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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Codebank Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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

The Directors collectively and individually accept full responsibility for this circular which is given in compliance with the requirements (Rules Governing the Listing of Securities on the Growth Enterprise Market) of the Stock Exchange. The Directors confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the information contained in the circular are accurate and complete in all material aspects and not misleading; (ii) there are no other facts the omission of which would make any statement herein misleading; and (iii) opinions expressed in this circular have been arrived at after due and careful consideration on the basis and assumptions of reasonableness and fairness.

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# [code/bank]

## Codebank Limited

### 數碼庫有限公司

*(Incorporated in Hong Kong under the Companies Ordinance with limited liability)*

*Executive Directors:*

Mr. Yu Hang Chung, Herman (*Chairman*)  
Mr. Cheng Yu Hong  
Mr. Suen Kwok Kin

*Non-Executive Directors:*

Mr. Woo Chia-wei  
Mr. Choy Mun Kei

*Independent Non- Executive Directors:*

Mr. Lau Wah Sum  
Mr. Cheung Chun Ying, Victor

*Registered Office:*

Unit 2801-2805  
28th Floor, Island Place Tower  
Island Place  
510 King's Road  
North Point  
Hong Kong

27th March, 2002

*To the shareholders*

Dear Sir or Madam,

### GENERAL MANDATES TO ISSUE NEW SHARES AND TO REPURCHASE SHARES

#### INTRODUCTION

At the Annual General Meeting of Codebank Limited (“the Company”) to be held at 39th Floor, China Online Centre, No. 333 Lockhart Road, Wanchai, Hong Kong on 22nd April, 2002 at 10:30 a.m., resolutions will be proposed to grant to the directors of the Company (“the Directors”) general mandates to allot, issue and deal with new shares of the Company and to repurchase shares of the Company.

*This circular will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the date of posting.*

## **GENERAL MANDATE TO ISSUE SHARES**

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general mandate to allot, issue and deal with shares up to a limit equal to 20% of the issued share capital of the Company as at the date of passing of such resolution. In addition, an ordinary resolution will be proposed to increase the limit of this 20% by the amount of any shares of the Company repurchased by the Company after the granting of the below repurchase mandate up to a maximum of 10% of the issued share capital of the Company at the date of passing of the relevant resolution.

## **GENERAL MANDATE TO REPURCHASE SHARES**

At the Annual General Meeting, an ordinary resolution will also be proposed to grant to the Directors a general mandate to repurchase issued shares of HK\$0.10 each in the capital of the Company (“Shares”) on the Growth Enterprise Market of the Stock Exchange (“GEM”) or on any other stock exchange on which the Shares of the Company may be listed (“Repurchase Mandate”). Under such mandate, the number of shares that the Company may repurchase shall not exceed 10% of the share capital of the Company in issue on the date of passing the resolution. The Repurchase Mandate allows the Company to make or agree to make repurchases only during the period ending on the earliest of (i) the date of the next annual general meeting, (ii) the date by which the next annual general meeting of the Company is required to be held by law or by its Articles of Association; or (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

## **EXPLANATORY STATEMENT**

This document contains the explanatory statement in compliance with the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange (“GEM Listing Rules”) and to give all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the granting of a mandate to the Directors to exercise the powers of the Company to repurchase its own Shares.

## **GENERAL INFORMATION**

The notice of the Annual General Meeting is set out in the 2001 annual report of the Company which has been despatched to shareholders of the Company together with this circular.

A form of proxy for use at the Annual General Meeting is also enclosed with the 2001 annual report. Whether or not you are able to attend the Annual General Meeting in person, please complete and return the form of proxy in accordance with the instructions printed thereon to Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central,

Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Annual General Meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting (as the case may be) should you so wish.

## **RECOMMENDATION**

The Directors consider that the granting of the general mandates to issue Shares and repurchase Shares of the Company are in the best interests of the Company and its shareholders and so recommend all shareholders to vote in favour of the resolutions to be proposed at the forthcoming Annual General Meeting.

