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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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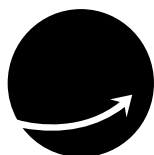
**If you are in any doubt** about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Far East Pharmaceutical Technology Company Limited, you should at once hand this circular, together 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 and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

A copy of this circular has been delivered to and registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance of Hong Kong. The Registrar of Companies in Hong Kong and the Securities and Futures Commission in Hong Kong take no responsibility as to the contents hereof.

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**FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED****( 遠 東 生 物 制 藥 科 技 有 限 公 司 )***(Incorporated in the Cayman Islands with limited liability)*

**PROPOSALS FOR BONUS ISSUE OF WARRANTS,  
GENERAL MANDATES TO ISSUE NEW SHARES  
AND TO REPURCHASE ITS OWN SHARES AND WARRANTS  
AND  
REFRESHMENT OF THE LIMIT OF  
THE EXISTING SHARE OPTION SCHEME**

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A notice convening an extraordinary general meeting of Far East Pharmaceutical Technology Company Limited to be held at Prince III, 3rd Floor, The Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong on Monday, 29 April 2002 at 3:00 p.m., is set out on pages 28 to 32 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

12 April 2002

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## CONTENTS

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	<i>Page</i>
<b>Responsibility statement</b> .....	ii
<b>Expected timetable</b> .....	1
<b>Definitions</b> .....	2
<b>Letter from the Board</b> .....	6
1. Introduction .....	6
2. Bonus Warrant Issue .....	7
3. Overseas Shareholders .....	9
4. Conditions of the Bonus Warrant Issue .....	9
5. Reasons for the Bonus Warrant Issue .....	9
6. Closure of Register .....	9
7. Listing and Dealings .....	10
8. Certificates for the Warrants and Board Lot .....	10
9. New Buyback and Issuance Mandates .....	11
10. Refreshment of the Existing Scheme Mandate Limit .....	11
11. EGM .....	12
12. Recommendation .....	13
13. Documents Available for Inspection and General Information .....	13
<b>Appendix I — Summary of the terms and conditions of the Warrants</b> .....	14
<b>Appendix II — Explanatory Statement on the New Buyback Mandate</b> .....	25
<b>Notice of Extraordinary General Meeting</b> .....	28

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## **RESPONSIBILITY STATEMENT**

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This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company 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.

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## EXPECTED TIMETABLE

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*Year 2002*

Last day of dealings in Shares cum entitlements to the Bonus Warrant Issue .....	Friday, 19 April
First day of dealings in Shares ex entitlements to the Bonus Warrant Issue .....	Monday, 22 April
Latest time for lodging share transfers to qualify for entitlements to the Bonus Warrant Issue .....	4:00 p.m. on Tuesday, 23 April
Closure of the Register of Members (both days inclusive) .....	From Wednesday, 24 April to Monday, 29 April
Latest time for forms of proxy to be returned .....	3:00 p.m. on Saturday, 27 April
Record date for determining the entitlements to the Bonus Warrant Issue .....	Monday, 29 April
Extraordinary General Meeting .....	3:00 p.m. on Monday, 29 April
Reopen of Register of Members .....	Tuesday, 30 April
Despatch of the Warrant Certificates on or before .....	Friday, 3 May
Commencement of dealings in the Warrants .....	Tuesday, 7 May

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 29 November 2001;
“associates”	has the same meaning as ascribed in the Listing Rules;
“Bonus Warrant Issue”	the proposed issue by the Company of Warrants on the basis of one Warrant for every five Shares held by Shareholders on the Record Date upon and subject to the terms and conditions referred to in this circular;
“CCASS”	The Central Clearing and Settlement System established and operated by Hongkong Clearing;
“Company”	Far East Pharmaceutical Technology Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange;
“connected persons”	has the same meaning as ascribed in the Listing Rules;
“Convertible Bonds”	unlisted and unsecured convertible bonds with an aggregate principal amount of US\$12,000,000 issued by the Company to CSFB pursuant to the Subscription Agreement and as at the Latest Practicable Date, such bonds with an aggregate amount of US\$2,000,000 were outstanding;
“CSFB”	Credit Suisse First Boston (Hong Kong) Limited, an independent third party not connected with any of the directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or their respective associates;
“Director(s)”	director(s) of the Company;
“EGM”	an extraordinary general meeting of the Company to be held at Prince III, 3rd Floor, The Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong on Monday, 29 April 2002 at 3:00 p.m. and any

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## DEFINITIONS

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adjournment thereof to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 28 to 32 of this circular;

“Existing Buyback Mandate”	the general mandate granted by the Shareholders to the Directors at the AGM to purchase Shares on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the AGM;
“Existing Issuance Mandate”	the general mandate granted by the Shareholders to the Directors at the AGM to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the AGM;
“Existing Scheme Mandate Limit”	10% of the issued share capital of the Company as at the date of adoption of the Existing Share Option Scheme which may be issued upon exercise of all options granted/ to be granted under the Existing Share Option Scheme and any other schemes of the Company;
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 29 November 2001;
“Group”	the Company and its subsidiaries (within the meaning of Section 2 of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong), whether incorporated in Hong Kong or elsewhere;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited;
“Latest Practicable Date”	8 April 2002, 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;

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## DEFINITIONS

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“New Buyback Mandate”	a new general mandate proposed to be granted to the Directors at the EGM to purchase Securities on the Stock Exchange of an aggregate nominal amount of up to 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution and up to 10% of the total subscription rights attaching to the Warrants to be issued pursuant to the Bonus Warrant Issue (in the event that the Bonus Warrant Issue becomes unconditional);
“New Issuance Mandate”	a new general mandate proposed to be granted to the Directors at the EGM to allot, issue or deal with Shares of an aggregate nominal amount of up to 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the relevant resolution;
“Old Share Option Scheme”	the share option scheme of the Company adopted on 26 July 2000 and terminated by the Company pursuant to the shareholders’ resolution passed at the AGM;
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es), as shown on the Register at the close of business on the Record Date, is/are outside Hong Kong;
“Record Date”	29 April 2002, being the date for determination of entitlements to the Bonus Warrant Issue;
“Register”	the Register of Members of the Company;
“Securities”	issued Shares and Warrants;
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the agreement dated 14 August 2001 entered into between the Company and CSFB relating to CSFB’S subscription of the Convertible Bonds;

