
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Techtronic Industries Company Limited (the "Company"), you should at once hand this circular to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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PROPOSALS INVOLVING
ADOPTION OF THE NEW SHARE OPTION SCHEME
AND TERMINATION OF
THE EXISTING SHARE OPTION SCHEME

A notice convening an extraordinary general meeting of the Company to be held at Chatham Room, 7th Floor, Conrad Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 28th March 2002 at 9:30 a.m. (the "Extraordinary General Meeting") is set out on pages 16 and 17 of this circular. Whether or not you propose to attend the Extraordinary General Meeting, you are requested to complete and return the accompanying form of proxy to the Company's registered office at 24th Floor, CDW Building, 388 Castle Peak Road, Kwai Chung, New Territories, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion of the form of proxy shall not preclude you from attending and voting at the Extraordinary General Meeting or any adjourned meeting should you so wish.

12th March 2002

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DEFINITIONS

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

“Board”	the board of Directors or a duly authorised committee thereof
“business day”	a day (excluding Saturday) on which banks are generally open for business in Hong Kong
“Company”	Techtronic Industries Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Employee”	any employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity, including any executive director of any member of the Group or any Invested Entity
“Existing Share Option Scheme”	the existing share option scheme adopted by the Company on 25th May 2001
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at Chatham Room, 7th Floor, Conrad Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 28th March 2002 at 9:30 a.m.
“Group”	the Company and its subsidiaries and “member of the Group” shall be construed accordingly
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which the Group holds any equity interest
“Latest Practicable Date”	7th March 2002, being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“New Share Option Scheme”	the new employee share option scheme proposed to be adopted at the Extraordinary General Meeting, the principal terms of the rules of which are set out in the Appendix to this circular

DEFINITIONS

- “Participant”
- (i) any Employee;
 - (ii) any non-executive director (including independent non-executive director) of any member of the Group or any Invested Entity;
 - (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
 - (iv) any customer of any member of the Group or any Invested Entity;
 - (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; and
 - (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity,

and for the purposes of the New Share Option Scheme, the options may be granted to any company wholly owned by one or more person(s) belonging to any of the above classes of participants.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group

“Share(s)” share(s) of HK\$0.2 each of the Company or any shares into which the same may be converted, divided or consolidated or for which the same may be exchanged

“Shareholder(s)” shareholder(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars

LETTER FROM THE BOARD



Executive Directors:

Mr. Horst Julius Pudwill
(Chairman and Chief Executive Officer)
Mr. Roy Chi Ping Chung
(Managing Director)
Mr. Kin Wah Chan
Mr. Chi Chung Chan
Dr. Akio Urakami

Registered Office:

24th Floor
CDW Building
388 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

Non-executive Director:

Mr. Susumu Yoshikawa

Independent Non-executive Directors:

Mr. Vincent Ting Kau Cheung
Mr. Joel Arthur Schleicher
Mr. Christopher Patrick Langley

12th March 2002

To the Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING
ADOPTION OF THE NEW SHARE OPTION SCHEME
AND TERMINATION OF
THE EXISTING SHARE OPTION SCHEME**

INTRODUCTION

At the Extraordinary General Meeting convened to be held on 28th March 2002, ordinary resolutions will be proposed to approve the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme. The purpose of this circular is to provide you with further details in respect of the proposed adoption of the New Share Option Scheme and the proposed termination of the Existing Share Option Scheme.

LETTER FROM THE BOARD

PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME AND PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted on 25th May 2001 and will expire on 24th May 2006. In view of the recent changes to Chapter 17 of the Listing Rules which governs the operation of share option schemes, the Directors propose to recommend to Shareholders at the Extraordinary General Meeting to approve the adoption of the New Share Option Scheme and simultaneously terminate the operation of the Existing Share Option Scheme. As at the Latest Practicable Date, the Company has no unexpired share option scheme other than the Existing Share Option Scheme.

