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Major Transaction

Involving Issue of Promissory Note and Convertible Note

Financial Adviser to Goldwiz Holdings Limited



CEF Capital Limited

SUMMARY

On 24 July 2002 the Company, the Vendor and the Purchaser have entered into the S&P Agreement pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Sale Share and the benefit of and interest in the Loan subject to the terms and conditions set out below. The total consideration involved will be about HK\$316.1 million if Risdon, the subject company under the proposed transactions referred to in the S&P Agreement, will own the entire equity interest in HPKC by Completion or about HK\$310 million if Risdon will own 95% of the equity interest in HPKC by Completion.

The consideration will be satisfied by the payment of cash, issue of the Promissory Note and the Convertible Note to the Vendor or as the Vendor may direct.

The S&P Agreement constitutes a major transaction for the Company under the Listing Rules. No application will be made for the listing of the Convertible Note on any stock exchange. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

GENERAL

A circular containing further information of the Transactions, among other things, together with a notice of the SGM to be held to consider and approve, the S&P Agreement and all the transactions contemplated thereunder will be dispatched to the Shareholders as soon as practicable.

TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 24 July 2002 pending the publication of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 July 2002.

S&P AGREEMENT

Date: 24 July 2002

Parties:

Purchaser Pacific Peace Investments Limited, an indirect wholly-owned subsidiary of the Company

Vendor Hutchison Hotels Holdings (International) Limited, an indirect wholly-owned subsidiary of Hutchison Whampoa

Purchaser's Covenantor the Company

Information of the Vendor

The Vendor is an independent third party not connected with the Company, any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries and their respective Associates.

The Vendor, principally engaged in investment in and operation of hotels, is wholly-owned indirectly by Hutchison Whampoa which is a listed company with a wide range of business activities including, among others, ports and related services, telecommunications and e-commerce, property and hotels, retail and manufacturing, energy and infrastructure.

Assets to be acquired

As at the date hereof, Risdon is holding 95% of the equity interest in HPKC. The principal asset of HPKC is the Hotel. Subject to the terms and conditions of the S&P Agreement, the Vendor shall sell to the Purchaser and the Purchaser shall purchase from the Vendor the Sale Share and the benefit of and interest in the Loan with effect from Completion free from all claims, charges, liens and other encumbrances.

Details of the Hotel

The Hotel is a 21-storey building located at 20 Hong Hua Qiao, Kunming 650031, Yunnan, the PRC with a gross floor area of about 27,500 square meters and is wholly-owned by HPKC. The Hotel, having commenced its operation since April 1999, has 320 guest rooms providing services and facilities such as business center, ballroom and function rooms, fully-equipped fitness center, outdoor swimming pool and whirlpool, shuttle bus, limousine services, lobby and souvenir shops, sauna and massage, children playground and Deli Corner.

Management of the Hotel and use of Plaza Marks

The Hotel is currently managed by HPHM pursuant to a management contract dated 13 December 1999 made between HPKC and HPHM. Upon entering into the New Management Contract by HPKC and HPHM on or immediately after Completion, the management contract dated 13 December 1999 made between the same parties shall be terminated with immediate effect. The initial operation term of the New Management Contract will be 2 years commencing from the date of the New Management Contract and will be automatically renewed for successive further period of twelve calendar months. According to the New Management Contract, HPKC shall pay to HPHM on a monthly basis a basic fee calculated by reference to the gross revenue of the Hotel for its services rendered in relation to the management and operation of the Hotel. An incentive fee is also payable to HPHM calculated by reference to the gross operating profit of the Hotel which is the excess of the gross revenue over operating expenses of the Hotel calculated in accordance with generally accepted accounting principles and the Uniform System of Accounts for Hotels as published by the Hotel Association of New York City, Inc. The Company will not appoint any person as director of HPHM since the Company is only a passive investor in the Hotel through the Purchaser and Risdon after Completion and will also not involve in the management decision of the day-to-day operation of the Hotel.

Under the licence contract to be entered into between HPKC and HPHE on or immediately after Completion, HPHE (as licensor) shall grant to HPKC (as licensee), and HPKC shall accept the grant of, a new licence for the use of the Plaza Marks for a new term equivalent to the term of the New Management Contract. In consideration of the said licence contract, HPKC will pay to HPHE a monthly licence fee for each calendar month commencing from the date of the said contract until its termination or portion thereof calculated by reference to the gross room revenue on an accrual basis from the operation of the Hotel during the month.

