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**GFT HOLDINGS LIMITED**

**真樂發控股有限公司\***

*(incorporated in Bermuda with limited liability)*

**(stock code: 1003)**

**CHANGE OF COMPANY NAME  
PROPOSED CAPITAL REORGANIZATION  
PLACING OF NEW SHARES AND CONVERTIBLE NOTES  
AND  
RESUMPTION OF TRADING**

**Financial Adviser to the Company**

***Hercules***

**Hercules Capital Limited**

**CHANGE OF COMPANY NAME**

The Board proposes to change the existing name of the Company to “21 Holdings Limited” and adopt “21控股有限公司” as its Chinese name for identification purpose.

**PROPOSED CAPITAL REORGANIZATION**

The Board proposes to put forward a proposal for approval by the Shareholders to effect the Capital Reorganization which involves:

- (i) Share Consolidation: every twenty existing Shares of HK\$0.125 each in both the issued and unissued share capital of the Company will be consolidated into one Consolidated Share of HK\$2.50;
- (ii) Capital Reduction: upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HK\$2.50 to HK\$0.01 by the cancellation of HK\$2.49 of the paid-up capital on each Consolidated Share;
- (iii) Share Subdivision: upon the Share Consolidation and Capital Reduction becoming effective, each of the authorized but unissued Consolidated Share in the capital of the Company of par value of HK\$2.50 shall be sub-divided into 250 New Shares of par value of HK\$0.01 each; and
- (iv) Share Premium Reduction: upon the Share Consolidation, the Capital Reduction and the Share Subdivision becoming effective, the entire amount of the share premium account of the Company will be cancelled.

*\* for identification purpose only*

## **THE SHARE PLACING**

On 17 December 2008, the Company, as the issuer, and Hani Securities, as the placing agent, entered into the Share Placing Agreement, pursuant to which Hani Securities shall, on a best effort basis, procure not less than six placees to subscribe for up to a maximum of 220,000,000 Placing Shares by one tranche or multiple tranches (in which each tranche shall not be less than 20,000,000 New Shares) at HK\$0.15 per Placing Share.

Assuming full placing and the Capital Reorganization has taken effect, the Placing Shares shall represent (i) approximately 351.5% of the existing share capital of the Company; (ii) approximately 77.9% of the share capital of the Company as enlarged by the issue of the Placing Shares; and (iii) approximately 20.3% of the share capital of the Company as enlarged by the issue of the Placing Shares and the issue of the Conversion Shares upon full conversion of the Convertible Notes (assuming conversion of the Convertible Notes at the lowest conversion price).

The Placing Shares shall be issued under a specific mandate to be approved by the Shareholders at the SGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

## **THE CN PLACING**

On 17 December 2008, the Company, as the issuer, and Get Nice, as the placing agent, entered into the CN Placing Agreement, pursuant to which Get Nice shall, on a best effort basis, procure the subscribers to subscribe for the Convertible Notes with an aggregate principal amount of up to HK\$120,000,000 by one tranche or multiple tranches (in which each tranche shall not be less than HK\$10,000,000).

The Convertible Notes carry the rights to convert into Conversion Shares at the lower of (a) the initial conversion price of HK\$0.18 (subject to usual anti-dilution adjustments); and (b) the average closing price of the New Shares for the five trading days ending on the day immediately preceding the date of a relevant conversion notice, subject to a limit of not less than HK\$0.15 (subject to usual anti-dilution adjustments).

Assuming full conversion of the Convertible Notes and the Capital Reorganization has taken effect, a maximum of 800,000,000 Conversion Shares will be issued by the Company, representing (i) approximately 1,278.3% of the existing share capital of the Company; (ii) approximately 92.7% of the share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes; and (iii) approximately 73.9% of the share capital of the Company as enlarged by the issue of the Placing Shares and the Conversion Shares upon full conversion of the Convertible Notes.

