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EZCOM HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

PROPOSED CAPITAL RESTRUCTURING INVOLVING CONSOLIDATION OF SHARES, REDUCTION OF THE ISSUED SHARE CAPITAL AND SUBDIVISION OF UNISSUED SHARE CAPITAL

PROPOSED OPEN OFFER TO QUALIFYING SHAREHOLDERS ON THE BASIS OF ASSURED ALLOTMENTS OF FIVE OFFER SHARES FOR EVERY ADJUSTED SHARE HELD PAYABLE IN FULL ON APPLICATION

SPECIAL DEAL

APPLICATION FOR WHITEWASH WAIVER

Financial advisers to the Underwriter



THE CAPITAL RESTRUCTURING

The Company proposes the following:–

- (a) that every fifty issued Existing Shares be consolidated into one Consolidated Share;
- (b) that the nominal value of each issued Consolidated Share be reduced from HK\$5.0 each to HK\$0.01 each by cancelling HK\$4.99 paid up on each issued Consolidated Share; and
- (c) that each of the authorised unissued Shares be subdivided into 10 Adjusted Shares.

The credit of approximately HK\$508,536,906 arising from the Capital Reduction will be credited to the contributed surplus account of the Company, where it may be utilised in accordance with the by-laws of the Company and all applicable laws. The permitted uses include reduction of accumulated losses and it is proposed to use the credit in or towards reduction of accumulated losses of the Company which were in the amount of approximately HK\$213,450,000 as at 30th April, 2002.

As at the date of this announcement, the authorised share capital of the Company is HK\$800,000,000 comprising 8,000,000,000 Existing Shares of HK\$0.10 each, of which 5,095,560,175 Existing Shares have been issued and are fully paid. Immediately following the Capital Restructuring and based on the Existing Shares in issue, the share capital of the Company will comprise 101,911,203 issued Adjusted Shares and 79,898,088,797 unissued Adjusted Shares.

OPEN OFFER

The Company proposes, upon the Capital Restructuring becoming effective, to raise approximately HK\$51 million before expenses (assuming no exercise of Options or Convertible Notes on or before the Record Date) or approximately HK\$53 million before expenses (assuming all the Options are exercised on or before the Record Date except those held by Mr. Kok, Mr. Lam and Mr. Li) by way of an open offer of not less than 509,556,015 Offer Shares at the Subscription Price of HK\$0.10 per Offer Share on the basis of an assured allotment of five Offer Shares for every Adjusted Share held by the Qualifying Shareholders. The Open Offer will not be made available to Overseas Shareholders. Qualifying Shareholders will not be allotted any Offer Shares in excess of their assured allotments.

The Controlling Shareholder has irrevocably undertaken to the Company not to apply or procure applications for its full assured allotment under the Open Offer, amounting to 169,909,200 Offer Shares. All Offer Shares for which Mr. Kok and companies controlled by him will be entitled to apply will be taken up by the Underwriter.

The Open Offer will be subject to the conditions set out below under the section headed “Conditions of the Open Offer”. In particular, it will be conditional upon, inter alia, (i) the approval of the Capital Restructuring by Shareholders at the SGM and the Capital Restructuring being effective thereafter; and (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated, including as a result of provisions regarding force majeure as detailed in the section headed “Termination of the Underwriting Agreement”. **Accordingly, the Open Offer may or may not proceed.**

The estimated net proceeds of the Open Offer will be approximately HK\$49 million (assuming no exercise of Options or Convertible Notes on or before the Record Date). The Company plans to use all the proceeds to repay part of the outstanding Convertible Notes owed by the Company to Mr. Kok in accordance with the terms of the Convertible Notes that give it the right of prepayment. This would be a “special deal” under Rule 25 of the Takeovers Code were an offer to be made for the Company and is subject to the consent of the Executive. The Executive will normally consent to such a transaction, provided that an independent adviser to the Company publicly states that in his opinion the terms of the transaction are fair and reasonable and the transaction is approved at a general meeting of the Company’s shareholders. At this meeting the vote must be a vote of the Independent Shareholders, being shareholders who are not involved in or interested in the transaction.

The Convertible Notes held by Mr. Kok to be repaid are non-interest bearing. The Directors have considered alternative uses for the proceeds of the Open Offer but they concluded that repayment of the Convertible Notes held by Mr. Kok was the most desirable use of proceeds. Full explanation of the rationale for this decision will be included in the Circular and further announcement may be made when the Circular is despatched.

To qualify for the Open Offer, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is expected to be 5th March, 2003. In order to be registered as members on the Record Date, transferees must lodge for registration any transfers of the Existing Shares (with the relevant share certificates) by 4:00 p.m. on 28th February, 2003. The share register will be closed from 3rd March, 2003 to 5th March, 2003, both dates inclusive.

WHITEWASH WAIVER

Immediately upon completion of the Open Offer, Mr. Kok and his concert parties (which include the Underwriter, which is wholly-owned by Mr. Kok) will be interested in between approximately 33.3% (if all Shareholders take up their assured allotments of Offer Shares in which case no general offer obligation will arise) and 88.9% (if no Offer Shares are taken up by anyone other than the Underwriter and its concert parties in which case a general offer obligation will arise) of the issued share capital of the Company (depending on the level of applications for the Open Offer by the Shareholders and assuming no outstanding Options or Convertible Notes are exercised before the Record Date). The Underwriter will make an application to the Executive under the Takeovers Code for the Whitewash Waiver. The Open Offer will not be conditional upon the grant of the Whitewash Waiver by the Executive.

