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LUEN CHEONG TAI INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

DISCLOSEABLE TRANSACTION
INVOLVING ISSUANCE OF NEW SHARES
in respect of the ACQUISITION

28th February, 2002

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	means the acquisition by LCTBVI of the Sky Glory Shares
“Agreement”	means a share sale and purchase agreement entered into between Ngan Wan and Lee Yuen Yan as Vendors and LCTBVI as Purchaser on 5th February, 2002
“Announcement”	the announcement of the Company dated 7th February, 2002 in respect of the Acquisition
“Associates”	shall have the meaning ascribed thereto in the Listing Rules
“Board”	means the board of Directors of the Company
“Company”	means Luen Cheong Tai International Holdings Limited the shares of which are listed on the main board of the Stock Exchange
“Completion”	means the completion of the Acquisition
“Consideration”	means the total consideration payable by LCTBVI for the Acquisition
“Consideration Shares”	means the new Shares credited as fully paid at HK\$0.16 per Share to be allotted and issued pursuant to the Agreement
“Director(s)”	means the director(s) of the Company including the independent non-executive directors
“Enlarged Capital”	means 532,554,501 Shares in issue upon Completion assuming that there are no further issues of Shares from 5th February, 2002 to Completion other than the Consideration Shares
“Existing Capital”	445,054,501 Shares in issue as at the Latest Practicable Date
“Listing Rules”	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
“Group”	means the Company and its subsidiaries
“HK\$”	Hong Kong Dollars
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Latest Practicable Date”	21st February, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LCTBVI”	means Luen Cheong Tai (BVI) Limited, a company incorporated in the British Virgin Islands and wholly-owned by the Company
“PRC”	means the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau and Taiwan
“PRC Project”	the contract for the interior decoration of a hotel in Shenzhen, PRC entered into between Sky Glory and 深圳市中立投資有限公司 (Shenzhen City Zhong Li Investment Limited) and dated 8th January, 2002
“RMB”	Renminbi
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance, Chapter 396 of the laws of Hong Kong (as amended)
“Share(s)”	share(s) of par value of HK\$0.10 each in the capital of the Company
“Sky Glory”	means Sky Glory Holdings Limited, a company incorporated under the laws of Hong Kong on 18th July, 2001 whose principal business is as a contractor
“Sky Glory Share(s)”	2 ordinary shares of the par value of HK\$1.00 each in the issued share capital of Sky Glory. Ms. Ngan Wan and Ms. Lee Yuen Yan are the beneficial owners of 50% and 50% of all the Sky Glory Shares in issue respectively
“Stock Exchange”	means the Stock Exchange of Hong Kong Limited
“Vendors”	Ms. Ngan Wan and Ms. Lee Yuen Yan or anyone of them

LETTER FROM THE BOARD OF DIRECTORS



LUEN CHEONG TAI INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Chan Man Chuen (*Chairman*)
Vong Pak Cheong
Chan Kai Yiu
Hung Yat Ming

Registered Office:

Zephyr House
Mary Street, George Town
Grand Cayman
British West Indies

Independent Non-executive Directors:

Yau Ting Kwok
Tsang Fan Wan

Principal place of business:

Suites 2109-11, 21st Floor,
CMG Asia Tower
The Gateway
15 Canton Road
Kowloon
Hong Kong

28th February, 2002

To the shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION INVOLVING ISSUANCE OF NEW SHARES in respect of the ACQUISITION

1. INTRODUCTION

Reference is made to the Announcement whereby the Directors announced that an agreement had been entered into between LCTBVI, a wholly-owned subsidiary of the Company, and certain independent third parties, under which, LCTBVI agrees to acquire the entire issued share capital of Sky Glory at a total consideration of HK\$14,000,000.00 which will be satisfied by way of the issuance of 87,500,000 Shares (credited as fully paid) at HK\$0.16 per Share.

The Consideration Shares represent approximately 19.66% of the Existing Capital and approximately 16.43% of the Enlarged Capital.

The 87,500,000 new Shares will be allotted and issued pursuant to the general mandate granted to the Directors by the shareholders of the Company on 2nd August, 2001.

The Acquisition constitutes a discloseable transaction involving issuance of new Shares in the Company under the Listing Rules.

The purpose of this circular is to provide the shareholders of the Company with further information relating to the Acquisition. This circular also contains information in compliance with the Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS

2. THE ACQUISITION

The Agreement

- Date: 5th February, 2002
- Purchaser: LCTBVI, a wholly-owned subsidiary of the Company.
- Vendors: (1) Ms. Ngan Wan, a person independent from the Directors or chief executive or substantial shareholders or management shareholders of the Company or the Company's subsidiaries or any of their respective Associates as defined under the Listing Rules. At the date of the Agreement, Ms. Ngan Wan is the legal and beneficial owner of 1 ordinary share, representing 50% of the entire issued share capital of Sky Glory.
- (2) Ms. Lee Yuen Yan, a person independent from the Directors or chief executive or substantial shareholders or management shareholders of the Company or the Company's subsidiaries or any of their respective Associates. At the date of the Agreement, Ms. Lee Yuen Yan is the legal and beneficial owner of 1 ordinary share, representing 50% of the entire issued share capital of Sky Glory.