The Conversion Shares shall be issued under a specific mandate to be approved by the Shareholders at the SGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **GENERAL**

A SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the change of company name, the Capital Reorganization, the Share Placing and the CN Placing. As no Shareholders have material interest in the change of company name, the Capital Reorganization, the Share Placing and the CN Placing which is different from the other Shareholders, no Shareholders are required to abstain from voting in respect of the proposed resolutions to approve the change of company name, the Capital Reorganization, the Share Placing and the CN Placing at the SGM. A circular containing, among other things, further details of the proposed change of company name, the Capital Reorganization, the Share Placing and the CN Placing together with a notice convening the SGM will be despatched to the Shareholders in due course.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 18 December 2008 pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 23 December 2008.

## **CHANGE OF COMPANY NAME**

The Board proposes to change the existing name of the Company to “21 Holdings Limited” and adopt “21控股有限公司” as its Chinese name for identification purpose.

The change of company name is subject to the following conditions:

- (i) the passing of a special resolution by the Shareholders at the SGM to approve the change of company name; and
- (ii) the approval by the Registrar of Companies in Bermuda.

The change of company name shall become effective upon the date of entry of the new company name on the register of companies maintained by the Registrar of Companies in Bermuda.

The Board considers that the change of company name will better reflect the core business of the Group in the property agency business, which was acquired on 23 July 2008 and provide the Company with a fresh new corporate identity which is in the interest of the Company and the Shareholders as a whole.

The change of company name will not affect any of the rights of the Shareholders and all existing share certificates of the Company in issue bearing the existing company name will, after the change of company name becomes effective, continue to be evidence of legal title to the Shares and will be valid for trading, settlement and registration purposes. Accordingly, there will not be any arrangement for free exchange of existing share certificates of the Company for new share certificates bearing the new name of the Company. New share certificates of the Company will be issued under the new name of the Company after the change of company name becomes effective. Further announcement will be made by the Company in respect of the effective date of the change of company name and change in stock short name of Shares in both English and Chinese.

## PROPOSED CAPITAL REORGANIZATION

The Board proposes to put forward a proposal for approval by the Shareholders to effect the Capital Reorganization which involves:

- (i) Share Consolidation: every twenty existing Shares of HK\$0.125 each in both the issued and unissued share capital of the Company will be consolidated into one Consolidated Share of HK\$2.50;
- (ii) Capital Reduction: upon the Share Consolidation becoming effective, the par value of each issued Consolidated Share will be reduced from HK\$2.50 to HK\$0.01 by the cancellation of HK\$2.49 of the paid-up capital on each Consolidated Share;
- (iii) Share Subdivision: upon the Share Consolidation and Capital Reduction becoming effective, each of the authorized but unissued Consolidated Share in the capital of the Company of par value of HK\$2.50 shall be subdivided into 250 New Shares of par value of HK\$0.01 each; and
- (iv) Share Premium Reduction: upon the Share Consolidation, the Capital Reduction and the Share Subdivision becoming effective, the entire amount of the share premium account of the Company will be cancelled.

As at the date of this announcement, the authorized share capital of the Company is HK\$500,000,000, divided into 4,000,000,000 Shares of HK\$0.125 each, of which 1,251,646,080 Shares have been issued and are fully paid. On the assumption that no further Shares will be issued after the date of this announcement, a credit of HK\$155,829,937 will arise from the Capital Reduction. Together with the credit of approximately HK\$168,098,000, being the unaudited amount standing in the share premium account of the Company as at 30 June 2008, arising from the Share Premium Reduction, a total credit of approximately HK\$323,927,937 will be applied to eliminate the accumulated losses of the Company as of the effective date of the Capital Reduction and the Share Premium Reduction. The balance (if any) will be transferred to the contributed surplus account of the Company where it may be readily utilized in accordance with the bye-laws of the Company and all applicable laws, including making a distribution provided that the Company shall not be unable to pay its liabilities as they fall due and the realizable value of the Company's assets would not be less than the aggregate of its liabilities and its issued share capital and share premium accounts after the distribution. As at 30 June 2008, the unaudited accumulated losses of the Company amounted to approximately HK\$118,113,000.

