
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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This circular, for which the directors of China Data Broadcasting Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Data Broadcasting Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this circular is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this circular misleading; and (3) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Data Broadcasting Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



**CHINA DATA
BROADCASTING**

China Data Broadcasting Holdings Limited

(中華數據廣播控股有限公司)*

(Incorporated in Bermuda with limited liability)

NOTICE OF SPECIAL GENERAL MEETING, PROPOSAL FOR SUBDIVISION OF SHARES AND GENERAL MANDATE TO REPURCHASE ITS OWN SHARES

A letter from the board of directors of China Data Broadcasting Holdings Limited is set out on pages 1 to 5 of this circular.

A notice convening the special general meeting of China Data Broadcasting Holdings Limited to be held at 10:00 a.m. on Monday, 24th July, 2000 at Room 4201-7, 42nd Floor COSCO Tower, 183 Queen's Road Central, Hong Kong, is set out on pages 6 to 7 of this circular. A form of proxy for use at the special general meeting is enclosed with this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the Company's Hong Kong branch share registrar, HKSCC Registrars Limited of 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so desire.

6th July 2000

*for identification only.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website of <http://www.hkgem.com> operated by the Stock Exchange. Companies listed on GEM are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Annual General Meeting”	the annual general meeting of the Company held on 25th April, 2000 in relation to the financial year of the Company ended on 31st December, 1999
“Board”	the board of Directors
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Commission”	the Securities and Futures Commission
“Company”	China Data Broadcasting Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on GEM
“Conditions”	the conditions of the Share Subdivision set out in the section headed “Conditions” in the letter from the Board
“Directors”	the directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	4th July, 2000, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to herein
“Registrar”	HKSCC Registrars Limited of 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong, the Company’s Hong Kong branch share registrar
“Repurchase Mandate”	the general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of the resolution approving such mandate
“Share(s)”	share(s) of \$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares or Subdivided Shares

DEFINITIONS

“Share Subdivision”	the proposed subdivision of each of the issued and unissued Shares into four Subdivided Shares referred to herein
“Share Option Scheme”	the share option scheme adopted by the Company on 11th January, 2000
“Special General Meeting”	the special general meeting of the Company to be held at Room 4201-7, 42nd Floor Cosco Tower, 183 Queen’s Road Central, Hong Kong, the notice of which is set out on pages 6 to 7 of this circular
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subdivided Share(s)”	Share(s) of \$0.025 each in the capital of the Company proposed to be created by the Share Subdivision
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$ or cents”	Hong Kong dollars and cents respectively

EXPECTED TIMETABLE

2000

Latest time for lodging forms of proxy for the Special General Meeting	10:00 a.m. on Saturday, 22nd July
Special General Meeting	10:00 a.m. on Monday, 24th July
Effective Date of Share Subdivision	Tuesday, 25th July
Dealing in Subdivided Shares commences	10:00 a.m. on Tuesday, 25th July
Existing counter for trading in existing Shares in board lots of 2,000 Shares temporarily closes	10:00 a.m. on Tuesday, 25th July
Temporary counter for trading in Subdivided Shares in board lots of 8,000 Subdivided Shares (in the form of existing share certificates) opens	10:00 a.m. on Tuesday, 25th July
First day of free-exchange of certificates for existing Shares for new certificates for the Subdivided Shares	Tuesday, 25th July
Existing counter for trading in Subdivided Shares in board lots of 2,000 Subdivided Shares (in the form of new share certificates for Subdivided Shares) reopens	10:00 a.m. on Tuesday, 8th August
Parallel trading in Subdivided Shares (in the form of new certificates for Subdivided Shares in the existing counter and existing shares certificates in the temporary counter) commences	10:00 a.m. on Tuesday, 8th August
Temporary counter for trading in Subdivided Shares in board lots of 8,000 Subdivided Shares (in the form of existing share certificates) ends	4:00 p.m. on Tuesday, 29th August
Parallel trading in Subdivided Shares (in the form of new certificates for Subdivided Shares in the existing counter and existing shares certificates in the temporary counter) ends	4:00 p.m. on Tuesday, 29th August
Last day for free exchange of certificates for existing Shares for new certificates for Subdivided Shares	4:00 p.m. on Friday, 1st September