Asset to be acquired

The entire issued share capital of Sky Glory.

Major term of the Agreement

Each of Ms. Ngan Wan and Ms. Lee Yuen Yan agrees to sell their entire respective shareholding in Sky Glory to LCTBVI.

Consideration and payment terms

The Consideration for the Acquisition is HK\$14,000,000.00 which will be satisfied by way of the issuance of 87,500,000 Consideration Shares (credited as fully paid) at HK\$0.16 per Share (representing a premium of approximately 171.19% to the closing price of HK\$0.059 per Share as quoted on the Stock Exchange on 5th February, 2002, the date of the Agreement), representing approximately 19.66% and approximately 16.43% of the Existing Capital and the Enlarged Capital respectively.

43,750,000 Consideration Shares, representing approximately 9.83% and approximately 8.215% of the Existing Capital and the Enlarged Capital respectively, shall be allotted and issued to each of the Vendors upon Completion.

The Consideration was arrived at after arm's length negotiations by reference to the estimated profit to be generated under the PRC Project.

LETTER FROM THE BOARD OF DIRECTORS

Conditions precedent

Completion is conditional upon, inter alia, the following conditions having been fulfilled on or before the expiry of 14 working days from the date of the Agreement (or such later date as the parties may agree):

- (1) the making of such enquiries, investigations and due diligence reviews of the business of Sky Glory are satisfactory and upon the settlement by the Vendors therein of the accounts payable and the accounts receivable, if any;
- (2) the issuing of a favourable legal opinion by a reputable PRC law firm in relation to the legality of the PRC Project; and
- (3) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares.

In the event that any of the above conditions precedent shall not have been fulfilled (or waived by LCTBVI) to the satisfaction of LCTBVI within 14 working days (excluding Saturdays) from the date of the Agreement, the parties shall be entitled to treat the Agreement as terminated in such case the Agreement shall become null and void and of no effect save in respect of claims arising out of any antecedent breach of the Agreement.

As at the Latest Practicable Date, save and except item (3), (1) and (2) of the conditions precedent have already been fulfilled or waived.

Further announcement will be made by the Company if Completion does not take place within 14 working days (excluding Saturdays) from the date of the Agreement or there is an extension of such long-stop date as agreed by the parties.

Completion

Completion shall take place subject to all conditions precedent required to be fulfilled before Completion have been fulfilled or waived or such later date as the parties may agree.

Lock-up period

Pursuant to the Agreement, each of the Vendors may only sell the Consideration Shares to be allotted and issued to each of them 6 months after the date of their issuance.

Information on Sky Glory

The principal business of Sky Glory is as a contractor mainly in PRC. Sky Glory has entered into a contract with 深圳市中立投資有限公司 (Shenzhen City Zhong Li Investment Limited), a company incorporated under the laws of PRC and is an independent third party with which the Directors or senior management, or substantial shareholders or management shareholders of the Company do not have any relationship, for the interior decoration of a hotel in Shenzhen, PRC at a total contract sum of RMB89,000,000.00 equivalent to HK\$84,372,000.00. No work has yet been commenced in respect of the PRC Project which is expected to take place in around April 2002.

LETTER FROM THE BOARD OF DIRECTORS

No audited financial statements have been prepared since the incorporation of Sky Glory on 18th July, 2001. A net asset of HK\$2.00 was recorded in the unaudited management accounts of Sky Glory at 31st January, 2002 and no profit or loss has been reported by Sky Glory since its incorporation on 18th July, 2001.

Reasons for and the Acquisition

The Company is mainly engaged in construction and building works principally in Hong Kong. The Directors consider that the Acquisition will explore the best opportunity to strengthen the business of the Group, especially in view of the fact that Sky Glory has already secured the PRC Project.

The Directors consider the terms of Acquisition are fair and reasonable and the Acquisition is made in the best interest of the Group and its shareholders.

Discloseable transaction and application for listing

The Acquisition constitutes a discloseable transaction involving issuance of new Shares in the Company under the Listing Rules. 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 Agreement.

3. GENERAL

The proposed price of HK\$0.16 per Share is based on arm's length negotiation and the Company's net asset value of HK\$0.34 per Share such that it is considered to be a fair and reasonable price.

