition, the recommendation from the Independent Board Committee, the letter of advice from the independent financial adviser of the Independent Board Committee and the notice of the EGM will be dispatched to the Shareholders no later than 21 days from the announcement of the signing of Agreement A. The Listing Rules also require that details of the First Acquisition be disclosed in the Company's next published annual report and accounts in accordance with the requirement of Listing Rule 14A.45. The Independent Board Committee, comprising independent non-executive directors Mr. Wong Wai Kwong, David, Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai, has been formed to advise the Independent Shareholders on the First Acquisition subject to the Independent Shareholders' approval. An independent financial adviser

will be appointed to advise the Independent Board Committee in relation to the First Acquisition.

(2) THE SECOND ACQUISITION

The Board hereby announces that Mei Tou Real Estate Company Limited, a wholly owned subsidiary of the Company, has entered into a sales and purchase agreement dated 3 January 2005 (the “Agreement B”) to acquire the property located in Nossa Senhora Do Carmo, Taipa of Macau (the “Property B”) from Mr. Lam (the “Second Acquisition”).

Agreement B

Date:

3 January 2005

Parties:

Mr. Lam Iam Weng as the vendor (“Vendor B”)

Mr. Lam Iam Weng is an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or an associate (as defined in the Listing Rules) of any of them.

Mei Tou Real Estate Company Limited, a wholly owned subsidiary of the Company, incorporated in Macau on 18 December 2004 with limited liability, as the purchaser (“Purchaser B”)

Subject matter of the sale and purchase:

A property located at Nossa Senhora Do Carmo, Taipa, Macau (“Property B”) which Mr. Lam is the legal owner of the property.

Consideration and payment:

The consideration payable by Purchaser B under Agreement B is HK\$27 million. The consideration payable by Purchaser B was determined and agreed between Purchaser B and Vendor B on normal commercial terms after arm’s length negotiations and represents a discount of approximately 53% to the estimated market value of HK\$57 million which appraised by the Valuer, an independent professional valuer retained for preparing the valuation, as at 3 January 2005.

The Board considers that the terms of Agreement B are fair and reasonable to the shareholders of the Company as a whole, are on normal commercial terms and are beneficial to and in the best interests of the Group and shareholders.

Condition:

Completion of the transaction will be conditional upon:

- (a) (if necessary) the approval of the transaction by any applicable regulatory, governmental or quasi-governmental body, whether in Hong Kong, Macau or the Cayman Islands.

Completion:

The consideration will be payable in cash to Vendor B in the following manner:

- (1) HK\$5 million upon signing of Agreement B;
- (2) HK\$15 million within 30 days from the date of Agreement B; and
- (3) The balance of HK\$7 million within 90 days from the date of Agreement B.

The total consideration will be satisfied by cash payment and such source of cash funding may come from one or more of several possible sources of financing.

Information relating to the Property B

Property B is located at Lot TN26b, Estrada Coronel Nicolau de Mesquita, Taipa, Macau. Its site area is approximately 669 sq. m. and a two-storey restaurant is erected thereon with a total gross floor area of approximately 1,068 sq. m. The Company intends to re-develop the site into a residential / commercial building with a total marketable floor area of approximately 10,498 sq. m.

Implication under the Listing Rules:

The Second Acquisition constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Second Acquisition will be included in the circular to the shareholders of the Company in relation to the First Acquisition.

(3) REASONS FOR ENTERING INTO THE ACQUISITIONS

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in securities broking, futures broking, securities margin financing, money lending, corporate finance advisory and asset management.

The Board believes that the First and the Second Acquisitions present an excellent opportunity for the Group to diversify its existing business into property investment and development in Macau. The Group expects high growth in the future development of the Macau property market.

The Board considers that the First and the Second Acquisitions are on normal commercial terms and that such terms are fair and reasonable to the Company and Shareholders as a whole. The views and recommendations of the Independent Board Committee in respect of the First Acquisition will be set out in the circular to be issued by the Company to its shareholders as required by the Listing Rules.

(4) APPLICATION FOR THE SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, the shares of the Company have been suspended from trading on the Stock Exchange at 9:30am on 4 January, 2005 pending the release of this announcement. Application has been made for resumption of trading in the shares of the Company on the Stock Exchange from 9:30 a.m. on 7 January, 2005.

As at the date of this announcement, the Board of the Company consists of Mr. Wong Ching Hung, Thomas, Mr. Cheng Kai Ming, Charles and Mr. Li Kwok Cheung, George as executive directors and Mr. Wong Wai Kwong, David, Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai as independent non-executive directors.

DEFINITIONS

“Acquisitions”	two transactions consist of the First Acquisition and the Second Acquisition
“Board”	the board of directors of the Company
“CCAA”	CCAA Group Limited, a company incorporated in the British Virgin Islands with limited liability, which holds 75% equity interest of the Company
“Company”	Upbest Group Limited (stock code: 335), a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“EGM”	an extraordinary general meeting of Shareholders to be convened to consider and, if though fit, approve, among other things, the ordinary resolution(s) to approve First Acquisition
“Group”	the Company and its subsidiaries
“HK\$”	legal currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	an independent board committee, comprising Mr. Wong Wai Kwong, David, Mr. Pang Cheung Hing, Alex and Mr. Fuk Ho Kai, all independent non-executive directors, formed to advise the Independent Shareholders on the Transaction
“Independent Shareholders”	Shareholders other than CCAA and its associates (has the meaning ascribed thereto under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOP”	legal currency of Macau
“Macau”	The Macau Special Administrative Region of the RPC
“Mr. Chan”	Mr. Chan Kun Van
“Mr. Lam”	Mr. Lam Iam Weng
“Mr. Song”	Mr. Song Ieong Kong
“Ms. Chim”	Ms. Chim Mei Hing
“San San”	Companhia De Fomento Predial E Investimento San San, Limitada, a company incorporated in Macau on 20th July 1985 with limited liability
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	LCH (Asia-Pacific) Surveyors Limited

By order of the Board
LI Kwok Cheung, George
Executive Director

Hong Kong, 6 January 2005

For the purpose of this announcement, translations of MOP into HK\$ or vice versa have been calculated by using an exchange rate of HK\$1.00 = MOP1.0256.

Please also refer to the published version of this announcement in China Daily.