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If you have sold or transferred all your shares in Sa Sa International Holdings Limited, you should at once hand this circular together with the form of proxy and the annual report of the Sa Sa International Holdings Limited to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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SA SA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

TERMINATION OF EXISTING SHARE OPTION SCHEME, ADOPTION OF NEW SHARE OPTION SCHEME AND THE RENEWAL OF THE GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

A notice convening an annual general meeting of Sa Sa International Holdings Limited to be held at Level 7, Bowen Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 29th August 2002 at 11:00 a.m. is set out on pages 135 to 140 of the 2001/2002 Annual Report of the Company. Whether or not Shareholders are able to attend the annual general meeting, Shareholders should complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share and transfer office, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the annual general meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the annual general meeting or any adjourned meeting, should Shareholders so wish.

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DEFINITIONS

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

“Adoption Date”	the date on which the proposed New Scheme is adopted by ordinary resolution of the Company in general meeting, a notice of which is set out herein;
“AGM”	the annual general meeting of the Company to be held at Level 7, Bowen Room, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 29th August 2002 at 11:00 a.m., notice of which is set out in the annual report of the Company;
“associate”	the meaning ascribed thereto in Rule 1.01 of the Listing Rules ;
“associated companies”	an associate and/or a joint venture as such terms are defined Hong Kong Statements of Standard Accounting Practice Nos 10 and 21 respectively;
“Auditors”	at any time means the auditors of the Company for the time being of the Company at that time;
“Board”	at any time means the board of Directors at that time or a duly authorised committee thereof;
“business day”	a day (excluding a Saturday) on which banks are generally open for business in Hong Kong;
“Company”	Sa Sa International Holdings Limited, a company incorporated in the Cayman Islands, the securities of which are listed on the Stock Exchange;
“connected person”	a person who is a “connected person” of the Company as the term “connected person” is defined in the Listing Rules;
“Date of Grant”	in respect of an Option, the business day on which the Board resolves to make an Offer to a Participant;
“Directors”	the directors of the Company;
“Existing Scheme”	the share option scheme adopted by the Company on 22nd May 1997, which, unless otherwise terminated, is due to expire on 21st May 2007;
“Grantee”	any Participant who accepts the offer of the grant of an Option in accordance with the terms of the New Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee;

DEFINITIONS

“Group”	at any time, the Company and its Subsidiaries and its associated companies at that time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	26th July 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Scheme”	the new share option scheme proposed to be approved by the shareholders at the AGM, a summary of the principal terms of which is set out in Appendix I to this circular;
“Offer”	the offer of the grant of an Option made to a Participant pursuant to the New Scheme;
“Option”	an option to subscribe for Shares granted pursuant to the New Scheme;
“Option Period”	a period to be notified by the Board to each Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Participant”	any directors (including executive directors, non-executive directors and independent non-executive directors) of the Group and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group who the Board considers, in its sole discretion, have contributed to the Group;
“Service Agreement”	the service agreement dated 2nd August 1999 between the Company and Mr. Roger King, an ex-Director, whereby the Company appointed him as president and chief executive officer of the Company;
“Share(s)”	shares of HK\$0.10 each in the capital of the Company or, if there has been a sub-division, reduction, consolidation, reclassification of or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	at any time means holders of Shares at that time;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to the terms of the New Scheme;
“Subsidiaries”	at any time means a subsidiary (within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) or the Companies Law) of the Company at that time whether incorporated in Hong Kong, the Cayman Islands or elsewhere; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

LETTER FROM THE BOARD



SA SA INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Directors:

Kwok, Siu Ming, Simon
Kwok, Law Kwai Chun, Eleanor
Chan, Yuk Shee*
Leung, Kwok Fai, Thomas*
Cheng, Ming Fun, Paul*
Lee, Look Ngan Kwan, Christina*

Registered office:

Ugland House
South Church Street
George Town
PO Box 309, Grand Cayman,
Cayman Island
British West Indies

*Principal place of business
in Hong Kong:*

14th Floor, Block B
MP Industrial Centre
18 Ka Yip Street
Chai Wan
Hong Kong

* *Independent Non-executive Directors*

31st July 2002

To the Shareholders

Dear Sir or Madam,

**TERMINATION OF EXISTING SHARE OPTION SCHEME,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
THE RENEWAL OF THE GENERAL MANDATES TO ISSUE
AND REPURCHASE SHARES**

INTRODUCTION

The Stock Exchange announced certain amendments to Chapter 17 (share option schemes) of the Listing Rules on 23rd August 2001, which came into effect on 1st September 2001. The Directors would like to propose to Shareholders to consider, and if thought fit, passing an ordinary resolution to terminate the Existing Scheme and adopt the New Scheme. A summary of the principal terms of the New Scheme is set out in Appendix I to this circular.

