

APPENDIX – EXPLANATORY STATEMENT

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of the following information, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of the following information.

SHARE REPURCHASE MANDATE

The following is the Explanatory Statement required to be sent to shareholders under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") relating to an ordinary resolution to be proposed at the annual general meeting of the Company to be held on 31 May 2001 ("the Annual General Meeting"), to approve a general and unconditional mandate to be given to the directors of the Company (the "Directors") to exercise the powers of the Company to purchase, at any time until the next annual general meeting of the Company or such earlier period as stated in the ordinary resolution, shares of HK\$0.01 each in the capital of the Company and the warrants which carry rights to subscribe for shares in the capital of the Company representing, as at the date of the passing of the ordinary resolution, up to a maximum of 10% of the aggregate nominal amount of issued share capital of the Company and up to a maximum of 10% of the total subscription rights attaching all outstanding warrants in issue of the Company respectively (the "Share Repurchase Mandate").

The Directors believe the general mandate to repurchase shares is in the interests of the Company and shareholders, and accordingly recommend the shareholders to vote in favour of the relevant resolution to be proposed at the Annual General Meeting.

PROPOSED SHARE REPURCHASE MANDATE

As at 24 April 2001, being the latest practicable date prior to the printing of this annual report (the "Latest Practicable Date"), the number of shares in issue was 3,293,901,560 shares and the outstanding warrants entitling the holders thereof to subscribe up to HK\$7,783,701 for new shares at any time on or before 15 February 2002 at the current subscription price of HK\$0.02 per share (subject to adjustment). On the basis that no further share and warrant will be issued or repurchased prior to the Annual General Meeting, the exercise of the Share Repurchase Mandate in full would enable the Company to repurchase a maximum of 329,390,156 shares and warrants carrying subscription rights up to a limited of HK\$778,370.

REASONS FOR REPURCHASES

Repurchases of shares will only be made if the Directors believe that such repurchases will be in the best interests of the Company and its shareholders. Such repurchases may, depending on market conditions and funding arrangement at the time, lead to an enhancement of the net assets of the Company and/or earnings per share or lessen the dilution effect of an exercise of the warrants.

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FUNDING OF REPURCHASES

In repurchasing securities, the Company may only apply funds legally available for such purpose and in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

The Company shall not repurchase securities 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 from time to time.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31 December 2000) in the event that the Share Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

UNDERTAKING

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make repurchase pursuant to the Share Repurchase Mandate in accordance with the Listing Rules, the applicable laws of Bermuda, the applicable laws of the Hong Kong and the memorandum and bye-laws of the Company.

None of the Directors, or to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention to sell to the Company or its subsidiaries any of the shares or warrants of the Company in the event that the Share Repurchase Mandate is granted.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell to the Company or its subsidiaries any of his shares or warrants of the Company, or have undertaken not to do so, in the event that the Share Repurchase Mandate is granted.

HONG KONG CODES ON TAKEOVERS AND MERGERS AND SHARE REPURCHASES

In the event that the exercise of the power to repurchase shares pursuant to the Share Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

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As at the Latest Practicable Date, Huge China Developments Limited, a majority controlling shareholder of the Company, was interested in 1,346,448,000 shares, representing approximately 40.88 % of the shares issued by the Company. On the assumption that the Company will not issue and allot further shares from the Latest Practicable Date up to the date of Annual General Meeting and that the Repurchase Mandate were exercised in full, the total interests of Huge China Developments Limited in the shares of the Company would be increased to approximately 45.42 % of the issued shares of the Company.

The Directors confirm that they have no present intention for the Company to repurchase any shares which would result in a shareholder or, group of shareholders acting in concert obtaining or consolidating control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

MARKET PRICES

The highest and lowest prices at which the shares and warrants of the Company have been traded on the Stock Exchange during each of the previous twelve months before the Latest Practicable Date were as follows :-

	Shares		Warrants	
	Highest HK\$	Lowest HK\$	Highest HK\$	Lowest HK\$
2000				
April	0.265	0.104	0.218	0.100
May	0.170	0.102	0.130	0.125
June	0.138	0.110	*	*
July	0.112	0.076	0.060	0.060
August	0.100	0.076	*	*
September	0.090	0.061	*	*
October	0.078	0.025	*	*
November	0.064	0.045	*	*
December	0.059	0.045	*	*
2001				
January	0.051	0.028	0.015	0.015
February	0.070	0.031	0.060	0.060
March	0.069	0.035	*	*

* There was no transaction during the month

SECURITIES REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any of the shares or warrants (whether on the Stock Exchange or otherwise) during the previous six months before the Latest Practicable Date.