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LETTER FROM THE BOARD



**CHINA DATA
BROADCASTING**

China Data Broadcasting Holdings Limited

(中華數據廣播控股有限公司)*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Professor KOU Jisong
DONG Jian Xin
Professor LI Min Qiang
YAO Xiao Dong

Independent non-executive Directors

LI Shan Hai
Andrew SHERRILL
WANG Fu Sun

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:

No. 3 Hua Tian Road
Huayuan Industry Area
Tianjin High-Tech Industry Park
Tianjin
PRC

Hong Kong liaison office:

6th Floor
Hing Yip Commercial Centre
272-284 Des Voeux Road Central
Hong Kong

6th July, 2000

To the Shareholders

Dear Sir or Madam,

NOTICE OF SPECIAL GENERAL MEETING, PROPOSAL FOR SUBDIVISION OF SHARES AND GENERAL MANDATE TO REPURCHASE ITS OWN SHARES

INTRODUCTON

On 3rd July, 2000, the Board announced a proposal for the Share Subdivision. On 11th January 2000, written resolutions of all the Shareholders were passed to grant, among other things, a general mandate to the Directors to exercise the powers of the Company to repurchase its own Shares in accordance with the GEM Listing Rules. **This general mandate of repurchase had lapsed at the conclusion of the Annual General Meeting. Although a resolution to renew the general mandate of repurchase was passed by the Shareholders at the Annual General Meeting, it was not operative as the necessary explanatory statement was not sent together with the notice of the Annual General Meeting as required by Rule 13.08 of the GEM Listing Rules. The Stock Exchange reserves the right to take actions against the Company for such non-compliance.** The Board has now proposed to seek the Shareholders' approval to renew the general mandate to repurchase Shares at the Special General Meeting in compliance with the GEM Listing Rules so that the Repurchase Mandate will be operative after approval by the Shareholders.

The Company had not purchased any of its Shares (whether on GEM or otherwise) during the period from 24th January 2000 (date of listing) to the Latest Practicable Date.

*for identification only.

LETTER FROM THE BOARD

The purpose of this circular is to give notice to convene the Special General Meeting, to provide further details regarding the proposals for the Share Subdivision and the renewal of the general mandate to repurchase Shares and to set out the recommendation of the Board in relation to the matters to be considered at the Special General Meeting.

SHARE SUBDIVISION

The Board proposes that each of the existing issued and unissued Shares be subdivided into four Subdivided Shares of \$0.025 each.

Since the listing of the Shares on GEM the performance of its Share prices is most encouraging. However the Directors noted there has been a gradual reduction in the trading volume of the Shares and a steady increase in the investment cost for each board lot of Shares. Set out below are a selected trading statistics for the Shares for the period from 24th January, 2000 (date of listing) to 30th June, 2000:

2000	Daily Average Turnover HK\$'000	Daily Average Volume '000	Average Cost per Board Lot HK\$
January	48,204	8,361	11,530
February	17,755	1,828	19,430
March	10,334	735	28,156
April	2,315	179	25,913
May	1,241	89	28,000
June	585	44	26,753

The Board believes that the Share Subdivision will lower the minimum investment amount in the Shares which will help to enhance the liquidity in trading of the shares of the Company and widen its shareholder base. Hence, the Board is of the view that the Share Subdivision is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the authorised share capital of the Company was \$30,000,000 which was divided into 300,000,000 Shares, of which 79,500,000 Shares were in issue. Immediately upon completion of the Share Subdivision and on the basis that 79,500,000 Shares are in issue, 318,000,000 Subdivided Shares will be in issue pursuant to the Share Subdivision and the authorised share capital of the Company will be divided into 1,200,000,000 Subdivided Shares of HK\$0.025 each. The Subdivided Shares will rank pari passu in all respects with each other and the Share Subdivision will not result in any change in the relevant rights of the Shareholders.