DETAILS OF THE EXISTING SCHEME AND THE NEW SCHEME

The purpose of the New Scheme is to provide Participants with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

The New Scheme does not specify a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the rules of the New Scheme provide that the Board may determine, at its sole discretion, such terms(s) on the grant of an Option, which decision may vary on a case by case basis. The basis for determination of the subscription price is also specified precisely in the rules of the New Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage the Participants to acquire proprietary interests in the Company.

The Directors consider that it is not appropriate to state the value of all Options that can be granted under the New Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Options' value have not been determined. Such variables include the exercise price, exercise period, any performance targets set and other relevant variables. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

The New Scheme will take effect subject to (i) the passing of the resolution by the Shareholders necessary to approve and adopt the New Scheme and to authorise the Directors to grant Options under the New Scheme and to allot and issue Shares pursuant to the exercise of any Options, and (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of Options representing 10% of the issued share capital of the Company at the date of AGM. If all of the above conditions are not satisfied on or before the date following 30 days after the Adoption Date, the New Scheme will determine immediately, and any Option granted or agreed to be granted pursuant to the New Scheme and any offer of such grant shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the New Scheme.

On termination of the Existing Scheme no further options may be granted under the Existing Scheme but in all other respects the provisions of the Existing Scheme will in all other respects remain in force and options granted pursuant to the Existing Scheme prior to such termination shall continue to be valid and exercisable in accordance with the Existing Scheme. As at the Latest Practicable Date, there were outstanding options granted under the Existing Scheme to subscribe for up to 26,363,911 Shares. In addition, the Directors do not have any present intention to grant further options under the Existing Scheme between the Latest Practicable Date and the AGM.

An application has been made to the Stock Exchange for the approval of the listing of and permission to deal in the Shares that may be issued pursuant to the exercise of subscription rights attaching to any Options representing 10% of the issued share capital of the Company at the date of AGM.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,271,661,172 Shares. On the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the AGM, the maximum number of Shares that the Company would be allowed to issue upon exercise of the Options that may be granted under the New Scheme will be 127,166,117 Shares.

The Company will publish an announcement on the outcome of the AGM for the adoption of the New Scheme on the business day following the AGM.

LETTER FROM THE BOARD

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the last annual general meeting of the Company held on 30th August 2001, general mandates were given to the Directors to issue and/or repurchase Shares. Such general mandates will lapse at the conclusion of the forthcoming AGM to be held on 29th August 2002. Therefore, the Directors are seeking the passing of ordinary resolutions at the AGM to give to the Directors new general mandates:

- (i) to allot, issue and otherwise deal with new Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the proposed resolution at the AGM;
- (ii) to purchase Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the proposed resolution at the AGM.

The Directors will also propose a separate ordinary resolution at the AGM to add to the mandate to issue those Shares purchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

AMENDMENT TO THE NOTICE OF THE ANNUAL GENERAL MEETING

On 22nd July 2002, the Company published in its results announcement the notice of the AGM. The Company proposes to amend resolution no. 5 as set out in the notice of the AGM dated 19th July 2002. Shareholders should disregard resolution no. 5 as set out in the notice, which was announced in newspapers in Hong Kong on 22nd July 2002. The revised notice concerning resolution no. 5 will be set out in the 2001/2002 annual report of the Company.

ANNUAL GENERAL MEETING

The notice of the AGM is set out on pages 135 to 140 of the 2001/2002 annual report of the Company. A form of proxy for use at the AGM is enclosed in the 2001/2002 annual report of the Company. Whether or not Shareholders are able to attend the AGM in person, Shareholders should complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share and transfer office, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the AGM. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the AGM or any adjournment thereof should Shareholders so wish.

RECOMMENDATION

The Directors are of the opinion that the proposed termination of the Existing Scheme, the adoption of the New Scheme and the renewal of the general mandates to issue and repurchase Shares are in the best interests of the Company and the Shareholders as a whole, and so recommend Shareholders to vote in favour of all the resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular 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 contained in this circular misleading.

GENERAL

A copy of the New Scheme is available for inspection during business hours at the principal place of business of the Company in Hong Kong at 14th Floor, Block B, MP Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong from the date of this circular up to Wednesday, 28th August 2002 (both days inclusive). Your attention is also drawn to the additional information set out in the appendices to this circular.

