

If you are in any doubt as to any aspect of this circular or as to the action you should take, 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 Silver Grant International Industries Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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Silver Grant International Industries Limited

銀 建 國 際 實 業 有 限 公 司

(Incorporated in Hong Kong with limited liability)

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

A notice convening an extraordinary general meeting of Silver Grant International Industries Limited to be held at Salon II, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 27 May, 2002 at 10:30 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the Annual General Meeting of the Company convened at the same place and date at 10:00 a.m.) or any adjournment thereof is set out on pages 21 to 24 of this circular. Whether or not the Shareholders propose to attend the meeting, they are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the meeting should they so wish.

Hong Kong, 24 April, 2002

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Monday, 27 May, 2002 at 10:00 a.m.;
“Adoption Date”	27 May, 2002 (the date on which the New Share Option Scheme is adopted by the Ordinary Resolution(s) by the Shareholders at the EGM);
“Associated Companies”	companies in which the Company, whether by itself or through its Subsidiary or Subsidiaries or through such companies, owns or controls 20% or more of their voting rights and/or issued share capital;
“associates”	has the meaning as ascribed under the Listing Rules;
“Auditors”	the auditors for the time being of the Company;
“Board”	the board of directors of the Company or a duly authorised committee thereof for the time being;
“Business Associates”	(a) any advisor or consultant (in the areas of legal, technical, financial or corporate managerial) to the Group; (b) any provider of goods and/or services to the Group; or (c) any other person who, at the sole determination of the Board, has contributed to the Group (the assessment criterion of which are (i) such person’s contribution to the development and performance of the Group; (ii) the quality of work performed by such person for the Group; and (iii) the initiative and commitment of such person in performing his or her duties; and (iv) the length of service or contribution of such person to the Group);
“business day”	a day (other than a Saturday or a Sunday) on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities;
“Commencement Date”	in respect of any particular Option, the date upon which the Option is granted in accordance with the New Share Option Scheme;
“Company”	Silver Grant International Industries Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company for the time being;

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held on Monday, 27 May, 2002 at 10:30 a.m. or any adjournment thereof;
“EGM Notice”	the notice convening the EGM as set out on pages 21 to 24 of this circular;
“Employee”	(a) any full-time employee and director (including non-executive director and independent non-executive director) of the Group; and (b) any part time employee with weekly working hours of 30 hours and above of the Group;
“Existing Share Option Scheme”	the existing share option scheme for the employees of the Company and its Subsidiaries adopted by the Company at its general meeting on 26 June, 1995;
“Grantee”	any Participant who accepts an offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the original Grantee;
“Group”	the Company, its Subsidiaries and its Associated Companies;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China;
“Latest Practicable Date”	18 April, 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 Share Option Scheme”	the new share option scheme to be adopted by the Company under the Ordinary Resolution;
“Option(s)”	a right to subscribe for Shares pursuant to the terms of the New Share Option Scheme;
“Option Period”	a period to be notified by the Board to each Grantee (provided that the period within which an Option must be exercised shall not be more than ten years commencing on the Commencement Date) subject to any restrictions as may be imposed by the Board on the exercise of an Option during the period in which an Option may be exercised;

DEFINITIONS

“Ordinary Resolution(s)”	the proposed ordinary resolution as referred to in the EGM Notice;
“Participant”	any Employees, Business Associates and Trustee;
“Repurchase Mandate”	a general mandate to the Directors to exercise the power of the Company to repurchase Shares during the period as set out in Ordinary Resolution no. 2 up to 10 per cent. of the issued share capital of the Company as at the date of passing Ordinary Resolution no. 2;
“Share(s)”	share(s) of HK\$0.20 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Share Buyback Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing of their own securities on the Stock Exchange;
“Share Issue Mandate”	a general mandate to the Directors to exercise the power of the Company to allot and issue Shares during the period as set out in Ordinary Resolution no. 3 up to 20 per cent. of the issued share capital of the Company as at the date of passing Ordinary Resolution no. 3;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option;
“Subsidiaries”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance of Hong Kong (Cap. 32 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere;
“Takeover Code”	Hong Kong Codes on Takeovers and Mergers;
“Trust”	any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate of the Group;
“Trustee”	the trustee of any Trust;
“1995 GM”	the general meeting of the Company held on 26 June, 1995 in which the Existing Share Option Scheme was approved and adopted.