If the Whitewash Waiver is not granted and the aggregate percentage interest of the Underwriter or its concert parties in the issued shares of the Company increases by 2% or more, they will be obliged to make a general offer for the securities of the Company in compliance with Rule 26 of the Takeovers Code. Baron Capital Limited and Dao Heng Securities Limited have confirmed that financial resources are available to the Underwriter sufficient to satisfy the underwriting of the Open Offer and will confirm the sufficiency of the financial resources available to the Underwriter upon the arising of its general offer obligation. The Company has been informed that none of the Underwriter and persons acting in concert with it has dealt in securities of the Company in the last six months preceding this announcement.

WARNING: Existing Shares will be dealt in on an ex-entitlement basis from 27th February, 2003. If the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

RESUMPTION OF TRADING

Trading in the Existing Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 17th January, 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Existing Shares from 9:30 a.m. on 30th January, 2003. The Company will apply to the Stock Exchange for the listings of, and permission to deal in, the Adjusted Shares and the Offer Shares.

THE CAPITAL RESTRUCTURING

Background

The Company proposes the following:–

- (a) that every fifty issued Existing Shares be consolidated into one Consolidated Share;
- (b) that the nominal value of each of the issued Consolidated Shares be reduced from HK\$5 each to HK\$0.01 each by cancelling HK\$4.99 paid up on each issued Consolidated Share; and
- (c) that each of the authorised unissued Shares be subdivided into 10 Adjusted Shares.

(A) Share Consolidation

As at the date of this announcement, the authorised share capital of the Company is HK\$800,000,000 comprising 8,000,000,000 Shares of HK\$0.10 each, of which 5,095,560,175 Shares have been issued and are fully paid. Immediately following the Share Consolidation becoming effective and based on the Existing Shares in issue, the share capital of the Company will comprise 101,911,203 issued Consolidated Shares and 2,904,439,825 unissued Existing Shares.

(B) Capital Reduction

Accordingly, based on the number of Existing Shares in issue as at the date of this announcement and immediately after the Share Consolidation (assuming no further issue of Shares), the issued share capital of the Company of approximately HK\$509,556,018 consisting of 101,911,203 issued Consolidated Shares will be reduced by approximately HK\$508,536,906 to approximately HK\$1,019,112 consisting of 101,911,203 Adjusted Shares. The Adjusted Shares will rank *pari passu* in all respects with each other.

On the basis of 101,911,203 Consolidated Shares in issue, the credit amount of HK\$508,536,906 arising from the reduction above will be credited to the contributed surplus account of the Company, where it may be utilised in accordance with the bye-laws of the Company and all applicable laws, including to reduce the accumulated losses of the Company in the amount of HK\$213,450,000 as at 30th April, 2002.

(C) Subdivision

As at the date of this announcement, the authorised share capital of the Company is HK\$800,000,000 divided into 8,000,000,000 Existing Shares. Upon the Capital Restructuring becoming effective, the authorised share capital of the Company will remain at HK\$800,000,000 and will comprise 80,000,000,000 Adjusted Shares of which 101,911,203 Adjusted Shares are issued and 79,898,088,797 are unissued.

Fractions of Adjusted Shares will not be issued but will be aggregated and, if possible, sold in the market for the benefit of the Company.

Financial effects of the Capital Restructuring

Other than the related expenses, the implementation of the Capital Restructuring will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders as a whole. The Directors believe that the Capital Restructuring will not have any material adverse effect on the financial position of the Group (save for costs associated with the Capital Restructuring).

Reason for the Capital Restructuring

The Board believes that the Capital Restructuring will be beneficial to the Company and the Shareholders as a whole as it will reduce transaction costs for those dealing in Shares. Subject to any applicable laws and regulations and any restrictions contained in the bye-laws of the Company, the credit in the contributed surplus account arising as a result of the Capital Reduction will be firstly used to reduce the accumulated losses of the Company of approximately HK\$213,450,000 as at 30th April, 2002 and the remaining balance may be applied in the future for distribution to the Shareholders. The Board currently has no intention to make any distributions to the Shareholders.

The Existing Shares are currently traded in board lots of 2,000. Upon the Capital Restructuring becoming effective, the Adjusted Shares will be traded in board lots of 2,000 Adjusted Shares and accordingly, the theoretical market value of each board lot upon the Capital Restructuring becoming effective will be approximately 50 times the market value of the current board lot. Based on the closing price quoted on the Stock Exchange on the Last Trading Day of HK\$0.052 per Existing Share, the values per board lot of 2,000 Existing Shares and of 2,000 Adjusted Shares are HK\$104 and will be HK\$5,200 respectively. The transaction cost per dollar value of each Adjusted Share will therefore be lower.