Financial information of Risdon

Set out below is the financial information of Risdon based on the drafts of its audited consolidated accounts for the three years ended 31 December 2001 and the five months ended 31 May 2002:—

	Year ended 31 December 1999	Year ended 31 December 2000	Year ended 31 December 2001	Five months ended 31 May 2002
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Profit/(loss) before minority interests	(23.97)	(6.30)	(2.81)	(0.22)
Profit/(loss) attributable to shareholders	(22.78)	(5.99)	(2.66)	(0.22)
Net liabilities	(26.64)	(32.63)	(35.30)	(35.51)
Net assets (including the shareholder's loan from the Vendor to Risdon)	240.26	234.27	231.60	231.39

Based on the draft audited consolidated accounts of Risdon, the net book value of its fixed assets was about HK\$296.0 million as at 31 May 2002. Further details of the Property, including the Valuation of the Property to be prepared by the Valuer, will be set out in the circular of the Company to be dispatched to Shareholders.

Consideration and terms of payment

The Consideration was arrived at after arm's length negotiation between relevant parties and with reference to the net book value of the fixed assets of Risdon.

In the event that the Acquisition shall have completed on or before Completion, the aggregate consideration for the Sale Share and the assignment of the benefit of and interest in the Loan shall be the aggregate of the sum of HK\$310,000,000 and the Hong Kong dollars equivalent to the Acquisition Price (which has been arrived at arm's length negotiation between Risdon and the Independent PRC Party), of which HK\$7.74 shall be the Share Consideration and the balance is the Loan Consideration. The Independent PRC Party is an independent third party not connected with the Company, any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries and their respective Associates.

The Purchaser shall satisfy the Consideration in the following manner in the event that the Acquisition shall have completed on or before Completion:—

- i. the Deposit (available from internal financial resources of the Group) by way of a cashier order delivered to the Vendor upon signing the S&P Agreement;
- ii. the Promissory Note delivered to the Vendor upon signing the S&P Agreement; and

- iii. the balance of the Consideration by delivering a cashier order in the sum equivalent to the Acquisition Price drawn on a licensed bank in Hong Kong and the Convertible Note on Completion in favor of the Vendor or a wholly-owned subsidiary of Hutchison Whampoa, as the Vendor may direct.

In the event that the Acquisition shall have fallen through prior to Completion, the Consideration will be HK\$310,000,000, of which HK\$7.74 shall be the Share Consideration and HK\$309,999,992.26 is the Loan Consideration. The Consideration will first be satisfied as mentioned in (i) and (ii). The balance of the Consideration shall be satisfied by the Purchaser by delivering to the Vendor on Completion the Convertible Note in favor of the Vendor or a wholly-owned subsidiary of Hutchison Whampoa as the Vendor may direct.

Conditions Precedent

Completion of the S&P Agreement is conditional upon, among other matters, fulfillment of all of the following conditions precedent:—

- a. the passing by the shareholders of the Company of a resolution approving the Transactions;
- b. the Listing Committee of the Stock Exchange granting or agreeing to grant of the listing of, and permission to deal, in the Conversion Shares; and
- c. if required, the Bermuda Monetary Authority approving the issue of the Convertible Note and the issue and allotment of the Conversion Shares and the transferability of the Convertible Notes and the Conversion Shares.

The Purchaser shall make all reasonable efforts to achieve satisfaction of each of the Conditions Precedent set out above as soon as possible and in any event on or before the Conditions Fulfillment Date. If the Conditions Precedent are not fulfilled on or before the Conditions Fulfillment Date (or on such later date as the Vendor and the Purchaser may agree in writing), the S&P Agreement shall terminate with immediate effect and the Vendor shall within seven Business Days thereafter return the Deposit together with interest accrued thereon and the Promissory Note to the Purchaser, save in respect of any antecedent breaches, all liabilities of the parties thereto under the S&P Agreement shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the parties which shall have accrued prior to such termination.

Completion

Subject to the fulfillment of the Conditions Precedent and the occurrence of certain matters set out in the S&P Agreement, Completion shall take place on the Completion Date.

Principal terms of the Convertible Note

The Company will issue in favor of the Vendor (or such wholly-owned subsidiary of Hutchison Whampoa, as the Vendor may direct) the Convertible Note to satisfy part of the Consideration. The principal terms of the Convertible Note were determined after arm's length negotiation between the relevant parties and are summarized as follows:

Principal amount

HK\$155,000,000

Interest

The Convertible Note will bear interest from the date of issue of the Convertible Note at the rate of 2% per annum accrued on a day to day basis on the principal amount outstanding, which will be payable in arrears by the Company once every six calendar months, with the first payment to be made on the date following six months after the date of issue of the Convertible Note.