It is proposed that, subject to the approval of the Shareholders for the adoption of the New Share Option Scheme at the Extraordinary General Meeting, the operation of the Existing Share Option Scheme shall be terminated with effect from the conclusion of the Extraordinary General Meeting (such that no further options could thereafter be offered under the Existing Share Option Scheme but in all other respects the provisions of the Existing Share Option Scheme shall remain in full force and effect) and the New Share Option Scheme will take effect, subject to the approval of the Stock Exchange, on the date of its adoption at the Extraordinary General Meeting. Operation of the New Share Option Scheme will commence after all conditions precedent have been fulfilled.

The Directors consider that in order to enable the Group to attract and retain Employees of appropriate qualifications and with the necessary experience to work for the Group, it is important that the Group should continue to provide such Employees with an additional incentive by offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long term success of the business of the Group.

The Directors further consider that in order to enable the Group to motivate Participants (other than the Employees) to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain on-going business relationship with such Participants whose contributions are or will be beneficial to the long term growth of the Group, it is important that the Group should be permitted to provide them, where appropriate, with an additional incentive by also offering them an opportunity to obtain an ownership interest in the Company and to reward them for contributing to the long term success of the business of the Group. By offering the options to the Participants (other than the Employees) upon such terms as may be permitted under the New Share Option Scheme, such Participants may exercise their options at any time within the option period (where applicable, subject to any terms of the grant of such options) to acquire a monetary gain or ownership interest in the Company which may in turn provide a further incentive to them for advancing their performance.

It is therefore proposed that the New Share Option Scheme for the benefit of the Participants be adopted at the Extraordinary General Meeting. A summary of the principal terms of the New Share Option Scheme is set out in the Appendix to this circular.

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were 582,716,826 Shares in issue. The particulars of the options granted under the Existing Share Option Scheme are set out below:

Number of options originally granted	Percentage of the options originally granted in the issued share capital as at the Latest Practicable Date	Number of options exercised	Percentage of the options exercised in the issued share capital as at the Latest Practicable Date	Number of options lapsed	Percentage of the options lapsed in the issued share capital as at the Latest Practicable Date	Number of options outstanding as at the Latest Practicable Date	Percentage of the options outstanding in the issued share capital as at the Latest Practicable Date
21,850,000	3.75	6,000,000	1.03	Nil	Nil	15,850,000	2.72

Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares that may be issued pursuant to the New Share Option Scheme will be 58,271,682 Shares, being 10 per cent. of the Company's issued share capital as at the Latest Practicable Date.

In respect of the operation of the New Share Option Scheme, the Company will comply with all relevant requirements under Chapter 17 of the Listing Rules.

The Company has not appointed any parties as trustees of the New Share Option Scheme.

VALUE OF OPTIONS

The Directors consider that it is not appropriate to state the value of all options that can be granted under the New Share Option 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 option value have not been determined. Such variables include the subscription price, option period, lock up period (if any), performance targets set (if any) and other relevant variables. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date would be based on a great number of speculative assumptions and would henceforth not be meaningful and be misleading to the Shareholders.

LETTER FROM THE BOARD

CONDITIONS OF THE PROPOSED ADOPTION OF THE NEW SHARE OPTION SCHEME

The proposed adoption of the New Share Option Scheme is subject to the following conditions:

- (i) the Shareholders passing an ordinary resolution to approve the New Share Option Scheme at the Extraordinary General Meeting; and
- (ii) the Stock Exchange granting approval for the New Share Option Scheme and the subsequent granting of options thereunder, the listing of and permission to deal in the Shares in the Company to be issued and allotted pursuant to the exercise of the options in accordance with the terms and conditions of the New Share Option Scheme.

Application has been made to the Stock Exchange for obtaining the approval abovementioned.

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 herein misleading.

EXTRAORDINARY GENERAL MEETING

A notice convening the Extraordinary General Meeting to be held at Chatham Room, 7th Floor, Conrad Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 28th March 2002 at 9:30 a.m. is set out on pages 16 and 17 of this circular or any adjourned meeting for the purpose of considering and, if thought fit, passing the ordinary resolutions in respect of the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme to be proposed at the Extraordinary General Meeting. A form of proxy for use by the Shareholders at the Extraordinary General Meeting is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's registered office at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting thereof (as the case may be) should you so wish.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors believe that the proposed adoption of the New Share Option Scheme and the proposed termination of the Existing Share Option Scheme are in the best interests of the Company and the Shareholders as a whole. In particular, the performance targets (if any) and the subscription price set in accordance with the New Share Option Scheme will act as incentive to the Participants to contribute more efforts for the benefits of the Group. Accordingly, the Directors recommend you to vote in favour of the ordinary resolutions as set out in the notice of Extraordinary General Meeting.