### Effects of the Capital Reorganization

Following the implementation of the Capital Reorganization set out above, and assuming no further Shares will be issued after the date of this announcement, the authorized share capital of the Company shall be HK\$500,000,000 divided into 50,000,000,000 New Shares of par value of HK\$0.01 each, and its issued share capital shall be HK\$625,823 divided into 62,582,304 New Shares of par value of HK\$0.01 each. The effects of the Capital Reorganization on the authorized and issued share capital of the Company are summarized as follow:

	<b>Authorized share capital</b>	<b>Issued share capital</b>
Before Capital Reorganization	HK\$500,000,000, divided into 4,000,000,000 Shares of HK\$0.125 each	HK\$156,455,760, divided into 1,251,646,080 Shares of HK\$0.125 each
After Capital Reorganization	HK\$500,000,000, divided into 50,000,000,000 New Shares of HK\$0.01 each	HK\$625,823, divided into 62,582,304 New Shares of HK\$0.01 each

The Directors consider that, other than the expenses relating to the Capital Reorganization, implementation of the Capital Reorganization will not, of itself, affect the underlying assets, liabilities, business operations, management operations and financial position of the Company, or the proportionate interests or rights of the Shareholders. The Board believes that the Capital Reorganization will not have any adverse impact on the financial position of the Group.

### **Conditions of the Capital Reorganization**

The completion of the Capital Reorganization is subject to the following conditions:

- (i) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve the Capital Reorganization;
- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the New Shares; and
- (iii) compliance with all applicable legal procedures and requirements under Bermuda law to effect the Capital Reorganization in Bermuda in accordance with the Companies Act 1981 of Bermuda.

The Capital Reorganization shall become effective upon registration of relevant documents with the Registrar of Companies of Bermuda.

An application will be made by the Company to the Stock Exchange for granting the listing of, and permission to deal in, the New Shares, which will rank *pari passu* in all respects with each other.

### **Reasons for the Capital Reorganization**

The Share Consolidation will reduce the total number of Shares in issue and the number of board lots in the market. Accordingly, the transaction and handling costs of the Company that are calculated with reference to the number of Shares in issue are expected to be lowered for any given interest in the Company. Furthermore, the Company is not allowed to issue new Shares below their par value under the Bye-Laws. The Capital Reduction and Share Subdivision will give the Company greater flexibility in pricing the issue of New Shares and to facilitate the proposed issue of the Placing Shares and the Convertible Notes. Moreover, the credit amount arising from the Capital Reduction and the Share Premium Reduction shall enable the Company to eliminate its accumulated losses, which in turn shall provide a greater flexibility for the Company to pay dividends (if any) in the future. In light of the above, the Directors believe that the Capital Reorganization is beneficial to the Company and the Shareholders as a whole.

### **Board lot size and trading arrangement**

The existing board lot size of 20,000 Shares will remain unchanged upon the Capital Reorganization becoming effective. The value of the current board lot, based on the closing price of HK\$0.029 per Share on the Last Trading Day, is HK\$580. Upon the Capital Reorganization becoming effective, the expected value of each board lot of 20,000 New Shares, based on the theoretical price of HK\$0.580 per New Share, calculated based on the closing price of HK\$0.029 per Share on the Last Trading Day, is HK\$11,600. Parallel trading arrangements at the Stock Exchange will be arranged to deal in the New Shares in board lot size of 1,000 New Shares before the New Shares are dealt in board lot size of 20,000 New Shares.

## **Free exchange of share certificates**

Subject to the Capital Reorganization becoming effective, Shareholders may submit existing certificates for the existing Shares in board lot of 20,000 Shares to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for exchange, at the expense of the Company for certificates for New Shares in board lot of 20,000 New Shares. Thereafter, certificates for the Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each share certificate for the Shares cancelled or each new share certificate issued for the New Shares, whichever number of certificates cancelled/issued is higher. Nevertheless, certificates for the Shares will continue to be good evidence of legal title and may be exchanged for certificates for the New Shares at any time in accordance with the foregoing.

