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EXPLANATORY STATEMENT ON SHARE REPURCHASE MANDATE

This explanatory statement includes information required under the rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to be given to the Shareholders of the Company (the "Shareholders") regarding the proposed share repurchase mandate to be granted to the Directors of the Company.

Exercise of the Repurchase Mandate

Resolution (6) set out in the Notice of Annual General Meeting will, if passed, give a general unconditional mandate to the Directors authorizing the repurchase by the Company of up to 10% of the fully paid shares of HK\$0.10 each in the capital of the Company (the "Shares") in issue of the date of the Annual General Meeting at any time from the passing of the Resolution until the conclusion of the next Annual General Meeting of the Company; the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or at any time when the aforementioned mandate is revoked or varied by ordinary resolution of the Shareholders in general meeting; whichever occurs first (the "Relevant Period").

Accordingly, exercise in full of the repurchase mandate (on the basis of 100,000,002 Shares in issue as at 11th April 2001, being the date of the Notice of Annual General Meeting) would result in up to 10,000,000 Shares being repurchased by the Company during the Relevant Period.

Reasons for Repurchase

The Directors believe that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement in the value of the Shares and/or earnings per Share and will only be made when the Directors believe that such repurchase will benefit the Company and its Shareholders.

Funding of Repurchase

Repurchase of the Shares will be funded entirely from the Company's available cash flow or working capital facilities, which will be funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.



The Directors do not propose to exercise the share repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital position of the Company or on levels of borrowing which in the opinion of the Directors are from time to time appropriate for the Company. No material adverse effect on the working capital position or borrowing levels of the Company as compared with the position disclosed in its audited accounts for the year ended 31st December 2000 is anticipated in the event that the proposed share repurchase mandate is exercised in full at any time. The timing and the number(s), the price and other terms upon which the Shares are repurchased would be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

Trading Restrictions

Under the Listing Rules, the shares proposed to be repurchased by a company must be fully paid-up. A maximum of 10% of the existing issued share capital as at the date of passing the relevant resolution may be repurchased on the Stock Exchange. A company may not issue or announce an issue of shares for a period of 30 days immediately following a repurchase whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, all repurchase of shares on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of such class of shares which was traded on the Stock Exchange in the immediately preceding calendar month. The Listing Rules also prohibit a company from repurchasing its shares on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage for that company required by the Stock Exchange. A company may not repurchase shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. A company must procure that any broker appointed by the company to effect the repurchase of shares discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request.

Status of Repurchased Shares

The Listing Rules provide that all repurchased shares are automatically delisted and that the certificates of such repurchased shares must be cancelled and destroyed. Under the laws of the Cayman Islands, repurchased shares shall be treated as cancelled and the company's issued share capital, but not its authorized share capital, will be reduced accordingly.

Suspension of Repurchase

The Listing Rules prohibit any repurchase of shares on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. A company may not repurchase shares on the Stock Exchange during the period of one month immediately preceding either the preliminary announcement of the company's annual results or the publication of the company's interim report, unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of shares on the Stock Exchange if the Stock Exchange considers that a company has breached the Listing Rules applicable to such company.



Reporting Requirements

Under the Listing Rules, a company which has made a purchase of its own shares must report to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day, the total number of shares purchased, the purchase price per share or the highest and lowest prices paid for such shares. In addition, the company's annual report is required to disclose a monthly breakdown of repurchases of shares made during the financial year including the number of shares repurchased each month, the purchase price per share or the highest and lowest prices for all such purchases and the aggregate prices paid. The directors' report shall contain reference to the repurchases made during the year and the directors' reasons for making such repurchases.

Connected Persons

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person is prohibited from knowingly selling his securities to the company.

Share Prices

During each month from 1st April 2000 to 31st March 2001, the highest and lowest prices at which the Shares have been traded on the Stock Exchange were as follows:

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2000		
April	0.90	0.79
May	0.88	0.76
June	0.81	0.74
July	0.81	0.79
August	0.90	0.75
September	0.82	0.73
October	0.79	0.70
November	0.85	0.74
December	0.82	0.74
2001		
January	0.82	0.75
February	0.82	0.73
March	0.83	0.70



Disclosure of Interests

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates, has any present intention to sell any Shares to the Company under the repurchase mandate, if such repurchase mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will only exercise the new repurchase mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

The Company has not been notified by any connected person (as defined in the Listing Rules) that such a person has a present intention to sell any Shares, or has undertaken not to do so, if the repurchase mandate is approved by the Shareholders.

Hong Kong Code on Takeovers and Mergers

If as a result of repurchase of Shares by the Company, a proportionate interest in the voting rights of the Company held by a Shareholder increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). Accordingly, a Shareholder or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at 11th April 2001, being the date of the Notice of Annual General Meeting, to the best of the knowledge and belief of the Company, Uni Forward Investments Limited and Deutsche Bank International Trust Co. (Jersey) Ltd, holding approximately 30% and 19.3% of the issued share capital of the Company respectively, were the substantial Shareholders holding more than 10% of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares under the share repurchase mandate, the shareholdings of Uni Forward Investments Limited and Deutsche Bank International Trust Co. (Jersey) Ltd in the Company would be increased to approximately 33.3% and 21.4% of the issued share capital of the Company respectively.

The Directors are not aware of any circumstances which will arise under the Takeover Code in the event that the Directors exercise the power to repurchase Shares pursuant to the share repurchase mandate.

Repurchases by the Company

During each of the six months preceding the date of this explanatory statement, the Company has not repurchased any of the Shares.