DOCUMENTS FOR INSPECTION

Copies of the memorandum and articles of association of the Company and a draft New Share Option Scheme (subject to minor modifications) will be available for inspection during normal business hours on any week days (except public holidays) at the offices of Messrs. Vincent T.K. Cheung, Yap & Co. at 15th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong up to and including 28th March 2002 and will also be available for inspection at the Extraordinary General Meeting.

GENERAL

A further announcement will be made on the outcome of the Extraordinary General Meeting regarding the proposed adoption of the New Share Option Scheme and the proposed termination of the Existing Share Option Scheme on the business day following such meeting.

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

Yours faithfully,
By order of the board of
Techtronic Industries Company Limited
Chi Chung Chan
Company Secretary

This Appendix sets out further information of the New Share Option Scheme and also summarise the rules of the New Share Option Scheme but does not form part of nor is it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme. The Directors reserve the right at any time prior to the Extraordinary General Meeting to make such amendments to the New Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material respect with the summary in this Appendix.

NEW SHARE OPTION SCHEME

1. Summary of terms

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved by a resolution of the Shareholders at the Extraordinary General Meeting, notice of which is set out on pages 16 and 17 of this circular:

(a) *Purpose of the New Share Option Scheme*

The New Share Option Scheme enables the Company to grant options to selected persons as incentives or rewards for their contribution to the Group or any Invested Entity.

(b) *Administration of the New Share Option Scheme*

The New Share Option Scheme shall be subject to the administration by the Board which includes a duly authorised committee thereof and the decision of the Board shall be final and binding on all parties. The Board shall, subject to the rules of the New Share Option Scheme and the Listing Rules, have the right to (i) interpret and construe the provisions of the New Share Option Scheme, (ii) determine the eligibility of the persons who will be awarded options under the New Share Option Scheme, and the number and subscription price of options awarded thereto, (iii) make such appropriate and equitable adjustments to the terms of options granted under the New Share Option Scheme as it deems necessary, and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the New Share Option Scheme.

(c) *Who may join*

The Board may, at its discretion, offer any of the Participants options to subscribe for such number of new Shares as the Board may determine at the subscription price determined in accordance with paragraph (e) below.

Upon acceptance of the option, the grantee must pay HK\$1 to the Company by way of consideration for the grant thereof.

(d) *Grant of options*

An offer of options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced in the newspapers. In particular, during the period of one month immediately preceding the earlier of:

- (i) the date of the meeting of the Directors (as such date is first notified to the Stock Exchange in accordance with paragraph 12 of its listing agreement) for the approval of the Company's interim or annual results; and
- (ii) the deadline for the Company to publish its interim or annual results announcement under its listing agreement,

and ending on the date of the results announcement, no option may be granted.

(e) *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the New Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option, which must be a business day and (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets on the five business days immediately preceding the date of offer of the option, and (iii) the nominal value of the Share on the date of offer.

(f) *Maximum number of Shares*

- (i) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30 per cent. of the Shares in issue from time to time.
- (ii) Subject to sub-paragraph (i) above, the total number of Shares available for issue under options which may be granted under the New Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10 per cent. of the Shares in issue as at the date of approval of the New Share Option Scheme (the "Scheme Mandate Limit"), unless Shareholders' approval has been obtained pursuant to sub-paragraphs (iii) and (iv) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares that may be issued pursuant to the New Share Option Scheme will be 58,271,682 Shares, being 10 per cent. of the Company's issued share capital as at the Latest Practicable Date.