Maturity Date

The second anniversary of the date of issue of the Convertible Note.

Conversion Period

The period starting from the day of issue of the Convertible Note up to the Maturity Date in amounts of not less than HK\$250,000 on each conversion.

Conversion Rights

The Noteholder will have the right at any time during the Conversion Period to convert in whole or in part(s) the Convertible Note into new Shares at the Conversion Price (subject to adjustments). Conversion Shares to be allotted and issued by the Company upon the exercise of the Conversion Rights in respect of the Convertible Note will rank pari passu in all respects with the Shares in issue as at the date of conversion.

Conversion Price

The Conversion Price of HK\$0.76 per Share was arrived at after arm's length negotiation between the relevant parties and with reference to the market price of the Shares and will be subject to adjustments in the event of, among others, consolidation, sub-division or re-classification, capitalization of profits or reserves, capital distribution, rights issue and other dilutive event.

The Conversion Price represents a discount of about 20% to the closing price of HK\$0.95 per Share as quoted on the Stock Exchange on 24 July 2002 (the last trading day immediately before the publication of this announcement) and a discount of about 15.56% to the average closing price of about HK\$0.90 per Share for the ten trading days up to and including 23 July 2002.

Conversion Shares

The Conversion Shares will be issued and allotted pursuant to the general mandate granted by the shareholders of the Company to the Directors in the special general meeting held on 28 February 2002. The Conversion Shares will represent about 19.2%. of the 1,061,627,920 Shares, being the existing issued Shares and about 16.11%. of the issued Shares as enlarged by the issue of the Conversion Shares upon Completion.

The Conversion Shares will be issued free from any encumbrances or third party rights of any kind and will rank pari passu, in all respects with the existing issued Shares together with all rights to dividends and distributions declared, made or paid after Completion.

Final redemption and repayment

The Company shall not be obliged to make any redemption of the outstanding principal amount of the Convertible Note until it has received the certificate of the Convertible Note on the Maturity Date. On the Maturity Date, the Company shall repay to the Noteholder such principal amount outstanding under the Convertible Note together with all interest accrued thereon up to and including the date of repayment.

Voting

The Noteholder shall not be entitled to attend or vote at any meeting of the Company by reason only of it being the Noteholder.

Transferability

Subject to prior notice to the Company, the Convertible Note may be assigned or transferred in whole or in part to any third party of its principal amount outstanding. Upon the Company becoming aware that the Convertible Note is to be transferred to any connected persons (as defined under the Listing Rules) of the Company, the Company will notify the Stock Exchange from time to time and apply for its consent in respect of the said transfer.

Covenants, representations and undertakings

The Company represents and warrants to the Noteholder, that the Company, inter alia:—

- a. shall at all times maintains the adjusted net worth at an amount not less than HK\$65,000,000 and a gearing ratio of the adjusted net worth to the net debt at 1:1.
- b. will not incur any indebtedness exceeding the sum of HK\$20,000,000 other than for indebtedness disclosed to the Noteholder in writing prior to the date of the Convertible Note;
- c. will not merge or consolidate with or into any other company or person, or allow or approve any change in its controlling shareholding, whether immediate or ultimate; and
- d. will not enter into any agreement or arrangement with duration of more than one year or with value or liability amount in excess of HK\$20,000,000.

Shareholding structure of the Company

Upon exercise of the conversion rights attached to the Convertible Note in full, the shareholding structure of the Company will be as follows:

Shareholders	As at the date hereof		Upon full conversion of the Convertible Note	
	No. of Shares	%	No. of Shares*	%*
Open Mission Assets Limited	250,036,000	23.55	250,036,000	19.76
Vendor or its nominee	0	0.00	203,947,368	16.11
Public	811,591,920	76.45	811,591,920	64.13
	<u>1,061,627,920</u>	<u>100.00</u>	<u>1,265,575,288</u>	<u>100.00</u>

* Based on the Conversion Price of HK\$0.76 per Share

Reasons for entering into the S&P Agreement

The Company is an investment holding company. The Group is principally engaged in property investment and strategic investments in technology related business.

Based on the audited financial statements of the Group for the two years ended 31 March 2000 and 31 March 2001, the Group has recorded net losses of about HK\$134.70 million and HK\$151.56 million respectively. According to the unaudited interim results of the Group for the six months ended 30 September 2001, the consolidated loss amounted to about HK\$1.0 million.

