

CIRCULAR ON SHARE OPTION SCHEME AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

LETTER FROM THE CHAIRMAN

Under the New Scheme, the total number of Shares in respect of which options may be granted under the New Scheme and any other schemes of the Company shall not exceed 10 per cent of the Shares in issue at the date of adoption of the New Scheme. Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the 10 per cent limit. However, under Note (1) to Rule 17.03 of the Listing Rules, the Company may, subject to the approval of Shareholders in general meeting and the issue of a circular in accordance with the requirements of the Listing Rules, renew such 10 per cent limit such that the total number of Shares in respect of which options may be granted under the New Scheme and any other schemes of the Company shall not exceed 10 per cent of the Shares in issue at the date of approval to renew such limit. Options previously granted under the New Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”. In addition, the Company may grant options to specifically identified Eligible Participants beyond the 10 per cent limit if the grant of such options is specifically approved by the Shareholders in general meeting and a circular is issued in accordance with the requirements of the Listing Rules. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company shall not exceed 30 per cent of the total number of Shares in issue from time to time.

The New Scheme is conditional on (a) the same being adopted by Shareholders at the AGM and (b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options granted under the New Scheme. Application will be made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options under the New Scheme.

Upon adoption of the New Scheme, the operation of the Existing Scheme will be terminated such that no options will be granted under the Existing Scheme but in all other respects, the provisions of the Existing Scheme shall remain in full force and effect in respect of any options granted prior to the adoption of the New Scheme and any such options shall continue to be exercisable in accordance with their terms of issue.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution (being Ordinary Resolution No.6 set out in the AGM Notice) will be proposed to grant a new general and unconditional mandate to the Directors to exercise the powers of the Company to repurchase, at any time during the Relevant Period (as defined in Ordinary Resolution No.6), Shares up to a maximum of 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of Ordinary Resolution No.6 (the “**Repurchase Mandate**”).

An explanatory statement setting out the requisite information regarding the Repurchase Mandate as required under the Listing Rules is set out in Appendix II to this circular.

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GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution (being Ordinary Resolution No.7 set out in the AGM Notice) will also be proposed to grant a new general and unconditional mandate to the Directors to issue, at any time during the Relevant Period (as defined in Ordinary Resolution No.7), Shares representing up to 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of Ordinary Resolution No.7 (the “**Issue Mandate**”). In addition, an ordinary resolution (being Ordinary Resolution No.8 set out in the AGM Notice) will be proposed to extend the Issue Mandate which would increase the limit of the Issue Mandate by adding to it the number of Shares repurchased under the Repurchase Mandate.

ANNUAL GENERAL MEETING

The AGM Notice, which contains, inter alia, ordinary resolutions to approve the adoption of the New Scheme and the termination of the operation of the Existing Scheme, the Repurchase Mandate, the Issue Mandate and the proposed extension of the Issue Mandate, is set out on pages 13 to 16 of the Company’s Annual Report 2001. Shareholders of the Company are advised to read the AGM Notice and to complete and return the form of proxy for use at the AGM, (which is set out at the centre page of the Company’s Annual Report 2001) in accordance with the instructions printed thereon and deposit the same with the Company’s registered office at 24 Des Voeux Road Central, Hong Kong not less than 48 hours before the time fixed for holding that meeting or any adjournment thereof.

RECOMMENDATION

The Directors believe that the adoption of the New Scheme and the termination of operation of the Existing Scheme, the Repurchase Mandate, the Issue Mandate and the proposed extension of the Issue Mandate are in the interest of the Company and its shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour of all the ordinary resolutions to be proposed at the AGM.

DOCUMENTS FOR INSPECTION

The New Scheme and the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company at 24 Des Voeux Road Central, Hong Kong during normal business hours on any weekday (except public holidays) up to and including 25 April 2002 and also at the AGM.

Yours faithfully,

Liu Lit Man

Chairman & Managing Director

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APPENDIX I

SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SCHEME

The following is a summary of the principal terms of the New Scheme :

(1) Who may join

The Board (which, in so far as may be required under the Listing Rules, shall include the independent non-executive Directors) may, at its discretion, invite any person belonging to any of the following Eligible Participants to take up options at \$10.00 per option to subscribe for Shares at a price calculated in accordance with paragraph (4) below :

- (a) any employee or proposed employee (whether full-time or part-time), any Director (whether executive, non-executive or independent non-executive Director) or any shareholders of any member of the Group;
- (b) any supplier of goods or services to any member of the Group;
- (c) any customer of any member of the Group;
- (d) any professional advisers to any member of the Group; and
- (e) any company wholly-owned by any one or more persons belonging to any of the above classes of persons.

The eligibility of a participant to the New Scheme shall be determined by the Directors at their sole discretion on the basis of any one or more of the following factors :

- (a) the length of service of the Eligible Participant with the Group;
- (b) the job performance of the Eligible Participant; and
- (c) the contribution made or expected to be made by the Eligible Participant to the Group.

(2) Grant of option

Any grant of options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period of one month, or any other period(s) as the Listing Rules may require from time to time immediately preceding the preliminary announcement of annual results or the publication of interim results, no option should be granted until such information has been announced pursuant to the requirements of the Listing Rules.

(3) Payment on acceptance of option offer

\$10.00 is payable by the Eligible Participant to the Company on acceptance of the option offer.

(4) Price of Shares

The subscription price for Shares under the New Scheme (“**Subscription Price**”) will be a price determined by the Board and notified to each grantee and will be the highest of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of Offer, which must be