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UPBEST GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00335)

PLACING OF EXISTING SHARES TOP-UP SUBSCRIPTION OF NEW SHARES AND RESUMPTION OF TRADING

Joint Placing Agents



UPBEST SECURITIES COMPANY LIMITED



SUN HUNG KAI INTERNATIONAL LIMITED

On 18 January 2005, the Vendor entered into the Placing Agreement and the Top-up Subscription Agreement with the Joint Placing Agents and the Company respectively. Pursuant to the Placing Agreement, the Vendor agreed to place, through the Joint Placing Agents an aggregate of 108,754,000 existing Shares, on a fully underwritten basis, to not fewer than six placees (being independent individual, corporation and/or institutional investors to be identified by the Joint Placing Agents and who will be independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or associates of any of them), at a price of HK\$1.42 per Share. Pursuant to the Top-Up Subscription Agreement, the Vendor conditionally agreed to subscribe for an aggregate of 108,754,000 new Shares at a price of HK\$1.42 per Share.

The Placing Shares (or the Top-Up Subscription Shares) of 108,754,000 Shares represent approximately 9.71% of the Company's existing share capital and approximately 8.85% of the issued share capital as enlarged by the Top-Up Subscription.

The Placing Price (or the Top-Up Subscription Price) of HK\$1.42 represents (i) a discount of approximately 18% to the closing price of the Shares of HK\$1.73 quoted on the Stock Exchange on 13 January 2005, being the date prior to the suspension; (ii) a discount of approximately 13% to the average closing price of the Shares of HK\$1.64 quoted on the Stock Exchange for the five consecutive trading days immediately before and including 13 January 2005; and (iii) a discount of approximately 11% to the average closing price of the Shares of HK\$1.59 quoted on the Stock Exchange for the ten consecutive trading days immediately before and including 13 January 2005.

The gross proceeds from the Top-Up Subscription will be approximately HK\$154 million and net proceeds from the Top-Up Subscription of approximately HK\$148 million will be used as future potential investment and general working capital.

The Placing is unconditional. The Top-Up Subscription is conditional, among other things, (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in the Top-Up Subscription Shares and (2) completion of the Placing.

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 14 January 2005 on 9:30 a.m. pending for the release of an announcement regarding price sensitive transaction. Application has been made for the resumption of trading on the Stock Exchange with effect from 19 January 2005 on 9:30 a.m..

PLACING AGREEMENT DATED 18 JANUARY 2005

(1) Parties Involved

The Vendor

CCAA Group Limited (the "Vendor")

The Vendor is a company incorporated in British Virgin Islands. Mr. Cheng Kai Ming, Charles, an executive director of the Company, is one of the beneficiaries of a trust which assets include interests in the entire issued share capital of the Vendor. As at the date of this announcement, the Vendor holds 840,000,000 Shares of the Company (representing 75% equity interest in the Company based on a total of 1,120,000,000 Shares in issue)

Joint Placing Agents

- (a) Sun Hung Kai International Limited, a deemed licensed corporation within the meaning of the SFO, and its ultimate beneficial owners are independent third parties not connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or associates of any of them.
- (b) Upbest Securities Company Limited, a deemed licensed corporation within the meaning of the SFO. Upbest Securities Company Limited is a wholly owned subsidiary of the Company.

Sun Hung Kai International Limited and Upbest Securities Company Limited (together as "Joint Placing Agents")

The Joint Placing Agents has in total agreed to procure purchaser for 108,754,000 Placing Shares on a fully underwritten basis.

The structure of the Placing is determined after arm's length negotiation between the Company and the Joint Placing Agents.

(2) Number of Placing Shares

The Placing Shares (or the Top-Up Subscription Shares) of 108,754,000 Shares represent approximately 9.71% of the Company's existing share capital and approximately 8.85% of the issued share capital as enlarged by the Top-Up Subscription.

The 108,754,000 Placing Shares had been fully allocated to the Placees. Thus, Upbest Securities Company Limited does not have any commitment to take up any of the Placing Shares.

(3) Placees

The Placing Shares will be placed to not less than six Placees. It is expected that none of the Placees will become substantial shareholder of the Company immediately after the Placing.

(4) Placing Price

The Placing Price (or the Top-Up Subscription Price) of HK\$1.42 represents (i) a discount of approximately 18% to the closing price of the Shares of HK\$1.73 quoted on the Stock Exchange on 13 January 2005, being the date prior to the suspension; (ii) a discount of approximately 13% to the average closing price of the Shares of HK\$1.64 quoted on the Stock Exchange for the five consecutive trading days immediately before and including 13 January 2005; and (iii) a discount of approximately 11% to the average closing price of the Shares of HK\$1.59 quoted on the Stock Exchange for the ten consecutive trading days immediately before and including 13 January 2005.

The Placing Price was negotiated on arm's length basis between the Company and the Joint Placing Agents. The Board considers that the Placing Price is fair and reasonable based on current market conditions and in the interest of the Company and its shareholders as a whole. The gross proceeds from the Top-Up Subscription will be HK\$154 million and net proceeds from the Top-Up Subscription of approximately HK\$148 million.

(5) Independence of the Placing Agent and Placees

The Sun Hung Kai International Limited and the Placees, being independent individual, corporation and /or institutional investors to be identified by the Joint Placing Agents, are independent third parties not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or associates of any of them. They are also independent and not connected with the Vendor or any person acting in concert with it.

(6) Underwriting commission payable to the Joint Placing Agents

The Placing is fully underwritten by the Joint Placing Agents with underwriting commission calculated as 3% of the amount equal to the Placing Price multiplied by the number of the Placing Shares.

