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YUE FUNG INTERNATIONAL GROUP HOLDING LIMITED

裕豐國際集團控股有限公司*

(Incorporated in Bermuda with limited liability)

**PROPOSED CAPITAL REORGANISATION
OF THE COMPANY INVOLVING
REDUCTION OF CAPITAL AND
CONSOLIDATION OF SHARES**

The Capital Reduction involves a reduction in the nominal value of each of the existing issued Shares of HK\$0.01 each in the capital of the Company by HK\$0.00995 to HK\$0.00005. The Consolidation involves a consolidation of every 200 issued Reduced Shares into one Consolidated Share of HK\$0.01. The total credit arising from the Capital Reduction will be credited to the contributed surplus of the Company, where it may be applied in accordance with the bye-laws of the Company and the laws of Bermuda.

The Shares are currently traded in board lots of 2,000 Shares. Upon the Capital Reorganisation becoming effective, the Consolidated Shares will be traded in board lots of 2,000 Consolidated Shares and will rank pari passu in all respects with each other.

Capital Reduction

The Directors propose that the Capital Reduction will be effected in the following manner:

- (a) the nominal value of all of the issued Shares of HK\$0.01 each will be reduced by cancelling HK\$0.00995 per Share so that the nominal value of each such share will be reduced from HK\$0.01 to HK\$0.00005. Accordingly, based upon the number of Shares in issue as at the date of this announcement, the issued share capital of the Company of HK\$46,210,880 will be reduced by HK\$45,979,825.60 to HK\$231,054.40 comprising of 4,621,088,000 Reduced Shares of HK\$0.00005 each; and
- (b) the credit arising from such reduction will be credited to the contributed surplus account of the Company .

Consolidation

The Directors also propose that every 200 issued Reduced Shares of HK\$0.00005 each will be consolidated into one Consolidated Share of HK\$0.01. As at the date of this announcement, there were 4,621,088,000 Shares in issue. On such basis, there will be 23,105,440 Consolidated Shares in issue following the Consolidation proposal.

Effect of the Capital Reduction and the Consolidation

Upon the Capital Reorganisation becoming effective, the authorised share capital of the Company will remain at its original amount of HK\$500,000,000, divided into 50,000,000,000 shares of HK\$0.01 each, but 23,105,440 Consolidated Shares each will be in issue and 49,976,894,560 Shares will be unissued. Other than the expenses incurred in relation to the Capital Reorganisation which will be in the region of approximately HK\$120,000, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Company or the interests of the Shareholders. The Directors believe that the Capital Reorganisation will not have any material adverse effect on the financial position of the Company and its subsidiaries.

Reasons for the Capital Reorganisation

The Directors believe that the Capital Reorganisation is beneficial to the Company and its Shareholders as a whole as it will reduce expenses relating to transaction costs. The credit in the contributed surplus account arising as a result of the Capital Reduction may be applied in the future for making dividends payments to the Shareholders. The Directors have no present intention to make any dividend payments to the Shareholders.

Conditions of the Capital Reorganisation

The Capital Reorganisation are conditional upon:

- (a) the passing by the Shareholders at the SGM of a special resolution approving the Capital Reorganisation;
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares; and
- (c) the publication of a notice in an appointed newspaper in Bermuda in accordance with the requirements of the Companies Act 1981 of Bermuda.

Trading arrangements

The Shares are currently traded in board lots of 2,000 Shares. Upon the Capital Reorganisation becoming effective, the Consolidated Shares will be traded in board lots of 2,000 Consolidated Shares and will rank pari passu in all respects with each other. The Consolidation will not result in any change in the relative rights of the Shareholders.

In order to facilitate the trading of odd lots of Consolidated Shares as a result of the Consolidation, the Company will, for a period of one month commencing from the effective date of the Consolidation, provide a “matching service” to Shareholders who wish to buy or sell their shareholding of odd lots. Further information in this regard will be set out in the circular of the Company to be despatched to the Shareholders.

General

Application will be made to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares.

A circular containing details of the Capital Reorganisation, the related timetable and a notice convening the SGM will be despatched to the Shareholders as soon as possible.

Terms used in the announcement

“Capital Reduction”	the proposed reduction of the issued share capital of the Company referred to in the section headed “Capital Reduction”
“Capital Reorganisation”	the Capital Reduction and the Consolidation
“Company”	Yue Fung International Group Holding Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange
“Consolidated Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company created following the Capital Reduction and Consolidation
“Consolidation”	the proposed consolidation of every 200 issued Reduced Shares into one Consolidated Share of HK\$0.01 each in the share capital of the Company after the implementation of the Capital Reduction
“Directors”	directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Reduced Share(s)”	share(s) of HK\$0.00005 each in the share capital of the Company following the Capital Reduction but prior to the implementation of the Consolidation
“SGM”	the special general meeting of the Company to be held to consider and, if appropriate, approve the Capital Reduction and the Consolidation Proposal
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of Shares or Consolidated Shares, as the context may require

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

By Order of the Board of
Yue Fung International Group Holding Limited
Lee Wing Kan
Chairman and Managing Director

Hong Kong, 9th August, 2002

* *for identification only*

“Please also refer to the published version of this announcement in China Daily”.