CONDITIONS OF SHARE SUBDIVISION

The Shares Subdivision is conditional upon (i) the passing of ordinary resolution no. 1 as stated in the notice of Special General Meeting by the Shareholders at the Special General Meeting, and (ii) the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subdivided Shares and any new Subdivided Shares which may fall to be issued pursuant to the exercise of options granted under the Share Option Scheme.

An application will be made to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in such Subdivided Shares on GEM.

LETTER FROM THE BOARD

Subject to the granting of listing of, and permission to deal in, the Subdivided Shares on GEM, the Subdivided Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Subdivided Shares on GEM or such other date as determined by Hongkong Clearing. Settlement of transactions between members of the Stock Exchange on any trading date is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

BOARD LOT SIZE

Currently, the Shares are traded in board lots of 2,000 Shares. Upon fulfillment of the Conditions, the Shares will still be traded in board lots of 2,000 Subdivided Shares.

TRADING ARRANGEMENTS FOR THE SUBDIVIDED SHARES

The Shares are listed and dealt in on GEM. No part of the Company's securities are listed or dealt in on any other stock exchange, nor is listing of or permission to deal in the Shares on any other stock exchange being or proposed to be sought. Dealing in the Subdivided Shares will be subject to Hong Kong stamp duty.

1. Dealings

Subject to the Share Subdivision becoming unconditional, the arrangements proposed for dealings in the Subdivided Shares are expected to be as follows:

- (a) From 25th July, 2000, the existing counter for trading in the Shares in board lots of 2,000 Shares (in the form of share certificates for existing shares) will be closed temporarily and a temporary counter for trading in the Subdivided Shares in board lots of 8,000 Subdivided Shares will be opened. Certificates for existing Shares may only be traded at the temporary counter and one Share will be deemed to represent four Subdivided Shares.
- (b) With effect from 8th August, 2000, the existing counter for trading in the Shares will be reopened for trading in Subdivided Shares in board lots of 2,000 Subdivided Shares (in the form of new share certificates for Subdivided Shares). Only new certificates for Subdivided Shares will be traded at this existing counter after reopening.
- (c) During the period from 8th August, 2000 to 29th August, 2000 (both days inclusive), there will be parallel trading at the above two counters.
- (d) With effect from 10:00 a.m. on 30th August, 2000, trading will only be in the Subdivided Shares in board lots of 2,000 Subdivided Shares (in the form of new certificates for Subdivided Shares) and the temporary counter for trading in the Subdivided Shares in board lots of 8,000 Subdivided Shares (in the form of certificates for existing Shares) will be removed. Dealings in the Subdivided Shares represented by certificates for existing Shares will cease after the close of trading on 29th August, 2000.

LETTER FROM THE BOARD

Certificates for existing Shares will only be valid for delivery and settlement in respect of dealings for the period up to 29th August, 2000 and thereafter will not be accepted for dealing purposes. However, the certificates for existing Shares will continue to be good evidence of legal title to the Subdivided Shares on the basis of one Share for four Subdivided Shares and may be exchanged for new certificates for Subdivided Shares at any time. All Shareholders shall be entitled to tender their certificates for existing Shares in exchange for new certificates for the Subdivided Shares in board lots of 2,000 Subdivided Shares so that their shareholding may be accurately represented by the new certificates for the Subdivided Shares.

2. Exchange of certificates

New certificates for Subdivided Shares will be issued in yellow in order to distinguish them from certificates for existing Shares which are purple in colour.