Conditions of the Capital Restructuring

The Capital Restructuring will be conditional upon the following:–

- (a) the passing by the Shareholders of a special resolution at the SGM to approve the Capital Restructuring;
- (b) the publication of a notice in an appointed newspaper in Bermuda on a date not more than 30 days and not less than 15 days before the date as from which the Capital Reduction is to take effect, in accordance with section 46 of the Companies Act 1981 of Bermuda;
- (c) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares and the Adjusted Shares falling to be issued upon exercise of the conversion rights attached to the Options and Convertible Notes; and
- (d) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Restructuring.

Expected effective date of the Capital Restructuring

Subject to the above conditions being fulfilled, the Capital Restructuring is expected to become effective at 4:00 p.m. on 5th March, 2003.

Adjustment of Exercise or Subscription Price under the existing Options and Convertible Notes

The Directors are seeking advice as to whether or not the Capital Restructuring has triggered adjustments to the existing exercise prices and the number of the options and the conversion price of the Convertible Notes. Further announcement will be made on the required adjustments, if any, as soon as practicable.

Free exchange of Adjusted Share certificates and parallel trading arrangements

Subject to the Capital Restructuring becoming effective, which is expected to be on 5th March, 2003, Shareholders may on or after 6th March, 2003 until 22nd April, 2003 submit certificates for the Existing Shares to the Company's branch registrar in Hong Kong, Abacus Share Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong, for exchange, at the expense of the Company, for certificates of the Adjusted Shares in issue. Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each new certificate issued for the Adjusted Shares. Nevertheless, certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for certificates for the Adjusted Shares at any time. In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares, the Company will procure an agent to arrange to match the sales and purchases of odd lots of the Adjusted Shares. Details of the colour of the Adjusted Share certificates and the odd lots arrangements will be provided in the Circular to be despatched to the Shareholders.

THE OPEN OFFER

The Open Offer, subject to the conditions set out below under the heading "Conditions of the Open Offer", is proposed to take place after the Capital Restructuring has become effective, which is expected to be at 4:00 p.m. on 5th March, 2003.

Issue statistics

Basis of the assured allotments under the Open Offer:	Five Offer Shares for every Adjusted Share held by Qualifying Shareholders as at the Record Date. No Offer Shares will be allotted to Qualifying Shareholders in excess of their assured allotments
Number of Existing Shares in issue:	5,095,560,175 Shares (equivalent to 101,911,203 Adjusted Shares)
Subscription Price	HK\$0.10 per Offer Share
Minimum number of Offer Shares: (assuming no outstanding Options or Convertible Notes are exercised before the Record Date)	509,556,015 Offer Shares
Number of outstanding Options:	Options convertible into 239,724,000 Shares (equivalent to 4,794,480 Adjusted Shares, and approximately 4.7% of the Company's existing issued share capital)

Number of outstanding Convertible Notes:	Convertible Notes convertible into 1,953,047,030 Shares
Maximum number of Offer Shares: (assuming full exercise of the outstanding Options except those held by Mr. Kok, Mr. Lam and Mr. Li before the Record Date)	526,528,415 Offer Shares

Qualifying Shareholders will be assured of receiving the number of Offer Shares applied for if application is made for a number of Offer Shares equal to or less than the number in their assured allotments. No applications for Offer Shares in excess of assured allotments will be considered and no Offer Shares will be allotted to Shareholders in excess of their assured allotments.

Qualifying Shareholders:

The Company will send the Offering Documents to the Qualifying Shareholders only. The Offering Circular will be sent to Overseas Shareholders for information only.

To qualify for the Open Offer, Shareholders must:

- be registered as a member of the Company on the Record Date; and
- have an address in Hong Kong on the register of members of the Company on that day.

In order to qualify for the Open Offer, any transfer of Shares (with the relevant share certificates) must be lodged with the Company's branch share registrar in Hong Kong, Abacus Share Registrars Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wan Chai, Hong Kong by 4:00 p.m. on 28th February, 2003.

The assured allotments of Offer Shares will not be transferable or capable of renunciation and there will not be any trading in assured allotments on the Stock Exchange.

The register of members of the Company will be closed from 3rd March, 2003 to 5th March, 2003, both days inclusive. No transfer of Shares will be registered during this period.

Undertaking by the Controlling Shareholder

As at the date of this announcement, the Controlling Shareholder together with parties acting in concert with it in aggregate holds 1,699,092,000 Shares, representing approximately 33.3% of the Company's issued share capital, Options to subscribe for 30,000,000 Shares representing approximately 0.6% of the Company's existing issued share capital and Convertible Notes to subscribe for 1,139,141,100 Shares representing approximately 22.4% of the Company's existing issued share capital in aggregate. The Controlling Shareholder and Mr. Kok have irrevocably undertaken to the Company that the Shares directly or indirectly and beneficially owned by them will remain directly or indirectly and beneficially owned by them from the date of this announcement to 31st May, 2003 and that they will not exercise such Options or Convertible Notes before such date. The Controlling Shareholder has irrevocably undertaken to the Company not to apply or procure applications for its full assured allotment under the Open Offer, amounting to 169,909,200 Offer Shares. The Underwriter has agreed to underwrite the Offer Shares, amounting to not less than 509,556,015 Offer Shares and not more than 526,528,415 Offer Shares, subject to fulfilment of the conditions set out in the Underwriting Agreement, and to the Underwriting Agreement not being terminated.