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## DEFINITIONS

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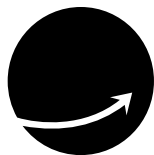
“Subscription Period”	the period from the date when dealings in the Warrants on the Stock Exchange commence (which is expected to be 7 May 2002) up to and including 6 May 2003;
“Subscription Right”	the option granted by the Company to CSFB pursuant to the Subscription Agreement for subscription of new Shares, which has been exercised in full by CSFB for subscription of 4,740,000 Shares;
“Takeovers Code”	The Code on Takeovers and Mergers issued by the Securities and Futures Commission in Hong Kong;
“Warrant(s)”	warrant(s) to be constituted by an instrument by way of deed poll to be executed by the Company and to be granted by way of bonus issue by the Company as described herein in the aggregate amounts of not less than HK\$225,876,488.00 of subscription rights, entitling the holder(s) thereof to subscribe in cash at any time during the Subscription Period for new Shares at an initial subscription price of HK\$2.62 per new Share (subject to adjustment) and otherwise on the terms set out in the instrument, a summary of the principal terms of which is set out in Appendix I to this circular;
“HK\$”	Hong Kong dollars;
“US\$”	United States dollars.



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LETTER FROM THE BOARD

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**FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED**  
**(遠東生物制藥科技有限公司)**

*(Incorporated in the Cayman Islands with limited liability)*

*Executive Directors:*

CAI Chong Zhen (*Chairman*)  
CHEN Ching Ken (*Vice Chairman*)  
CAI Cong Yi  
LUK Wai Hong  
WONG Sui Kwong

*Independent Non-executive Directors:*

HU Ling Po  
YU Er Feng

*Registered Office:*

Century Yard  
Cricket Square  
Hutchins Drive  
P. O. Box 2681GT  
George Town  
Grand Cayman  
British West Indies

*Principal Place of Business:*

Suite 2305, 23/F  
CMG Asia Tower  
The Gateway  
Tsimshatsui  
Kowloon  
Hong Kong

12 April 2002

*To the Shareholders*

Dear Sir/Madam,

**PROPOSALS FOR BONUS ISSUE OF WARRANTS,  
GENERAL MANDATES TO ISSUE NEW SHARES  
AND TO REPURCHASE ITS OWN SHARES AND WARRANTS  
AND  
REFRESHMENT OF THE LIMIT OF  
THE EXISTING SHARE OPTION SCHEME**

**1. INTRODUCTION**

It was announced on 21 March 2002 in conjunction with the announcement of the Group's unaudited interim results for the six months ended 31 December 2001 that the Bonus Warrant Issue would be proposed to the Shareholders.

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## LETTER FROM THE BOARD

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The Directors also proposed to seek the Shareholders' approval at the EGM to grant to them the New Issuance Mandate since the Existing Issuance Mandate has been substantially exercised/reserved for future exercise by the Directors for the issuance of Shares pursuant to the conversion of the Convertible Bonds and the exercise of the Subscription Right. Details of the issue of the Convertible Bonds and the granting of the Subscription Right have been set out in the announcements of the Company dated 14 August 2001, 14 December 2001 and 10 January 2002 respectively.

In addition, the Directors proposed to seek the Shareholders' approval at the EGM to refresh the Existing Scheme Mandate Limit so that the Company may grant options of up to 10% of the issued share capital of the Company as at the date of such approval.

The purpose of this circular is to provide you with information regarding the ordinary resolutions to be proposed at the EGM relating to (i) the Bonus Warrant Issue; (ii) the revocation of the Existing Issuance Mandate and the granting of the New Issuance Mandate; (iii) the revocation of the Existing Buyback Mandate and the granting of the New Buyback Mandate; (iv) the extension of the New Issuance Mandate by the aggregate nominal amount of Shares repurchased by the Company pursuant to the New Buyback Mandate; and (v) the refreshment of the Existing Scheme Mandate Limit.

### **2. BONUS WARRANT ISSUE**

Subject to the conditions mentioned below, the Warrants will be granted by way of a bonus issue to Shareholders whose names appear on the Register on the Record Date (other than the Overseas Shareholders) on the basis of one Warrant for every five Shares held on the Record Date. The Warrants will entitle the holders thereof to subscribe for new Shares at the initial subscription price of HK\$2.62 per Share at any time during the Subscription Period.

On the basis of 431,062,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are repurchased after the Latest Practicable Date and up to the Record Date, 86,212,400 units of Warrants carrying rights to subscribe in aggregate of HK\$225,876,488 in cash for Shares will be issued pursuant to the Bonus Warrant Issue. On the basis of the initial subscription price of HK\$2.62 per Share (subject to adjustment), exercise in full of the Warrants would result in the issue of 86,212,400 new Shares representing 20% of the then existing issued share capital of the Company, and the receipt of approximately HK\$225,876,488, before expenses, by the Company. The shareholding of those Shareholders holding Warrants who do not exercise the subscription rights attaching to their Warrants may be diluted when other holders of the Warrants exercise their Warrants.

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## LETTER FROM THE BOARD

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The Warrants will be created by an instrument by way of deed poll to be executed by the Company and are proposed to be issued in registered form and will form one class of securities of the Company subject to the terms and conditions set out in the instrument. A summary of the terms and conditions of the Warrants, including the circumstances in which the subscription price may be adjusted, is set out in Appendix I to this circular.

