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UPBEST GROUP LIMITED

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

DISCLOSEABLE TRANSACTION

Financial Advisor to Upbest Group Limited



Upbest Securities Company Limited

On 21 January 2005, the Group entered into a restructuring agreement with GFIH, GFE and Chun Po in relation to the acquisition of Gold-Face Finance Limited for a consideration of HK\$33 million.

As at the date of this announcement, to the best of the Board's knowledge, information and belief having made all reasonable enquiry, each of GFIH, GFE and Chun Po and their ultimate beneficial owner are 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 Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. A circular in connection with the Acquisition will be dispatched to the shareholders of the Company as soon as practicable.

THE ACQUISITION

The Board hereby announces that Upbest Finance, a wholly owned subsidiary of the Company, has entered into a restructuring agreement dated 21 January 2005 (the "Agreement") to acquire the entire share capital of Gold-Face Finance Limited.

Date:

21 January 2005

Parties:

Upbest Finance, a wholly owned subsidiary of the Company as purchaser (“Purchaser”)

GFIH, GFE and Chun Po together as the vendors (“Vendor”)

Each of GFIH, GFE and Chun Po are investment holding companies and are the wholly owned subsidiaries of Gold-Face Holdings Limited (stock code: 396) (“Gold-Face Holdings”).

Subject matter of the Agreement:

Gold-Face Finance Limited is a wholly owned subsidiary of Gold-Face Holdings. GFF is principally engaged in the provision of personal loans and second mortgage loans. The core assets of the company comprise the loans receivable and cash.

GFF has been operating at a loss since 1999. According to the latest audited financial statements for the year ended 31 March 2003, GFF recorded a loss of approximately HK\$202 million (31 March 2002: loss of approximately HK\$7.6 million). As at 31 March 2003, the net liabilities of GFF were approximately HK\$220 million (31 March 2002: net liabilities of approximately HK\$18 million).

According to the unaudited management accounts for the year ended 31 March 2004, GFF recorded a loss of approximately HK\$17 million and a net liabilities of approximately HK\$237 million. The unaudited management accounts of GFF may or may not be subject to material changes upon the finalisation of the audit by the auditors of GFF for the year ended 31 March 2004. Shareholders of the Company and investors are reminded to exercise caution in interpreting the unaudited management accounts as they are unaudited figures only and may be substantially different from the audited results to be issued at a later date.

Consideration:

Upbest Finance intends to invest in GFF by way of:

- (1) acquire all the 2 ordinary shares and 2 deferred shares at an aggregate consideration of HK\$4.00; and
- (2) subscription for 33,000,000 new shares in GFF at an aggregate consideration of HK\$33 million.

The transfer of the 2 ordinary shares and the 2 deferred shares and the subscription of new shares of GFF will be subject to the completion of the conditions according to the Agreement and the Scheme.

The consideration was arrived after arm’s length negotiations between the Company and the Vendor. The total consideration will be satisfied by cash payment and such source of cash funding may come from internal source of financing.

The purpose of the Scheme is that, upon the distribution of the Scheme funds to the Scheme creditors, there will be an extinguishment of the Scheme debts. As at the date of the Agreement, GFF was indebted to its scheme creditors in the estimated sum of approximately HK\$362 million. As stated above, the subscription monies of HK\$33 million will be applied by GFF for distribution as part of the Scheme funds amongst the Scheme creditors pursuant to the terms of the Scheme.

In board terms, the Scheme would, if implemented, result in the full discharge of the Scheme debts owed to the Scheme creditors and the Scheme creditors will be bared from taking any actions against GFF in respect of the Scheme debts. Once the Scheme becomes effective, it will bind GFF and all the Scheme creditors irrespective of whether they voted for or against the Scheme.

As at the date of this announcement, to the best of the Board's knowledge, information and belief having made all reasonable enquiry, each of GFIH, GFE and Chun Po and their ultimate beneficial owner are 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 Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Condition:

After signing of the Agreement on 21 January 2005, GFF will submit the Agreement together with the draft Scheme to the Court. The Scheme need to have obtain the approval of the Scheme by a majority in number representing three-fourths in value of the Scheme Creditors who, being so entitled, are present in person or by proxy and vote at the Court Meeting. Follow that, GFF need to obtain the Court order from the Court sanctioning the Scheme. Upon fulfillment of the above and the other conditions as set out in the Agreement, completion of the Agreement will take place, after which the Company will become the sole registered and beneficial owner of GFF.

