

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 all your shares in South China Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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

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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

PROPOSALS INVOLVING
BONUS ISSUE OF WARRANTS
GENERAL MANDATES TO ISSUE NEW SHARES
AND
TO REPURCHASE SECURITIES

A notice convening an extraordinary general meeting of South China Holdings Limited to be held at 9:00 a.m. on Monday, 22 July, 2002 is set out in Appendix III of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy to the Company's Registrars, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting.

4 July, 2002

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

“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Bonus Warrant Issue”	the proposed issue of the Warrants on and subject to the terms and conditions set out in this circular
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	South China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the securities of which are listed on the Stock Exchange
“Conditions”	the conditions to which the Bonus Warrant Issue is subject, as set out in the section headed “Conditions” in the letter from the Chairman
“Directors”	the directors of the Company
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at 9:00 a.m. on Monday, 22 July, 2002, the notice of which is set out in Appendix III of this circular
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	2 July, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholders”	Shareholders whose addresses are outside Hong Kong as shown on the register of members of the Company on the Record Date
“Qualifying Shareholders”	Shareholders whose names appear on the register of members of the Company on the Record Date other than the Overseas Shareholders
“Record Date”	22 July, 2002, being the record date for the Bonus Warrant Issue



DEFINITIONS

“Registrars”	the Company’s branch share registrar in Hong Kong, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong
“Share(s)”	share(s) of \$0.025 each in the share capital of the Company
“Shareholders”	holders of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“\$” and “cents”	Hong Kong dollars and cents respectively
“Warrants”	warrant(s) to be issued by the Company on 23 July, 2002, in units of \$0.42 each of subscription rights entitling the holders to subscribe in cash for new Shares at an initial subscription price of \$0.42 per Share, subject to adjustment, at any time up to one year from the date of issue (expected to be 23 July, 2003) (or such earlier date as provided in the instrument constituting such warrants)
“Warrant Instrument”	the instrument constituting the Warrants to be executed by the Company by way of a deed poll



EXPECTED TIMETABLE

2002

Last day of dealings in Shares cum entitlements to the Bonus Warrants	on Wednesday, 17 July
First day of dealings in Shares ex-entitlements to the Bonus Warrants	on Thursday, 18 July
Latest time for lodging transfers for entitlements to the Bonus Warrants	4:00 p.m. on Friday, 19 July
Latest time for forms of proxy in respect of the Extraordinary General Meeting to be returned	9:00 a.m. on Saturday, 20 July
Closure of register of members	Monday, 22 July
Extraordinary General Meeting	9:00 a.m. on Monday, 22 July
Record Date for entitlements to the Bonus Warrants	on Monday, 22 July
Register of members reopens	on Tuesday, 23 July
Issue of Bonus Warrants	on Tuesday, 23 July
Despatch of Warrant certificates	on Tuesday, 23 July
Dealings in the Warrants expected to commence	on Thursday, 25 July

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SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Ng Hung Sang, Robert (*Chairman*)
Richard Howard Gorges
Cheung Choi Ngor, Christina
Yuen Kam Tim, Francis

Non-executive Director:

Tan Boon Seng

Independent Non-Executive Directors:

David Michael Norman
David John Blackett

Registered Office:

P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

Principal Place of Business:

28th Floor
Bank of China Tower
1 Garden Road
Central
Hong Kong

4 July, 2002

To the shareholders,

Dear Sir or Madam,

**PROPOSALS INVOLVING
BONUS ISSUE OF WARRANTS
GENERAL MANDATES TO ISSUE NEW SHARES
AND
TO REPURCHASE SECURITIES**

INTRODUCTION

The Board announced on 13 June, 2002 that it had resolved to put to the Shareholders a proposal for the Bonus Warrant Issue.

The purpose of this circular is to provide you with further details regarding proposals involving the Bonus Warrant Issue, general mandates to issue new Shares and to repurchase securities and notice of the Extraordinary General Meeting at which resolutions will be proposed to approve these proposals.

BONUS WARRANT ISSUE

Subject to fulfillment of the Conditions, the Directors recommend a bonus issue of Warrants made on the basis of one unit of subscription rights of the Warrant for every five existing Shares held by the Qualifying Shareholders on the Record Date. **Each unit of Warrant will entitle the holder thereof to subscribe for Shares at an initial subscription price of \$0.42 per Share, subject to adjustment, at any time from the date of issue (expected to be 23 July, 2002) up to and including the first anniversary of that date (expected to be 23 July, 2003) (or such earlier date as provided in the Instrument constituting the Warrants).** The initial subscription price represents no discount to the closing price of HK\$0.42 per Share on the Stock Exchange on 13 June, 2002 and no discount on the average closing price per Share of HK\$0.42 as quoted on the Stock Exchange for the past five trading days up to, and including, 13 June, 2002. The initial subscription price also represents no discount to the closing price of HK\$0.42 per Share on the Stock Exchange on the Latest Practicable Date and no discount based on the average closing price per Share of HK\$0.42 as quoted on the Stock Exchange for the past five trading days up to, and including, the Latest Practicable Date.