Yours faithfully,  
**Yu Hang Chung, Herman**  
*Chairman*

## **APPENDIX**

### **EXPLANATORY STATEMENT**

This is an explanatory statement given to all shareholders of the Company relating to resolution 5 to be proposed at the Annual General Meeting authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 of the GEM Listing Rules which is set out as follows:

#### **1. EXERCISE OF THE REPURCHASE MANDATE**

The Company's authority is restricted to purchases made on the GEM in accordance with the GEM Listing Rules. On 26th March, 2002, being the latest practicable date prior to the printing of this circular (the "Latest Practicable Date"), there were in issue an aggregate of 600,000,000 Shares. Accordingly, exercise in full of the Repurchase Mandate, on the basis that no further Shares would be issued or repurchased prior to the date of the Annual General Meeting, would result in up to 60,000,000 Shares representing 10% of the then aggregate issued share capital of the Company being repurchased by the Company. Furthermore, the Repurchase Mandate covers purchases made only during the period ending on the earliest of the date of the next annual general meeting of the Company, the date by which the next annual general meeting is required to be held by the Hong Kong Companies Ordinance or the Company's Articles of Association, or the date upon which such authority is revoked or varied by an ordinary resolution of the shareholders in a general meeting of the Company.

#### **2. REASONS FOR REPURCHASES**

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such purchase when appropriate and is beneficial to the Company. Such repurchases may enhance the net asset value of the Company and/or earnings per Share.

#### **3. FUNDING OF REPURCHASES**

The Company is empowered by its Memorandum and Articles of Association to purchase its Shares.

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the Hong Kong Companies Ordinance.

#### 4. GENERAL

There could be a material adverse effect on the working capital or the gearing position of the Company (as compared with the position disclosed in the audited financial statements for the year ended 31st December, 2001) in the event that the proposed purchases were to be carried out in full at any time during the proposed purchase period. The Directors therefore do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse impact on the working capital or gearing ratio of the Company.

#### 5. SHARE PURCHASE MADE BY THE COMPANY

The Company has not repurchased any of its Shares (whether on GEM or otherwise) in the six months preceding the date of this document.

#### 6. SHARE PRICES

The highest and lowest prices at which Shares have been traded on GEM during the previous three months since the Company was listed on 21st December 2001 were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2001</b>		
December	0.500	0.180
<b>2002</b>		
January	0.239	0.108
February	0.108	0.071

#### 7. DIRECTORS AND CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their associates has any present intention, in the event that the Repurchase Mandate is approved by shareholders, to sell Shares 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 nor have they undertaken not to do so in the event that the Company is authorised to make purchases of Shares pursuant to the Repurchase Mandate is approved by shareholders. In accordance with the GEM Listing Rules, the Company is prohibited from knowingly purchase Shares from a connected person on the GEM and a connected person shall not knowingly sell his Shares to the Company.

## **8. UNDERTAKING OF THE DIRECTORS**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make purchases pursuant to the proposed resolution and in accordance with the GEM Listing Rules and the applicable laws of Hong Kong and in accordance with the regulations set out in the Memorandum and Articles of Association of the Company.

## **9. HONG KONG CODE ON TAKEOVERS AND MERGERS**

If as a result of a share repurchase, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). Accordingly, a shareholder or a group of shareholders acting in concert, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rules 26 of the Takeover Code.

As at the Latest Practicable Date, Super Code Limited ("Super Code") and Hycomm Wireless Limited respectively held 186,207,496 shares and 60,584,726 shares representing approximately 31.04% and 10.10% of the issued share capital of the Company respectively, were the only substantial shareholders holding more than 10% of the issued share capital of the Company. Should the power to repurchase Shares pursuant to the Repurchase Mandate be exercised in full, the shareholding of Super Code would be increased to 34.50% of the issued share capital of the Company. Such increase may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeover Code. However, the Directors have no present intention to repurchase any Shares to the extent that it will trigger the obligations under the Takeover Code to make a mandatory offer.

The Directors do not propose to exercise the Repurchase Mandate to such extent as to result in the number of listed Shares which are in the hands of the public falling below the prescribed minimum as required by the Stock Exchange.