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GOLDLION HOLDINGS LIMITED

金利來集團有限公司

(incorporated in Hong Kong under the Hong Kong Companies Ordinance)

(Stock code: 533)

CONTINUING CONNECTED TRANSACTION

The Group entered into the five-year Lease in July 2002 with GWTCCL and CWTC which then became connected persons to the Company since December 2002. Details of the Lease were set out in the announcement of the Company dated 1 April 2003. The Lease was subsequently renewed on 10 November 2006 for another four years from 1 August 2007 to 31 July 2011 at the then market rate.

On 9 September 2008, the Group entered into the 2008 Supplemental Agreement with GWTCCL to revise the leased area under the Lease and the rental was mistakenly adjusted to below market rent.

On 28 April 2009, the Group entered into the 2009 Supplemental Agreement with GWTCCL to revise the rental back to market level.

GWTCCL is indirectly owned as to 75% by Mr. Tsang, the son of executive Directors, Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of executive Directors, Mr. Tsang Chi Ming, Ricky. Mr. Tsang is also a beneficiary of the Dr. Tsang Hin Chi's family trust, the 62.42% controlling shareholder of the Company. Mr. Tsang is therefore a connected person to the Company under the Listing Rules and the Lease constitutes a continuing connected transaction to the Company.

The relevant applicable percentage ratios in respect of the annual consideration for the Continuing Connected Transaction were less than 2.5%. However, since it exceeded HK\$1,000,000, the Continuing Connected Transaction is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules, but is exempt from the independent shareholders' approval requirements.

INTRODUCTION

The Group entered into the five-year Lease in July 2002 with GWTCCL and CWTC which then became connected persons to the Company since December 2002. Details of the Lease are set out in the announcement of the Company dated 1 April 2003. The Lease was subsequently renewed on 10 November 2006 for another four years from 1 August 2007 to 31 July 2011 at an annual aggregate consideration of RMB3,444,730 which was in line with the then market rate.

On 9 September 2008, the Group entered into the 2008 Supplemental Agreement with GWTCCL to revise the leased area under the Lease and the rental was mistakenly adjusted to below market rent.

On 28 April 2009, the Group entered into 2009 Supplemental Agreement with GWTCCL to revise the rental back to market level.

SUMMARY OF THE PRINCIPAL TERMS OF THE LEASE

Parties

| | | |
|-----------|---|-----------------|
| Lessors | : | GGCPL and GGETL |
| Lessee | : | GWTCCL |
| Guarantor | : | CWTC |

Properties and facilities subject to the Lease

3rd Floor, a portion of 4th Floor and 5th Floor, Goldlion Digital Network Centre (金利來數碼網絡大廈), No. 138 Tiyu Dong Road, Tianhe District, Guangzhou City, Guangdong Province, the PRC and its facilities existing on such floors have been leased to GWTCCL for using as a commercial club since August 2002. Since 3 November 2003, relevant portion of the 5th Floor of the Leased Premises together with the facilities located thereon were excluded from the Lease.

Term

Lease of a fixed term of five years commenced from 1 August 2002 and expired on 31 July 2007 was renewed in November 2006 for another four years commenced from 1 August 2007 and expiring on 31 July 2011.

Rental

Annual rental and management fee was adjusted to RMB3,444,730 upon the 2006 Renewal which was in line with the then prevailing market rent as supported by an independent valuation dated 6 November 2006.

SUMMARY OF THE PRINCIPAL TERMS OF THE 2008 SUPPLEMENTAL AGREEMENT

In July 2008, GWTCCCL requested to adjust the leased area of the Leased Premises and the 2008 Supplemental Agreement was entered into between the parties on 9 September 2008. Pursuant to the 2008 Supplemental Agreement, relevant portion of the 4th Floor of the Leased Premises together with the facilities located thereon were further excluded from the Lease.

The annual rental together with the management fee was mistakenly adjusted from RMB3,444,730 to RMB2,213,384 which was below the then market rate.

SUMMARY OF THE PRINCIPAL TERMS OF THE 2009 SUPPLEMENTAL AGREEMENT

On 28 April 2009, GGCPL has entered into 2009 Supplemental Agreement with GWTCCCL by restoring the rental to RMB3,345,659, the then market rent at the time the 2008 Supplemental Agreement became effective in July 2008. The restored rental value was supported by an independent valuation dated 27 April 2009 and will be valid with effect from 1 May 2009. The Lessee also agreed to pay back the underpayment of RMB901,035 to the Company. Pursuant to the 2009 Supplemental Agreement, the Lease has a term of three years commenced from 15 July 2008 and expiring on 14 July 2011.

ANNUAL CAPS

The annual caps for the Continuing Connected Transaction for the three years ending 31 December 2009, 31 December 2010 and 31 December 2011 are as follows (based on the rental for the relevant period):

| | 1 January 2009 to 31 December 2009 | 1 January 2010 to 31 December 2010 | 1 January 2011 to 31 December 2011 |
|-----------------------|---|---|---|
| Amount (<i>RMB</i>) | 3,350,000 | 3,350,000 | 1,800,000 ^(Note) |

Note: The Continuing Connected Transaction under the 2009 Supplemental Agreement will expire on 14 July 2011.

The rental was agreed between the parties to the Lease after arms length negotiations and based on the then prevailing market rate at the time of the 2008 Supplemental Agreement became effective in July 2008. The Continuing Connected Transaction is on normal commercial terms. The annual caps are based primarily on the rental and management fee payable to the Group under the 2009 Supplemental Agreement.