- (iii) Subject to sub-paragraph (i) above, the Company may refresh the Scheme Mandate Limit at any time subject to approval of the Shareholders in general meeting. However, the Scheme Mandate Limit as refreshed must not exceed 10 per cent. of the Shares in issue as at the date of the aforesaid Shareholders' approval (the "Refreshed Limit"). Options previously granted under the New Share Option Scheme and any other share option scheme of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the Refreshed Limit. The Company must send a circular to the Shareholders containing such information required under the Listing Rules.
- (iv) Subject to sub-paragraph (i) above, the Company may also seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the options in excess of the Scheme Mandate Limit are granted only to Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Participants, the number and terms of options to be granted, the purpose of granting options to the specified Participants with an explanation as to how these options serve such purpose and such other information required under the Listing Rules.
- (g) *Maximum entitlement of each Participant*

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each Participant or grantee (including exercised, cancelled and outstanding options) in any 12-month period up to the date of grant shall not exceed 1 per cent. of the Shares in issue at the date of grant (the "Individual Limit"). Any further grant of options in excess of the Individual Limit must be subject to Shareholders' approval in general meeting with such Participant or grantee and his or her associates abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant or grantee, the number and terms of options to be granted (and options previously granted to such Participant or grantee) and such other information required under the Listing Rules. The number and terms (including the subscription price) of options to be granted to such Participant or grantee must be fixed before the Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(h) *Grant of options to connected persons*

- (i) Any grant of options to a connected person (as such term is defined in the Listing Rules) of the Company or its associates must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee or proposed grantee of the options).
- (ii) Where any grant of options to a substantial shareholder (as such term is defined in the Listing Rules) of the Company or an independent non-executive Director or 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 and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (aa) representing in aggregate over 0.1 per cent. of the Shares in issue for the time being; and
 - (bb) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be subject to approval of the Shareholders in general meeting taken on a poll. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting, except that any connected person of the Company may vote against the resolution provided that his or her intention to do so has been stated in the circular. In addition, Shareholders' approval as described above is also required for any change in the terms of options granted to a Participant or grantee who is a substantial shareholder of the Company, an independent non-executive Director or their respective associates.

- (iii) The above-mentioned circular must contain the following information:
 - (aa) details of the number and terms (including the subscription price) of the options to be granted to each such Participant or grantee, which must be fixed before the Shareholders' approval, and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
 - (bb) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a grantee or proposed grantee of the option) as to voting; and
 - (cc) information relating to any Directors who are trustees of the New Share Option Scheme or have a direct or indirect interest in the trustees.

- (iv) The requirements for the granting of options to a Director or chief executive of the Company set out above do not apply where the Participant is only a proposed Director or chief executive of the Company.

(i) *Time of exercise of option*

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee but may not be exercised after the expiry of five years from the date of grant of the option. The Board may provide restrictions on the exercise of an option during the period an option may be exercised including, if appropriate a minimum period for which an option must be held or a performance target which must be achieved before an option can be exercised.

(j) *Rights are personal to grantee*

An option may not be transferred or assigned and is personal to the grantee.

(k) *Rights on cessation of employment by dismissal*

If the grantee of an option is an Employee and ceases to be an Employee on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or has become bankrupt or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, his or her option will lapse on the date of termination of the employment.

(l) *Rights on death*

If the grantee of an option is an Employee and ceases to be an Employee by reason of his or her death before exercising the options in full and none of the events referred to in paragraph (k) above as ground for termination of his or her employment by the Group or the Invested Entity arises, his or her personal representative(s) may exercise the option (to the extent not already exercised) within a period of twelve months thereafter, failing which it will lapse.

(m) *Rights on cessation of employment for other reasons*

If the grantee of an option is an Employee and ceases to be an Employee for any other reason, his or her option may be exercised within three months following the date of such cessation, which date shall be the last actual working date with the Group or the Invested Entity, whether salary is paid in lieu of notice or not.

(n) *Cancellation of options*

Any cancellation of any option which has been duly granted in accordance with the New Share Option Scheme and has neither lapsed nor been exercised in full shall be conditional on the approval by the Board and the grantee(s). In the event that the Board elects to cancel options of the grantee which have been granted and have neither lapsed nor been exercised in full and issue new options to the same grantee, the issue of such new options shall be made with available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Refreshed Limit, as the case may be.