Undertaking by Mr. Lam

As at the date of this announcement, there are outstanding Options to subscribe for an aggregate of 239,724,000 Shares (equivalent to approximately 4.7% of the existing issued Shares). Mr. Lam, being a Director and an Option holder, who is entitled to subscribe for 20,000,000 Shares, has given an irrevocable undertaking to the Company not to exercise his Options on or before 31st May, 2003. Mr. Lam does not own any Shares at the date of this announcement and cannot apply in the Open Offer unless he acquires shares before the Record Date. He has however agreed not to do so.

Undertaking by Mr. Li

As at the date of this announcement, there are outstanding Convertible Notes to subscribe for an aggregate of 1,953,047,030 Shares (equivalent to approximately 38.3% of the existing issued Shares), held by a total of two noteholders. Mr. Li, being a director of a subsidiary of the Company and holder of Options and Convertible Notes to subscribe for or convert into 20,000,000 and 813,905,930 Shares respectively, has given an irrevocable undertaking to the Company not to exercise or convert his Options and Convertible Note on or before 31st May, 2003. Mr. Li does not own any Shares at the date of this announcement and cannot apply in the Open Offer unless he acquires shares before the Record Date. He has however agreed not to do so.

Messrs. Li and Lam were not involved in any discussions with the Company about the proposals described in this announcement and are not interested in the proposals.

Terms of the Open Offer

Subscription price:

HK\$0.10 per Offer Share, payable in full when a Qualifying Shareholder applies in the Open Offer.

The Subscription Price payable for an Offer Share under the Open Offer, represents (i) a discount of approximately 96.2% to the closing price of HK\$2.6 per 50 Shares as quoted on the Stock Exchange on 16th January, 2003, the last day on which the Shares were traded immediately preceding to the publication of this announcement; (ii) a discount of approximately 96.4% to the average closing price of approximately HK\$2.815 per 50 Shares as quoted on the Stock Exchange on the last ten trading days up to and including 16th January, 2003; and (iii) a discount of approximately 80.6% to the theoretical ex-entitlements price of approximately HK\$0.517 per Adjusted Shares based on such closing price.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter based on their respective views of the financial position and prospects of the Company and not by reference to any particular criterion. Although the Subscription Price is at a significant discount to recent traded prices of the Shares, the Directors consider that the Subscription Price is appropriate in current market conditions to make the Open Offer attractive to Shareholders. The Directors consider the terms of the Open Offer to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Status of the Offer Shares

The Offer Shares will on issue rank pari passu in all respects with the Adjusted Shares. Subscribers of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date on which the Offer Shares are allotted.

Share certificates

Subject to the fulfilment of the conditions of the Open Offer, certificates for the Offer Shares are expected to be posted to successful applicants on the terms of the Open Offer at their own risks on or before 25th March, 2003.

Rights of Overseas Shareholders

The Offering Documents will not be registered under the applicable securities legislation in any jurisdictions other than Hong Kong and Bermuda, and the Overseas Shareholders will not be entitled to take part in the Open Offer. The Company will send the Circular and the Offering Circular (but not the Application Form) to the Overseas Shareholders for their information only. However, the Overseas Shareholders are entitled to attend and vote at the SGM.

Fractions of Offer Shares

There will be no assured allotment of fractions of Offer Shares and the fractions of Offer Shares which would otherwise form part of the assured allotments (if any) will be taken up by the Underwriter or disregarded.

No application for Offer Shares in excess of assured allotment

Qualifying Shareholders are not entitled to apply for any number of Offer Shares in excess of their assured allotments.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Adjusted Shares and the Offer Shares.

Underwriting Agreement

Date:	29th January, 2003
Underwriter:	All About Investments Limited
Number of Offer Shares underwritten:	A minimum of 509,556,015 Offer Shares and a maximum of 526,528,415 Offer Shares assuming that all Options are exercised in full (except those held by Mr. Kok, Mr. Lam and Mr. Li) on or before the Record Date
Underwriting commission:	nil

As at the date of this announcement, the Underwriter and its associates and parties acting in concert with any of them are interested in a total of 1,699,092,000 Shares, representing approximately 33.3% of the issued share capital of the Company.

In accordance with Rule 14.24(6) of the Listing Rules, the Underwriter has agreed to underwrite a minimum of 509,556,015 Offer Shares (assuming no outstanding Options or Convertible Notes are exercised before the Record Date) and a maximum of 526,528,415 Offer Shares (assuming full exercise of the outstanding Options except those held by Mr. Kok, Mr. Lam and Mr. Li). The Underwriter is wholly-owned by Mr. Kok. In view of stock market conditions and global political and uncertainties which are likely to continue to affect markets, the Directors consider it unlikely that an independent underwriter would be willing to underwrite the Open Offer on terms as favourable to the Company as those agreed by the Underwriter.