Upon completion of the Agreement, GFF shall deliver the Order to the Companies Registry of Hong Kong for registration; and upon filing of the Order, the scheme administrators will distribute the subscription monies of HK\$33 million paid by the Company under the Agreement for distribution as part of the Scheme Funds amongst the Scheme Creditors pursuant to the terms of the Scheme.

According to the Agreement, completion of the transaction will be conditional upon several conditions which inter alia the following more important ones (included but not limited to):

- (i) the granting of an approval of the Scheme by a majority in number representing three-fourths in value of the Scheme creditors;

- (ii) the granting of an order by the Court sanctioning the Scheme pursuant to section 166(2) of the Companies Ordinance;
- (iii) the dismissal or withdrawal of all outstanding litigations and winding-up petitions against GFF;
- (iv) no material adverse change since the date of the Agreement up to completion;
- (v) GFF having satisfied all requirements of the Stock Exchange regarding the transactions as contemplated under the Agreement and the Scheme (if applicable); and
- (vi) In the event that any of these conditions is not fulfilled or waived by Upbest Finance (as the case may be) on or before 30th April 2005, the Agreement shall terminate with immediate effect.

Court Meeting

The Court approved a Court Meeting of GFF on 27 January 2005 for the purpose of considering and approving the Scheme proposed to be made between GFF and the Scheme creditors under s166 of the Companies Ordinance.

In addition, it is ordered that at least 21 days before the day appointed for the meeting, a notice of the meeting be published once in English in the South China Morning Post and once in Chinese in the Hong Kong Economic Journal.

Implication under the Listing Rules:

The Acquisition constitutes a disclosable transaction for the Company under Chapter 14 of the Listing Rules. A circular in connection with the acquisition of the Acquisition will be dispatched to the shareholders of the Company as soon as practicable.

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 Scheme will, if implemented, result in the full discharge of the Scheme debts owed to the Scheme creditors and the Scheme creditors will be barred from taking any action against GFF in respect of the Scheme debts. This will prevent any future claim against GFF in respect of the Scheme debts. GFF has confirmed under the Agreement that other than the Scheme debts, GFF does not have any other creditors nor does it have any other indebtedness. As such, all the outstanding debt liabilities of GFF will be settled upon completion of the Scheme whilst the major net asset of GFF would comprise loans receivable with an aggregate book value of approximately HK\$110 million according to the unaudited management accounts for the year ended 31 March 2004. The Company

considers it of great investment value and commercial benefit to acquire GFF as such loans receivable would generate stable and long term (up to 25 years) interest income to the Group. In this connection, please also note that GFF has undertaken to give full effect to the Scheme and apply the subscription monies for distribution amongst the Scheme creditors under the Scheme upon completion.

The Board believes that the Acquisition present an excellent opportunity for the Group to strengthen its financing business and loan portfolio.

The Board considers that the Acquisition is on normal commercial terms and that such terms are fair and reasonable to the Company and Shareholders as a whole.

GENERAL

As at the date of this announcement, the Board of the Company consists of Dr. Wong King Keung, Peter as non-executive director and chairman, 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

“Acquisition”	the transactions consist of the acquisition of the entire share capital of GFF
“Board”	the board of directors of the Company
“Chun Po”	Chun Po Investment Company Limited, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of Gold-Face Holdings Limited (stock code: 396)
“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
“Court”	the Court of First Instance of the High Court of Hong Kong
“GFE”	Gold-Face Enterprises Limited, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of Gold-Face Holdings Limited (stock code: 396)

“GFF”	Gold-Face Finance Limited, a company incorporated in Hong Kong with limited liability and is a wholly owned subsidiary of Gold-Face Holdings Limited (stock code: 396). As at the date of this announcement, it has an authorized share capital of 9,998 shares and 2 deferred shares, of which 2 shares and 2 deferred shares were issued and fully paid
“GFIH”	Gold-Face Investment Holdings Limited, a company incorporated in British Virgin Islands with limited liability and is a wholly owned subsidiary of Gold-Face Holdings Limited (stock code: 396)
“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
“Scheme”	the scheme prepared under s166 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong between GFF and its creditors regarding the restructuring proposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Upbest Finance”	Upbest Finance Company Limited, a wholly owned subsidiary of the Company and is a company incorporated in Hong Kong with limited liability

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

Hong Kong, 28 January 2005

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