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LUEN CHEONG TAI INTERNATIONAL HOLDINGS LIMITED

聯昌泰國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE TRANSACTION
INVOLVING ISSUANCE OF NEW SHARES
in respect of
the acquisition of 100% of the issued share capital
of Fortuna Group Limited

The Board is pleased to announce that on 23rd July, 2002, Luen Cheong Tai (BVI) Limited, a wholly-owned subsidiary of the Company, have entered into the Agreement with certain independent third parties, under which and subject to certain terms and conditions thereof, Luen Cheong Tai (BVI) Limited agrees to acquire 100% of the issued share capital of Fortuna Group Limited. The total Consideration for the Acquisition is HK\$20,040,000.

The Consideration for the Acquisition will be satisfied by way of issuance and allotment of 106,500,000 new shares (credited as fully paid) at a price of HK\$0.16 per share to the Vendors upon Completion and a cash consideration of HK\$3,000,000 payable to the Vendors within 24 months after the date of Completion. The closing price of the share of the Company was HK\$0.088 per share on 23rd July, 2002.

The Acquisition constitutes a discloseable transaction involving issuance of new shares in the Company under the Listing Rules, a circular containing details of the Acquisition will be dispatched to the shareholders of the Company as soon as practicable.

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 24th July, 2002 pending the issue of this Announcement, and the Company has applied to the Stock Exchange for the shares of the Company to resume its trading with effect from 9:30 a.m. on 25th July, 2002.

THE AGREEMENT

Date: 23rd July, 2002

Parties:

Purchaser: Luen Cheong Tai (BVI) Limited, a wholly-owned subsidiary of the Company

Vendors: Lau Tak Wai Davie and Lee Chi Hoi Danny, who are the beneficial owners of all the issued and fully paid up shares in the capital of Fortuna Group Limited

Each of Lau Tak Wai Davie and Lee Chi Hoi Danny and Fortuna Group Limited are companies/ persons independent from the Directors or chief executive or substantial shareholders or management shareholders of the Company or any of their respective associates (as defined in the Listing Rules).

Asset Acquired

LCTBVI has agreed to purchase the Fortuna Shares, representing 100% of the issued and fully paid up share capital of Fortuna. The principal business of Fortuna is investment holding, which is in the process of acquiring 100% of the interest or right in a wholly owned foreign capital company incorporated under the laws of PRC (the “Target Company”) from certain independent third parties. The successful acquisition of 100% of the interest or right in the Target Company by Fortuna is a condition precedent for the completion of acquisition of Fortuna Shares by LCTBVI.

No accounts have been prepared by Fortuna since its date of incorporation on 8th May, 2002. Save for the said 100% interest or right in the Target Company to be acquired by Fortuna, Fortuna has not acquired any other or owned any assets at the date of the Agreement, and has not commenced any business or carried out any business activity.

The Target Company has a registered capital of over HK\$10 million which has been fully paid up as at the date of this Agreement. The Target Company owns and operates a wood processing factory in PRC. The major assets of the Target Company comprise land on which a factory and an office are erected and also plant and machinery. Based on its latest audited accounts as at 31st December 2001, the Target Company has a net asset value of RMB12,153,169 (equivalent to HK\$11,574,000) and an accumulated loss of RMB932,588 (equivalent to HK\$888,000).

Consideration

The Consideration for the sale and purchase of the Fortuna Shares shall be HK\$20,040,000. The Consideration shall be satisfied by way of issuance of 106,500,000 new shares of the Company upon Completion at a price of HK\$0.16 per share and a cash consideration of HK\$3,000,000 payable to the Vendors within 24 months after the date of Completion.

The Consideration has been determined after arm’s length negotiations between the parties by reference to the estimated current value of the net tangible assets owned by the Target Company totaling HK\$20,800,000 at the date of this Agreement and arrived at by the directors of the Company with reference to similar assets, which in particular include land and buildings, and plant and equipment.

Conditions precedent of the Agreement

Completion of the Agreement shall be dependant, inter alia, upon the following conditions precedent being fulfilled to the satisfaction of or being waived (either wholly or partly in writing) by LCTBVI:

- (a) the successful acquisition of 100% of the interest or right in the Target Company by Fortuna at least 7 clear days prior to Completion;
- (b) a favourable legal opinion issued by a firm of attorneys practicing laws in the PRC in relation to the following:
 - (i) that Fortuna has fully acquired all or the whole of the interest or right in the Target Company and that all legal documentations relating thereto have been properly issued and obtained;
 - (ii) the legal corporate status of the Target Company including without limitation that the Target Company was properly set up in accordance with the laws and regulations of PRC, the continuous existence of the Target Company, the amount of the registered and fully paid up capital of the Target Company;
- (c) due diligence being conducted and are considered to be satisfactory at the sole discretion of LCTBVI in relation to the financial position of the Target Company up to the date immediately prior to the date of Completion or to such a date as may be decided by LCTBVI which shall include without limitation the valuation, existence and ownership of assets and the amount and nature (with details) of all liabilities and taxation. In the event that landed properties are involved, Certificate of Ownership of Building and other relevant documents as may be required by LCTBVI must be produced and verified;
- (d) approval in writing from the Stock Exchange for the Consideration Shares to be traded on the Stock Exchange.