Termination of the Underwriting Agreement

The Underwriter has the right to terminate the Underwriting Agreement in which case the Open Offer will not proceed. That termination right may be exercised by the Underwriter at any time on or before 4:00 p.m. on the second Business Day following the last day for application and payment for the Offer Shares, if, in the opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by any force majeure event. “Force majeure” for this purpose includes:–

- a. the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or**
- b. the occurrence of any local, national or international event or change (whether or not forming part of series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not ejusdem generis with any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities market which in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole or the success of the Open Offer or make it inadvisable or inexpedient to proceed with the Open Offer.**

If, after the last day for application and payment for the Offer Shares but at or prior to 4:00 p.m. on the second Business Day thereof, the Company commits any material breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

Conditions of the Open Offer

The Open Offer will be conditional upon:

- a. the approval of the Capital Restructuring by Shareholders at the SGM and the Capital Restructuring becoming effective thereafter;
- b. the approval of the Open Offer by the Independent Shareholders at the SGM. All non-Independent Shareholders will be required to abstain from voting;
- c. the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal, in the Offer Shares, either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any) by no later than the date on which the Offering Circular regarding the Open Offer are posted and not having withdrawn or revoked such listing and permission on or before 4:00 p.m. on the second Business Day following the last day for application and payment for the Offer Shares;
- d. the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of the Offering Documents duly certified in accordance with the Companies Ordinance and otherwise complying with the requirements of the Companies Ordinance and the Listing Rules;
- e. compliance with the requirements under the applicable laws and regulations of Hong Kong and Bermuda; and
- f. the obligations of the Underwriter under the Underwriting Agreement relating to the Open Offer becoming unconditional and not being terminated in accordance with the terms thereof, including provisions regarding force majeure.

These conditions will not be waived.

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in the (i) trading of mobile phones, parts and components in Asia; and (ii) the trading of furniture and building materials in Hong Kong.

In view of the current market conditions and economic climate, the Directors consider that it is prudent to finance the Company's long term growth with long term funding, preferably in the form of equity rather than debt. Having regard to the relatively thin trading of the Shares and the Subscription Price, the Directors do not expect there to be any strong or active market in any nil-paid shares which would have been provisionally allotted to Shareholders had the present exercise been a rights issue. In the circumstances and given that raising funds by way of an open offer enables the existing Shareholders to maintain their percentage interests in the same way as will a rights issue, in contrast to, for example, a private placement of Shares which would result in a dilution of existing Shareholders' interests in the Company, the Directors have decided to proceed with the Open Offer and dispense with the additional administrative burden of providing for trading in nil-paid rights. Qualifying Shareholders who do not accept all or part of their entitlements under the Open Offer will suffer a dilution of their shareholdings. The Open Offer will enable the Company to strengthen its balance sheet and reduce its debt to Mr. Kok to approximately HK\$65 million thus reducing exposure to its single largest creditor. HK\$158,304,703 principal amount of

the Convertible Notes falls due for payment on 27th March, 2004 and HK\$37,000,000 falls due for payment on 7th November, 2004 according to their terms but the Company has the right to prepay the Convertible Notes. This would be a “special deal” under Rule 25 of the Takeovers Code were an offer to be made for the Company and is subject to the approval of Independent Shareholders. The Executive will normally consent to such a transaction, provided that an independent adviser to the Company publicly states that in his opinion the terms of the transaction are fair and reasonable and the transaction is approved at a general meeting of the Company’s shareholders. At this meeting the vote must be a vote of the Independent Shareholders, being shareholders who are not involved in or interested in the transaction.

The estimated net proceeds of the Open Offer will be approximately HK\$49 million (assuming no exercise of Options or Convertible Notes on or before the Record Date). The Directors consider that it would be appropriate in the present market conditions for the Company to use all the net proceeds of the Open Offer to repay part of the outstanding Convertible Notes owed by the Company to Mr. Kok, which the Company has the right to prepay in accordance with their terms. After that repayment of not less than HK\$49 million, the nominal value of the Convertible Notes will remain in issue of which HK\$64,914,110 principal amount will be owned by Mr. Kok and HK\$81,390,593 will be owned by Mr. Li. HK\$27,914,110 principal amount of the Convertible Notes owned by Mr. Kok fall due for repayment on 27th March, 2004 and HK\$37,000,000 principal amount falls due for payment on 7th November 2004, according to their terms. In this way the debts of the Company will be reduced and its shareholders funds will be increased, to the benefit of the Company and its Shareholders. The Company will include in the Offering Circular all information required by Rule 5.02 of the Listing Rules if that Rule is applicable.

The Convertible Notes held by Mr. Kok to be repaid are non-interest bearing. The Directors have considered alternative uses for the proceeds of the Open Offer but they concluded that repayment of the Convertible Notes held by Mr. Kok was the most desirable use of proceeds. Full explanation of the rationale for this decision will be included in the Circular and further announcement may be made when the Circular is despatched.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	Shares '000	%	Shares '000	%	Shares '000	%	Shares '000	%	Shares '000	%
Controlling										
Shareholder	1,699,092	33.3	33,981.8	5.6	33,981.8	5.6	33,981.8	5.3	33,981.8	5.3
Underwriter	0	0	169,909.2	27.7	509,556	83.3	169,909.2	26.8	526,528.4	83.4
Public	3,396,468.2	66.7	407,576.2	66.7	67,929.4	11.1	427,943.1	67.9	71,323.9	11.3
Total:	5,095,560.2	100	611,467.2	100	611,467.2	100	631,834.1	100	631,834.1	100