### **Status of Shares to be issued upon exercise of Warrants**

Shares falling to be issued on the exercise of the subscription rights attaching to the Warrants will rank *pari passu* in respect of any dividends and other distributions the record date for which is on or after the relevant subscription date and in all other respects with the then existing issued Shares.

### **Subscription Price of Warrants**

The initial subscription price per Share of HK\$2.62 represents a premium of approximately 9.2% to the closing price of HK\$2.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date and represents a premium of approximately 8.7% to the approximate average closing price per Share of HK\$2.41 as quoted on the Stock Exchange for the past 5 trading days up to, and including the Latest Practicable Date.

The proceeds, before expenses, of the issue of Shares upon full exercise of the subscription rights attaching to the Warrants are estimated to be HK\$225,876,488 (on the basis of 431,062,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are repurchased after the Latest Practicable Date and up to the Record Date). The proceeds from the said issue of Shares are intended to be applied as general working capital of the Company.

### **Subscription Period**

The Warrants may be exercised at any time from the date when dealings in the Warrants on the Stock Exchange commence (which is expected to be 7 May 2002) up to and including 6 May 2003.

### **Fractional Entitlements**

Fractional entitlements to the Warrants will not be issued but will be aggregated and sold for the benefit of the Company.

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## LETTER FROM THE BOARD

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### 3. OVERSEAS SHAREHOLDERS

Documents relating to the Bonus Warrant Issue will not be registered under any securities or equivalent legislation of any jurisdiction outside Hong Kong and therefore the Warrants will not be issued to any Overseas Shareholder. The Directors are of the view that the granting of the Warrants to the Overseas Shareholders would, or might, in the absence of compliance with registration or other formalities, be unlawful or impractical. However, arrangements will be made for the Warrants which would otherwise have been issued to Overseas Shareholders to be sold in the market as soon as practicable, if a premium, net of expenses, can be obtained. Any net proceeds of such sale, after deduction of expenses, will be distributed in Hong Kong dollars to the relevant Shareholders pro rata to their respective shareholdings and remittances therefor will be posted to them, at their own risk, unless the amount falling to be distributed to any such person is less than HK\$100 in which case it will be retained for the benefit of the Company.

### 4. CONDITIONS OF THE BONUS WARRANT ISSUE

The Bonus Warrant Issue will be conditional upon, inter alia:

- (i) the passing of an ordinary resolution (i) by the Shareholders at the EGM approving the Bonus Warrant Issue and the issue of new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants; and
- (ii) the Listing Committee of the Stock Exchange granting listings of, and permission to deal in, the Warrants and the new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants.

### 5. REASONS FOR THE BONUS WARRANT ISSUE

The Directors believe that the proposed Bonus Warrant Issue will provide Shareholders with an opportunity to obtain further equity participation in the Company and thereby enlarging the Company's shareholder and capital base.

### 6. CLOSURE OF REGISTER

**The Register will be closed from Wednesday, 24 April 2002 to Monday, 29 April 2002, both days inclusive, in order to determine the entitlements of Shareholders (other than Overseas Shareholders) to the Bonus Warrant Issue, during which period no transfers of Shares can be registered. The last day of dealings in Shares cum entitlements to the Bonus Warrant Issue will be Friday, 19 April 2002.**

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## LETTER FROM THE BOARD

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**To qualify for the Bonus Warrant Issue, all transfers accompanied by the relevant share certificates should be lodged with the Company's Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 23 April 2002.**

### **7. LISTING AND DEALINGS**

Application has been made to the Listing Committee of the Stock Exchange for listings of, and permission to deal in, the Warrants and any new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants. Dealings in the Warrants are expected to commence on Tuesday, 7 May 2002.

The Warrants will not be listed or dealt in on any other stock exchange outside Hong Kong. No part of the securities of the Company is listed or dealt in nor is any listing of or permission to deal in securities of the Company being or proposed to be sought on any other stock exchange.

Subject to the granting of listing of and permission to deal in the Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants on the Stock Exchange as well as compliance with the stock admission requirements of Hongkong Clearing, the Warrants and the new Shares which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date as determined by Hongkong Clearing. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the above securities of the Company to be admitted into CCASS.

Dealings in the Warrants and the new Shares which are issued upon the exercise of the subscription rights attaching to the Warrants will be subject to Hong Kong stamp duty.

### **8. CERTIFICATES FOR THE WARRANTS AND BOARD LOT**

Subject to the conditions being satisfied, certificates for the Warrants are expected to be despatched to the Shareholders entitled thereto at their own risk by ordinary post on Friday, 3 May 2002.

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## LETTER FROM THE BOARD

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The proposed board lot for trading in the Warrants carrying rights to subscribe for new Shares is 16,000 units at the initial subscription price of HK\$2.62 per Share (subject to adjustment), for a total of HK\$41,920. So far as possible, certificates for the Warrants will be issued in board lots of Warrants. The Warrants will be separately transferable initially in units of HK\$2.62 of subscription rights.

### 9. NEW BUYBACK AND ISSUANCE MANDATES

Ordinary resolutions will be proposed at the EGM:

- (a) to revoke the Existing Issuance Mandate (to the extent not being fully exercised by the Directors after the issuance of Shares pursuant to the full exercise of the conversion rights attaching to the outstanding Convertible Bonds) and to grant to the Directors the New Issuance Mandate;
- (b) to revoke the Existing Buyback Mandate (to the extent not being fully exercised by the Directors) and to grant to the Directors the New Buyback Mandate; and
- (c) to extend the New Issuance Mandate by an amount representing the aggregate nominal amount of the Shares repurchased by the Company pursuant to and in accordance with the New Buyback Mandate.

The New Issuance Mandate and the New Buyback Mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date as referred to in resolutions numbered 2 and 3 set out in the notice of the EGM.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the grant of the New Buyback Mandate. An explanatory statement as required by the Listing Rules in connection with the New Buyback Mandate is set out in the Appendix II to this circular.