Silver Grant International Industries Limited

銀 建 國 際 實 業 有 限 公 司

(Incorporated in Hong Kong with limited liability)

Directors:

Zhu Deng Shan (*Chairman*)
Hui Xiao Bing (*Vice Chairman*)
Gao Jian Min (*Managing Director*)
Yang Yongsheng
Gu Jianguo
Chen Yongcun
Cheung Chung Kiu
Yuen Wing Shing
Liu Tianni
Kang Dian*
Zhang Lu*

Registered Office:

Suite 4901, 49th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

* *independent non-executive director*

24 April, 2002

To the Shareholders

Dear Sir or Madam,

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

1. INTRODUCTION

At the 1995 GM, the Existing Share Option Scheme was adopted by the Company taking effect from the conclusion of the 1995 GM with the approval of the Stock Exchange, whereupon the Board may at any time within 10 years commencing from 26 June, 1995 grant options to any participants of the Existing Share Option Scheme as the Board may in its absolute discretion determine. In view of the recent changes in the Listing Rules, the Board proposes to convene the EGM to consider and adopt, among other things, the New Share Option Scheme.

LETTER FROM THE BOARD

At the extraordinary general meeting of the Company held on 23 May, 2001, general mandates were granted to the Directors to exercise the powers of the Company to repurchase Shares of the Company and to issue Shares. Under the terms of the Listing Rules, these general mandates will lapse at the conclusion of the next annual general meeting of the Company.

Ordinary Resolutions no. 2, no. 3 and no. 4 will therefore be proposed at the EGM to be held on 27 May, 2002 immediately following the AGM to renew the general mandates to repurchase Shares and to issue Shares.

The purpose of this circular is to provide you with information regarding the New Share Option Scheme and the proposed renewal of the general mandates to repurchase Shares and to issue Shares.

2. ADOPTION OF A NEW SHARE OPTION SCHEME AND TERMINATION OF THE EXISTING SHARE OPTION SCHEME

Owing to the recent changes of the Listing Rules in relation to share option schemes, the Board considers that it is appropriate to adopt a New Share Option Scheme in replacement of its Existing Share Option Scheme so that the provisions of the New Share Option Scheme will be in line with such changes in the Listing Rules.

The Board considers that in order to encourage the Participants to perform their best in achieving the goals of the Company and its Subsidiaries and at the same time allow the Participants to enjoy the results of the Company attained through their effort and contribution, it is important that the Group should continue to provide such Participants 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 Board therefore proposes to recommend to the Shareholders at the EGM to approve the adoption of the New Share Option Scheme and simultaneously terminate the Existing Share Option Scheme.

It is proposed that subject to the approval of the Shareholders of the adoption of the New Share Option Scheme at the EGM, the Existing Share Option Scheme be terminated with effect from the conclusion of the EGM 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 EGM. Operation of the New Share Option Scheme will commence after all the conditions precedent as referred to in paragraph 3 below have been fulfilled.

It is therefore proposed that for the benefit of the Participants, a summary of the principal terms of the rules of the New Share Option Scheme are set out in Appendix I hereto, the New Share Option Scheme be adopted at the EGM.

The Board granted the options pursuant to the Existing Share Option Scheme to participants to subscribe for a total of Shares representing approximately 8.84% per cent. of the issued share capital of the Company as at the Latest Practicable Date. Save as aforesaid and up to the Latest Practicable Date, no other options have been granted to any participant. As at the Latest Practicable Date, there

are outstanding option(s) to subscribe for 76,000,000 Shares; option(s) to subscribe for 8,000,000 Shares were lapsed and no option(s) were cancelled under the Existing Share Option Scheme. The Board confirms that prior to the EGM, it will not grant any further option under the Existing Share Option Scheme.

Upon termination of the Existing Share Option Scheme, no further options may be offered but in all other respects the provisions of the Existing Share Option Scheme shall remain in force. The above outstanding options under the Existing Share Option Scheme shall continue to be subject to the provisions of the Existing Share Option Scheme and the adoption of the New Share Option Scheme will not in any event affect the terms of the grant of such outstanding options.

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 issuable pursuant to the New Share Option Scheme on the date of its adoption will be 131,222,161 Shares.