NOTE: FIGURES ROUNDED

Scenario 1 – As at the date of this announcement

Scenario 2 – Immediately after completion of the Open Offer (assuming no outstanding Options or Convertible Notes are exercised before the Record Date, and assuming that applications are made by the Qualifying Shareholders, with the exception of the Controlling Shareholder, for all the Offer Shares pro-rata to their existing shareholding)

- Scenario 3** – Immediately after completion of the Open Offer (assuming no outstanding Options or Convertible Notes are exercised before the Record Date, and assuming that no applications are made by the Qualifying Shareholders for any of the Offer Shares)
- Scenario 4** – Immediately after completion of the Open Offer (assuming all the outstanding Options except those held by Mr. Kok, Mr. Lam and Mr. Li are fully exercised before the Record Date, and assuming that applications are made by the Qualifying Shareholders, with the exception of the Controlling Shareholder, for all the Offer Shares pro-rata to their existing shareholding)
- Scenario 5** – Immediately after completion of the Open Offer (assuming all the outstanding Options except those held by Mr. Kok, Mr. Lam and Mr. Li are fully exercised before the Record Date, assuming that no applications are made by the Qualifying Shareholders for any of the Offer Shares)

All percentages shown in the table of shareholdings above are approximate only.

WHITEWASH WAIVER

As at the date of this announcement, the Underwriter and its associates are interested in a total of 1,699,092,000 Shares, representing approximately 33.3% of the issued share capital of the Company.

At 19th October, 2001 they were interested in more than 30% but less than 35% of the voting rights in the Company and are thus subject to the transitional provisions introduced to the Takeovers Code then. These include a requirement to make a general offer for securities of the Company in the event they control voting rights of the Company equal to or exceeding 35% of those voting rights.

Immediately upon completion of the Open Offer, the Underwriter and its concert parties will be interested in between approximately 33.3% (if all shareholders take up their assured allotments of Open Offer Shares) and 88.9% (if no Open Offer Shares are taken up by anyone other than the Underwriter and its concert parties) of the issued share capital of the Company (depending on the level of the applications for the Open Offer by the Shareholders and assuming no outstanding Options or Convertible Notes are exercised before the Record Date). Accordingly, if as a result of its taking up the Offer Shares under the Underwriting Agreement, the Underwriter and its concert parties acquire shares to which are attached 2% or their aggregate holding of voting rights increases to 35% or more of the total voting rights in the Company immediately after the Open Offer, the Underwriter will, in the absence of the Whitewash Waiver, be required under Rule 26 of the Takeovers Code to make a general offer for the Shares, Convertible Notes and Options other than those held by the Underwriter and parties acting in concert with it. If as a result of the Open Offer less than 25% of the issued Shares are in the hands of the public the Company will take steps to resolve the public float to 25%.

The Underwriter will make an application to the Executive under the Takeover Code for the Whitewash Waiver and the expected timetable is set out below. The Circular will contain all information required by the Takeovers Code and the advice of the Independent Board Committee and independent financial advisers to the Independent Board Committee. The Underwriter has confirmed to the Company that neither it nor any person acting in concert with it has acquired voting rights in the Company in the 6 months prior to the date of this announcement but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Open Offer.

Upon completion of the Open Offer and depending on the level of applications in the Open Offer by the Shareholders, the Underwriter and its concert parties may hold more than 50% of the Shares then in issue. In such event, if the Whitewash Waiver is granted the Controlling Shareholder may acquire additional Shares without triggering any further obligation for a general offer under the Takeovers Code. If the aggregate interests of the Underwriter and its concert parties immediately upon completion of the Open Offer are between 30% and 50% and the Whitewash Waiver is granted, they will be allowed to acquire a further 2% of the enlarged issued share capital of the Company in the 12 months immediately following completion of the Open Offer.

POSSIBLE MANDATORY GENERAL OFFER

However, in the event that the Whitewash Waiver is not granted by the Executive and it incurs an obligation to make a mandatory general offer under the Takeovers Code for Shares and the Options and Convertible Notes, the Underwriter will, in accordance with Rule 26 of the Takeovers Code, make an unconditional cash offer at HK\$0.10 per Adjusted Share, which is equal to the Subscription Price, for all issued Adjusted Shares not already owned or agreed to be acquired by it or parties acting in concert with it. Completion of the Open Offer is not conditional upon the granting of the Whitewash Waiver, but the general offer will be conditional upon completion of the Open Offer taking place. An Independent Board Committee will be formed to advise Independent Shareholders on the Whitewash Waiver and if relevant, the general offer and an independent financial adviser will be appointed to advise the Independent Board Committee. An announcement will be made once the independent financial adviser is appointed.

The Company has no securities in issue that give the holders the right to acquire Shares other than the Convertible Notes and the Options. Baron Capital Limited and Dao Heng Securities Limited have confirmed that financial resources are available to the Underwriter sufficient to satisfy the underwriting of the Open Offer and will confirm the sufficiency of the financial resources available to the Underwriter upon the arising of its general offer obligation.

SUSPENSION AND RESUMPTION OF TRADING IN SHARES

Trading in the Existing Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 17th January, 2003 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Existing Shares from 9:30 a.m. on 30th January, 2003. The Company will apply to the Stock Exchange for the listings of, and permission to deal in, the Adjusted Shares and the Offer Shares.