### 10. REFRESHMENT OF THE EXISTING SCHEME MANDATE LIMIT

Pursuant to the resolution passed by the Shareholders at the AGM, the Existing Share Option Scheme was adopted. Under the Existing Share Option Scheme, the Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Existing Share Option Scheme. The Company may grant options of up to the Existing Scheme Mandate Limit, i.e. 10% (equivalent to 36,774,400 Shares) of the issued share capital of the Company as at the date of adoption of the Existing Share Option Scheme.

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## LETTER FROM THE BOARD

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Up to the Latest Practicable Date, options to subscribe for 28,000,000 Shares, representing approximately 7.6% of the issued share capital of the Company as at the date of adoption of the Existing Share Option Scheme, have been granted to a total of 10 employees of the Group (who are not the Directors of the Company or its subsidiaries) under the Existing Share Option Scheme. All of these options were outstanding as at the Latest Practicable Date. Accordingly, pursuant to the Existing Scheme Mandate Limit, the Company is only permitted to grant further options to subscribe for 8,774,400 Shares, representing approximately 2.4% of the issued share capital of the Company as at the date of adoption of the Existing Share Option Scheme.

The Directors consider that the Company should refresh the Existing Scheme Mandate Limit so that the Company could have more flexibility to provide incentive to those eligible participants of the Existing Share Option Scheme by way of granting share options to them. If the refreshment of the Existing Scheme Mandate Limit is approved at the EGM, based on the 431,062,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are repurchased after the Latest Practicable Date and up to the date of the EGM, the Directors will be able to grant options for subscription of up to a total of 43,106,200 Shares, representing 10% of the issued share capital of the Company as at the date of the EGM. The Directors consider that the refreshment of the Existing Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole because it enables the Company to reward and motivate its employees and other participants under the Existing Share Option Scheme.

The refreshment of the Existing Scheme Mandate Limit is conditional upon the approval of such refreshment at the EGM.

Pursuant to the Old Share Option Scheme, options to subscribe for an aggregate of 29,000,000 Shares have been granted to certain Directors, out of which options to subscribe for 4,000,000 Shares have been exercised and the remaining options were outstanding as at the Latest Practicable Date.

In aggregate, options to subscribe for an aggregate of 53,000,000 Shares, representing approximately 12.3% of the issued share capital of the Company as at the Latest Practicable Date, were outstanding as at the Latest Practicable Date.

### **11. EGM**

Set out on pages 28 to 32 of this circular is a notice convening the EGM to consider the ordinary resolutions relating to the matters as detailed in the above paragraphs.

A form of proxy for use at the EGM is enclosed with this circular. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and

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## LETTER FROM THE BOARD

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deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's Share Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

### 12. RECOMMENDATION

The Directors consider that the passing of the ordinary resolutions as set out in the notice of the EGM will be in the interests of the Company and the Group and the Shareholders. Accordingly, the Directors recommend Shareholders to vote in favour of the said resolutions.

### 13. DOCUMENTS AVAILABLE FOR INSPECTION AND GENERAL INFORMATION

Copies of the following documents are available for inspection at the office of the Company's principal place of business in Hong Kong at Suite 2305, 23/F, CMG Asia Tower, The Gateway, Tsimshatsui, Kowloon, Hong Kong during normal business hours on any business day up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the Subscription Agreement;
- (iii) the Existing Share Option Scheme; and
- (iv) a draft (subject to modification (if necessary)) of the instrument governing the Warrants.

The instrument governing the Warrants will be available for inspection by holders of Warrants at the branch registrar of the Company for the time being in Hong Kong in respect of the Warrants throughout the Subscription Period.

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

Yours faithfully,  
**CAI Chong Zhen**  
*Chairman*



The Warrants will be issued subject to and with the benefit of a separate instrument by way of deed poll (the “Instrument”) to be executed by the Company and they will be issued in registered form and will form one class of securities of the Company and rank pari passu in all respects with each other.

The following is a summary of the major provisions of the Instrument. The terms and conditions of the Warrants will be set out in the Warrant certificates. Holders of the Warrants will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, copies of which will be available from the branch registrar of the Company for the time being in Hong Kong in respect of the Warrants (the “Registrar”).

## 1. SUBSCRIPTION

- (a) The registered holder or joint holders for the time being of a Warrant (the “Warrantholder”) shall have rights (the “Subscription Rights”) to subscribe in Hong Kong dollars the amount stated on the certificate for such Warrants as the amount in cash which such Warrantholder is entitled to subscribe for Shares upon exercise of the Subscription Rights represented thereby for fully-paid Shares at a price (“Subscription Price”) of HK\$2.62 per Share (subject to the adjustments referred to below). The Subscription Rights attaching to the Warrants may be exercised at any time on the date when dealings in the Warrants on the Stock Exchange commence (which is expected to be 7 May 2002) up to and including 4:00 p.m. (Hong Kong time) on 6 May 2003 (“Subscription Period”). Any Subscription Rights which have not been exercised on or before 4:00 p.m. (Hong Kong time) on 6 May 2003 will thereafter lapse and the relevant Warrants will cease to be valid for any purpose.
- (b) A Warrantholder may exercise his Subscription Rights by completing and signing the subscription form endorsed on the Warrant certificate or the separate subscription form which the Company permits to be used (both of which shall, once signed and completed, be irrevocable) and delivering the Warrant certificate, together with the separate subscription form, if appropriate, to the Registrar, together with a remittance for the subscription moneys for the Shares in respect of which the Subscription Rights are being exercised. The date on which such documents (duly completed and signed) and the relevant remittances are delivered to the Registrar shall be the date on which the relevant Subscription Rights are exercised and is hereafter referred to as a “Subscription Date”. In each case, compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