3. CONDITIONS PRECEDENT OF THE NEW SHARE OPTION SCHEME

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

- (i) the approval of the Shareholders for the termination of the Existing Share Option Scheme;
- (ii) the approval of the Shareholders for the adoption of the New Share Option Scheme; and
- (iii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares in the Company or any part thereof to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme.

Subject to the approval of the Shareholders of the adoption of the New Share Option Scheme and conditional upon the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in the Company or any part thereof to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme, the Directors will have the right to grant to the Participants Options to subscribe for Shares in the Company which when aggregated with any securities to be granted subject to any other share option schemes of the Company in issue representing up to 10 per cent. of the total number of Shares in issue as at the date of approval of the New Share Option Scheme, unless the Company obtains a fresh approval from its Shareholders to renew the 10 per cent. limit and on the basis that the maximum 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 schemes of the Company in issue shall not exceed 30 per cent. of the issued share capital of the Company from time to time.

Application will be made to the Stock Exchange for the approval of the listing of and permission to deal in the Shares in the Company to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

LETTER FROM THE BOARD

Once the New Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

4. GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution will be proposed at the EGM to grant to the Directors the Repurchase Mandate, details of which are set out in Ordinary Resolution no. 2 in the EGM Notice. The Shares which may be repurchased pursuant to the Repurchase Mandate is up to 10 per cent. of the issued share capital of the Company at the date of passing of the resolution approving the Repurchase Mandate.

An explanatory statement as required under the Share Buyback Rules, giving certain information regarding the Repurchase Mandate, is set out in Appendix II hereto.

5. GENERAL MANDATE TO ISSUE SHARES

An ordinary resolution will be proposed at the EGM to grant to the Directors the Share Issue Mandate. In addition, an ordinary resolution will also be proposed to authorise an extension of the Share Issue Mandate by adding to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to the Share Issue Mandate the number of Shares purchased under the Repurchase Mandate, if granted.

Details of the Share Issue Mandate and the extension of the Share Issue Mandate are set out in Ordinary Resolutions no. 3 and no. 4 in the EGM Notice.

6. EXTRAORDINARY GENERAL MEETING

On pages 21 to 24 of this circular, you will find the EGM Notice at which Ordinary Resolutions will be proposed to approve the adoption of the New Share Option Scheme, the termination of the Existing Share Option Scheme with effect from the conclusion of the EGM, the Repurchase Mandate, the Share Issue Mandate and the extension of the Share Issue Mandate.

7. ACTION TO BE TAKEN

A proxy form for use at the EGM is enclosed herein. Whether or not you intend to attend the EGM, you are requested to complete the proxy form and return it to the registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM if they so wish.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the New Share Option Scheme will be available for inspection at the registered office of the Company during normal business hours up to and including the date of the EGM.

9. RECOMMENDATION

The Directors believe that the adoption of the New Share Option Scheme, the termination of the Existing Share Option Scheme, the Repurchase Mandate, the Share Issue Mandate and the extension of the Share Issue Mandate are all in the best interests of the Company and its Shareholders. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions set out in the EGM Notice.

Yours faithfully,
By Order of the Board
Gao Jian Min
Managing Director

1. RESPONSIBILITY STATEMENT

This document 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 document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts not contained herein the omission of which would make any statement contained in this document misleading.

2. SUMMARY OF THE NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the New Share Option Scheme to be adopted at the EGM:-

- (a) The purpose of the New Share Option Scheme is to encourage the Participants to perform their best in achieving the goals of the Group and at the same time allow the Participants to enjoy the results of the Company attained through their effort and contribution.
- (b) The New Share Option Scheme is conditional upon the approval of the Shareholders for the termination of the Existing Share Option Scheme, the approval of the Shareholders for the adoption of the New Share Option Scheme and the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options under the New Share Option Scheme.
- (c) The Directors of the Company may, at their discretion, invite any Participant to take up Options. An Option is deemed to have been accepted by the Grantee upon his or her signing the duplicate letter comprising acceptance of the Option and paying HK\$1.00 by way of consideration for the grant thereof. The Subscription Price for Shares in the Company is calculated in accordance with sub-paragraph (d) below.
- (d) The Subscription Price for Shares in the Company under the New Share Option Scheme will be the higher of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is offered which date must be a business day, a price being the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet on the five business days immediately preceding the date on which an Option is offered, and the nominal value of a Share.
- (e) (i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of Shares in issue as at the date of approval of the New Share Option Scheme unless the Company obtains a fresh approval from the Shareholders pursuant to (ii) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating such 10 per cent. limit.