WARNING: Existing Shares will be dealt in on an ex-entitlement basis from 27th February, 2003. If the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Shareholders and potential investors should therefore exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

EXPECTED TIMETABLE

The expected timetable for the Capital Restructuring and the Open Offer is set out below:

2003

Despatch of Circular containing notice of SGM and information relevant to Whitewash Waiver and the “special deal” constituted by repayment of Mr. Kok’s Convertible Notes	14th February
Last day of dealings in Existing Shares on a cum-entitlement basis	26th February
Commencement of dealings in Existing Shares on an ex-entitlement basis	27th February
Latest time for lodging transfers of existing Shares in order to qualify for the Open Offer	4:00 p.m., 28th February
Register of members closes (both dates inclusive)	3rd March to 5th March
Latest time for return of proxy form for SGM (not less than 48 hours)	9:00 a.m., 3rd March
Expected date of SGM	9:00 a.m., 5th March
Record Date	5th March
Despatch of Offering Documents	5th March
Effective time of the Capital Restructuring	4:00 p.m., 5th March
Register of members re-open	6th March
Free exchange of existing share certificates for new share certificates commences	6th March
Temporary counter for trading in Adjusted Shares in board lot of 40 Adjusted Shares (in the form of existing certificates) opens	9:30 a.m., 6th March
Existing counter for trading in Existing Shares in board lots of 2,000 closes	9:30 a.m., 6th March
Latest time for payment and application in Open Offer	4:00 p.m., 19th March
Counter for trading in Adjusted Shares in board lots of 2,000 Adjusted Shares opens	9:30 a.m., 20th March
Parallel trading in Adjusted Shares (in the form of new and existing certificates) commences	9:30 a.m., 20th March
Designated broker starts to stand in the market to provide matching service	9:30 a.m., 20th March
Latest time for the Underwriter to terminate the Underwriting Agreement	4:00 p.m., 21st March
Announcement of results of the Open Offer	24th March
Despatch of refund cheques in respect of unsuccessful applications posted on or before	25th March
Despatch of certificates for Offer Shares on or before	25th March
Dealing in Offer Shares commences	28th March
Temporary counter for trading in Adjusted Shares in board lots of 40 Adjusted Shares (in the form of existing certificates) closes	4:00 p.m., 9th April
Designated broker ceases to stand in the market to provide matching services	4:00 p.m., 9th April
Parallel trading in Adjusted Shares (in the form of new and existing certificates) ends	4:00 p.m., 9th April
Free exchange of existing share certificates for new share certificates ends	22nd April

Dates or deadlines specified in this announcement for events in the timetable for (or otherwise in relation to) the Open Offer is indicative only and may be exercised or varied by agreement between the Company and the Underwriters. Any consequential changes to the expected timetable will be published or notified to Shareholders appropriately. If a general offer is required as a result of the open offer, an announcement will be made when the general offer obligation arises and the underwriter will be obliged to post the offer document within 21 days after the date of the announcement of that general offer, in accordance with Rule 8.2.

ADJUSTMENT IN RELATION TO THE EXERCISE PRICE OF OPTIONS

As at the date of this announcement, there were outstanding Options entitling the holders to subscribe up to 239,724,000 Shares (equivalent to approximately 4.7% of the Company's existing issued Shares). Upon the Open Offer becoming unconditional, the exercise price of and/or number of Shares subject to the Options may be adjusted, as a result of the Open Offer. The adjusted exercise price (if any) of and/or number of Shares subject to the Options will be set out in more detail in the Offering Circular.

GENERAL

A Circular containing further information on (a) Capital Restructuring; and (b) the Open Offer; and (c) the Whitewash Waiver, together with the notice of the SGM to approve the relevant resolutions will be despatched to the Shareholders as soon as practicable in accordance with the Takeovers Code. The Circular will also contain the advice of the Independent Board Committee and a letter of advice from the independent financial adviser.

The Directors have undertaken to the Stock Exchange that in the event that after the Open Offer less than 25% of the Shares are in public hands they will take steps as soon as practicable following the close of the Open Offer to ensure that the public float of the Company is not less than 25% of the enlarged issued share capital of the Company.

The Stock Exchange has stated that if less than 25% of the Shares are in public hands following the Open Offer or if the Stock Exchange believes that:–

- (a) a false market exists or may exist in the trading of the Shares; or
- (b) there are sufficient Shares in public hands to maintain an orderly market;

it will consider exercising a discretion to suspend trading in the Shares.