The Group has successfully terminated the operational losses of the toy business which had plagued the Company's growth for the last five years as stated in the interim report of the Company dated 4 December 2001. The Directors also previously stated in the published documents of the Company that in view of the historical performance of the Group, the Directors have been actively pursuing appropriate investment opportunities to improve the investment portfolio of the Group in the PRC and to restore its profitability in the long term.

In line with its stated objective, the Directors consider that the acquisition of the Hotel will offer a valuable opportunity for the Group to establish a relationship with Hutchison Whampoa. The Group intends to diversify its investments to include a hotel business with good market potential given the convenient location of the Hotel and the prospective increase of tourists visiting the PRC. In this respect, the Board believes that the acquisition is in the interests of the Company and its Shareholders as a whole. Upon Completion, Risdon will become a subsidiary of the Company, all assets, liabilities, income and expenses of Risdon will then be accounted for in the statements of the Group on consolidation basis. The Company has not engaged in any hotel operation activities and, as stated above, it is only a passive investor in the Hotel through the Purchaser and Risdon and will also not involve in the management decision of the day-to-day operation of the Hotel. Upon Completion of the Transactions, the Group's principal business activities in property investment remain unchanged. Moreover, as part of the Consideration is satisfied by the issue of the Promissory Note and the Convertible Note, it would enable the Company to complete the Transactions without immediately reducing its working capital resources and to broaden its shareholders base upon full conversion of the Convertible Note.

GENERAL

The Directors considered that the terms of the S&P Agreement are fair and reasonable and that the Transactions are in the interest of the Company and its Shareholders as a whole.

The S&P Agreement constitutes a major transaction for the Company under the Listing Rules. A SGM will be convened as soon as practicable at which a resolution will be put forward to the Shareholders to approve the Transactions.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

A circular containing further information of the Transactions, together with a notice of a SGM to be held to consider and approve, among other matters, the S&P Agreement and all the transactions contemplated thereunder will be dispatched to the Shareholders as soon as practicable.

CEF Capital Limited is the financial adviser to the Company in connection with the Transactions.

TRADING

At the request of the Company, trading in the Shares was suspended with effect from 9:30 a.m. on 24 July 2002 pending the publication of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 29 July 2002.

TERMS USED IN THIS ANNOUNCEMENT

“Acquisition Contract”	the sale and purchase agreement dated 12 July 2002 entered into between Risdon and the Independent PRC Party whereby Risdon has agreed to acquire and the Independent PRC Party has agreed to sell the Remaining Five Percent Equity Interest at the Acquisition Price
“Acquisition Price”	RMB6,500,000 (equivalent to about HK\$6,100,000) being the consideration of the Remaining Five Percent Equity Interest
“Acquisition”	the acquisition by Risdon of the Remaining Five Percent Equity Interest pursuant to the Acquisition Contract
“Associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for banking business in Hong Kong throughout their normal business hours