- (c) No fraction of a Share will be allotted but any balance of the subscription moneys paid on the exercise of the Subscription Rights will be refunded by the Company to the relevant Warrantholder, provided that if the Subscription Rights comprised in two or more Warrant certificates are exercised by a Warrantholder on the same Subscription Date then, for the purpose of determining whether any (and if so what) fraction of a Share arises, the Subscription Rights represented by such Warrant certificates shall be aggregated.
- (d) The Company undertakes in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted not later than 10 business days after the relevant Subscription Date and will rank *pari passu* with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made on or after the relevant Subscription Date unless adjustment thereof has been made as provided in the Conditions (as defined in the Instrument) and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the Record Date (as defined in the Instrument) therefor is before the relevant Subscription Date and notice of the amount and Record Date therefor has been given to the Stock Exchange prior to the relevant Subscription Date.
- (e) As soon as practicable after the relevant allotment of Shares (and not later than 10 business days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder:—
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of the Warrantholder(s);
  - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights remaining unexercised;
  - (iii) (if applicable) a cheque representing any fractional entitlement to Shares not allotted as mentioned in sub-paragraph (c) above; and
  - (iv) (if applicable) a Deficiency Certificate (as defined in the Instrument).

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any), the cheque in respect of fractional entitlement (if any) and the Deficiency Certificate (if any) will be sent by post at the risk of such Warrantholder to the address of such Warrantholder as set out in the register of Warranholders (or in the case of a joint holding, to that one of them whose name stands first in the register of Warranholders). If the Company agrees, such certificates and cheque may by prior arrangement be retained by the Registrar to await collection by the relevant Warrantholder(s). The Registrar will notify the Warranholders the date available for collecting the certificates. In such case, late collection will incur the Warrantholder a custodian fee (HK\$2.00 per certificate per month) to be charged by the Registrar if the certificate(s) is/are not collected within one month from the available date.

## 2. ADJUSTMENT OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the provisions of the Instrument:

- (a) The Subscription Price shall (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases:-
  - (i) an alteration of the nominal amount of the Shares by reason of any consolidation or sub-division;
  - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
  - (iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of Shares in their capacity as such;
  - (iv) a grant by the Company to the holders of Shares (in their capacity as such) of rights to acquire for cash any assets of the Company or any of its subsidiaries (as defined in the Instrument);
  - (v) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for Shares at a price which is less than 90 per cent. of the market price (calculation as provided in the Instrument);

- (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 90 per cent. of the market price (calculation as provided in the Instrument), or the terms of any such issue are altered so that the said total Effective Consideration is less than 90 per cent. of the market price;
  - (vii) an issue of Shares being made wholly for cash, at a price less than 90 per cent. of the market price (calculation as provided in the Instrument);
  - (viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares in any other circumstances where the Company considers that it may be appropriate to make an adjustment to the Subscription Price.
- (b) Except as mentioned in sub-paragraph (c) below, no adjustment as is referred to in sub-paragraphs (a)(ii) to (vii) above will be made in respect of:
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
  - (ii) an issue of Shares, or other securities of the Company or any subsidiary, wholly or partly convertible into, or carrying rights to acquire Shares to Directors or employees of the Company or any subsidiary or the eligible participants pursuant to a Share Option Scheme (as defined in the Instrument);
  - (iii) an issue by the Company of Shares or by the Company or any subsidiary of securities wholly or partly convertible into or carrying rights to acquire Shares, in any such case in consideration or in part for the acquisition of any other securities, assets or business;
  - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve (as defined in the Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into or carrying rights to acquire Shares); or

- (v) an issue of Shares in lieu of a cash dividend where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the Instrument) of the Shares is not more than 110 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or at a different time from that provided for under the said provisions, the Company may appoint an approved merchant bank (as defined in the Instrument) to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relevant interests of the persons affected thereby and, if the approved merchant bank considers this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in the manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by the approved merchant bank to be in their opinion appropriate.
- (d) Any adjustment to the Subscription Price will be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which (i) the amount by which the Subscription Price would be reduced would be less than one cent or (ii) the Subscription Price would be reduced to a price which is less than the nominal value per Share. Any adjustment which would not be made shall not be carried forward. No adjustment may be made (except on a consolidation of Shares) which would increase the Subscription Price.
- (e) Every adjustment to the Subscription Price shall be certified to be fair and appropriate by the auditors of the Company or any approved merchant bank (acting as experts whose decision, in the absence of manifest error, shall be conclusive and binding on the Company and the Warrantholders) and notice of each adjustment (giving the relevant particulars) shall be given to the Warrantholders. Any such certificates of the Company's auditors and/or approved merchant bank shall be available for inspection at the principal place of business for the time being of the Company in Hong Kong, where copies may be obtained.

### **3. REGISTERED WARRANTS**

The Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not the Company has express or other notice thereof.

### **4. TRANSFER, TRANSMISSION AND REGISTER**

The Subscription Rights are transferable, in whole amounts or integral multiples of the Subscription Price, by instrument of transfer in any usual or common form or in any other form which may be approved by the Directors. The Company shall maintain a register of Warrantholders accordingly. Transfers of Warrants must be executed by both the transferor and the transferee. Where the transferor or the transferee is HKSCC Nominees Limited or its successor thereto (or such other company as may be approved by the Directors for this purpose), the transfers may be executed under the hands of authorised person(s) or by machine imprinted signature. The provisions of the articles of association of the Company relating to the registration, transfer and transmission of Shares shall apply, mutatis mutandis, to the registration, transfer and transmission of the Warrants.

Persons who hold Warrants and have not registered the Warrants in their own names and wish to exercise the Warrants should note that they may incur additional costs and expenses in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Warrants, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period, being 6 May 2003 (or such earlier date as provided in the Instrument).

In addition, since the Warrants will be admitted into the CCASS so far as applicable laws or regulations of relevant authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before the expiry date of the Subscription Period.