## **Expected timetable for the Capital Reorganization**

The expected timetable for the implementation of the Capital Reorganization including parallel trading arrangement for the existing Shares and the New Shares and free exchange of certificates of the existing Shares for certificates of the New Shares shall be disclosed by way of further announcement and be included in the circular to be despatched to the Shareholders in due course.

## **THE SHARE PLACING**

On 17 December 2008, the Company, as the issuer, and Hani Securities, as the placing agent, entered into the Share Placing Agreement, pursuant to which Hani Securities shall, on a best effort basis, procure not less than six placees to subscribe for up to a maximum of 220,000,000 Placing Shares by one tranche or multiple tranches (in which each tranche shall not be less than 20,000,000 New Shares) at HK\$0.15 per Placing Share.

### **Hani Securities**

Hani Securities is a corporation licensed to carry out types 1, 4 and 6 regulated activities under the SFO. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Hani Securities and its ultimate beneficial owners are third parties independent of the Company and its connected persons. A placing commission of HK\$100,000 shall be charged by Hani Securities. The placing commission was arrived at after arm's length negotiations between the Company and Hani Securities with reference to the prevailing commission charged by other placing agents. The Directors consider that the placing commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Number of New Shares to be placed**

Up to a maximum of 220,000,000 Placing Shares are to be placed by one tranche or multiple tranches (in which each tranche shall not be less than 20,000,000 New Shares) by Hani Securities on a best effort basis. Assuming the Capital Reorganization has taken effect, the Placing Shares shall represent (i) approximately 351.5% of the existing share capital of the Company; (ii) approximately 77.9% of the share capital of the Company as enlarged by the issue of the Placing Shares; and (iii) approximately 20.3% of the share capital of the Company as enlarged by the issue of the Placing Shares and the issue of the Conversion Shares upon full conversion of the Convertible Notes at the minimum conversion price of HK\$0.15.

The Placing Shares shall be issued under a specific mandate to be approved by the Shareholders at the SGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares, which will rank *pari passu* in all respects with the then existing New Shares save for any dividend or other distribution declared, made or paid by the Company by reference to a record date falling before the date of issue of the Placing Shares.

## **Placees**

Hani Securities undertakes to use its best endeavours to procure not less than six professional, institutional and/or individual investors to subscribe for the Placing Shares and each of the placees and their respective ultimate beneficial owners shall be a third party independent of and not connected with or acting in concert with the Company or its connected persons and shall not be connected with each other or acting in concert with each other or any Shareholder. None of the placees and their respective concert parties shall become a substantial Shareholder upon completion of the Share Placing.

## **Placing price**

The placing price of HK\$0.15 per Placing Share represents:

- (i) a discount of approximately 74.1% to the theoretical closing price of HK\$0.580 per New Share on the Last Trading Day (based on the closing price of HK\$0.029 per existing Share as quoted on the Stock Exchange on the Last Trading Day and assuming the Capital Reorganization has taken effect);
- (ii) a discount of approximately 74.3% to the theoretical average closing price of HK\$0.5840 per New Share for the last five trading days up to and including the Last Trading Day (based on the average closing price of approximately HK\$0.0292 per existing Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and assuming the Capital Reorganization has taken effect); and
- (iii) a discount of approximately 74.6% to the theoretical average closing price of HK\$0.5900 per New Share for the last ten trading days up to and including the Last Trading Day (based on the average closing price of approximately HK\$0.0295 per existing Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and assuming the Capital Reorganization has taken effect).