- (ii) The Company may seek approval of the Shareholders in general meeting to renew the 10 per cent. limit set out in (i) above such that the total number of Shares in respect of which Options may be granted under the New Share Option Scheme or any other share option schemes of the Company in issue shall not exceed 10 per cent. of the total number of Shares in issue as at the date of approval to renew such limit. Options previously granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or exercised options) will not be counted for the purpose of calculating such 10 per cent. renewed limit.
- (iii) Subject to (iv) below, the Company may grant Options to specified Participant(s) beyond the 10 per cent. limit if the grant of such Options is specifically approved by the Shareholders in general meeting. In such case, the Company shall send a circular to its Shareholders containing, amongst other terms, a generic description of the specified Participant(s) whom such Options are to be granted to, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participant(s) and an explanation as to how these Options serve such purpose.
- (iv) Notwithstanding the above, the maximum 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 schemes of the Company shall not exceed 30 per cent. (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time.
- (f) Subject to the provision of the New Share Option Scheme, the Board may at its discretion when offering the grant of an Option imposes any conditions, restrictions or limitations in relation thereto as it may think fit.
- (g)
 - (i) The maximum entitlement for any one Participant is that the total number of Shares issued and to be issued upon exercise of Options granted to each Participant (including exercised, cancelled and outstanding Options) in any 12-month period shall not exceed one per cent. of the total number of Shares in issue.
 - (ii) Any further grant of Options in excess of the one per cent. limit shall be subject to Shareholders' approval with such Participant and his or her associates (has the meaning as ascribed under the Listing Rules) abstaining from voting. The number and terms of the Options to be granted to such Participants shall be fixed before 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. A circular containing all the terms as required under Rule 17.03(4) shall be sent to the Shareholders.

- (h) (i) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (all with the meaning as ascribed under the Listing Rules) of the Company or their respective associates (with the meaning as ascribed under the Listing Rules) must be approved by the independent non-executive directors of the Company (excluding such independent non-executive director who is the Grantee).
- (ii) Where the Board proposes to grant any Option to a Participant who is a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates (with the meaning as ascribed under the Listing Rules) would result in the Shares issued and to be issued upon exercise of all Options already granted (including Options exercised, cancelled and outstanding) to him or her in the 12-month period up to and including the date of such grant:
- (1) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue at the date of such grant; and
 - (2) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Options in the 12-month period as aforesaid and if any of such date is not a trading day, the trading day immediately preceding such date, in excess of HK\$5,000,000,
- such proposed grant of Options must be approved by the Shareholders in general meeting with all connected persons (with the meaning as ascribed under the Listing Rules) of the Company abstaining from voting (except where any connected person may vote against the relevant resolution). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.
- (i) An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the Option Period after the Option has been granted by the Board. An Option Period is a period to be determined by the Board in its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised, such period to expire not later than 10 years after the date of the grant of the Option.
- (j) There is no minimum period for an Option must be held and no performance target is needed to be achieved by the Grantee before Options can be exercised.
- (k) 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 third party over or in relation to any Option.

