



SMART TOWN HOLDINGS LIMITED

(Incorporated in the British Virgin Islands with limited liability)

TEEM FOUNDATION GROUP LTD.

(浩 基 集 團 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock Code: 628)

JOINT ANNOUNCEMENT

(1) Acquisition of Shares in Teem Foundation Group Ltd.
by Smart Town Holdings Limited; and
(2) Mandatory unconditional cash offer by



KINGSTON SECURITIES LIMITED

on behalf of

Smart Town Holdings Limited

for all the issued shares in Teem Foundation Group Ltd.

(other than those already owned by

Smart Town Holdings Limited and parties acting in concert with it)

FINANCIAL ADVISER TO SMART TOWN HOLDINGS LIMITED



KINGSTON CORPORATE FINANCE LIMITED

The Offeror announces that, and the Board has been informed by the Offeror that, the Offeror has entered into the Sale and Purchase Agreement with the Vendors on 30 March 2004 pursuant to which, the Offeror agreed to purchase and the Vendors agreed to sell in aggregate 369,600,000 Shares for a total consideration of HK\$43,982,400 (equivalent to HK\$0.119 per Share). The Sale Shares represent 55% of the issued share capital of the Company as at the date of this announcement. The acquisition of the Sale Shares by the Offeror pursuant to the Sale and Purchase Agreement was completed on 30 March 2004.

Following the acquisition of the Sale Shares, the shareholding interest of the Offeror and its concert parties, including Pan-Star being a party acting in concert with the Offeror under the Takeovers Code, in the Company will increase from 24% to 75% and the Offeror and its concert parties are required to make a mandatory unconditional cash offer pursuant to the Rule 26.1 of Takeovers Code. Kingston Securities will, on behalf of the Offeror, make the Offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it. The principal terms of the Offer are set out under the section headed “The Offer” below.

Immediately after the sale of the Sale Shares, Mr. Chu holds no Shares while Pan-Star still holds 134,400,000 Shares, representing 20% of the issued share capital of the Company. Pan-Star has undertaken to the Offeror that it will not sell, transfer or dispose of any of its 134,400,000 Shares and will not accept any appropriate offer pursuant to the Takeovers Code during the period from 30 March 2004 up to the closing of the Offer.

On 31 March 2004, the Offeror and Kingston Securities entered into the Underwriting and Placing Agreement, pursuant to which, Kingston Securities agreed to fully underwrite and place the Shares accepted under the Offer to maintain the 25% public float of the Company. Both Kingston Corporate Finance and Kingston Securities are satisfied that the Offeror has sufficient financial resources to fulfill its obligations under the Offer.

Pursuant to the Takeovers Code, within 21 days after the date of this announcement or such later date as the Executive may approve, the Offeror is required to despatch an offer document in relation to the Offer. The Offeror and the Company will combine the offer document and the Company’s board circular in the Composite Offer Document to be posted within such period. An independent board committee to advise the independent Shareholders in respect of the Offer will be established by the Company. An independent financial adviser will be appointed to advise the independent board committee in respect of the Offer.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 31 March 2004 pending the release of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 15 April 2004.