The English text of this circular and the accompanying proxy form shall prevail over the Chinese text in case of inconsistency.

By Order of the Board
Kwok Siu Ming, Simon
Chairman

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

1. The purpose of the New Scheme is to provide Participants with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.
2. The New Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Scheme or its interpretation or effect shall be final and binding on all parties.
3. The categories of the Participant under the New Scheme are any directors (including executive directors, non-executive directors and independent non-executive directors) of the Group and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers to the Group who the Board considers, in its sole discretion, have contributed to the Group.
4. Each grant of Options to any director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates shall be subject to the prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is the proposed Grantee of the Option or an associate thereof). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:–
 - (i) representing in aggregate over 0.1 per cent. (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million (or such other amount as may from time to time be specified by the Stock Exchange),such grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll) on which all connected persons of the Company shall abstain from voting in favour but (for the avoidance of doubt), any connected person may without affecting the validity of the relevant resolution vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.
5. No Offer shall be made to, nor shall any Offer be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable rules, regulations or law.

6. The maximum number of Shares in respect of which Options may be granted to Grantees under the New Scheme and other share option schemes of the Company shall not exceed 30 percent in nominal amount of the issued share capital of the Company from time to time (“Scheme Limit”). No option may be granted under any schemes of the Company if this will result in the Scheme Limit being exceeded.
- (i) The maximum number of Shares in respect of which Options may be granted under the New Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10 percent in nominal amount of the issued share capital of the Company on the Adoption Date (the “Scheme Mandate Limit”). Option lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
 - (ii) The Scheme Mandate Limit referred to in paragraph 6(i) may be renewed at any time subject to prior Shareholders’ approval but in any event shall not exceed 10 percent of the issued share capital of the Company as at the date of approval of the renewal of the Scheme Mandate Limit. Option previously granted under the New Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.
 - (iii) The Company may grant Options beyond the Scheme Mandate Limit to Participants if:–
 - (a) the Company has first sent a circular to Shareholders containing a generic description of the specified Participants in question, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose and other relevant information as required under the Listing Rules; and
 - (b) separate Shareholder’s approval has been obtained.
7. The maximum number of Shares in respect of which Options may be granted to a specifically identified single Grantee under the New Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1 percent of the Shares in issue (the “Individual Limit”). The Company may grant Options beyond the Individual Limit to a Participant at any time if:–
- (i) the Company has first sent a circular to Shareholders containing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and other relevant information as required under the Listing Rules; and
 - (ii) separate Shareholder’s approval has been obtained in general meeting with the proposed relevant Grantee (as the case may be) and his associates abstaining from voting.

8. The Option Period is a period to be notified by the Board to each Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant.
9. On and subject to the terms of the New Scheme, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at the Subscription Price. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include (i) a minimum period for which an Option must be held before it can be exercised and/or (ii) a performance target that must be reached, before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.
10. An Offer shall be deemed to have been accepted and an Option shall be deemed to have been granted and accepted and shall take effect when the duplicate letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company at its principal place of business in Hong Kong or such other address as specified in the Offer. Such remittance shall in no circumstances be refundable. An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the New Scheme and shall remain open for acceptance by the Participant concerned for a period of 30 days from the Date of Grant.
11. The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greater of:–
 - (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant;
 - (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the Date of Grant; and
 - (iii) the nominal value of a Share.
12. The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and shall rank *pari passu* in all respects with the fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which Shares are allotted other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

13. Subject to the provisions of the New Scheme, the New Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options shall be offered or granted but the provisions of the New Scheme shall remain in full force and effect in all other respects. Options granted during the life of the New Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.
14. In the event of the Grantee, ceasing to be a Participant by reason of his death, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within the period of 12 months following his death provided that where any of the events set out in paragraphs 18, 19, 20 and 21 occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the Option within such of the various periods respectively set out in such paragraphs provided further that if within a period of 3 years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph 22(f) which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the Subscription Price for the Shares in respect of the purposed exercise of such Option;
15. In the event of a Grantee who is an employee or a director of the Company or another member of the Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph 22(f), the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment (which date shall be the last actual working day with that member of the Group whether salary is paid in lieu of notice or not) and shall cease to be exercisable provided that the Board may by written notice to such Grantee within one month from the date of such cessation determine that the Option (or such remaining part thereof) shall become exercisable within such period as the Board may determine following the date of such cessation;
16. In the event of a Grantee who is not an employee or a director of the Company or another member of the Group ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation;
17. In the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph 22(f) and the Grantee has exercised the Option in whole or in part pursuant to the New Scheme, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares in respect of the purported exercise of such Option;