- (l) In the case where the Grantee is an Employee, if the Employee ceases to be an employee or a director the Group for any reason other than on his or her death or the termination of his or her employment or directorship on one or more of the grounds specified in paragraph 8(iv) of the New Share Option Scheme, the Grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not or the last date of appointment as director of the relevant company in the Group, as the case may be, failing which it will lapse.
- (m) In the case (1) where the Grantee is a Business Associate who is an advisor or consultant to the Group under a fixed term contract, if the Grantee ceases to be a Business Associate by reason of termination or expiry of the term of the relevant fixed term contract without any extension or renewal by the Group for reasons other than (i) on one or more of the grounds specified in paragraph 8(iv) of the New Share Option Scheme, or (ii) on his or her death if the Business Associate is a natural person, or (2) where the Grantee is a Business Associate who is an advisor or consultant to the Group not under any fixed term contract, if the Grantee ceases to be a Business Associate by reason of the Grantee ceasing to provide any further advisory or consultancy services to the Group as may be determined by the Board and notified to such Business Associate in writing within two years after the provision of its last services to the Group for reasons other than (i) on one or more of the grounds specified in paragraph 8(iv) of the New Share Option Scheme, or (ii) on his or her death if the Business Associate is a natural person, the Grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within the period of 9 months (or such longer period as the Board may determine) following the date of such cessation, which date shall, in the case of (1) above, be the date of expiry of the relevant fixed term contract; and in the case of (2) above, be the date of the aforesaid written notification to the Business Associate failing which it will lapse.
- (n) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is an Employee, and such Employee ceases to be an Employee in the manner as referred to in paragraph 7.3(i)(a) of the New Share Option Scheme, the Grantee shall be entitled to exercise the Option in accordance with the provisions of paragraph 7.3(i)(a) of the New Share Option Scheme, failing which it will lapse.
- (o) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is a Business Associate, such Business Associate ceases to be a Business Associate in the manner as referred to in paragraph 7.3(i)(b) of the New Share Option Scheme, the Grantee shall be entitled to exercise the Option in accordance with the provisions of paragraph 7.3(i)(b) of the New Share Option Scheme, failing which it will lapse.

- (p) In the case where the Grantee is an Employee or a Business Associate (in each case, being an individual) dies before exercising the Option in full and none of the events specified in paragraph 8(iv) of the New Share Option Scheme arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months, or such longer period as the Board may determine from the date of death, to exercise the Option up to the entitlement of such Grantee at the date of death (to the extent not already exercised), failing which it will lapse.
- (q) In the case where the Grantee is a Trustee and where the relevant beneficiary of the Trust is an Employee or a Business Associate, and such Employee or Business Associate (in each case, being an individual) dies, the Grantee shall be entitled to exercise the Option in accordance with the provisions of paragraph 7.3(ii)(a) of the New Share Option Scheme, failing which it will lapse.
- (r) If a general offer by way of take-over 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) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the Grantee (or where appropriate, his or her legal personal representatives) shall be entitled to exercise the Option in full (to the extent not already exercised) even though the Option Period has not come into effect during the occurrence of the general offer within 21 days after the date of such notice by the offeror.
- (s) If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the Grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two months thereafter and the date on which such compromise or arrangement is sanctioned by the Court, provided that the relevant Options are not subject to a term or condition precedent to them being exercisable which has not been fulfilled, exercise any of his her Options whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Scheme. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(t) In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or his or her legal 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 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.

(u) In the event that the Grantee:

- (a) being an Employee, is an employee or a director of a Subsidiary or an Associated Company; or
- (b) being a Business Associate who is an advisor or consultant, provides advisory or consultancy services to a Subsidiary or an Associated Company; or
- (c) being a Business Associate who has contributed to the Group, the contribution is to a Subsidiary or an Associated Company;
- (d) being the Trustee and the relevant beneficiary of the Trust is any of (a), (b) or (c) above;

and the shares in such subsidiary (or in any other Subsidiary which is a holding company of such subsidiary) or shares in such Associated Company (or in any other Associated Company which is a holding company of such Associated Company) shall be listed on, or become publicly traded on any recognised stock exchange, the Company may, if the Board considers it appropriate, give notices to the Grantee requiring the Grantee to exercise the Option (to the extent not already exercised) to its full extent specified in such notice and on such other terms as to exercise period, etc. as the Board shall decide.

(v) The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment of the relevant Shares other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment of the relevant Shares.

(w) In the event of an alteration in the capital structure of the Company whilst any Option remains exercisable, such corresponding adjustment (if any) certified in writing by the Auditors to be in their opinion as fair and reasonable will be made in the number of Shares subject to the Option so far as unexercised and/or the subscription price, provided that no

such adjustment shall be made so that a Share would be issued at less than its nominal value or which would give a Grantee a different proportion of the issued share capital of the Company as that to which he or she was previously entitled. No alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any Employee, consultant or adviser to the Company or any Employee, consultant or adviser to the Group or in the event of any distribution of the Company's legal assets to its Shareholders on a pro rata basis (whether in cash or in specie) other than dividends paid out of the net profits attributable to its Shareholders for each financial year of the Company.