THE SALE AND PURCHASE AGREEMENT

Date:	30 March 2004
Vendors:	<p>Mr. Chu Chi Ming, the chairman of the Company and controlling Shareholder prior to the sale of the Sale Shares, agreed to sell 342,720,000 Shares, representing 51% of the entire issued share capital of the Company, to the Offeror</p> <p>Pan-Star, a substantial shareholder of the Company, which is beneficially owned as to 40% by Mr. Wei Ming, as to 30% by Mr. Tang Hin Keung, Alfred and as to 30% by Mr. Pun Yuen Sang, agreed to sell 26,880,000 Shares, representing 4% of the entire issued share capital of the Company, to the Offeror. Mr. Tang Hin Keung, Alfred and Mr. Pun Yuen Sang are executive Directors.</p>
Purchaser:	Smart Town Holdings Limited, which is beneficially owned as to 50% by Mr. Yeung Tony Ming Kwong and as to 50% by Mr. Liu Ching Hua. Pan-Star and all its beneficial owners are parties acting in concert with the Offeror under the Takeovers Code.
Sale Shares:	an aggregate of 369,600,000 Shares, representing 55% of the entire issued share capital of the Company as at the date of this announcement. The Sale Shares were acquired by the Offeror free from all liens, charges, encumbrances and any other third-party rights together with all rights attaching to them at completion of the Sale and Purchase Agreement.
Consideration:	HK\$43,982,400 in cash (equivalent to HK\$0.119 per Share), out of which HK\$40,783,680 is payable to Mr. Chu and HK\$3,198,720 is payable to Pan-Star

The price of the Sale Shares was determined after arm’s length negotiation between the Offeror and the Vendors with the reference to, amongst other things, the consolidated unaudited net asset value per Share of HK\$0.120 as at 30 September 2003. The acquisition of the Sale Shares by the Offeror pursuant to the Sale and Purchase Agreement was completed on 30 March 2004.

THE OFFER

Immediately before the acquisition of the Sale Shares, the Offeror does not have any shareholding interest in the Company and the party acting in concert with the Offeror under the Takeovers Code, Pan-Star, owned 161,280,000 Shares, and accordingly, the Offeror and its concert parties own an aggregate of 161,280,000 Shares, representing a 24% shareholding interests in the Company. Following the acquisition of the Sale Shares, the Offeror and its concert parties, own an aggregate of 504,000,000 Shares (out of which 369,600,000 Shares are held by the Offeror and 134,400,000 Shares are held by Pan-Star), representing approximately 75% of the issued share capital of the Company as at the date of this announcement and are required to make a mandatory unconditional cash offer pursuant to Rule 26.1 of the Takeovers Code. Kingston Securities will, on behalf of the Offeror, make the Offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it. Save for the acquisition of the Sale Shares by the Offeror (which by itself includes the disposal of 26,880,000 Shares by Pan-Star to the Offeror), none of the Offeror and parties acting in concert with it has dealt in any Shares during the six months prior to the date of Sale and Purchase Agreement.

The Offer will be made in compliance with the Takeovers Code by Kingston Securities on behalf of the Offeror on the following terms:

For each ShareHK\$0.119 in cash

* For identification purpose only

The Offer Price is the same price as that paid by the Offeror to the Vendors for the Sale Shares according to the Sale and Purchase Agreement. The Offer Price represents (i) a discount of approximately 84.74% to the closing price of HK\$0.78 as quoted by the Stock Exchange of the Shares on 30 March 2004, being the last trading day before this announcement; (ii) a discount of approximately 84.92% to the average of closing prices of the Shares of HK\$0.789 over the last 10 consecutive trading days up to and including 30 March 2004; (iii) a discount of approximately 85.49% to the average of closing prices of the Shares of HK\$0.82 over the last 20 consecutive trading days up to and including 30 March 2004; (iv) a premium of approximately 16.67% to the consolidated unaudited net tangible assets per Share of HK\$0.102 as at 30 September 2003; and (v) a discount of approximately 0.83% to the consolidated unaudited net asset value per Share of HK\$0.120 as at 30 September 2003.

There is no outstanding warrants, options or securities convertible into Shares at the date of this announcement.

Total consideration

As at the date of this announcement, there are 672,000,000 Shares in issue. On the basis of the Offer Price at HK\$0.119 per Share, the entire issued share capital of the Company is valued at approximately HK\$79,968,000 under the Offer. Immediately after sale of the Sale Shares, Mr. Chu holds no Shares while Pan-Star still holds 134,400,000 Shares, representing 20% of the issued share capital of the Company. Pan-Star has undertaken to the Offeror that they will not sell, transfer or dispose of any of its 134,400,000 Shares and will not accept any appropriate offer pursuant to the Takeovers Code during the period from 30 March 2004 up to the closing of the Offer. As such, the total number of Shares subject to the Offer are valued at approximately HK\$19,992,000 based on the Offer Price.