18. If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 19 below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option at any time within such period as shall be notified by the Board;
19. If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Board) exercise the Option;
20. In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option; and
21. In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 19 above, between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by the Company exercise the Option, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.
22. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:–
 - (a) the expiry of the Option Period (subject to the provision of the New Scheme);
 - (b) the expiry of the periods referred to in paragraphs 14-21;
 - (c) the expiry of the period referred to in paragraph 18 provided that if any court of competent jurisdiction makes an order the effect of which is to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date;

- (d) subject to the scheme of arrangement (referred to in paragraph 19) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 19;
- (e) the date of the commencement of the winding-up of the Company;
- (f) the date on which the Grantee (if an employee or director of the Company or another member of the Group) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily. A resolution of the Board to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 22(f) shall be conclusive;
- (g) the date on which the Grantee commits a breach of paragraph 23; and

subject to paragraph 15, the date the Grantee, ceases to be a Participant for any other reason.

- 23. An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee without incurring any liability on the part of the Company.
- 24. In the event of any alteration to the capital structure of the Company whilst any Option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company, or otherwise howsoever in accordance with legal requirements and requirements of the Stock Exchange other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, such corresponding alterations (if any) shall be made in:–
 - (a) the number or nominal amount of Shares subject to the Option so far as unexercised;
 - (b) the Subscription Price;
 - (c) the securities to which the Option relates; and
 - (d) the method of exercise of the Option,

or any combination thereof as the Auditors or the independent financial adviser to the Company shall at the request of the Company certify in writing to the Board either

generally or as regards any particular Grantee to be in their opinion fair and reasonable provided that any such adjustments give a Grantee the same proportion of equity capital of the Company as to which that Grantee was previously entitled but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the independent financial adviser to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the independent financial adviser to the Company shall be borne by the Company.

25. The Company by ordinary resolution in general meeting or by resolution of the Board may at any time terminate the operation of the New Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the New Scheme shall remain in full force and effect. Options which are granted during the life of the New Scheme and remain unexpired immediately prior to the termination of the operation of the New Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the New Scheme.
26. Those specific provisions of the New Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Board in relation to any alteration of the terms of the New Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the New Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Scheme.
27. Notwithstanding any other provision of the New Scheme, the Board shall be entitled at its absolute discretion at any time and from time to time to cancel any Option, either in whole or in part, after notice of exercise thereof has been given by the Grantee but before the Company has issued and allotted any Shares pursuant to the exercise of that Option, by giving notice in writing to the Grantee stating that such Option is thereby cancelled.
28. If any Option shall be cancelled pursuant to paragraph 27, the Grantee shall, subject as provided in the New Scheme, be entitled to be paid by the Company a refund of the Subscription Price paid on exercise of such Option together with an additional payment in cash to compensate him for such cancellation, calculated in accordance with the formula below. Such refund and payment shall be made within 14 business days of the Company giving notice of such cancellation and once such refund and payment has been made by the Company, the Grantee shall have no other claim against the Company in connection with any Option so cancelled. Any refund and payment shall be made by the Company out of funds which are legally available for

the purpose in accordance with all applicable laws. The amount of payment shall be calculated by reference to the following formula:

$$(A \times B) - C$$

where

- A is the number of Shares that would have been issued on exercise of the Option (the “Applicable Shares”);
- B is the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days on which the Stock Exchange is open for business last preceding the date the Company receives notice of exercise of the Option; and
- C is the aggregate Subscription Price for the Applicable Shares,

provided that if the calculation shall result in a negative figure it shall be deemed to zero.

This section includes explanatory statements required by the Stock Exchange to be presented to Shareholders concerning the mandate to purchase Shares proposed to be granted to the Directors.

1. STOCK EXCHANGE RULES FOR PURCHASES OF SECURITIES

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, the most important of which is summarised below:

The Listing Rules provide that all proposed purchases of securities by a company with a primary listing on the Stock Exchange must be approved by shareholders in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the securities to be purchased must be fully paid up.

2. FUNDING OF PURCHASES

Any purchases will be made out of funds which are legally available for the purpose in accordance with the memorandum and articles of association of the Company and the Companies Law of the Cayman Islands. As compared with the financial position of the Company as at 31st March 2002 (being the date of its latest audited accounts), the Directors consider that there will not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period.

The Directors do not propose to exercise the purchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing ratio which in the opinion of the Directors are from time to time appropriate for the Company.

3. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,271,661,172 Shares. As at such date, there were also outstanding options granted under the Existing Scheme to subscribe for up to 26,363,911 Shares and under the Service Agreement to subscribe for up to 27,513,587 shares.