- (x) The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date after which period no further Options will be granted but the provisions of the New Share Option Scheme shall in all other respects remain in full force and effect and Options which are granted during the life of the New Share Option Scheme may continue to be exercisable in accordance with their terms of issue.
- (y) The Board may by resolution at any time at its discretion cancel any Option granted but not exercised.
- (z) The Company by resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect.
- (aa) An Option shall lapse automatically (to the extent not already exercised) on the earliest of:-
 - (i) the expiry of the Option Period (subject to the provisions of Clause 4.1 of the New Share Option Scheme);
 - (ii) the expiry of the periods referred to in sub-paragraph 7.3(i), (ii), (iii) or (vi) of the New Share Option Scheme;
 - (iii) subject to the scheme of arrangement or scheme for reconstruction or amalgamation becoming effective, the expiry of the period referred to in paragraph 7.3(iv) of the New Share Option Scheme;
 - (iv) the date on which:
 - (a) the Grantee being an Employee, ceases to be an employee or director of the Group by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or appears either to be

unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, 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; or

- (b) the Grantee being a Business Associate who is an advisor or consultant to the Group, and the Business Associate is under any contract with the Group, such contract is terminated by reason of breach of contract on the part of the Business Associate; or
- (c) the Grantee being a Business Associate, appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or ceases or threaten to cease to carry on its business, or is wound up, or has an administrator or liquidator being appointed for the whole or any part of its undertaking or assets; or has been convicted of any criminal offence involving integrity or honesty; or
- (d) the Grantee being a Trustee, the relevant beneficiary being an Employee or a Business Associate, any one of the events referred to in (a) to (c) above occurs to such beneficiary;

provided that whether any one or more of the events specified in the above occur in relation to a Grantee shall be solely and conclusively determined by the Board;

- (v) the close of 4 business days prior to the shareholders' meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of the commencement of the winding-up of the Company; and
 - (vi) the date on which the Option is cancelled by the Board as provided in sub-paragraph 7.6 of the New Share Option Scheme.
- (bb) The provisions of the New Share Option Scheme may be altered in any respect by resolution of the Board except that the definitions of "Grantee", "Option Period" and "Participant" in sub-paragraph 1.1 and the provisions of sub-paragraphs 4.1, 5.1, 5.2, 5.3, 5.4, 5.5 and paragraphs 6, 7, 8, 9, 10, 11 and 14 thereof cannot be altered to the advantage of the Grantees or prospective Grantees without the prior approval of the Shareholders in general meeting. Any alteration to the terms and conditions of this Scheme, which is of a material nature, must be approved by the Stock Exchange and shareholders of the Company, except where such alterations take effect automatically under the existing terms of this Scheme.

This appendix serves as an explanatory statement, as required by the Share Buyback Rules, to provide you with requisite information for your consideration of the Repurchase Mandate and also constitutes the memorandum as required under Section 49BA(3) of the Companies Ordinance. Reference in this appendix to “Share(s)” mean share(s) of HK\$0.20 each in the capital of the Company.

1. LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their fully paid-up shares on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders’ Approval

The Listing Rules provide that all on-market share repurchases by a company with its primary listings on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchases.

(b) Source of Funds

Repurchases must be made out of funds which are legally available for such purpose in accordance with the company’s constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

(c) Maximum Number of Shares to be Repurchased

A maximum of 10% of the issued share capital of the company at the date of the passing of the resolution granting the general mandate may be repurchased on the Stock Exchange.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,312,221,611 Shares.

Subject to the passing of the Ordinary Resolution no. 2 set out in the EGM Notice and on the basis that no further Shares are issued or repurchased prior to the EGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 131,222,161 Shares.

3. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and its shareholders.

4. FUNDING OF REPURCHASE

Repurchase would be financed from available cash flow or working capital facilities of the Company and its subsidiaries which will be funds legally available for such purpose in accordance with the memorandum and articles of association of the Company and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a Share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares made for the purpose. The Companies Ordinance further provides that the amount of premium payable on repurchase may only be paid out of the distributable profits of the Company. Where the repurchased Shares were issued at a premium, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase to such extent allowable under the Companies Ordinance.