The placing price of HK\$0.15 was arrived at after arm's length negotiation between the Company and Hani Securities with reference to the prevailing market price and the recent trading volume of the Shares. In view of the unstable economic environment and unfavourable financial market conditions, the Board considers that a lower placing price is required to encourage investments in the Company by the potential placees and the placing price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Conditions Precedent**

The completion of the Share Placing Agreement shall be conditional upon, inter alia, the fulfillment of the following conditions:

- (i) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve, amongst other things, the Share Placing and the allotment and issue of the Placing Shares pursuant to the terms of the Share Placing Agreement;
- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Placing Shares; and
- (iii) the Capital Reorganization becoming effective.

In the event that any of the conditions is not fulfilled within three months after the date of the SGM, the Share Placing Agreement shall cease and determine and the parties shall be released from all obligations and liabilities under it, save for any antecedent breaches of the provisions under the Share Placing Agreement.

Completion of the Share Placing shall take place on the 5th business day following the date on which all the above conditions are fulfilled, or such other date as may be mutually agreed by the parties thereto.

### **Proceeds from the Share Placing**

The maximum total gross proceeds from the Share Placing amounts to approximately HK\$33,000,000 while the maximum net proceeds from the Share Placing, after the deduction of related expenses of approximately of HK\$800,000, amounts to approximately HK\$32,200,000. The net placing price is approximately HK\$0.146 per Placing Share.

### **THE CN PLACING**

On 17 December 2008, the Company, as the issuer, and Get Nice, as the placing agent, entered into the CN Placing Agreement, pursuant to which Get Nice shall, on a best effort basis, procure not less than six subscribers to subscribe for the Convertible Notes with an aggregate principal amount of up to HK\$120,000,000 by one tranche or multiple tranches (in which each tranche shall not be less than HK\$10,000,000).

### **Get Nice**

Get Nice is a corporation deemed licensed to carry out types 1, 4, 6 and 9 regulated activities under the SFO. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Get Nice and its ultimate beneficial owners are third parties independent of the Company and its connected persons. A placing commission of 1% on the gross proceeds from the CN Placing shall be charged by Get Nice. The placing commission was arrived at after arm's length negotiations between the Company and Get Nice with reference to the prevailing commission charged by other placing agents. The Directors consider that the placing commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Subscribers**

Get Nice undertakes to use its best endeavours to procure not less than six professional, institutional and/or individual investors to subscribe for the Convertible Notes and each of the subscribers and their respective ultimate beneficial owners shall be a third party independent of and not connected with or acting in concert with the Company or its connected persons and shall not be connected with each other. None of the subscribers and their respective concert parties shall become a substantial Shareholder upon full conversion of the Convertible Notes.



## Principal terms of the Convertible Notes

Aggregate principal amount:	HK\$120,000,000
Interest rate:	2.25% per annum, payable in arrears.
Maturity date:	The date falling two years after the date of issue of the Convertible Notes.
Conversion right:	The holder(s) of the Convertible Notes shall have the right to convert the whole or part of the principal amount of the Convertible Notes (in the amount of HK\$1,000,000 or integral multiples thereof) into Conversion Shares at any time during the conversion period.
Conversion price:	The lower of (a) the initial conversion price of HK\$0.18 per Conversion Share; and (b) the average closing price of the New Shares for the five trading days ending on the day immediately preceding the date of a relevant conversion notice, subject to a limit of not less than HK\$0.15. The conversion price is subject to usual anti-dilution adjustments in certain events including share consolidation, share subdivision, capitalization issue, capital distribution, rights issue, open offer and equity or equity derivatives issues for cash or consideration for acquisition of any asset at a total effective consideration per share which is less than 80% of the average closing price of the shares of the Company as quoted on the Stock Exchange for the last five trading days immediately preceding the day on which the terms of such issue is to be determined.