Consideration Shares and Class

The Consideration Shares to be issued consist of 106,500,000 new shares of the Company (representing approximately 20% and 16.67% respectively of the Existing Capital and the Enlarged Capital) at a price of HK\$0.16 per share. The price per Consideration Share represents a premium of approximately 81.82% to the closing price of HK\$0.088 per Share as quoted on the Stock

Exchange on 23rd July, 2002 (the date of the Agreement) and a premium of approximately 58.42% to the average closing price of HK\$ 0.101 per Share of the 10 consecutive trading days before the date of the Agreement as quoted on the Stock Exchange. The proposed price of HK\$0.16 per share is based on arm’s length negotiation and the Company’s net asset value as at 30th November, 2001 of HK\$0.22 per share such that it is considered to be a fair and reasonable price.

The Consideration Shares will be allotted and issued pursuant to the general mandate granted to the Directors by the Shareholders of the Company at the Extraordinary General Meeting of the Company held on 26th June, 2002.

The Company will make application to the Listing Committee of The Stock Exchange for the listing of and permission to deal in the Consideration Shares to be issued under the Acquisition.

Reason for Acquisition

The Company is mainly engaged in construction and building works, and tree logging and timber trading in Hong Kong and PRC. The Directors consider that the Acquisition will strengthen the business of the Group, particularly in the manufacture and trading of timber products, and will generate long term cost benefits to the Group while securing a stable supply of timber products. The Directors consider the terms of Acquisition at this stage before Fortuna has acquired the Target Company are more favourable and that the Acquisition is made in the best interest of the Group and its Shareholders.

Discloseable Transaction

The Acquisition constitutes a discloseable transaction involving issuance of new shares in the Company under the Listing Rules, a circular containing details of the Acquisition will be dispatched to the shareholders of the Company as soon as practicable.

Suspension and Resumption of Trading of Shares in the Company

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended from 9:30 a.m. on 24th July, 2002 pending the issue of this Announcement, and the Company has applied to the Stock Exchange for the shares of the Company to resume its trading with effect from 9:30 a.m. on 25th July, 2002.

DEFINITIONS

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|------------------------|--|
| “Acquisition” | The acquisition by LCTBVI of the Fortuna Shares |
| “Agreement” | The agreement for the sale and purchase of the whole of the share capital of Fortuna entered into between Lau Tak Wai Davie and Lee Chi Hoi Danny as the Vendors and LCTBVI as the Purchaser on 23rd July, 2002 |
| “Board” | The board of Directors of the Company |
| “LCTBVI” | Luen Cheong Tai (BVI) Limited, a company incorporated in the British Virgin Islands and wholly owned by the Company |
| “Company” | Luen Cheong Tai International Holdings Limited the shares of which are listed on the main board of the Stock Exchange |
| “Completion” | The completion of the sale and purchase of the Fortuna Shares pursuant to the Agreement |
| “Consideration Shares” | The 106,500,000 shares of and in the Company to be issued and allotted to Vendors upon Completion at a price of HK\$0.16 per share pursuant to the Agreement |
| “Consideration” | The total consideration payable by LCTBVI for the Acquisition |
| “Director(s)” | The director(s) of the Company including the independent non-executive directors |
| “Enlarged Capital” | The 639,054,501 shares in issue upon Completion assuming that there are no further issues of Shares from 23rd July, 2002 to Completion other than the Consideration Shares |
| “Fortuna” | Fortuna Group Limited, a private company incorporated in Hong Kong |
| “Fortuna Shares” | 2 issued and fully paid up shares of HK\$1.00 each in the capital of Fortuna |
| “Group” | The Company and its subsidiaries |
| “Hong Kong” | The Hong Kong Special Administrative Region of the PRC |
| “PRC” | The People’s Republic of China |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | The wholly owned foreign capital company incorporated in PRC which owns and operates a wood processing factory in PRC, the 100% interest and right therein is expected to be acquired by Fortuna prior to Completion. The identity of the Target Company will be announced after Completion. |

By Order of the Board
Chan Man Chuen
Chairman

Hong Kong, 24th July, 2002