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MINGLUN GROUP (HONG KONG) LIMITED
明倫集團（香港）有限公司*

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT IN RESPECT OF THE LETTER OF INTENT ON A POSSIBLE ACQUISITION RESUMPTION OF TRADING

The Board is pleased to announce that the Company has on 17th February, 2004 entered into the Letter of Intent with the Vendor whereby the parties have set out the intention for the Company to acquire and for the Vendor to dispose of its equity interests in 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")*.

Upon signing of the Letter of Intent, the Company will endeavour to enter into the Formal Agreement (s) on or before 15th March, 2004. However, there is no assurance that the Formal Agreement(s) will be entered into by the parties in relation to the Acquisition, nor is there any assurance that the terms of the Acquisition will be the same as in the Letter of Intent. If the Formal Agreement(s) is/are not signed, a further announcement will be published.

Shareholders and/or potential investors should be aware that the Letter of Intent is non-legally binding and the Acquisition may or may not materialise and all terms of the Acquisition are subject to changes and final agreement between the parties. Based on the current proposed consideration, the Acquisition, if materialized, will constitute a notifiable transaction under the Listing Rules. A further announcement will be published by the Company in accordance with the Listing Rules upon signing of the Formal Agreement(s). Shareholders and/or potential investors are reminded to exercise caution when dealing with securities of the Company.

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended from 9:30 a.m. on 18th February, 2004 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the shares of the Company on the Stock Exchange from 9:30 a.m. on 23rd February, 2004.

INTRODUCTION

The Company has on 17th February, 2004 entered into the Letter of Intent with the Vendor whereby the parties have set out the intention for the Company to acquire and for the Vendor to dispose of its approximately 78.82% equity interests in 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")*.

The Letter of Intent is non-legally binding.

Upon signing of the Letter of Intent, the Company will endeavour to enter into the Formal Agreement(s) on or before 15th March, 2004 (this date can be extended in writing by the parties). However, there is no assurance that the Formal Agreement(s) will be entered into by the parties in relation to the Acquisition, nor is there any assurance that the terms of the Acquisition will be the same as in the Letter of Intent. Further announcement will be published by the Company in accordance with the Listing Rules upon signing of the Formal Agreement(s). If the Formal Agreement(s) is/are not signed, a further announcement will be published.

LETTER OF INTENT DATED 17th February, 2004

Parties

(1) 新民市石油化工總公司 (Xinmin City Petrochemical Company)* as vendor, who is not a connected person (as defined in the Listing Rules) of the Company

(2) Minglun Group (Hong Kong) Limited as purchaser

ASSETS PROPOSED TO BE ACQUIRED BY THE COMPANY

The total equity interests in 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* (which comprises the Vendor's approximately 78.82% equity interests and a group of individual workers' approximately 21.18% equity interests). The Vendor beneficially contributed RMB31,250,900 registered capital of the total of RMB39,650,000 registered capital in 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")*. The remaining RMB8,399,100 registered capital were contributed by a group of individual workers of 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory") *. These individual workers are not parties to the Letter of Intent and hence the acquisition of these individual workers' equity interests are conditional, amongst other things, on these individual workers agreeing to sell these equity interests. As at the date of this announcement, no letter of intent or any agreement has been entered between the Company and these individual workers. The acquisition of the Vendor's approximately 78.82% equity interests is not conditional on the acquisition of the individual workers' collective interests of 21.18%. If all the individual workers and the Vendor dispose of their equity interests, 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* will be a wholly foreign-owned enterprise. If only the Vendor and some of the individual workers dispose of their equity interests, 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* will be a sino-foreign equity joint venture. 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* will be a subsidiary of the Company after the Acquisition.

PROPOSED CONSIDERATION FOR THE ACQUISITION

The proposed consideration for the equity interests in 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* is not less than RMB1 for each RMB1 registered capital contributed or the net asset value of 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")*. The net asset value of 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory") will be determined by a qualified independent valuer in the PRC. The Board expects to fund the Acquisition by way of internal financial resources. The proposed investment amount of the Company on the Acquisition is expected to be in the range of approximately RMB35,000,000 to RMB45,000,000, depending on the percentage of equity interests to be sold by the individual workers and the valuation of the independent valuer.