The initial conversion price of HK\$0.18 per Conversion Share represents:

- (i) a discount of approximately 69.0% to the theoretical closing price of HK\$0.580 per New Share on the Last Trading Day (based on the closing price of HK\$0.029 per existing Share as quoted on the Stock Exchange on the Last Trading Day and assuming the Capital Reorganization has taken effect);
- (ii) a discount of approximately 69.2% to the theoretical average closing price of HK\$0.5840 per New Share for the last five trading days up to and including the Last Trading Day (based on the average closing price of approximately HK\$0.0292 per existing Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day and assuming the Capital Reorganization has taken effect); and
- (iii) a discount of approximately 69.5% to the theoretical average closing price of HK\$0.5900 per New Share for the last ten trading days up to and including the Last Trading Day (based on the average closing price of approximately HK\$0.0295 per existing Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day and assuming the Capital Reorganization has taken effect).

The initial conversion price of HK\$0.18 was arrived at after arm's length negotiation between the Company and Get Nice with reference to the prevailing market price and the recent trading volume of the Shares. The Board considers that the initial conversion price and the formula for calculating the conversion price is fair and reasonable and in the interests of the Shareholders and the Company as a whole as it has taken into account the market value of the Shares at the time of conversion and has set a floor for the conversion price.

- Conversion period: Any time from the 15th day after the date of issue up to and including the date which is 15 days prior to the maturity date of the Convertible Notes.
- Redemption: The Company may redeem the Convertible Notes in whole at 100% of issue price on the maturity date. The Company may also early redeem the Convertible Notes, at its discretion, with the consent of the holder(s), in whole or in part (in an amount or integral multiple of HK\$1,000,000) at 100% of the outstanding principal amount of the Convertible Notes at any time prior to the maturity date by way of a written notice in advance of five business days. However, the holder(s) of the Convertible Notes do not have the right to require the Company to early redeem the Convertible Notes.
- Conversion Shares: Assuming the Capital Reorganization has taken effect, the maximum number of Conversion Shares to be issued upon full conversion of the Convertible Notes will be 800,000,000 Conversion Shares, representing (i) approximately 1,278.3% of the existing share capital of the Company; (ii) approximately 92.7% of the share capital of the Company as enlarged by the issue of the Conversion Shares upon full conversion of the Convertible Notes; and (iii) approximately 73.9% of the share capital of the Company as enlarged by the issue of the Placing Shares and the Conversion Shares upon full conversion of the Convertible Notes.
- The Conversion Shares shall be issued under a specific mandate to be approved by the Shareholders at the SGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Notes, which will rank *pari passu* in all respects with the then existing New Shares save for any dividend or other distribution declared, made or paid by the Company by reference to a record date falling before the date of issue of the Conversion Shares.
- Voting: The holder(s) of the Convertible Notes will not be entitled to attend or vote at any general meeting of the Company by reason only of his/her being the holder(s) of the Convertible Notes.
- Transferability: The Convertible Notes may be assigned or transferred in whole or in part in denominations of HK\$1,000,000 of the outstanding principal amount to third parties (including connected persons of the Company), subject to written approval of the Company and the conditions, approvals, requirements and any other provisions under the Listing Rules and all applicable laws and regulations.
- Listing: No applications will be made for the listing of the Convertible Notes on any stock exchange.

## **Conditions Precedent**

The completion of the CN Placing Agreement shall be conditional upon, inter alia, the fulfillment of the following conditions:

- (i) the passing of the necessary resolution(s) by the Shareholders at the SGM to approve, amongst other things, the CN Placing, the issue of the Convertible Notes and the allotment and issue of the Conversion Shares pursuant to the terms of the CN Placing Agreement;
- (ii) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Conversion Shares; and
- (iii) the Capital Reorganization becoming effective.

In the event that any of the conditions is not fulfilled within three months after the date of the SGM, the CN Placing Agreement shall cease and determine and the parties shall be released from all obligations and liabilities under it, save for any antecedent breaches of the provisions under the CN Placing Agreement.

Completion of the CN Placing shall take place on the 5th business day following the date on which all the above conditions are fulfilled, or such other date as may be mutually agreed by the parties thereto.