The release of this announcement does not necessarily indicate that the Capital Restructuring and the Open Offer will be successfully implemented and completed as the conditions precedent to the Capital Restructuring and to the Open Offer may or may not be fulfilled or otherwise waived. Shareholders and potential investors should exercise caution in dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Adjusted Share(s)”	the Share(s) of HK\$0.01 each in the capital of the Company after the implementation of the Capital Restructuring
“Anglo Express Group”	Anglo Express Group Limited, a company incorporated in British Virgin Islands with limited liability, beneficially wholly-owned by Mr. Kok, and is a substantial shareholder of the Company holding approximately 33.3% of the issued share capital of the Company

“Application Form”	the form of application for the Offer Shares
“associate(s)”	the meaning ascribed thereto in the Listing Rules
“Board”	the Board of Directors
“Business Day”	a day on which banks are generally open for business for more than five hours in Hong Kong
“Capital Reduction”	the proposed reduction in the nominal value of the issued share capital of the Company from HK\$5.0 each per Consolidated Share to HK\$0.01 per Share by cancelling HK\$4.99 paid up on each issued Consolidated Share
“Capital Restructuring”	the Share Consolidation, Capital Reduction and Subdivision
“Circular”	the circular to be sent to Shareholders containing, inter alia, further information on the Capital Restructuring, the Open Offer and the Whitewash Waiver, together with the notice of the SGM to approve the relevant resolutions
“Company”	Ezcom Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Consolidated Share(s)”	ordinary shares of HK\$5.0 each in the share capital of the Company created upon the Share Consolidation becoming effective
“Controlling Shareholder”	Anglo Express Group, wholly owned by Mr. Kok, a controlling shareholder of the Company, with a direct interest in 1,699,092,000 Shares representing approximately 33.3% of the issued share capital of the Company
“Convertible Notes”	convertible notes issued by the Company with outstanding principal amounts as at the date of this announcement of HK\$76,914,110 to Mr. Kok (issued on 28 March 2002) and HK\$81,390,593 to Mr. Li (issued on 28 March 2002) and HK\$37,000,000 to Mr. Kok (issued on 8 November 2002) which are convertible into an aggregate of 1,953,047,030 Shares at their respective prevailing conversion prices
“Director(s)”	director(s) of the Company
“Executive”	the meaning attributed to that term in the Takeovers Code
“Existing Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company before the Capital Restructuring
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board to be formed to advise the Independent Shareholders in respect of the Open Offer and the Whitewash Waiver
“Independent Shareholders”	Shareholders other than those who are involved in or interested in the Whitewash Waiver and the proposed use of proceeds of the Open Offer (being the Controlling Shareholder and its associates and parties acting in concert with any of them)
“Last Trading Day”	16th January, 2003, being the last trading day before the suspension of trading in the Existing Shares
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kok”	Mr. Kok Kin Hok, chairman of the Company, beneficially interested in approximately 33.3% of the issued share capital of the Company via Anglo Express Group, who is also the holder of Options and Convertible Notes to subscribe for 30,000,000 and 1,139,141,100 Shares respectively, who has given an irrevocable undertaking not to exercise such Options and Convertible Notes on or before 31st May, 2003
“Mr. Lam”	Mr. Lam Bing Sum, Director, who is not a shareholder but is the holder of Options to subscribe for 20,000,000 Shares who has given an irrevocable undertaking to the Company not to exercise his Options on or before 31st May, 2003
“Mr. Li”	Mr. Li Tung Wai, director of a subsidiary of the Company, who is not a shareholder but is the holder of Options and Convertible Notes to subscribe for or convert into 20,000,000 and 813,905,930 Shares respectively, who has given an irrevocable undertaking to the Company not to exercise his Options and Convertible Notes on or before 31st May, 2003
“Open Offer”	the proposed open offer of the Offer Shares at the Subscription Price
“Offer Shares”	not less than 509,556,015 Adjusted Shares to be issued under the Open Offer
“Offering Circular”	a circular containing details of the Open Offer to be issued in connection with the Open Offer
“Offering Documents”	the Offering Circular and the Application Form

“Option(s)”	the share option(s) granted to the employee(s) of the Group under the employee share option schemes of the Company
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company on the Record Date and whose addresses as shown on such register are outside Hong Kong
“Qualifying Shareholder(s)”	Shareholder(s), other than the Overseas Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses, as shown on the register of members of the Company, are in Hong Kong
“Record Date”	5th March, 2003 being the date by reference to which entitlements to the Open Offer are expected to be determined
“SGM”	the special general meeting of the Company expected to be held on 5th March, 2003 at which, inter alia, resolutions will be proposed to consider and, if thought fit, approve the Capital Restructuring and the Open Offer
“Share(s)”	the existing share(s) of HK\$0.10 each in the capital of the Company
“Share Consolidation”	the consolidation of fifty issued Existing Shares into one Consolidated Share
“Shareholder(s)”	holder(s) of Existing Share(s) or, where the context requires, Consolidated Share(s) or Adjusted Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subdivision”	a subdivision of each unissued Existing Share into 10 Adjusted Shares
“Subscription Price”	HK\$0.10 per Offer Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Underwriter”	All About Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is beneficially wholly owned by Mr. Kok
“Underwriting Agreement”	the underwriting agreement dated 29th January, 2003 entered into between the Company and the Underwriter in relation to the underwriting and other arrangements in respect of the Open Offer

“Whitewash Waiver”

the waiver to be applied for by the Underwriter to the SFC in respect of the obligation to make a general offer for the existing issued Shares and outstanding Options and Convertible Notes to subscribe Shares which might otherwise arise under Rule 26 of the Takeovers Code on the Controlling Shareholder and any parties deemed to be acting in concert with it (including the Underwriter) as a result of the Open Offer

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

By order of the board of
Ezcom Holdings Limited
Kok Kin Hok
Chairman

Hong Kong, 29th January, 2003

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

“Please also refer to the published version of this announcement in China Daily”.