“Company”	Goldwiz Holdings Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Stock Exchange
“Completion Date”	the date and time on which the Completion occurs, which date shall be (i) the 7th Business Day after the later of (a) all the Conditions Precedent having been satisfied by the Purchaser or (b) the notice referred to in the S&P Agreement having been given by the Vendor, but in any event on or before the Conditions Fulfillment Date or (ii) such other date as the Vendor and the Purchaser may agree in writing
“Completion”	completion of the Transactions
“Conditions Fulfillment Date”	the expiry of the 3 calendar months’ period from the date of the S&P Agreement (or such later date as the Vendor and the Purchaser may agree in writing)
“Conditions Precedent”	the conditions precedent for the Completion pursuant to the S&P Agreement
“Consents”	any necessary license, consent, approval, authorization, permission, waiver, order or exemption (whether governmental or otherwise) required from any relevant governmental or regulatory bodies or such third parties under applicable laws
“Consideration”	HK\$310,000,000 being the aggregate consideration payable for the Sale Share and for the benefits and interest in the Loan pursuant to the S&P Agreement and will be increased by the Acquisition Price if the Acquisition shall have completed before Completion
“Conversion Shares”	the Share(s) to be issued and allotted pursuant to the Convertible Note
“Convertible Note”	the convertible note for the principal amount of HK\$155,000,000 to be issued by the Company upon Completion to the Vendor (or such wholly-owned subsidiary of Hutchison Whampoa as the Vendor may direct) pursuant to the S&P Agreement
“Deposit”	the sum of HK\$38,750,000, being the deposit and part payment of the Consideration paid by the Purchaser to the Vendor upon entering into the S&P Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	The Hong Kong Special Administrative Region, the PRC
“Hotel”	Harbour Plaza Kunming (昆明海逸酒店) which is located at 20 Hong Hua Qiao, Kunming 650031, Yunnan, the PRC
“HPHE”	Harbour Plaza Hotel Enterprises Limited, a company incorporated in the British Virgin Islands with limited liabilities and an Associate of Hutchison Whampoa
“HPHM”	Harbour Plaza Hotel Management Limited, a company incorporated under the laws of Hong Kong and an Associate of Hutchison Whampoa
“HPKC”	Harbour Plaza Kunming Co., Ltd, a sino-foreign equity joint venture enterprise established in the PRC whose equity interest is currently owned as to 95% by Risdon and 5% by the Independent PRC Party with an operating period of 40 years commencing on 14 January 1993 and expiring on 13 January 2033
“Hutchison Whampoa”	Hutchison Whampoa Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Independent PRC Party”	the PRC party which is currently holding the Remaining Five Percent Equity Interest, an independent third party not connected with the Company, any of the directors, chief executive or substantial shareholders of the Company or its subsidiaries and their respective Associates
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Consideration”	the consideration payable for the purchase of the benefit of and interest in the Loan
“Loan”	the principal amount of the shareholder loans aggregating to HK\$313,900,380 or such adjusted sum outstanding as at Completion and owing by Risdon to the Vendor as a result of any additional sum advanced by the Vendor to Risdon between the date of the S&P Agreement and Completion pursuant to the terms of the S&P Agreement
“New Management Contract”	the management contract to be entered into on or immediately after Completion between HPKC and HPHM to engage HPHM as the exclusive and sole manager and operator of the Hotel (and as sole agent of HPKC) to operate and manage the Hotel for and on behalf of HPKC for an initial operation period of two years from the date of such management contract

“Noteholder”	registered holder of the Convertible Note
“Plaza Marks”	the trademarks “Harbour Plaza and Device” (and the Chinese equivalent) and related marks
“Promissory Note”	the interest bearing promissory note to be issued by the Company to the Vendor on 24 July 2002 in the aggregate sum of HK\$116,250,000 payable in three equal installments of HK\$38,750,000 each following the expiry of the eight-month, sixteen-month and twenty-four month period after the date of the S&P Agreement
“Property”	the property situate at 昆明洪化橋與翠湖南路交叉口 and which is owned by HPKC and is currently used for hotel business operating under the name of the Hotel
“Purchaser”	Pacific Peace Investments Limited, a company incorporated in the British Virgin Islands on 6 June 2001 with limited liability and an indirect wholly-owned subsidiary of the Company
“Remaining Five Percent Equity Interest”	5% equity interest held by the Independent PRC Party in HPKC
“Risdon”	Risdon Limited, a company incorporated in the British Virgin Islands on 22 April 1997 and is an indirect wholly-owned subsidiary of the Vendor which is currently holding 95% equity interest in HPKC as at the date hereof; and in the event that the Acquisition shall have completed; will hold 100% of the equity interest in HPKC in which case HPKC will become a wholly-owned foreign enterprise subject to the approval of the relevant PRC governmental authorities
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the conditional sale and purchase agreement dated 24 July 2002 entered into between the Vendor, the Purchaser and the Company pursuant to which the Vendor has agreed to sell and assign and the Purchaser has agreed to purchase the Sale Share and the benefit of and interest in the Loan
“Sale Share”	the one registered share of US\$1.00 in the capital of Risdon representing its entire issued share capital
“SGM”	the special general meeting of the Company to be convened for the purpose of approving the S&P Agreement and all the transactions contemplated therein, or any adjournment thereof

“Share Consideration”	being HK\$7.74, the consideration payable for the Sale Share
“Share(s)”	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
“Transactions”	the transactions contemplated under the S&P Agreement and all the transactions contemplated therein
“Valuation”	the aggregate open market value of the Property as at 31 May 2002 to be given by the Valuer
“Valuer”	Chung, Chan & Associates, chartered surveyors, being the independent professional valuer of the Property
“Vendor”	Hutchison Hotels Holdings (International) Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of Hutchison Whampoa

By Order of the Board of
Goldwiz Holdings Limited
LIU Xue Lin
Chairman

Hong Kong, 26 July 2002

* *for identification purpose only*

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