(7) Condition of the Placing

The Placing is not subject to any condition save for the right of the Joint Placing Agents to terminate the Placing agreement mentioned below. It is scheduled that the Placing will be completed on or before 1 February 2005.

The Placing agreement may be terminated by the Joint Placing Agents upon occurrence of certain events. Such events include the introduction of new law or regulation; or the occurrence of any local, national or international event; or change of a political, military, financial, economic, currency, or other international outbreak or other nature, or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict or affecting local securities market or the occurrence of any combination of circumstances; or a change in market conditions or combination of circumstances in Hong Kong, which in the reasonable opinion of the Joint Placing Agents, materially and adversely affect the business or the trading position of the Company or the success of the Placing; or suspension of trading of Shares on the Stock Exchange for 7 consecutive days or more.

THE TOP-UP SUBSCRIPTION AGREEMENT DATED 18 JANUARY 2005

(1) Parties Involved:

The Company and the Vendor

(2) The Top-Up Subscription Price

The Top-Up Subscription Price is HK\$1.42 per Share. The Top-Up Subscription Price is the same to the Placing Price and was determined after arm's length negotiation between the Company and the Vendor with reference to the Placing Price of the Placing Shares.

(3) Number of Top-Up Subscription Share

The number of Top-Up Subscription Shares is equivalent to the number of Placing Shares, being 108,754,000 Shares.

(4) Ranking of Top-Up Subscription Shares

The Top-Up Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the existing issued Shares.

(5) Conditions of the Top-Up Subscription

The Top-Up Subscription is conditional upon:

- (a) The Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Top-Up Subscription Shares; and
- (b) Completion of the Placing.

The Top-Up Subscription Agreement does not provide either party the rights to waive the above conditions.

If the condition are not fulfilled on or before 1 February 2005 (or such later date as the parties may mutually agree) the subscription agreement will lapse. In the event a later date is agreed, all the necessary requirement of the Listing Rules will be complied with.

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Top-Up Subscription Shares.

(6) General Mandate

The Top-Up Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Board at the Company's annual general meeting held on 30 August 2004. As at the date of this announcement, the Company had not utilize the general mandate. The Top-Up Subscription Shares will utilize approximately 9.71% of the Shares to be allotted and issued under the general mandate. Accordingly, 108,754,000 of the Shares to be allotted and issued under the general mandate will be utilized upon completion of the Top-Up Subscription.

(7) Completion

Under the Listing Rules, the Top-Up Subscription must be completed within 14 days from the date of the Placing Agreement, that is on or before 1 February 2005.

In the event that the conditions to the Top-Up Subscription Agreement are not fulfilled by 1 February 2005, the Company and the Vendor may elect, subject to compliance with all requirements in relation to connected transactions under the Listing Rules, to postpone completion of the Top-Up Subscription to a later date to be agreed between the Company and the Vendor.

USE OF PROCEEDS

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 gross proceeds from the Top-Up Subscription will be approximately HK\$154 million and the net proceeds from the Top-Up Subscription (after deducting the underwriting commission for the Placing and other expenses) of approximately HK\$148 million.

The Company has not raised any funds on any issue of equity securities in the 12 months immediately preceding this placing announcement.

The Company takes advantage of the current favourable stock market conditions to raise funds for future potential investment and to strengthen the general working capital position of the Company.

As at the date of this announcement, the Company does not have any specific or identifiable projects.

SHAREHOLDING STRUCTURE

On the basis that all the Placing Shares are placed under the Placing and no further new Shares will be issued prior to completion of the Placing and the subscription, the shareholding structure are as follow:

	Immediately before completion of the Placing		Immediately after completion of the Placing but before the Top-Up Subscription		After completion of the Placing and the Top-Up Subscription	
	Shares	%	Shares	%	Shares	%
	('000)		('000)		('000)	
CCAA	840,000	75.00	731,246	65.29	840,000	68.36
Public	280,000	25.00	280,000	25.00	280,000	*22.79
Placees	—	—	108,754	9.71	108,754	*8.85
	<u>1,120,000</u>	<u>100.00</u>	<u>1,120,000</u>	<u>100.00</u>	<u>1,228,754</u>	<u>100.00</u>

* After completion of the Placing and the Top-Up Subscription, the total public flotation will be 31.64%.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, dealings in the Shares on the Stock Exchange were suspended with effect from 14 January 2005 on 9:30 a.m. pending for the release of an announcement regarding this placement. Application has been made for the resumption of trading on the Stock Exchange with effect from 19 January 2005 on 9:30 a.m..

GENERAL

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.

This announcement is for information purposes only and does not constitute an offer or an invitation to acquire or dispose of any securities or investment advice in any jurisdiction. This announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or acquire any securities in the capital of Upbest Group Limited

DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context otherwise requires.

“associate(s)”	Has the meaning ascribed in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Upbest Group Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	legal currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Joint Placing Agents to subscribe for any of the Placing Shares pursuant to the Placing Agreement
“Placing”	placing of 108,754,000 existing Shares beneficially owned by the Vendor at the Placing Price pursuant to the Placing Agreement
“Placing Shares”	108,754,000 existing Shares to be placed under the Placing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Top-Up Subscription”	the subscription of 108,754,000 new Shares pursuant to the terms of the Top-Up Subscription Agreement
“Top-Up Subscription Agreement”	the subscription agreement between the Vendor and the Company dated 18 January 2005 in relation to the Top-Up Subscription
“Top-Up Subscription Price”	HK\$1.42 per Shares

“Top-Up Subscription Shares”

a total of 108,754,000 new Shares to be subscribed by the Vendor pursuant to the Top-Up Subscription Agreement

“%”

per cent.

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

Hong Kong, 18 January 2005

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