The Share Placing and CN Placing are independent of each other. Therefore, the termination or cancellation of either event shall not have any effect on the other.

## **Proceeds from the CN Placing**

The maximum total gross proceeds from the CN Placing amounts to approximately HK\$120,000,000 while the maximum net proceeds from the CN Placing, after the deduction of related expenses of approximately of HK\$1,200,000, amounts to approximately HK\$118,800,000.

## **REASONS FOR THE SHARE PLACING AND THE CN PLACING AND USE OF PRECEEDS**

The Group is principally engaged in the provision of franchise, consultancy, property agency, surveying and property valuation services, trading of toys, gift and premiums products and securities trading and investments.

The maximum net proceeds from the Share Placing and the CN Placing is estimated to be approximately HK\$151,000,000, of which approximately HK\$100,000,000 shall be used to repay the outstanding promissory note issued by Kingbox Investments Limited, a wholly-owned subsidiary of the Company, to Mr. Ng Kai Man as part of the consideration for the acquisition of the property agency business in July 2008, details of which are set out in the circular of the Company dated 28 June 2008. The promissory note bears interest at 3% per annum and shall be due on 23 January 2010. The remaining balance of the net proceeds is planned for general working capital purposes.

The Directors consider that it is beneficial to the Company and the Shareholders as a whole to repay the promissory note, which bears a higher interest rate than the Convertible Notes, so as to reduce the Group's interest expense. In addition, the Share Placing and the CN Placing (if the conversion rights attaching to the Convertible Notes are exercised) will broaden the capital and shareholder base of the Company and thus further increase the liquidity of the New Shares and reduce the gearing of the Company. The Share Placing and CN Placing shall also provide additional working capital for business development of the Group.

Given the unstable economic environment and unfavourable credit market conditions, the Directors consider that the terms of the Share Placing Agreement and the CN Placing Agreement, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties involved, are fair and reasonable, and the Share Placing and the CN Placing are in the interest of the Company and the Shareholders as a whole.

## CHANGE IN THE SHAREHOLDING STRUCTURE

Assuming that there are no changes in the issued share capital of the Company prior to the completion of the Capital Reorganization, the Share Placing and the CN Placing, the effects on the shareholding structure of the Company upon completion of the Capital Reorganization, the issue of the Placing Shares and the issue of the Conversion Shares will be as follows:

	Shareholding as at the date of this announcement		Shareholding upon completion of Capital Reorganization		Shareholding upon completion of Capital Reorganization and issue of the Placing Shares		Shareholding upon completion of Capital Reorganization, issue of the Placing Shares and full conversion of the Convertible Notes	
	No. of Shares	%	No. of New Shares	%	No. of New Shares	%	No. of New Shares	%
Holders of Placing Shares	—	—	—	—	220,000,000	77.9	220,000,000	20.3
Holders of Conversion Shares	—	—	—	—	—	—	800,000,000	73.9
Other public Shareholders	1,251,646,080	100.0	62,582,304	100.0	62,582,304	22.1	62,582,304	5.8
Total	<u>1,251,646,080</u>	<u>100.0</u>	<u>62,582,304</u>	<u>100.0</u>	<u>282,582,304</u>	<u>100.0</u>	<u>1,082,582,304</u>	<u>100.0</u>

As at the date of this announcement, the Company has an Existing Convertible Note, which may be converted into 945,454,545 Shares upon full conversion at the initial conversion price of HK\$0.1375. Save as disclosed above, the Company has no outstanding share options, warrants or other securities which carry rights to subscribe for or be converted into Shares.

None of the holders of the Placing Shares and their respective concert parties shall become a substantial Shareholder upon completion of the Share Placing and none of the holders of the Conversion Shares and their respective concert parties shall become a substantial Shareholder upon full conversion of the Convertible Notes.

## FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any fund raising activity in the 12 months immediately preceding the date of this announcement.