Shareholders are urged to exchange their certificates for existing Shares for new certificates for Subdivided Shares as soon as possible on or after 25th July, 2000. This may be done free of charge by delivering the certificates for existing Shares to the Registrar before 4:00 p.m. on 1st September, 2000. Thereafter, certificates for existing Shares will be accepted for exchange only on payment of a fee of \$2.5 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new certificate for Subdivided Shares. Shareholder will be entitled to aggregate his/her Shares registered in his/her name in order to obtain new certificates for Subdivided Shares in board lot(s) of 2,000 Subdivided Shares.

If Shareholders are able to lodge their certificates for the existing Shares between 9:00 a.m. and 4:00 p.m. on 25th July, 2000, it is expected that new certificates for the Subdivided Shares will be available for collection on 8th August, 2000. If Shareholders lodge their certificates for the existing Shares after 25th July, 2000, it is expected that new certificates for Subdivided Shares will be available for collection on or after the 10th business day from the date of submission of the certificates for existing Shares to the Registrar. Unless instructed otherwise, new certificates for Subdivided Shares will be issued in board lots of 2,000 Subdivided Shares.

ADJUSTMENT IN RELATION TO THE EXERCISE PRICE OF THE SHARE OPTIONS

Subject to the Share Subdivision becoming effective, the exercise price of options to subscribe for Shares granted by the Company under the Share Option Scheme will be adjusted as a result of the Share Subdivision. The following adjustments will take effect as from 25th July, 2000, subject to the Share Subdivision becoming unconditional.

Offer Date	Existing Exercise Price Per Share	Adjusted Exercise Price Per Subdivided Share
3rd February, 2000	\$7.10	\$1.775

Ernst & Young, the auditors of the Company, has certified that the aforementioned adjustments are fair and reasonable and the certificate will be available for inspection at the Company's Hong Kong liaison office during normal business hours up to and including 24th July, 2000.

LETTER FROM THE BOARD

REPURCHASE MANDATE

An ordinary resolution will be proposed at the Special General Meeting to grant to the Directors the Repurchase Mandate, details of which are set out in ordinary resolution no. 2 in the notice of the Special General Meeting. The Shares which may be repurchased pursuant to the Repurchase Mandate are limited to a maximum of 10 per cent. of the issued share capital of the Company at the date of passing of the resolution approving the Repurchase Mandate.

An explanatory statement as required under the GEM Listing Rules, giving certain information regarding the Repurchase Mandate, is set out in the appendix to this circular.

SPECIAL GENERAL MEETING

The notice of the Special General Meeting is set out on pages 6 to 7 of this circular. At the Special General Meeting, ordinary resolutions will be proposed to approve the Share Subdivision and the granting of the Repurchase Mandate.

A form of proxy for use at the Special General Meeting of the Company to be held at Room 4201-7, 42nd Floor, COSCO Tower, 183 Queen Road Central, Hong Kong at 10:00 a.m. on 24th July, 2000 is enclosed. Whether or not you intend to attend the meeting, you are requested to complete and return the form of proxy to the Registrar not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or at any adjourned meeting should you so wish.

GENERAL

The English text of the circular and form of proxy shall prevail over the Chinese text.

RECOMMENDATION

The Directors are of the opinion that the Share Subdivision and the Repurchase Mandate are in the best interests of the Company and its Shareholders and recommend that Shareholders vote in favour of the resolutions to be proposed at the Special General Meeting.

Yours faithfully,
By order of the Board
Professor Kou Jisong
Chairman

NOTICE OF SPECIAL GENERAL MEETING



**CHINA DATA
BROADCASTING**

China Data Broadcasting Holdings Limited **(中華數據廣播控股有限公司)***

(Incorporated in Bermuda with limited liability)

NOTICE is hereby given that a special general meeting of China Data Broadcasting Holdings Limited (the “Company”) will be held at 10:00 a.m. on Monday, 24th July, 2000 at Room 4201-7, 42nd Floor COSCO Tower, 183 Queen’s Road Central, Hong Kong, for the purpose of considering and, if thought fit, inter alia, passing the following resolutions as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** subject to and conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the shares of the Company in their subdivided form on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, every share of HK\$0.10 each in the issued and unissued share capital of the Company be and is hereby subdivided into and redesignated as four shares of HK\$0.025 each with effect from 25th July, 2000.
2. **THAT**
 - (a) the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its shares in the capital of the Company (“Shares”) on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the Shares may be listed and recognized by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited, the Companies Act of Bermuda and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent, of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

NOTICE OF SPECIAL GENERAL MEETING

- (c) for the purposes of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:—
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company, the Companies Act 1981 of Bermuda or any other applicable law of Bermuda to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this Resolution.

