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enewmedia

e-NEW MEDIA COMPANY LIMITED

安寧數碼科技有限公司

(incorporated in Hong Kong with limited liability)

PROPOSAL FOR ADJUSTMENT OF NOMINAL VALUE OF SHARES BY WAY OF REDUCTION OF CAPITAL

The Board proposes to have a Capital Reorganisation for the purpose of adjusting the nominal value of the Shares from HK\$0.50 to HK\$0.01 each by way of a reduction of capital. The credit arising from the reduction will be transferred to a special capital reserve account of the Company subject to such conditions as the Court may impose. As part of the Capital Reorganisation, the authorised capital of the Company will immediately be restored to the original amount of HK\$1,000,000,000 by the creation of 98,000,000,000 New Shares with a nominal value of HK\$0.01 each upon such reduction of capital becoming effective. The Capital Reorganisation is conditional on, among other things, the approval by the Shareholders and confirmation of the reduction of capital by the Court.

A circular containing details of the Capital Reorganisation and a notice convening an EGM to approve the Capital Reorganisation will be despatched to the Shareholders as soon as practicable.

Capital Reorganisation

The Board is putting forward the Capital Reorganisation to the Shareholders for the adjustment of the nominal value of the Shares by way of a reduction of capital. Upon the Capital Reorganisation becoming effective, the nominal value of each of the issued and unissued Shares will be reduced by HK\$0.49 from HK\$0.50 to HK\$0.01, being the nominal value of each New Shares, and the authorised share capital of the Company will be restored to its original amount of HK\$1,000,000,000.

As at the date of this announcement, the authorised share capital of the Company is HK\$1,000,000,000 divided into 2,000,000,000 Shares, of which 1,650,658,676 Shares have been issued and are fully paid. The proposed reduction of capital, which will result in the reduction of the authorised share capital of the Company from HK\$1,000,000,000 to HK\$20,000,000, will be effected by cancelling paid up capital to the extent of HK\$0.49 upon each of the 1,650,658,676 Shares in issue as at the date of this announcement and any further Shares which may be issued prior to the date on which the petition for the confirmation of the reduction is heard by the Court and by reducing the nominal amount of all the issued and unissued Shares from HK\$0.50 to HK\$0.01 each. On the assumption that no further Shares will be issued after this announcement, a credit of HK\$808,822,751.24 will arise as a result of the reduction of capital involved in the Capital Reorganisation. The credit will be transferred to a special capital reserve account to be created by the Company, the application of which will be subject to the conditions as may be imposed by the Court.

As part of the Capital Reorganisation, conditional upon the reduction of capital becoming effective, the authorised share capital of the Company will immediately be restored from HK\$20,000,000 divided into 2,000,000,000 New Shares to the original amount of HK\$1,000,000,000 by the creation of an additional 98,000,000,000 New Shares.

Upon the increase of the capital of the Company becoming effective and on the basis of 1,650,658,676 Shares in issue at the date of this announcement, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 100,000,000,000 New Shares, of which 1,650,658,676 New Shares will be in issue and credited as fully paid.

The implementation of the Capital Reorganisation will not, of itself, alter the underlying assets or liabilities, business operations or management of the Company or the proportionate interests of the Shareholders in the Company and in the Group, except for the expenses incurred in relation to the Capital Reorganisation which are expected to be about HK\$1 million. The Capital Reorganisation does not involve either the diminution of any liability in respect of the unpaid share capital of the Company or the return of any paid-up capital to the Shareholders. The Board believes that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group save for the expenses involved in the Capital Reorganisation.

Reasons for the Capital Reorganisation

Since 5th July, 2001, the Shares have been traded at the Stock Exchange at prices below their nominal value of HK\$0.50 each. The closing price of the Shares at the trading date immediately preceding the date of this announcement was HK\$0.32 per Share. Under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, the Company may not issue Shares at a discount to the nominal value of the Shares unless, among other things, the issue is authorised by a resolution of the Shareholders and is sanctioned by the Court.

With a view to facilitating any issue of new shares in future when suitable circumstances arise, whether as consideration for acquisitions or for capital raising or otherwise, and to avoid the cumbersome statutory procedure for issuing shares at a discount and the time involved, the Board proposes the Capital Reorganisation which it considers to be in the best interests of the Company and the Shareholders as a whole.

Conditions of the Capital Reorganisation

The Capital Reorganisation is subject to the following conditions being fulfilled:

- the passing of a special resolution to approve the reduction of capital involved in the Capital Reorganisation and the consequent increase of the authorised share capital of the Company to its original amount of HK\$1,000,000,000 at the EGM of the Company.
- the confirmation of such reduction of capital by the Court and the registration by the Registrar of Companies in Hong Kong of

an office copy of the Court order and the minute containing the particulars required under Section 61 of the Companies Ordinances, Chapter 32 of the Laws of Hong Kong; and

- the Stock Exchange granting the approval of the listing of, and permission to deal in, the New Shares in issue immediately following the Capital Reorganisation becoming effective.

The Capital Reorganisation will become effective upon the fulfilment of the above conditions. The effective date of the Capital Reorganisation cannot be ascertained at present as it depends on the availability of the date for the hearing of the petition for the confirmation of the reduction of capital by the Court. Further announcement(s) will be made by the Company informing the Shareholders of the effective date of the Capital Reorganisation and, if applicable, the progress and results of the Capital Reorganisation.

Arrangement for free exchange of certificates for New Shares

On the Capital Reorganisation becoming effective, the Shareholders may submit existing certificates for the Shares to the share registrar of the Company, Central Registration Hong Kong Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for exchange for certificates for the New Shares at the expense of the Company up to four weeks from the effective date of the Capital Reorganisation. All existing certificates for the Shares and the new certificates for the New Shares will be effective as documents of title for the New Shares and valid for trading, settlement and registration purposes.

In addition to the announcement of the effective date of the Capital Reorganisation, further announcement will be made by the Company of the arrangement for exchanging their existing share certificates.

The size of each board lot of the New Shares will remain the same as that of the Shares, namely 4,000 per board lot. There will not be any arrangement for parallel trading.

EGM

The EGM, at which a special resolution will be proposed to approve the Capital Reorganisation, will be convened as soon as practicable.

A circular containing further details of the Capital Reorganisation and a notice convening the EGM will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

"Board"	the board of directors of the Company;
"Capital Reorganisation"	a proposal by the Board for the adjustment of the nominal value of the Shares from HK\$0.50 to HK\$0.01 each by way of a reduction of capital and the restoration of the authorised share capital of the Company to HK\$1,000,000,000;
"Court"	the High Court of Hong Kong;
"Company"	e-New Media Company Limited 安寧數碼科技有限公司, a company incorporated in Hong Kong with limited liability and whose Shares are listed on the Stock Exchange;
"EGM"	an extraordinary general meeting of the Company to be convened to approve the Capital Reorganisation;
"Group"	the Company and its subsidiaries;
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"New Share(s)"	ordinary share(s) of HK\$0.01 each in the capital of the Company upon the Capital Reorganisation becoming effective;
"Share(s)"	ordinary share(s) of HK\$0.50 each in the existing capital of the Company;
"Shareholders"	holder(s) of the Shares; and
"Stock Exchange"	The Stock Exchange of Hong Kong Limited.

By Order of the Board
e-New Media Company Limited
James C. Ng
Chief Executive Officer

Hong Kong, 27th May, 2002