PARTICULARS OF 沈陽市新民蠟化學品實驗廠 ("SHENYANG XINMIN CHEMICAL FACTORY")*

沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* was established on 31st March, 1987 and is principally engaged in manufacturing of paraffin wax and liquefied fuel in Shenyang, Liaoning Province, the PRC. As at the date of this announcement, the Company has not received any detailed financial information of 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory") *. The Vendor will release the detailed financial information of 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* during the formal negotiation stage between the Company and the Vendor.

REASONS FOR AND BENEFIT OF THE ACQUISITION

The Company and its subsidiaries are principally engaged in the distribution business of polyurethane materials. It has been the Company's business strategy to make investments that have earnings potentials for the Group to expand its existing operations and to diversify its business. To the best knowledge of the Directors, the PRC has a strong demand for energy products (such as natural gas, liquefied gas, and petrochemical fuel). Hence, the Directors believe that the Group's investment in the PRC energy related industrial sector is an excellent opportunity to provide a reliable revenue source to the Group. In fact, on 22nd December, 2003, Minglun Utilities Limited, a wholly owned subsidiary of the Company, entered into an investment agreement with 北京昌東順燃氣有限公司 (Beijing Chang Dong Shun Gas Co., Ltd) and its three shareholders to invest RMB22.5 million (equivalent to approximately HK$21.226 million) in cash in Chang Dong Shun Gas Company (which would represent approximately 62.23% of the equity interest of Chang Dong Shun Gas Company after Completion). Hence, the Directors are of the view that the acquisition of 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* will present a good opportunity to the Company to diversify into the manufacturing business of paraffin wax and liquefied fuel in the PRC, which, in view of the strong demand for these products in the PRC, are believed by the Directors to be of considerable business and earning potentials, and will be in the interest of the Company and its shareholders. The Group has no intention to depart from its principal business of distribution of polyurethane materials.

GENERAL

Shareholders and/or potential investors should be aware that the Letter of Intent is non-legally binding and the Acquisition may or may not materialise and all terms of the Acquisition are subject to changes and final agreement between the parties. Based on the current proposed consideration, the Acquisition, if materialised, will constitute a notifiable transaction under the Listing Rules. A further announcement will be published by the Company in accordance with the Listing Rules upon signing of the Formal Agreement(s). Shareholders and/or potential investors are reminded to exercise caution when dealing with securities of the Company.

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DEFINITIONS

"Acquisition"	the proposed acquisition of the equity interests in 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* by the Company

"Board"	the board of Directors
"Company"	Minglun Group (Hong Kong) Limited (明倫集團(香港)有限公司), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Director(s)"	the director(s) of the Company
"Formal Agreement(s)"	the formal equity interests transfer agreement(s) to be entered into by the Company and the Vendor and by the Company and the individual workers of 沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")* in respect of the Acquisition
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of PRC
"Letter of Intent"	The non-legally binding letter of intent dated 17th February, 2004 entered into by the Company and the Vendor in respect of the Acquisition
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"RMB"	Renminbi yuan, the lawful currency of the PRC
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	新民市石油化工總公司 (Xinmin City Petrochemical Company)*, a state-owned PRC company wholly owned by 新民市政府 ("Xinmin City Government")
"沈陽市新民蠟化學品實驗廠"	沈陽市新民蠟化學品實驗廠 ("Shenyang Xinmin Chemical Factory")*, a 股份合作制企業 (share co-operation corporation) established in PRC on 31st March, 1987

By order of the Board
MINGLUN GROUP (HONG KONG) LIMITED
Zhou Yiming
Chairman

Hong Kong, 20th February, 2004

* *For identification only*

"Please also refer to the published version of this announcement in The Standard".