## ADJUSTMENTS TO THE EXISTING CONVERTIBLE NOTE

An independent accountant or an independent investment bank in Hong Kong will be engaged by the Company in accordance with the terms of the Existing Convertible Note to provide certificate as to the adjustments (if any) required to be made in respect of the outstanding Existing Convertible Note as a result of the Capital Reorganization, Share Placing and CN Placing. The Company will make a further announcement about the adjustments after receiving the certificate.

## **GENERAL**

A SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve the change of company name, the Capital Reorganization, the Share Placing and the CN Placing. As no Shareholders have material interest in the change of company name, the Capital Reorganization, the Share Placing and the CN Placing which is different from the other Shareholders, no Shareholders are required to abstain from voting in respect of the proposed resolutions to approve the change of company name, the Capital Reorganization, the Share Placing and the CN Placing at the SGM. A circular containing, among other things, further details of the proposed change of company name, the Capital Reorganization, the Share Placing and the CN Placing together with a notice convening the SGM will be despatched to the Shareholders in due course.

## **SUSPENSION AND RESUMPTION OF TRADING**

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 18 December 2008 pending the release of this announcement and application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 23 December 2008.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Capital Reduction”	the proposed reduction of the par value of each issued Consolidated Share from HK\$2.50 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$2.49 on each Consolidated Share
“Capital Reorganization”	the proposed share capital reorganization, including the Share Consolidation, the Capital Reduction and the Share Subdivision
“CN Placing”	the placing of the Convertible Notes by Get Nice pursuant to the terms of the CN Placing Agreement
“CN Placing Agreement”	the placing agreement dated 17 December 2008 entered into between the Company and Get Nice in respect of the CN Placing
“Company”	GFT Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$2.50 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Convertible Notes”	the convertible notes in the aggregate principal amount of up to HK\$120,000,000 to be placed by one tranche or multiple tranches (in which each tranche shall not be less than HK\$10,000,000) under the CN Placing by Get Nice on a best effort basis
“Conversion Shares”	the New Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Notes

“Directors”	the directors of the Company
“Existing Convertible Note”	a convertible note in principal amount of HK\$130,000,000 issued by the Company to Mr. Ng Kai Man as part of the consideration for the acquisition of the property agency business in July 2008, details of which are set out in the circular of the Company dated 28 June 2008
“Get Nice”	Get Nice Securities Limited, a corporation deemed licensed to carry out types 1 (dealing in securities), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO
“Group”	the Company and its subsidiaries
“Hani Securities”	Hani Securities (H.K.) Limited, a corporation licensed to carry out types 1 (dealing in securities), 4 (advising on securities) and 6 (advising on corporate finance) regulated activities under the SFO
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	17 December 2008, being the last trading day for the existing Shares prior to the date of this announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately after the Capital Reorganization becoming effective
“Placing Shares”	a maximum of 220,000,000 New Shares to be placed by one tranche or multiple tranches (in which each tranche shall not be less than 20,000,000 New Shares) under the Share Placing by Hani Securities on a best effort basis
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGM”	the special general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving, among other things, the change of company name, the Capital Reorganization, the Share Placing and the CN Placing
“Share(s)”	ordinary share(s) of HK\$0.125 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Consolidation”	the proposed consolidation of every twenty existing Shares into one Consolidated Share
“Share Placing”	the placing of the Placing Shares by Hani Securities pursuant to the terms of the Share Placing Agreement

“Share Placing Agreement”	the placing agreement dated 17 December 2008 entered into between the Company and Hani Securities in respect of the Share Placing
“Share Premium Reduction”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“Share Subdivision”	the proposed subdivision of one authorized but unissued Consolidated Share into 250 New Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board  
**GFT Holdings Limited**  
**Ng Kai Man**  
*Executive Director*

Hong Kong, 22 December 2008

*As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Ha Kee Choy, Eugene, Ms. Ma Wai Man, Catherine and Mr. Ng Kai Man; and three independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Chui Chi Yun, Robert and Ms. Leung Sau Fan, Sylvia.*