By order of the Board
China Data Broadcasting Holdings Limited
Chai Chi Man
Company Secretary

Hong Kong, 6th July, 2000

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business:

No. 3 Hua Tian Road
Huayuan Industry Area
Tianjin High-Tech Industry Park
Tianjin
PRC

Hong Kong liaison office:

6th Floor
Hing Yip Commercial Centre
272-284 Des Voeux Road Central
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holder of any class of shares in the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to attend on the same occasion.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited to the Company’s Hong Kong branch share registrar, HKSCC Registrars Limited of 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong and in any event not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting (as the case may be).
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting and in such event, the instrument appointing a proxy shall be deemed to be revoked.

*for identification only.

APPENDIX

This appendix serves as an explanatory statement, as required by the GEM Listing Rules, to provide you with all information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to be proposed at the Special General Meeting to approve the granting of the Repurchase Mandate.

1. PROVISIONS OF THE GEM LISTING RULES

The GEM Listing Rules permit a company with a listing on GEM to repurchase its own securities on GEM or on any other stock exchange recognised for this purpose by the Commission and the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) *Shareholders' approval*

All proposed repurchases of securities by a company listed on GEM must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(b) *Source of funds*

Repurchases by a company may only be funded out of funds legally available for the purposes in accordance with its constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. A listed company may not repurchase its own 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.

(c) *Trading restrictions*

The total number of shares which a company is authorised to repurchase on GEM is shares representing up to a maximum of 10% of the existing issued share capital at the date of the passing of the ordinary resolution approving the repurchase mandate. A company may not issue or announce an issue of new shares for a period of 30 days immediately following a repurchase (except pursuant to the exercise of share options or similar instruments outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the purchase price of shares purchased on GEM should not be higher than the latest or current independent bid price or the last independent sale (contract) price quoted or reported on the system (as defined in the Rules of the Stock Exchange), and the opening bid or any bid shall not be made in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the repurchase would result in the number of listed securities in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange.

A company shall procure that any broker appointed by it to effect the purchase of its own shares shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

(d) *Status of repurchased securities*

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled and the certificates of those securities must be cancelled and destroyed as soon as reasonably practicable.

APPENDIX

(e) *Suspension of repurchases*

Any repurchase of securities is prohibited after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been made publicly available. In particular, 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 half-yearly or quarterly report, a company is prohibited from making any repurchase of securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit a company from making any repurchase of securities on GEM if a company has breached any of the GEM Listing Rules.

(f) *Reporting requirements*

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. The Stock Exchange is to make this information publicly available as soon as possible. In addition, a company's annual report is required to disclose details regarding securities repurchases made during the year including the number of securities repurchased and the aggregate price paid.

(g) *Connected parties*

A company is prohibited from knowingly repurchasing securities on GEM from a "connected person", which includes a director, chief executive, substantial shareholder or management shareholder of the company or an associate of any of them (as defined in the GEM Listing Rules), and a connected person is prohibited from knowingly selling his securities to the company.

No connected persons (as defined in the GEM 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, if the Repurchase Mandate is approved by the Shareholders.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 79,500,000 Shares.

Subject to the passing of the ordinary resolution no. 2 set out in the notice of Special General Meeting and on the basis that no further Shares are issued prior to the Special General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 7,950,000 Shares before the Share Subdivision becoming effective.