### **5. CLOSURE OF REGISTER OF WARRANTHOLDERS**

The registration of transfers may be suspended and the register of Warrantholders may be closed for such periods as the Directors may from time to time direct, provided that the same may not be closed for a period, or for periods together, of more than 30 days in any one year. Any transfer or exercise of the Subscription Rights attached to the

Warrants, made while the register of Warranholders is so closed shall, as between the Company and the person claiming under the relevant transfer or, as the case may be, as between the Company and the Warranholder who has so exercised the Subscription Rights attached to his Warrant (but not otherwise), be considered as made immediately after the re-opening of the register of Warranholders.

## **6. PURCHASE AND CANCELLATION**

The Company or any of the subsidiaries may at any time purchase Warrants, subject to applicable laws, rules or regulations and approval of Shareholders (if required):

- (a) in the open market or by tender (available to all Warranholders alike) at any price; or
- (b) by private treaty at a price per Warrant, exclusive of expenses, not exceeding 110 per cent. of the closing price of the Warrants on the Stock Exchange prior to the date of purchase thereof;

but not otherwise. All Warrants purchased as aforesaid shall be cancelled forthwith and may not be re-issued or re-sold.

## **7. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS**

- (a) The Instrument contains provisions for convening meetings of Warranholders to consider any matter affecting the interests of Warranholders, including the modification by Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or of the terms and conditions endorsed on the Warrant certificates. A Special Resolution duly passed at any such meeting of Warranholders shall be binding on the Warranholders, whether present or not.
- (b) All or any of the right for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of any of the provisions of the conditions endorsed on the Warrant certificates and/or the Instrument) and the sanction of a Special Resolution shall be necessary and sufficient to effect the alteration or abrogation.

Where the Warrantholder is a recognised clearing house (within the meaning of the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong)) or its nominee(s), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that clearing house or its nominee(s) could exercise as if such person were an individual Warrantholder of the Company.

## **8. QUORUM**

A quorum of a meeting of Warrantholders will be two or more Warrantholders representing not less than 2 per cent. in value of the Subscription Rights for the time being outstanding, present in person or by proxy. The quorum for the passing of a Special Resolution is two or more Warrantholders representing not less than one-tenth in value of the Subscription Rights for the time being outstanding, present in person or by proxy.

## **9. REPLACEMENT OF WARRANT CERTIFICATES**

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the Company's discretion, be replaced at the office of the Registrar on payment of such costs which may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security which the Company may require and on payment of such fee not exceeding the fee as may from time to time be permitted under the Listing Rules as the Company may determine plus the costs incurred by the Company (or the Registrar) in publishing the required public notice. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, Section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if "shares" referred to therein included Warrants.

## **10. PROTECTION OF SUBSCRIPTION RIGHTS**

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.



**11. CALL**

If at any time the aggregate of the amount of subscription moneys attached to the outstanding Warrants is equal to or less than 20 per cent. of the amount of moneys payable on exercise of all the Warrants issued under the Instrument then the Company may, on giving not less than three months' notice by delivery, prepaid letter, cable or telex message or press announcement in Hong Kong, require Warranholders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled, without compensation to Warranholders.

**12. FURTHER ISSUES**

The Company shall be at liberty to issue further warrants to subscribe for Shares in such manner and on such terms as it sees fit.

**13. UNDERTAKINGS BY THE COMPANY**

The Company undertakes in the Instrument, inter alia, that:

- (a) upon exercise of any Subscription Rights it will within 10 business days after the relevant Subscription Date allot the number of Shares for which subscription is made;
- (b) all Shares allotted on the exercise of Subscription Rights will rank *pari passu* in all respects with the fully-paid Shares in issue on the relevant Subscription Date and shall accordingly entitle the holders thereof to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant Subscription Date unless adjustment therefor has been made as provided in the Instrument and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the Record Date therefor shall be before the relevant Subscription Date and notice of the amount and Record Date for which shall have been given to the Stock Exchange prior to the relevant Subscription Date;
- (c) it will send to each Warranholder, at the same time as the same are sent to Shareholders, its audited accounts and all other notices, reports and communications despatched by it to Shareholders generally;
- (d) it will pay (if applicable) all the Cayman Islands and Hong Kong stamp duties, registration fees or similar charges in respect of execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights;

- (e) it will use its best endeavours to ensure that all Shares allotted on exercise of the Subscription Rights shall be admitted to listing on the Stock Exchange provided that no admission shall be obtained in the event that the Shares cease to be listed on the Stock Exchange as a result of an offer being made to the holders of Shares (or to holders excluding the offeror and/or its nominee(s)) to acquire all or a proportion of the Shares;
- (f) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription for the conversion into Shares;
- (g) it will use all reasonable efforts to procure that at all times during the Subscription Period, Warrants may be dealt in on the Stock Exchange.

#### 14. WINDING-UP OF THE COMPANY

- (a) In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warrantholder and thereupon, every Warrantholder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company (such surrender to occur not later than two business days prior to the proposed shareholders' meeting referred to above) with the subscription form(s) duly completed, together with payment of the relevant subscription money or the relative portion thereof, to exercise the Subscription Rights represented by such Warrant and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting allot such number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant. The Company shall give notice to the Warranholders of the passing of such resolution within seven days after the passing thereof; and
- (b) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company, for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warranholders, or some person designated by them for such purpose by Special Resolution, shall be a party or in conjunction with which a proposal is made to the Warranholders and is approved by Special Resolution, the terms of such scheme of arrangement or (as the case may be) proposal will be binding on all the Warranholders.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the date of the passing of such resolution shall lapse and each Warrant certificate will cease to be valid for any purpose.

**15. OVERSEAS WARRANTHOLDERS**

If a Warrantholder subsequently changes his/her registered address to any territory other than Hong Kong where, in the opinion of the Directors, the allotment of Shares to such Warrantholder upon exercise of any Subscription Rights would or may in the absence of compliance with registration or any other special formalities in such territory be unlawful or impracticable under the laws of such territory or Hong Kong, then the Company will as soon as practicable, without obtaining further consent from such Warrantholder, after exercise by such Warrantholder of any Subscription Rights either (i) allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company or (ii) allot such Shares to such Warrantholder and then, on his behalf, sell them to one or more third parties selected by the Company, in each case for the best consideration then reasonably obtainable by the Company. As soon as reasonably practicable following such allotment or allotment and sale, the Company will pay such Warrantholder an amount equal to the consideration received (less expenses and duties) by it by posting the remittance to him at his risk.