Underwriting and placing

On 31 March 2004, the Offeror and Kingston Securities entered into the Underwriting and Placing Agreement, pursuant to which, Kingston Securities agreed to fully underwrite and place the Shares accepted under the Offer to maintain the 25% public float of the Company in compliance with the relevant requirements of the Listing Rules. Both Kingston Corporate Finance and Kingston Securities are satisfied that the Offeror has sufficient financial resources to fulfill its obligations under the Offer. Kingston Securities shall pay for the Shares tendered and accepted under the Offer. The placing of the Shares tendered and accepted under the Offer by Kingston Securities will only be completed and the share certificates for such Shares will only be delivered to the placees after the close of the Offer.

Stamp duty

Stamp duty at a rate of HK\$1.00 for every HK\$1,000 (or part thereof) of the amount payable in respect of relevant acceptance will be deducted from the amount payable to the Inland Revenue Department of Hong Kong by the Offeror on behalf of the accepting Shareholders. The Offeror will also pay stamp duty payable by it as purchaser of the Shares pursuant to the Offer based on the gross consideration payable to the accepting Shareholders in respect of the Offer.

Effect of accepting the Offer

By accepting the Offer, Shareholders will sell their Shares and all rights attaching to them, including the right to receive all dividends and other distributions, if any, declared, made or paid on or after the date of this announcement. Acceptances of the Offer will not be permitted to be withdrawn except in circumstances set out under Rule 19.2 of the Takeovers Code and until the requirements of Rule 19 of the Takeovers Code have been met.

MAINTAINING THE LISTING STATUS OF THE COMPANY
The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public, or if the Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
 - that there are insufficient Shares in public hands to maintain an orderly market
- it will consider exercising its discretion to suspend dealings in the Shares.

The Offeror has no intention to privatize the Company. The Offeror intends to maintain the listing of the Shares on the Stock Exchange. The directors of the Offeror and the new directors to be appointed to the board of directors of the Company will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has also stated that, if the Company remains a listed company, any future injections of assets into or disposals of assets of the Company will be subject to the provisions of the Listing Rules. Pursuant to the Listing Rules, the Stock Exchange has discretion to require the Company to issue a circular to its shareholders where any acquisition or disposal by the Company is proposed, irrespective of the size of such acquisition or disposal and in particular where such acquisition or disposal represents a departure from the principal activities of Company. The Stock Exchange also has the power pursuant to the Listing Rules, to aggregate a series of acquisitions or disposals by the Company and any such acquisitions or disposals may, in any event, result in the Company being treated as a new applicant for listing and subject to the requirements for new applicants as set out in the Listing Rules.

INFORMATION ON THE COMPANY

The principal activities of the Group comprise the provision and installation of fire-rated timber door sets (being capable of resisting the action of fire), as well as the provision of interior decoration and renovation services and other carpentry works.

The following table sets out the shareholding structure of the Company immediately before and after Completion:

	Shareholdings before Completion	%	Shareholdings after Completion	%
Mr. Chu	342,720,000	51	0	0
Offeror and parties acting in concert with it:				
Pan-Star	161,280,000	24	134,400,000	20
Offeror	0	0	369,600,000	55
	161,280,000	24	504,000,000	75
Public	168,000,000	25	168,000,000 <i>(Note)</i>	25
Total	672,000,000	100	672,000,000	100

Note: The number of Shares to be held by the public upon Completion is based on the assumption of the successful placing of all Shares accepted under the Offer by Kingston Securities. In the event that not all the accepted Shares are placed, the public float of Shares will be less than 25%.