Immediate upon the completion of the Share Subdivision and on the basis that 79,500,000 Share are in issue, 318,000,000 Subdivided shares would be in issue pursuant to the Share Subdivision, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 31,800,000 Subdivided Shares.

3. REASONS FOR REPURCHASES

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

APPENDIX

4. FUNDING OF REPURCHASES

Any repurchases will only be funded out of funds of the Company legally available for the purposes in accordance with its memorandum of association and bye-laws and the applicable laws of Bermuda. The Company will not purchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an 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.

5. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on GEM in the six months since 24th January 2000 (date of listing) were as follows:

	Highest <i>HK\$</i>	Shares	Lowest <i>HK\$</i>
January 2000	6.400		4.875
February 2000	14.500		6.100
March 2000	17.200		12.200
April 2000	14.500		12.100
May 2000	14.750		12.900
June 2000	13.800		13.000

6. SUBSTANTIAL SHAREHOLDERS

According to the register maintained by the Company pursuant to Section 16 of the Securities (Disclosure of Interests) Ordinance as at the Latest Practicable Date, the following interests in the Shares were recorded:

Name	Number of shares held	%
Ultra Challenge Limited (note 1)	42,975,000	54.06
HSBC International Trustee Limited (note 1)	42,975,000	54.06
HSBC Holdings plc (note 2)	42,975,000	54.06
HSBC Finance (Netherlands) (note 2)	42,975,000	54.06
HSBC Holdings B.V. (note 2)	42,975,000	54.06
HSBC Investment Bank Holdings B.V. (note 2)	42,975,000	54.06

Note:

- (1) The shares in Ultra Challenge Limited are held by HSBC International Trustee Limited on terms of a fixed trust. The beneficiaries of the trust are Mr. Dong Jian Xin, Professor Li Min Qiang, Mr. Yao Xiao Dong, Mr. Tang Bin, Mr. Wang Guangxin, Mr. Zhang Renli, Mr. Li Jiancheng, Ms. Yue Shishuang, Mr. Li Yongchao, Mr. Sun Lianwen, Mr. Ji Songqiao and Ms. Cai Zhipei. None of these beneficiaries had an effective interest amounting to 10% or more of the issued share capital of the Company.

APPENDIX

- (2) HSBC Holdings plc, HSBC Finance (Netherlands), HSBC Holdings B.V. HSBC Investment Bank Holdings B.V. are holding companies of HSBC International Trustee Limited and they are therefore interested and/or deemed to be interested through HSBC Trustee International Limited.

Save as disclosed above, no person has notified the Company that it has an interest amounting to 10% or more of the issued share capital of the Company at the Latest Practicable Date pursuant to Section 16(1) of the SDI Ordinance.

7. DISCLOSURE OF INTERESTS

None of the Directors and, to the best of their knowledge, having made all reasonable enquiries, none of their respective associates, have any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Share to the Company or its subsidiary.

8. DIRECTORS' UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules and the applicable laws of Bermuda.

9. TAKEOVERS CODE CONSEQUENCES AND PUBLIC FLOATS

If the Repurchase Mandate were exercised in full, the percentage shareholding of the substantial shareholders of the Company before and after such repurchase would be as follows:

Substantial Shareholders	Before repurchase	After repurchase
Ultra Challenge Limited	54.06	60.06
HSBC International Trustee Limited	54.06	60.06
HSBC Holdings plc	54.06	60.06
HSBC Finance (Netherlands)	54.06	60.06
HSBC Holdings B.V.	54.06	60.06
HSBC Investment Bank Holdings B.V.	54.06	60.06

If as a result of a repurchase of shares of the Company, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase may be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as aforesaid in this circular, the Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any purchase made under the Repurchase Mandate. However, the Company may not repurchase Shares which would result in the amount of Shares held by the public being reduced to less than 20 per cent.

10. SHARES REPURCHASES BY THE COMPANY

The Company had not purchased any of its Shares (whether on GEM or otherwise) during the period from 24th January 2000 (date of listing) to the Latest Practicable Date.