There might be material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited consolidated accounts contained in the annual report for the year ended 31 December, 2001 in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest traded prices at which the Shares have traded on the Stock Exchange during each of the previous 12 months before the date of this circular were as follows:-

	Shares	
	Highest Price	Lowest Price
	HK\$	HK\$
2001		
April	0.71	0.50
May	0.96	0.63
June	1.22	0.95
July	0.91	0.65
August	0.69	0.58
September	0.58	0.42
October	0.63	0.48
November	0.68	0.59
December	0.70	0.57
2002		
January	0.68	0.57
February	0.68	0.58
March	0.71	0.60

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Ordinary Resolution no.2 set out in the EGM Notice in accordance with the Listing Rules and the Companies Ordinance.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if such is approved by the shareholders.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the shareholders.

7. TAKEOVER CODE

If on exercise of the powers to repurchase Shares pursuant to the Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a shareholder or group of shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, Silver Grant International Holdings Limited held 198,820,022 Shares representing approximately 15.15% of the issued share capital of the Company and 中國信達資產管理公司 China Cinda Asset Management Corporation indirectly held 158,468,000 Shares representing approximately 12.08% of the issued share capital of the Company. To the best of the knowledge and belief of the Company, no other person, together with his/her associates, was beneficially interested in Shares representing 10% or more of the issued share capital of the Company.

In the event that the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Ordinary Resolution no. 2 set out in the EGM Notice, then (if the present shareholdings otherwise remained the same) the attributable shareholdings of Silver Grant International Holdings Limited and 中國信達資產管理公司 China Cinda Asset Management Corporation in the Company would be increased from approximately 15.15% and 12.08% to approximately 16.83% and 13.42% respectively of the issued share capital of the Company. The Directors are not aware of any consequences which may arise under the Takeover Code as a consequence of any purchases made under the Repurchase Mandate unless Silver Grant International Holdings Limited and 中國信達資產管理公司 China Cinda Asset Management Corporation are parties acting in concert with

each other, in which case, a general offer obligation under the Takeover Code will arise in the event that the total shareholding of Silver Grant International Holdings Limited and 中國信達資產管理公司 China Cinda Asset Management Corporation in the Company reaches 30% or more of the issued share capital of the Company. However, the Directors are not aware that Silver Grant International Holdings Limited and 中國信達資產管理公司 China Cinda Asset Management Corporation are parties acting in concert with each other.

8. SHARE REPURCHASE MADE BY THE COMPANY

The Company has not purchased any of its Shares (whether on the Stock Exchange or otherwise) in the 6 months preceding the date of this circular.



Silver Grant International Industries Limited

銀 建 國 際 實 業 有 限 公 司

(Incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held at Salon II, Grand Hyatt Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Monday, 27 May, 2002 at 10:30 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the Annual General Meeting of the Company convened at the same place and date at 10:00 a.m.) or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolutions, with or without modifications, which will be proposed as ordinary resolutions of the Company:-

ORDINARY RESOLUTIONS

1. **“THAT:-**

- (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options under the share option scheme of the Company (the “New Share Option Scheme”), the rules of the New Share Option Scheme are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the Chairman thereof, the New Share Option Scheme be and is hereby approved and adopted and the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:
 - (i) to administer the New Share Option Scheme under which options will be granted to participants eligible under the New Share Option Scheme to subscribe for Shares;
 - (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendment;
 - (iii) to issue and allot from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the New Share Option Scheme and subject to the Rules Governing the Listing of Securities on the Stock Exchange;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iv) to make application at the appropriate time or times to the Stock Exchange; and any other stock exchanges upon which the issued Shares of the Company may for the time being be listed, for listing of and permission to deal in any Shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the options under the New Share Option Scheme; and
- (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme; and
- (b) the existing share option scheme for the employees of the Company and its Subsidiaries (including any executive director of the Company and its Subsidiaries) which was adopted by the Company at its general meeting on 26 June, 1995 be and is hereby terminated with immediate effect.”

2. “THAT:-

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase shares of the Company on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution, “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:-
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

3. **“THAT:-**

- (a) subject to paragraph (c) of this resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares to be allotted after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Right Issue (as hereinafter defined) or (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company or (iii) the exercise of options under any option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

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

4. **“THAT** subject to the passing of resolution Nos.2 and 3 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the Company pursuant to resolution No.3 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution No.2 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of this resolution.”

By Order of the Board
Michael Tung
Company Secretary

24 April, 2002

Registered office:
Suite 4901
49th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

Notes:-

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the registered office of the Company at Suite 4901, 49th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.