The Company recorded an audited consolidated net loss of approximately HK\$2.97 million for the year ended 31 March 2003 and an audited consolidated net profit of approximately HK\$22.57 million for the year ended 31 March 2002. The audited consolidated net assets of the Company as at 31 March 2003 and 31 March 2002 were approximately HK\$86.62 million and approximately HK\$58.59 million respectively.

INFORMATION ON THE OFFEROR AND ITS INTENTION IN RELATION TO THE COMPANY

The Offeror is a private company incorporated in the British Virgin Islands with limited liability and is beneficially owned as to 50% by Mr. Yeung Tony Ming Kwong and as to 50% by Mr. Liu Ching Hua.

Pan-Star and all its beneficial owners are parties acting in concert with the Offeror under the Takeovers Code. Save for the aforesaid, immediately before Completion, neither the Offeror nor its beneficial owners have any financial or other business connection with the Vendors and their respective concert parties. Immediately after Completion, the sole business activity of the Offeror is investment holding and it owns 369,600,000 Shares, representing 55% of the issued share capital of the Company.

The biographical details of Mr. Yeung Tony Ming Kwong and Mr. Liu Ching Hua are set out below:

Mr. Yeung Tony Ming Kwong, aged 56, is currently a director and shareholder of Smarttrend Investment Limited and Kateman International Limited, which are private investment companies focusing on private equity investments in real estate industry and finance industry. Furthermore, he is also a shareholder of G.F.S. Securities & Futures Inc., which is a company incorporated in the United States of America and is principally engaged in the trading of foreign exchange and futures under the regulations of US Securities and Exchange Commission.

Mr. Liu Ching Hua, aged 55, has extensive experience in management and investment. Mr. Liu is also a business partner of Mr. Yeung Tony Ming Kwong and a shareholder of the Offeror.

The Offeror proposes to continue the existing business of the Company but will regularly review its current business activities and assets. As at the date of this announcement, the Offeror has no concrete plan as to any changes to the existing business of the Company. It proposes to identify suitable new investment opportunities to further develop the Company, although no specific targets have been identified. The Offeror confirms that it will procure that, following the close of the Offer, any asset injections or disposals will be implemented in accordance with all applicable laws, regulations and relevant provisions of the Listing Rules.

DIRECTORS AND MANAGEMENT

It is intended that all the existing executive Directors, except Mr. Pun Yuen Sang and Mr. Tang Hin Keung, Alfred, will resign, and that Mr. Ng Kenny Chi Kin (being independent non-executive Director), will resign at the earliest time as allowed under the Takeovers Code and the Listing Rules. At the same time, the Offeror intends to appoint Mr. Lum Chor Wah, Richard and Mr. Yeung Tony Ming Kwong to the Board. Further announcement will be made upon such appointments. Any appointment of new Directors by the Offeror will be in full compliance with the requirements pursuant to the Takeovers Code and the Listing Rules. The biographical details of Mr. Lum Chor Wah, Richard are set out below:

Mr. Lum Chor Wah, Richard, aged 43, has over 15 years of experience in the field of corporate finance and investment advisory including the provision of advice in relation to group restructuring and fund raising. Mr. Lum holds a Bachelor’s degree in Science from the University of Hong Kong and a Master’s degree in Business Administration from the Chinese University of Hong Kong. He is also a member of the Society of Registered Financial Planners in Hong Kong, a Fellow member of Hong Kong Institute of Directors and an associate member of Institute of Financial Accountants, United Kingdom. He had worked in a senior position for an international bank for around 7 years and acted as executive director of two companies listed on The Stock Exchange of Hong Kong Limited, responsible for the investors relationship, investment and corporate finance activities, administrative and financial aspects of the company. Mr. Lum is also executive director of the Offeror as at the date of this announcement.

The Offeror does not expect that there will be any material changes to the continued employment of the employees of the Group or to the employment terms or conditions of the employees of the Group as a result of the Offer.