REASONS FOR THE CONTINUING CONNECTED TRANSACTION

The Lease was renewed pursuant to the exercise of right of first refusal by the Lessee in 2006. The Directors consider that the Lease which is now rectified back to a rental value at the then prevailing market rate is in the interests of the Company and the Shareholders as a whole.

The principal activities of the Group are distribution and manufacturing of garments, leather goods and accessories, licensing of brand name, and property investments and development. The Directors are of the view that the Continuing Connected Transaction is conducted in the ordinary and usual course of business of the Group. The Directors consider that the Lease under the 2009 Supplemental Agreement is entered into after arm's length negotiations and on normal commercial terms, and the terms of the Continuing Connected Transaction under such agreement and the related annual caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

GWTCCL is principally engaged in operation of commercial club, information technology consulting and catering services.

IMPLICATION UNDER THE LISTING RULES

GWTCCL is indirectly owned as to 75% by Mr. Tsang, the son of executive Directors, Dr. Tsang Hin Chi and Madam Wong Lei Kuan, and a brother of executive Directors, Mr. Tsang Chi Ming, Ricky. Mr. Tsang is also a beneficiary of the Dr. Tsang Hin Chi's family trust, the 62.42% controlling shareholder of the Company. Mr. Tsang is therefore a connected person to the Company under the Listing Rules and the Lease constitutes a continuing connected transaction to the Company.

The relevant applicable percentage ratios in respect of the annual consideration for the Continuing Connected Transaction were less than 2.5%. However, since it exceeded HK\$1,000,000, the Continuing Connected Transaction is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 and the requirements set out in Rules 14A.35(1) and 14A.35(2) of the Listing Rules, but is exempt from the independent shareholders' approval requirements.

The announcement requirement for the 2006 Renewal under the Listing Rules was overlooked by the Company and the Continuing Connected Transaction was only disclosed in the Company's annual reports for the years ended 31 December 2006 and 2007. The failure of the Company to make an announcement and appoint an independent financial adviser to opine on the longer than three years' duration at the time of the 2006 Renewal constituted breaches of Rules 14A.36(2) and 14A.35(1) of the Listing Rules.

The rental under the 2008 Supplemental Agreement which reflected the new leased area was mistakenly adjusted to below market rent. As the terms of 2008 Supplemental Agreement are not on normal commercial terms, independent shareholders' approval is required. The failure of the Company to make an announcement and obtain independent shareholders' approval in respect of the 2008 Supplemental Agreement constituted breaches of Rules 14A.36(2) and 14A.48 of the Listing Rules.

REMEDIAL MEASURES TAKEN

Immediately after the Board identified the non-compliances of Listing Rules as mentioned above in relation to the Lease, the Company conducted a full review on all its existing continuing connected transactions and its internal control policy and procedures. The Board also proposes to have the Independent Board Committee to review all future transactions with the Company's connected persons before entering into any binding agreements.

DEFINITIONS

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

| | |
|------------------------------------|--|
| “2006 Renewal” | the renewal of the Lease on 10 November 2006; |
| “2008 Supplemental Agreement” | the supplemental agreement between the parties to the Lease dated 9 September 2008; |
| “2009 Supplemental Agreement” | the supplemental agreement between the parties to the Lease dated 28 April 2009; |
| “Board” | the board of Directors; |
| “Company” | Goldlion Holdings Limited (stock code: 533), a company incorporated in Hong Kong, the Shares of which are listed on the Main Board of the Stock Exchange; |
| “Continuing Connected Transaction” | The lease of Leased Premises by the Group to GWTCCL as contemplated under the 2006 Renewal, 2008 Supplemental Agreement and 2009 Supplemental Agreement; |
| “CWTC” | China World Trade Corporation, a company established in the United States of America with limited liability; |
| “Directors” | the directors of the Company; |
| “GGCPL” | 廣州金利來城市房產有限公司 (Guangzhou Goldlion City Properties Company Limited*), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability; |
| “GGETL” | 廣州市金利來環保科技有限公司 (Guangzhou Goldlion Environmental Technology Company Limited*), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability; |
| “Group” | the Company and its subsidiaries; |
| “GWTCCL or Lessee” | 廣州世貿中心俱樂部有限公司 (Guangzhou World Trade Center Club Company Limited*), a company incorporated in the PRC with limited liability and is indirectly owned as to 75% by Mr. Tsang; |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong; |

* For identification purpose only

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| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “Independent Board Committee” | the independent board committee of the Company comprising all the independent non-executive Directors; |
| “Lease” | leasing of the Lease Premises and the facilities existing on the Leased Premises owned by the Group to GWTCCL commencing from 1 August 2002; |
| “Leased Premises” | Certain areas of Goldlion Digital Network Centre (金利來數碼網絡大廈), No. 138 Tiyu Dong Road, Tianhe District, Guangzhou City, Guangdong Province, PRC, leased by the Group to GWTCCL under the Lease; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Mr. Tsang” | Mr. Tsang Chi Hung; |
| “PRC” | the People’s Republic of China and for the purpose of this announcement excluding Taiwan or the Hong Kong and Macau Special Administrative Regions; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company; |
| “Shareholders” | holders of the Shares; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited. |

By order of the Board
Kam Yiu Kwok
Company Secretary

Hong Kong, 28 April 2009

As at the date of this announcement, the directors of the Company comprise Dr. Tsang Hin Chi, Mr. Tsang Chi Ming, Ricky and Madam Wong Lei Kuan as executive Directors; Mr. Ng Ming Wah, Charles as a non-executive Director; and Dr. Lau Yue Sun, Dr. Wong Ying Ho, Kennedy and Mr. Yin, Richard Yingneng as independent non-executive Directors.