**16. NOTICES**

The Instrument contains provisions relating to notices to be given to Warrantholders.

Every Warrantholder must register with the Company an address in Hong Kong or elsewhere to which notices can be sent and if any Warrantholder fails to do so a notice may be given to such Warrantholder by posting the same for three days at the principal place of business for the time being of the Company in Hong Kong.

The provisions of the articles of association of the Company relating to service of notices on Shareholders will apply *mutatis mutandis* to service of notices on Warrantholders and will have full effect as if the same had been incorporated in the Instrument.

All notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons as is named first in the Register and notice so given shall be sufficient notice to all such Warrantholders.

**17. GOVERNING LAW**

The Instrument and the Warrants will be governed by and are to be construed in accordance with the laws of Hong Kong.

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions.

The following is the explanatory statement required to be sent to the Shareholders under the Listing Rules to enable them to make an informed decision on whether to vote for or against the ordinary resolution in relation to the granting of the New Buyback Mandate to be proposed at the EGM.

### **1. REASONS FOR SECURITIES BUYBACK**

The Directors believe that the grant of the New Buyback Mandate is in the best interests of the Company and the Shareholders as the ability of the Company to repurchase up to 10 per cent. of the Shares that will be in issue on the date of passing of the relevant resolution and up to 10 per cent. of the Warrants to be issued pursuant to the Bonus Warrant Issue, will give the Company additional flexibility. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the value of the Company's securities and/or its earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

### **2. SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 431,062,000 Shares.

Subject to the passing of the relevant ordinary resolution to approve the granting of the New Buyback Mandate and the passing of the relevant ordinary resolution to approve the Bonus Warrant Issue and on the basis that no further Shares are issued and no Shares are repurchased prior to the EGM, but taking into account the Warrants proposed to be issued pursuant to the Bonus Warrant Issue, the Company would be allowed under the New Buyback Mandate to purchase a maximum of 43,106,200 fully-paid Shares (representing 10% of the Shares in issue) and Warrants carrying rights to subscribe up to HK\$22,587,648.8 for Shares (representing 10% of the aggregate subscription rights of HK\$225,876,488 attaching to the Warrants).

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

In repurchasing Shares and Warrants (in the event that the Bonus Warrant Issue as described in this circular becomes effective and conditional), the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the laws of the Cayman Islands and other applicable laws.

The Company is empowered by its memorandum and articles of association to repurchase its Shares. The laws of the Cayman Islands provide that the amount of capital paid in connection with a share repurchase may be paid out of either the profits of the Company or the proceeds of a fresh issue of Shares made for such purpose or, subject to the provisions of the Cayman Islands laws, out of capital. The amount of premium payable on repurchase may be paid out of the profits of the Company or out of the share premium account of the Company or, subject to the provisions of the Cayman Islands laws, out of capital.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the year ended 30 June 2001) in the event that the New Buyback Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the New Buyback Mandate 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.

#### **4. GENERAL**

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, have any present intention to sell any Shares or Warrants to the Company in the event that the granting of the New Buyback Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange to exercise the New Buyback Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified the Company that he has a present intention to sell Shares or Warrants to the Company, or has undertaken not to do so in the event that the granting of the New Buyback Mandate is approved by the Shareholders.

If, on the exercise of the power to repurchase Shares pursuant to the New Buyback Mandate, 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 Takeovers Code. As a result, a Shareholder, or group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code for all Shares not already owned by such Shareholder or group of Shareholders.

As at the Latest Practicable Date, Great Wall Investment Group Limited, the substantial shareholder of the Company, was interested in an aggregate of 249,800,000 Shares, representing approximately 58% of the total issued share capital of the Company on that date. On the basis that no further Shares are issued or repurchased after the Latest Practicable Date up to the EGM, in the event that the Directors exercise in full the power to repurchase Shares pursuant to the New Buyback Mandate, the shareholdings of Great Wall Investment Group Limited in the Company would be increased to approximately 64% of the total issued share capital of the Company as at the Latest Practicable Date. The Directors are not aware of any consequences which will arise under the Takeovers Code as a consequence of any repurchases pursuant to the New Buyback Mandate.

## **5. MARKET PRICES OF SHARES**

The highest and lowest prices per Share at which the Shares have been traded on the Stock Exchange during the previous 12 months were as follows:

<b>Month</b>	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2001</b>		
April	1.44	0.92
May	1.77	1.30
June	1.76	1.33
July	1.43	1.17
August	1.55	1.25
September	1.57	0.99
October	1.45	1.14
November	1.50	1.33
December	2.00	1.37
<b>2002</b>		
January	2.575	1.89
February	2.25	1.96
March	2.50	2.025

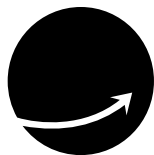
## **6. SHARE REPURCHASES MADE BY THE COMPANY**

No repurchase of Shares has been made by the Company during the last six months (whether on the Stock Exchange or otherwise).