GENERAL

Pursuant to the Takeovers Code, the Company is required to (i) form an independent board committee to consider the Offer and advise the independent Shareholders in respect of the Offer; and (ii) appoint an independent financial adviser to advise the independent board committee regarding the Offer. An independent financial adviser will be appointed and an announcement will be made in relation thereto once the independent financial adviser is appointed. Pursuant to Rule 8.2 of the Takeovers Code, within 21 days after the date of this announcement or such later date as the Executive may approve, the Offeror is required to despatch an offer document in relation to the Offer. The Offeror and the Company will

combine the offer document and the Company’s board circular in the Composite Offer Documents to be posted within such period and further details of procedures of acceptance of the Offer and the settlement shall be set out in the Composite Offer Document in accordance with the Takeovers Code.

As at the date of this announcement, the Company has six executive Directors and two independent non-executive Directors. The executive Directors are Mr. Chu Chi Ming, Mr. Tang Hin Keung, Alfred, Mr. Pun Yuen Sang, Mr. Mak Kui Yuen, Ms. Ip Siu Fung and Ms. Lee Lim. The independent non-executive Directors are Mr. Leung Chi Hung and Mr. Ng Kenny Chi Kin.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 31 March 2004 pending release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 15 April 2004.

DEFINITIONS

“associate”	as defined in the Listing Rules
“Board”	the board of directors of the Company
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Company”	Teem Foundation Group Ltd., a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“Composite Offer Document”	the document to be jointly issued by and on behalf of the Offeror and the Company to all Shareholders in accordance with the Takeovers Code containing, inter alia, terms and conditions of the Offer, the forms of acceptance and transfer in respect of the Offer, the advice of the independent financial adviser to the Independent Board Committee in respect of the Offer, and the advice of the Independent Board Committee to the independent Shareholders in relation to the Offer
“Director(s)”	director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
Independent Board Committee”	an independent board committee of the board of Directors to be established for the purpose of advising the Independent Shareholders in relation to the Offer
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a licensed corporation to carry on business in types 4 and 6 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Kingston Securities”	Kingston Securities Limited, a licensed corporation to carry on business in types 1, 4, 6 and 9 regulated activities (dealing in securities, advising on securities and corporate finance, providing automated trading services and asset management) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chu”	Mr. Chu Chi Ming, the chairman and executive Director of the Company and one of the Vendors
“Offer”	the mandatory unconditional cash offer for all the issued Shares not already owned by the Offeror and parties acting in concert with it at the Offer Price to be made by Kingston Securities on behalf of the Offeror in accordance with the Takeovers Code
“Offeror” or “Purchaser”	Smart Town Holdings Limited, a company incorporated in the British Virgin Islands
“Offer Price”	HK\$0.119 per Share
“Pan-Star”	Pan-Star Nominees Limited, a company incorporated in the British Virgin Island and one of the Vendors
“PRC”	People’s Republic of China
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 March 2004 entered into between the Vendors and the Offeror in relation to the sale by the Vendors and the purchase by the Offeror of the Sale Shares
“Sale Shares”	the 369,600,000 Shares sold by the Vendors and acquired by the Purchaser pursuant to the Sale and Purchase Agreement
“Shareholders”	holders of the Shares
“SFC”	Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriting and Placing Agreement”	the underwriting and placing agreement dated 31 March 2004 entered into between the Offeror and Kingston Securities pursuant to which, Kingston Securities agreed to fully underwrite and place the Shares accepted by it under the Offer to maintain the 25% public float of the Company
“Vendors”	Mr. Chu and Pan-Star
“%”	per cent.

By order of the board of Smart Town Holdings Limited Lum Chor Wah, Richard <i>Director</i>	By order of the board of Teem Foundation Group Ltd. Pun Yuen Sang <i>Director</i>
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Hong Kong, 14 April 2004

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Group, and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement, other than those relating to the Group, have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statements in this announcement misleading.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement, other than that relating to the Offeror, and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement, other than that relating to the Offeror, have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

* For identification purpose only