Subject to the passing of the relevant ordinary resolution to approve the general mandates to issue and purchase securities (the “Purchase Proposal”) and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the AGM, and that the outstanding subscription rights attaching to the options granted under the Existing Scheme and under the Service Agreement to convert into 53,877,498 are not exercised prior to the AGM, the Company would be allowed under the Purchase Proposal to purchase a maximum of 127,166,117 Shares. If all outstanding options granted under the Existing Scheme and the Service Agreement as at the Latest Practicable Date were exercised in full on or before the Latest Practicable Date, the Company would be allowed under the Purchase Proposal to purchase a maximum of 132,553,867 Shares.

On 8th February 2002, the Stock Exchange granted a waiver pursuant to Rule 10.06(2)(g) of the Listing Rules (the “Waiver”) in respect of the restriction set out in Rule 10.06(2)(a) of the Listing Rules that, in any one calendar month, the listed issuer shall not purchase shares of the listed issuer on the Stock Exchange numbering not more than 25 percent of the total number of that kind

of shares which were traded on the Stock Exchange in the preceding calendar month, as stated in the Stock Exchange daily quotation sheets for the previous month. The Waiver is for a period of six months from the date of approval and the Waiver will expire on 8th August 2002.

4. REASONS FOR PURCHASES

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to purchase Shares on the market. Such purchases 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 its earning per Share and will only be made when the Directors believe that such purchases will benefit the Company and the Shareholders.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the repurchase mandate in accordance with the Listing Rules, the applicable laws of Cayman Islands and in accordance with the memorandum and articles of association of the Company.

6. EFFECT OF TAKEOVERS CODE

As at the Latest Practicable Date, Mr. Kwok Siu Ming, Simon and his wife, Mrs. Kwok Law Kwai Chun, Eleanor together with their associates were beneficially interested in 918,870,400 Shares, representing approximately 72.26% of the issued share capital of the Company. Based on such shareholdings and in the event that the Directors exercise in full the power to repurchase Shares under the mandate to repurchase Shares, the attributable shareholdings of Mr. Kwok Siu Ming, Simon and Mrs. Kwok Law Kwai Chun, Eleanor together with their associates in the Company would be increased to approximately 80.29% of the issued share capital of the Company. However, as a result of any such repurchase there may not be sufficient public float in the Shares pursuant to Rule 8.08 of the Listing Rules. The Directors have no present intention to exercise the repurchase mandate to such extent as to jeopardize the public float requirement pursuant to the Listing Rules. 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 purpose of the Hong Kong Code on Takeovers and Mergers. As a result, a shareholder, or group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of Hong Kong Code on Takeovers and Mergers. Save as aforesaid, the Directors are not aware of any consequence which the exercise in full of the repurchase mandate would have under the Hong Kong Code on Takeovers and Mergers.

7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the proposed securities repurchase mandate is approved by Shareholders, to sell Shares to the Company. No connected person of the Company has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make purchases of Shares.

8. GENERAL

- (a) During the six months preceding the Latest Practicable Date, the Company repurchased the following Shares on the Stock Exchange, all of which have been cancelled and particulars of which are as follows:

Transaction Date of Repurchase	Number of Shares Repurchased	Price per Share		Total Paid <i>HK\$</i>
		Highest Price Paid <i>HK\$</i>	Lowest Price Paid <i>HK\$</i>	
4th to 31st January 2002	4,070,000	0.54	0.51	2,147,980
21st to 28th February 2002	1,686,000	0.58	0.56	968,160
1st to 14th March 2002	856,000	0.60	0.58	505,140
4th to 30th April 2002	10,888,000	0.80	0.66	8,317,040
7th to 31st May 2002	11,550,000	0.79	0.72	8,852,500
3rd to 6th June 2002	24,700,000	0.78	0.75	18,830,780
26th July 2002 (up to the Latest Practicable Date)	700,000	0.57	0.55	387,980

Save as disclosed herein, no purchase of Shares has been made by the Company during the last six months (whether on the Stock Exchange or otherwise) prior to the Latest Practicable Date.

- (b) The highest and lowest prices at which the Shares were traded on the Stock Exchange in each of the previous twelve months immediately prior to the Latest Practicable Date were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
July	0.84	0.78
August	0.83	0.62
September	0.69	0.53
October	0.71	0.59
November	0.70	0.66
December	0.67	0.50
2002		
January	0.59	0.51
February	0.61	0.51
March	0.65	0.58
April	0.89	0.64
May	0.82	0.72
June	0.79	0.61