
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Guo Xin Group Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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.

**GUO XIN GROUP LIMITED****國新集團有限公司****(Incorporated in Bermuda with limited liability)***PROPOSED GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES**

A notice convening an annual general meeting of Guo Xin Group Holdings Limited to be held at Room 4101, 41st Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on 20 November 2003 at 10:00 a.m. is enclosed. A form of proxy is also enclosed.

Whether or not you are able to attend the annual general meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's share registrars in Hong Kong, Tengis Limited, G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the annual general meeting. Completion and return of the form of proxy will not prevent you from subsequently attending and voting at the annual general meeting or any adjourned meetings should you so wish.

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RESPONSIBILITY STATEMENT

This document includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DEFINITIONS

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

“AGM Notice”	the notice of the Annual General Meeting to be despatched to the Shareholders together with this circular;
“Annual General Meeting”	the annual general meeting of the Company to be held at Room 4101, 41st Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on 20 November 2003 at 10:00 a.m., to consider and, if appropriate, to approve the Ordinary Resolutions or any adjournment thereof;
“associates”	has the same meaning as ascribed in the Listing Rules;
“Board”	the board of Directors;
“Code”	the Hong Kong Code on Takeovers and Mergers;
“Company”	Guo Xin Group Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Connected Person”	has the same meaning as ascribed in the Listing Rules;
“Directors”	directors of the Company;
“Existing Issue Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 22 November 2002 to allot, issue and deal with Shares not exceeding 20 per cent. of the aggregate number of shares comprised in the share capital of the Company in issue as at 22 November 2002;
“Existing Repurchase Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 22 November 2002 to repurchase Shares not exceeding 10 per cent. of the aggregate number of shares comprised in the share capital of the Company in issue as at 22 November 2002;

DEFINITIONS

“Group”	the Company and its Subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	20 October 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ordinary Resolutions”	the ordinary resolutions to be proposed and passed at the Annual General Meeting as set out in the AGM Notice;
“Proposed Issue Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to allot, issue and deal with Shares not exceeding 20 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of relevant resolution granting the Proposed Issue Mandate;
“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of relevant resolution granting such mandate;
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company;
“Shareholder(s)”	registered holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a subsidiary for the time being of the Company (within the meaning of Section 2 of the Companies Ordinance, whether incorporated in Hong Kong or elsewhere); and
“HK\$” and “cents”	Hong Kong dollars and cents.

LETTER FROM THE BOARD



GUO XIN GROUP LIMITED

國新集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Zhang Yang (*Chairman*)
Mr. Lam Cheung Shing, Richard
Mr. Yu Rui

Registered Office:

Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

Independent Non-executive Directors:

Mr. Tam Sun Wing
Mr. Tso Shiu Kei Vincent

***Principal place of business
in Hong Kong:***

Room 4101, 41st Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

24 October 2003

To the Shareholders

Dear Sir or Madam,

PROPOSED GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the Ordinary Resolutions to be proposed at the Annual General Meeting for (a) granting to the Directors the Proposed Issue Mandate; (b) granting to the Directors the Proposed Repurchase Mandate; and (c) to extend the Proposed Issue Mandate to issue Shares by adding to it the aggregate number of the issued Shares repurchased under the Proposed Repurchase Mandate.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 22 November 2002, ordinary resolutions were passed granting the Existing Issue Mandate and Existing Repurchase Mandate to the Directors.

* *For identification purpose only*

LETTER FROM THE BOARD

In accordance with the provisions of the Listing Rules and the terms of the Existing Issue Mandate and the Existing Repurchase Mandate, the Existing Issue Mandate and the Existing Repurchase Mandate shall lapse if, inter alia, they are revoked or varied by the relevant ordinary resolutions of the Shareholders in general meeting.

Ordinary Resolutions set out as resolutions 4(d) and 5(c) in the AGM Notice will be proposed at the Annual General Meeting to revoke the Existing Issue Mandate and the Existing Repurchase Mandate. Resolutions to consider, and if thought fit, to approve the Proposed Issue Mandate and the Proposed Repurchase Mandate as set out in resolutions 4(a), (b), (c) and (e) and resolutions 5(a), (b) and (c) in the AGM Notice respectively will also be proposed at the Annual General Meeting. With reference to the Proposed Issue Mandate and the Proposed Repurchase Mandate, the Directors wish to state that they have no immediate plans to issue or repurchase any Shares pursuant thereto.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchase Mandate is set out in the Appendix to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the Annual General Meeting.

RECOMMENDATION

The Directors consider that the proposed Ordinary Resolutions for (a) granting to the Directors the Proposed Issue Mandate; (b) granting to the Directors the Proposed Repurchase Mandate; and (c) to extend the Proposed Issue Mandate to issue Shares by adding to it the aggregate number of the issued Shares repurchased under the Proposed Repurchase Mandate are in the interests of the Company, and in particular, the Group as a whole. The Directors therefore recommend the Shareholders to vote in favour of the Ordinary Resolutions.

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Yip Kar Hang, Raymond
Company Secretary

This Appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the Annual General Meeting in relation to the Proposed Repurchase Mandate.

LISTING RULES FOR REPURCHASE OF SHARES

The relevant sections of the Listing Rules which permit companies with primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions are summarized below:

Source of funds

Repurchases must be funded out of fund legally available for the purpose and in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,747,183,140 Shares. Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 374,718,314 Shares during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

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

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the currently prevailing market value, it would have a material adverse impact on the working capital position and gearing

position of the Company, as compared with the positions disclosed in the audited consolidated accounts of the Company as at 30 June 2003, being the date to which the latest published audited accounts of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the last twelve months.

Month	Highest trade price	Lowest trade price
	\$	\$
2002		
October	0.130	0.110
November	0.130	0.090
December	0.220	0.090
2003		
January	0.168	0.145
February	0.158	0.144
March	0.156	0.151
April	0.154	0.136
May	0.150	0.136
June	0.143	0.102
July	0.183	0.105
August	0.172	0.138
September	0.180	0.145
October (up to and including 20 October 2003)	0.156	0.126

GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the Directors nor any of their associates currently intend to sell any Shares to the Company or its subsidiaries in the event that the Proposed Repurchase Mandate is approved.

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

No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell any shares to the Company, or has undertaken not to do so, in the event that the Proposed Repurchase Mandate is approved.

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

The Listing Rules prohibit a company from making repurchase on the Stock Exchange if the result of the repurchase would be that less than 25 per cent. (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in public hands. The Directors do not propose to repurchase Shares which would result in less than the prescribed minimum percentage of Shares in public hands.

The Company has not repurchased any Shares on the Stock Exchange in the six months preceding the date of this circular.