(o) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares, or reduction of capital of the Company, such corresponding alterations (if any) shall be made to the aggregate number of Shares in respect of which options may be granted subject to outstanding options so far as unexercised and/or the subscription price per Share of each outstanding option and/or the method of exercise of the option as the independent financial adviser or the auditors of the Company shall certify in writing to the Board to be in their opinion to have satisfied the requirements of Rule 17.03(13) of the Listing Rules and the note thereto (except in the case of a capitalisation issue where no such certification is required). Any such alterations will be made on the basis that the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value or which would change the proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him or her before such alteration. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(p) *Rights on a general offer*

In the event of a general offer (other than by way of scheme of arrangement referred to below) being 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 grantee (or his or her legal personal representatives) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month of the notice given by the offeror to acquire the remaining Shares.

In the event of a general offer by way of scheme of arrangement being made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his or her personal representatives) may thereafter (but before such time as shall be notified by the Company) exercise the option (to the extent not already exercised) to its full extent or to the extent specified in such notice.

(q) *Rights on winding up*

In the event a notice is given by the Company to the 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 (or his or her legal personal representatives) may by notice in writing to the Company (such notice to be received by the Company not later than four business days prior to the proposed Shareholders' meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise.

(r) *Rights on compromise or arrangement*

Other than a scheme of arrangement referred to in paragraph (p) above, in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the 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 (or his or her personal representatives) may by notice in writing to the Company accompanied by the remittance for the subscription price in respect of the relevant option (such notice to be received by the Company not later than four business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise credited as fully paid and registered the grantee as holder thereof.

(s) *Ranking of Shares*

Shares allotted and issued on the exercise of options will rank pari passu with the other fully-paid Shares in issue as from the date when the name of the grantee is registered in the register of members of the Company of the allotment and issue. Unless the context otherwise requires, reference to "Shares" in the New Share Option Scheme includes shares of HK\$0.2 each of the Company or if there has been a subdivision, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company.

(t) *Period of the New Share Option Scheme*

Subject to earlier termination by the Company in general meeting or by the Board, the New Share Option Scheme shall be valid and effective for a period of five years from the date of adoption of the New Share Option Scheme. After the expiry of the five-year period, no further options will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect.

(u) *Termination of the New Share Option Scheme*

The Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the New Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme shall continue to be exercisable thereafter.

(v) *Lapse of option*

An option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of the periods referred to in paragraphs (l), (m) or (q), respectively;
- (iii) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph (r);
- (iv) where the grantee of an option is an Employee, the date on which he or she ceases to be an Employee by reason of the termination of his or her employment on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (v) the date of the commencement of the winding up of the Company;
- (vi) the date on which the grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to the option in breach of the New Share Option Scheme;
- (vii) the expiry of the period referred to in paragraph (p) provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring 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; or

- (viii) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the option, unless otherwise resolved to the contrary by the Board.

(w) *Alterations to the New Share Option Scheme*

The New Share Option Scheme may subject to the Listing Rules be altered in any respect by resolution of the Board except that the provisions of the New Share Option Scheme as to:

- (i) the definitions of “Participant”, “Grantee” and “Option Period” in paragraph 1.1 of the New Share Option Scheme; and
- (ii) the purpose of the New Share Option Scheme, the duration of the New Share Option Scheme, the grant of options, the subscription price, the exercise of options, the lapse of options, the maximum number of Shares available for subscription, the reorganisation of the capital structure of the Company and the alteration of the New Share Option Scheme,

are governed by Rule 17.03 of the Listing Rules and shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of the Company in general meeting (with all grantees, prospective grantees and their associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares. Any alteration to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders at a general meeting, except where such alterations take effect automatically under the existing terms of the New Share Option Scheme. Any change to the authority of the Board in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders at a general meeting.

(x) *Disclosure of the New Share Option Scheme*

The Company will disclose details of the New Share Option Scheme in its annual and interim reports including the number of options, date of grant, subscription price, option period, (if appropriate) vesting period and (if appropriate) a valuation of the options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

2. Present status of the New Share Option Scheme

The New Share Option Scheme is conditional on:

- (a) the Listing Committee granting approval of such scheme and the grant of options thereunder and granting of the listing of and permission to deal in the Shares to be issued as mentioned therein; and
- (b) the passing of an ordinary resolution by Shareholders at the Extraordinary General Meeting to approve the New Share Option Scheme.