Save and except Ms. Ngan Wan, who will remain as a director and secretary of Sky Glory for a period of not less than 3 years from the date of Completion, the identity of individuals to be appointed to the board of directors of Sky Glory will be determined on or before Completion. As at the Latest Practicable Date, the board composition of Sky Glory has not yet been determined.

The allotment and issuance of 87,500,000 new Shares for the Acquisition will not result in a change of control of the Company. In addition, such new Shares shall, when issued, rank pari passu in all respects with the existing Shares then in issue and shall carry the right to participate in all dividends and distribution declared, made or paid by the Company on or after the relevant date of allotment.

The Company is mainly engaged in construction and building works principally in Hong Kong.

The Directors consider that the Agreement was entered into on normal commercial terms in the ordinary and usual course of business of the Group and that the terms of the Agreement are fair and reasonable and in the interests of the Group so far as the shareholders are concerned.

LETTER FROM THE BOARD OF DIRECTORS

The Acquisition constitutes a discloseable transaction of the Company under the Listing Rules. Your attention is also drawn to the additional information set out in the Appendix to this circular.

By Order of the Board
LUEN CHEONG TAI INTERNATIONAL HOLDINGS LIMITED
Chan Man Chuen
Chairman

Note: In this circular, amounts in RMB have been translated to HK\$ at the rate of approximately RMB 1.0549 = HK\$1.00.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the share capital of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Listed Companies contained in the Listing Rules were as follows:

Name of Director	Personal Interest	Number of Shares of the Company			Total
		Family Interest	Corporate Interest	Other Interest	
Mr. Chan Man Chuen	–	–	–	60,423,809 <i>(Note 1)</i>	60,423,809
Mr. Vong Pak Cheong	–	–	–	60,423,809 <i>(Note 2)</i>	60,423,809
Mr. Mak Kwun Yiu	–	–	6,490,158 <i>(Note 3)</i>	–	6,490,158
Mr. Chan Kai Yiu	937,500	–	6,490,158 <i>(Note 4)</i>	–	7,427,658

Notes:

1. These Shares are beneficially owned by Enson, Enson has two classes of shares, namely class A and class B. All the class A shares in the issued share capital of Enson are beneficially owned by a capital trust, the discretionary objects of which include Mr. Chan Man Chuen and his family members. Holders of class A shares are entitled to, among other rights, exercise all the voting rights of Enson. All the class B shares in the issued share capital of Enson are beneficially owned by an income trust, the discretionary objects of which are Mr. Chan Man Chuen's brother and nephew. Holders of class B shares are entitled to, among other rights, all dividend income of Enson.
2. These Shares are beneficially owned by Joyful. Joyful has two classes of shares, namely class A and class B. All the class A shares in the issued share capital of Joyful are beneficially owned by a capital trust, the discretionary objects of which include Mr. Vong Pak Cheong and his family members. Holders of class A shares are entitled to, among other rights, exercise all the voting rights of Joyful. All the class B shares in the issued share capital of Joyful are beneficially owned by an income trust, the discretionary objects of which are Mr. Vong Pak Cheong's sisters. Holders of class B shares are entitled to, among other rights, all divided income of Joyful.
3. These Shares are beneficially owned by Townfair Enterprise Inc., the entire issued share capital of which is beneficially owned by Mr. Mak Kwun Yiu.
4. These Shares are beneficially owned by Gainful International Inc., the entire issued share capital of which is beneficially owned by Mr. Chan Kai Yiu.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any personal, family, corporate or other interests in the Shares of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which will have to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Director is taken or deemed to have under Section 31 of, or Part I of the Schedule to, the SDI Ordinance), or which is required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which is required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to the Company and the Stock Exchange.

None of the Directors are materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of members kept by the Company pursuant to section 16(1) of the SDI Ordinance and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons were, directly or indirectly, interested in 10 per cent or more of the issued share capital of the Company:–

Name of Shareholders	Number of Shares held	Percentage of issued share capital of the Company
Enson Group Limited (<i>Note 1</i>)	60,423,809	13.58
Joyful Holdings Limited (<i>Note 2</i>)	60,423,809	13.58
Tonlok Limited (<i>Note 3</i>)	45,944,000	10.32

Notes:

1. Enson has two classes of shares, namely, class A and class B. All the class A share in the issued share capital of Enson are beneficially owned by a capital trust, the discretionary objects of which include Mr. Chan Man Chuen, a director of the Company, and his family members. Holders of class A shares are entitled to, among other rights, exercise all voting rights of Enson. All the class B shares in the issued share capital of Enson are beneficially owned by an income trust, the discretionary objects of which are Mr. Chan Man Chuen's brother and nephew. Holders of class B shares are entitled to, among other rights, all dividend income of Enson.
2. Joyful has two classes of shares, namely class A and class B. All class A shares in the issued share capital of Joyful are beneficially owned by a capital trust, the discretionary objects of which include Mr. Vong Pak Cheong, a director of the Company and his family members. Holders of class A shares are entitled to, among other rights, exercise all voting rights of Joyful. All the class B shares in the issued share capital of Joyful are beneficially owned by an income trust, the discretionary objects of which are Mr. Vong Pak Cheong's sisters. Holders of class B shares are entitled to, among other rights, all dividend income of Joyful.
3. Asia Standard International Group Limited ("ASIGL") holds 100% interest in Asia Standard International Limited ("ASIL"). ASIL holds 100% interest in Asia Standard Development (Holdings) Limited ("ASDHL"). ASDHL indirectly holds 100% interest in Tonlok Limited which holds 45,944,000 Shares. Accordingly ASIGL is deemed to have interest in the Shares held by Tonlok Limited.

4. SHARE OPTIONS

Pursuant to the share option scheme adopted on 7th November, 1998 and a resolution of the Directors on 1st June, 2001, 3 employees were offered options to subscribe Shares at the option price of HK\$0.16 per Share up to a maximum number of 23,360,000 Shares exercisable between the period from 21st June, 2001 to 6th November, 2008. None of the said share options has been exercised as at the Latest Practicable Date.

5. LITIGATION

- (i) On 30th August, 2001, litigation was commenced by Hua Chiao Commercial Bank Limited against Finestyle Wood Industrial Company Limited (as borrower), a wholly owned subsidiary of the Company, and the Company (as guarantor) for an alleged loan (for trade financing) amount plus interest and costs, totaling HK\$3,425,000.00. Defence has been filed and no hearing date has been fixed as at the Latest Practicable Date.
- (ii) On 10th September, 2001, litigation was commenced by East Asia Credit Company Limited ("East Asia Credit") against Luen Cheong Tai Construction Company Limited (as borrower), a wholly owned subsidiary of the Company, and the Company (as guarantor) for alleged loan (for project financing) amount plus interest and costs, totaling HK4,721,000.00. Defence has been filed and Summary Judgment has been successfully contested. No further action has been taken by East Asia Credit as at the Latest Practicable Date.
- (iii) On 25th September, 2001, litigation was commenced by Wing Hang Finance Company Limited against Luen Cheong Tai Construction Company Limited (as borrower), a wholly owned subsidiary of the Company, and the Company (as guarantor) for an alleged amount (equipment leasing) plus interest and costs, totaling HK\$1,352,000.00. Defence has been filed and no hearing date has been fixed as at the Latest Practicable Date.

- (iv) In October 2001, litigation was commenced by GE Capital (Hong Kong) Limited against Finestyle Maritime Services Limited (as borrower), a wholly owned subsidiary of the Company, and the Company (as guarantor) for an alleged amount (for equipment leasing) plus interest and costs, totaling HK\$2,140,000.00. The first hearing has been fixed on 11th March, 2002.
- (v) On 15th October, 2001, litigation was commenced by Jian Sing Bank Limited (“Jian Sing Bank”) against Luen Cheong Tai Construction Company Limited (as borrower), wholly owned subsidiary of the Company, and the Company (as guarantor) for an alleged amount (for trade and project financing) plus interest and costs, totaling HK\$4,706,000.00. Defence has been filed and no hearing date has been fixed as at the Latest Practicable Date.
- (vi) On 11th January, 2002, litigation was commenced by the Bank of East Asia Limited against Luen Cheong Tai Construction Company Limited (as borrower) and the Company (as guarantor) for an alleged sum (for overdraft and trade financing) of HK\$4,600,517.13. Defence will be filed and no hearing date has been fixed as at the Latest Practicable Date.
- (vii) On 18th February, 2002, litigation was commenced against Luen Cheong Tai Construction Company Limited by Hennabun Resources Limited for an alleged advance (for general working capital) of HK\$12,250,000.00. Hearing of the case has been fixed on 5th June, 2002.

The Company is currently seeking legal advice and negotiating with the above creditors with a view to reach out-of court settlements on appropriate terms. The above liabilities have already been accounted for in the books of the Company as appropriate.

Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. GENERAL

- (a) The share registrar and transfer office of the Company is Abacus Share Registers Limited at 2401 Prince’s Building, Central, Hong Kong.
- (b) The Company Secretary of the Company is Mr. Hung Yat Ming. Mr. Hung was graduated from the University of Hong Kong with a bachelor degree in Mathematics and obtained a post-graduate diploma in Accountancy from the University of Strathclyde, Scotland. He is a member of the Institute of Chartered Accountants of Scotland since 1980.
- (c) The authorised share capital of the Company is HK\$1,000,000,000.00 divided into 10,000,000,000 Shares of HK\$0.10 each of which HK\$44,505,450.10 have been issued and fully paid.

- (d) Save as disclosed in this circular, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meeting of the Company or any of its subsidiaries.