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### FAR EAST PHARMACEUTICAL TECHNOLOGY COMPANY LIMITED (遠東生物制藥科技有限公司)

*(Incorporated in the Cayman Islands with limited liability)*

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of the Shareholders of Far East Pharmaceutical Technology Company Limited (the “Company”) will be held at Prince III, 3rd Floor, The Marco Polo Prince Hotel, Harbour City, 23 Canton Road, Kowloon, Hong Kong on Monday, 29 April 2002 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions:

#### ORDINARY RESOLUTIONS

1. **“THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the Warrants (as hereinafter defined) and any new shares of HK\$0.10 each in the share capital of the Company (the “Shares”) falling to be issued upon exercise of the subscription rights attaching to the Warrants, the directors of the Company be and are hereby authorised:
  - (a) to create and issue warrants (“Warrants”) carrying aggregate subscription rights of not less than HK\$225,876,488.00 which shall be in registered form and shall be exercisable at any time between the date when dealings in the Warrants on The Stock Exchange of Hong Kong Limited commence (expected to be 7 May 2002) and 6 May 2003, both days inclusive, to subscribe at an initial subscription price of HK\$2.62 per Share, subject to adjustment, for new Shares on the terms and conditions set out in the Warrant instrument (a draft of which has been submitted to this meeting marked “A” and signed for the purpose of identification by the chairman of this meeting) and to issue the same by way of bonus to and among those shareholders whose names appear on the register of members of the Company on 29 April 2002 (the “Record Date”) on the basis of one Warrant for every five Shares held on the Record Date upon the terms and conditions set out in the circular (the “Circular”) issued by the Company to its shareholders (a copy of the Circular has been submitted to this meeting marked “B” and signed for the purpose of identification by the chairman of this meeting) provided that (i) no fractional entitlements to the Warrants shall be granted as aforesaid, but the fractional entitlements shall be aggregated and sold for the benefit of the Company and (ii) no Warrants shall be issued to those shareholders whose names appear on the register of members of the Company on the Record Date but whose addresses as shown therein are outside Hong Kong, but the entitlements of such shareholders shall be as set out in the Circular;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) to issue and allot new Shares arising from the exercise of subscription rights attaching to the Warrants or any of them, such new Shares shall rank pari passu in all respects with the then existing issued Shares; and
- (c) to do all such acts and things as they consider necessary or expedient to give effect to the foregoing arrangements.”;

2. **“THAT:**

- (a) the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with shares of the Company pursuant to the ordinary resolution no. 7 passed by the shareholders of the Company at the annual general meeting of the Company held on 29 November 2001 be and is hereby revoked (to the extent not being fully exercised by the directors after the issuance of shares of the Company pursuant to the full exercise of the conversion rights attaching to the outstanding convertible bonds issued by the Company under the Subscription Agreement entered into between the Company and Credit Suisse First Boston (Hong Kong) Limited on 14 August 2001);
- (b) subject to paragraph (d) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) above shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which might require the exercise of such powers after the end of the Relevant Period (as hereinafter defined);
- (d) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (b) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company, or (iii) an issue of shares pursuant to the exercise of options under any option



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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scheme or similar arrangement for the time being adopted for the issue or grant to officers and/or employees of the Company and/or any of its subsidiaries and/or any eligible persons of shares or rights to acquire shares of the Company, or (iv) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in the Company in lieu of the whole or part of a dividend on shares in the Company in accordance with the articles of association of the Company, shall not exceed 20% of the total nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and

- (e) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
  - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; and
  - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

“Rights Issue” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company open for a period fixed by the directors of the Company to holders of shares whose names appear in the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate such other securities) (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”;

### 3. “THAT

- (a) the general mandate granted to the directors of the Company to exercise the powers of the Company to repurchase shares of the Company pursuant to the ordinary resolution no. 6 passed by the shareholders of the Company at the annual general meeting of the Company held on 29 November 2001 be and is hereby revoked (to the extent not being fully exercised by the directors but without prejudice to any exercise of such mandate prior to the date on which this resolution becomes effective);

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (b) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its shares and warrants (that are created and issued when resolution no.1 set out in the notice of this meeting becomes effective and is implemented), subject to and in accordance with the applicable laws, be and is hereby generally and unconditionally approved;
  - (c) the total nominal amount of shares to be purchased pursuant to the approval in paragraph (b) above shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of passing of this resolution and the subscription rights attached to the warrants (that are created and issued when resolution no. 1 set out in the notice of this meeting becomes effective and is implemented) to be purchased pursuant to the approval in paragraph (b) above shall not exceed 10% of the total subscription rights attached to all such warrants outstanding as at the date on which warrants are created and issued, and the said approval shall be limited accordingly; and
  - (d) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:
    - (i) the conclusion of the next annual general meeting of the Company;
    - (ii) the revocation or variation of the authority given under this resolution by ordinary resolution passed by the Company’s shareholders in general meetings; and
    - (iii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held.”;
4. “**THAT** conditional upon the passing of the ordinary resolutions nos. 2 and 3 as set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with the shares of the Company pursuant to the ordinary resolution no. 2 as set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company pursuant to the ordinary resolution no. 3 as set out in the notice convening this meeting, provided that such amount shall not exceed 10% of the total nominal amount of the share capital of the Company in issue as at the date of passing of this resolution.”; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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5. “**THAT** the existing scheme mandate limit under the share option scheme (“Share Option Scheme”) of the Company adopted pursuant to the resolutions of the shareholders of the Company passed on 29 November 2001 be refreshed so that the aggregate nominal amount of share capital of the Company to be allotted and issued pursuant to the grant or exercise of any options under the Share Option Scheme and any other schemes of the Company (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme and any other schemes of the Company) shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution (“Refreshed Limit”) and that the directors of the Company be and are hereby authorised to grant options up to the Refreshed Limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options.”.

By order of the Board  
**LUK Wai Hong**  
*Secretary*

Hong Kong, 12 April 2002

*Notes:*

- (a) The Register of Members of the Company will be closed from Wednesday, 24 April 2002 to Monday, 29 April 2002 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed bonus issue of Warrants (as detailed in resolution no. 1 set out in the notice convening this meeting) and for attending this meeting, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company’s Share Registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 23 April 2002.
- (b) A shareholder of the Company, who is the holder of two or more shares of the Company, entitled to attend and vote at this meeting is entitled to appoint more than one proxy to attend and vote on his behalf. A proxy need not be a shareholder of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (c) To be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be lodged with the Company’s Share Registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.