As at the Latest Practicable Date, no option has been granted or agreed to be granted by the Company under the New Share Option Scheme.

NOTICE OF EXTRAORDINARY GENERAL MEETING



NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the shareholders of Techtronic Industries Company Limited (the “Company”) will be held at Chatham Room, 7th Floor, Conrad Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 9:30 a.m. on 28th March 2002 for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “THAT conditional upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the approval for the New Share Option Scheme referred to in the circular despatched to the shareholders on the same day as this Notice, the terms of which are set out in the printed document marked “A” now produced to the meeting and for the purpose of identification signed by the Chairman hereof (the “New Share Option Scheme”) and subject to such amendments to the New Share Option Scheme as the Stock Exchange may request, the New Share Option Scheme be approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the New Share Option Scheme, notwithstanding that they or any of them may be interested in the same.”
2. “THAT subject to and conditional upon the passing of Ordinary Resolution No. 1 set out in this Notice and the condition referred to therein being satisfied or fulfilled, the operation of the existing share option scheme of the Company adopted on 25th May 2001 be hereby terminated with effect from the adoption of the New Share Option Scheme (such that no further options could thereafter be offered under the existing share option scheme of the Company but in all other respects the provisions of the existing share option scheme of the Company shall remain in full force and effect).”

By Order of the Board
Chi Chung Chan
Company Secretary

12th March 2002

Registered Office:
24th Floor
CDW Building
388 Castle Peak Road
Tsuen Wan
New Territories
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (1) A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder of the Company.
- (2) In the case of joint registered holders of any shares, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such shares as if he was solely entitled thereto; but if more than one of such joint holders be present at the meeting personally or by proxy, the senior shall alone be entitled to vote and for this purpose, seniority will be determined by the order in which the names stand in the register of members of the Company.
- (3) In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's registered office at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the meeting. Completion and return of a form or proxy will not preclude shareholders from attending and voting in person should they so desire.
- (4) A form of proxy for use at the meeting is enclosed herewith.

FORM OF PROXY

I/We ⁽¹⁾ _____
of _____,
being the registered holder(s) of ⁽²⁾ _____ shares of HK\$0.20 each
in the capital of Techtronic Industries Company Limited (the "Company"), HEREBY APPOINT ⁽³⁾ the
Chairman of the meeting or ⁽³⁾ _____

of _____
as my/our proxy to act for me/us and on my/our behalf at the Extraordinary General Meeting (or at any
adjournment thereof) of the Company to be held at Chatham Room, 7th Floor, Conrad Hotel Hong Kong,
Pacific Place, 88 Queensway, Hong Kong on 28th March 2002 at 9:30 a.m., for the purpose of considering
and, if thought fit, passing the resolutions as set out in the notice convening the said meeting and at
such meeting (or at any adjournment thereof) to vote for me/us in my/our name(s) in respect of the said
resolutions as hereunder indicated, and, if no such indication is given, as my/our proxy thinks fit.

	FOR ⁽⁴⁾	AGAINST ⁽⁴⁾
ORDINARY RESOLUTION (1)		
ORDINARY RESOLUTION (2)		

Date: _____

Signature ⁽⁶⁾: _____

Notes:

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. Please insert the number of shares in which the proxy relates registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the Company registered in your name(s).
3. If any proxy other than the Chairman of the meeting is preferred, strike out the words "the Chairman of the meeting or" and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR THE RESOLUTION, TICK IN THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RESOLUTION, TICK IN THE BOX MARKED "AGAINST".** Failure to tick either box will entitle your proxy to cast your vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than that referred to in the notice convening the meeting.
5. You are requested to lodge this form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notorially certified copy thereof, at the registered office of the Company at 24th Floor, CDW Building, 388 Castle Peak Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting (or any adjournment thereof).
6. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
7. In the case of joint holders of any share, any one of such persons may vote at the said meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the said meeting, personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
8. A proxy need not be a member of the Company but must attend the meeting in person to represent you. Completion and return of the form of proxy will not preclude you from attending and voting at the said meeting if you so wish.