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*Directors:*

LO Yuk Sui (*Chairman and Managing Director*)

\* Anthony CHUANG

Tommy LAM Chi Chung

Kitty LO LEE Kit Tai

Jimmy LO Chun To

Kenneth NG Kwai Kai

\* NG Siu Chan

*Head office and principal place  
of business:*

18th Floor

Paliburg Plaza

68 Yee Wo Street

Causeway Bay

Hong Kong

\* *Independent Non-Executive Directors*

25th April, 2002

*To the Shareholders*

Dear Sir or Madam,

## **GENERAL MANDATE TO REPURCHASE SHARES**

The Directors wish to seek the approval of Shareholders to the grant of a general mandate to the Directors for the repurchase of shares of the Company on the terms set out in the Ordinary Resolution 4(A) to be proposed at the forthcoming Annual General Meeting of the Company to be held on 12th June, 2002 ("Repurchase Proposal"). The notice of the Annual General Meeting is contained in the accompanying 2001 Annual Report.

This is the explanatory statement to provide requisite information to you for your consideration of the Repurchase Proposal, as required by the relevant rules set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) (“Listing Rules”) to regulate the repurchase by companies with primary listings on the Stock Exchange of their own securities on the Stock Exchange.

## **1. SHARE CAPITAL**

As at 19th April, 2002 (the latest practicable date prior to the printing of this statement), the issued share capital of the Company comprised 3,576,773,953 shares of HK\$0.10 each.

Subject to the passing of the Ordinary Resolution 4(A) referred to above, the Company would be allowed under the buy back mandate to repurchase a maximum of 357,677,395 shares on the assumption that there will be no variation in the issued share capital of the Company during the period up to 12th June, 2002.

## **2. REASONS FOR REPURCHASES**

The Directors believe that the Repurchase Proposal is in the interests of the Company and its Shareholders. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per share or may otherwise be in the interests of the Company, and will only be made when the Directors believe that such purchases will benefit the Company and its Shareholders.

## **3. FUNDING OF REPURCHASES**

Pursuant to the buy back mandate, repurchases would be funded entirely from the Company’s funds legally available for the purpose in accordance with the Company’s Memorandum of Association and Bye-laws and the laws of Bermuda. It is presently proposed that any shares repurchased under the buy back mandate would be funded out of the capital paid up on the repurchased shares, the profits of the Company which would otherwise be available for dividend, the Company’s share premium account and/or its contributed surplus account.

There might be 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 31st December, 2001) in the event that the proposed repurchases were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the buy back 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.

#### 4. SHARE PRICES

The highest and lowest prices at which the shares of the Company have traded on the Stock Exchange in each of the previous twelve months were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2001	0.096	0.060
May 2001	0.088	0.073
June 2001	0.145	0.075
July 2001	0.095	0.070
August 2001	0.088	0.060
September 2001	0.065	0.041
October 2001	0.063	0.048
November 2001	0.064	0.050
December 2001	0.052	0.042
January 2002	0.050	0.039
February 2002	0.046	0.037
March 2002	0.039	0.035

#### 5. DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the Listing Rules), have any present intention to sell any shares to the Company under the Repurchase Proposal if such is approved by Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Ordinary Resolution 4(A) in accordance with the Listing Rules and the laws of Bermuda.

No connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell shares to the Company, or have undertaken not to do so, in the event that the Repurchase Proposal is approved by Shareholders.

As at 19th April, 2002 (the latest practicable date prior to the printing of this statement), I, being the Chairman and controlling shareholder of the Company, am beneficially interested in approximately 54.2% of the issued share capital of the Company. Accordingly, the Directors are not aware of any consequences which may arise under the Hong Kong Code on Takeovers and Mergers even if the repurchase mandate granted to the Directors pursuant to the Repurchase Proposal were to be carried out in full.

## **6. SHARE PURCHASES MADE BY THE COMPANY**

The Company has not purchased any of its shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this statement.

Yours faithfully,

**LO YUK SUI**  
*Chairman*