At the Latest Practicable Date, 1,823,401,376 Shares were in issue. On that basis and assuming no further Shares issued or repurchased before the Record Date and subject to the passing of the resolutions set out in the notice of the Extraordinary General Meeting, the number of Warrants to be granted under the Bonus Warrant Issue, will amount to approximately 364,680,275 Warrants carrying rights to subscribe in aggregate approximately \$153 million for new Shares. Exercise in full of the Warrants at the initial subscription price of \$0.42 per Share would result in the issue of a total of 364,680,275 new Shares (the “New Shares”), representing approximately 20% of the Company’s existing issued capital of 1,823,401,376 Shares and approximately 17% of the Company’s issued share capital of approximately 2,188,081,651 Shares as enlarged by the issue of the New Shares, and the receipt of a total of approximately \$153 million, before expenses, by the Company. The Company intends to use the proceeds for general working capital.

The Warrants are proposed to be granted in registered form subject to the terms and conditions set out in the Warrant Instrument. New Shares which are issued on the exercise of the subscription rights attaching to the Warrants will rank pari passu in all respects with the existing issued Shares (including in respect of any dividends and other distributions declared, made or paid on or after the relevant subscription date) save for any dividend or other distribution previously declared or recommended to be paid if the record date for such dividend or distribution is on or before the relevant subscription date.

The proposed Warrants will not be registered under any applicable securities legislation of any jurisdiction outside Hong Kong and therefore the Warrants will not be issued to the Overseas Shareholders. However, arrangements will be made for the Warrants which would otherwise have been granted to such persons to be sold in the market as soon as practicable after dealings commence if a premium net of expenses can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong dollars pro rata to such persons, and

will be posted to them at their risk pro rata to their respective entitlements, unless the amount falling to be distributed to any such person is less than \$100 in which case it will be retained for the benefit of the Company. Fractional entitlements to the Warrants will not be issued but will be aggregated and sold, the net proceeds of sale being retained for the benefit of the Company.

A summary of the principal terms and conditions of the Warrants, including circumstances in which the subscription price may be adjusted, is set out in Appendix I to this circular.

DILUTION OF SHAREHOLDINGS OF THE COMPANY'S SHAREHOLDERS

The Directors believe there will be no material dilution on the shareholding of the Company's Shareholders upon the Bonus Issue of Warrants.

REASONS FOR THE BONUS WARRANT ISSUE

The Group is currently principally engaged in trading and manufacturing, securities and commodities brokerage and trading, margin financing, money lending, provision of corporate advisory services, real estate investment and development, information and technology related businesses, publishing and printing businesses, sale of air tickets and provision of other related travel services.

The Directors consider that the Bonus Warrant Issue is in the interests of the Shareholders of the Company as it provides an excellent opportunity for Shareholders to increase an equity participation in the Company. The Bonus Warrant Issue will also provide the Group with additional working capital for future expansion as the Warrants are exercised from time to time.

NET PROCEEDS

The gross proceeds of the Bonus Warrant Issue, if fully subscribed, will be approximately HK\$153 million and there is no other purpose of the use of net proceeds other than for additional working capital.

CONDITIONS

The Bonus Warrant Issue is conditional upon the following being fulfilled:

- (i) the passing of the relevant ordinary resolution approving the Bonus Warrant Issue by the Shareholders at the Extraordinary General Meeting; and
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant listings of, and permission to deal in, the Warrants and any new Shares which fall to be issued upon the exercise of the subscription rights attaching to the Warrants.

If the above conditions are not fulfilled by 25 July, 2002 it is the intention of the Directors that the Bonus Warrant Issue will not proceed.

LISTINGS AND DEALINGS

Application has been made to the Listing Committee of the Stock Exchange for the listings of, and permission to deal in, the Warrants and any new Shares which fall to be issued upon the exercise of the subscription rights attaching to the Warrants. It is expected that certificates for the Warrants will be posted to those persons entitled thereto on or before 23 July, 2002 at the risk of such persons. Dealings in the Warrants on the Stock Exchange are expected to commence on 25 July, 2002.

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

The Warrants will be traded in board lots of 50,000 units entitling the holders thereof to subscribe an amount of \$21,000 for fully-paid Shares at an initial subscription price of \$0.42 per Share, subject to adjustment. The Warrants will be transferable in units of \$0.42 of subscription rights. Certificates will be issued in board lots of 50,000 units of Warrants as far as possible.

The Shares are not listed or dealt in, and no listing of or permission to deal in the Shares and/or the Warrants is being, or is proposed to be, sought on any stock exchange other than the Stock Exchange.

Dealing in the Warrants will be subject to Hong Kong stamp duty.

GENERAL MANDATE TO REPURCHASE SECURITIES

At the Extraordinary General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all the powers of the Company to repurchase Shares and Warrants subject to the criteria set out in this circular (the "Repurchase Proposal"). In particular, Shareholders should note that the maximum number of Shares and the maximum number of Warrants which may be repurchased pursuant to the mandate will be such number of Shares as represents 10 per cent. of the aggregate of the share capital of the Company in issue on the date of passing the relevant resolution and 10 per cent. of the subscription rights attaching to the Warrants to be issued pursuant to the proposed Bonus Warrant Issue respectively. Based on 1,823,401,376 Shares in issue as at the Latest Practicable Date, approximately 364,680,275 Warrants in the amount of \$0.42 to be issued pursuant to the Bonus Warrant Issue, the Company would therefore be allowed to repurchase approximately 182,340,137 Shares and approximately 36,468,027 Warrants at the initial subscription price of \$0.42 per Share. A resolution will be proposed at the Extraordinary General Meeting to approve

the revocation of the existing mandates to repurchase securities granted to the Directors at the Company's annual general meeting held on 31 May, 2002. Shareholders should also note that the authority to repurchase Shares and Warrants relates only to repurchases made on the Stock Exchange and otherwise in accordance with the Listing Rules. In addition, Shareholders should note that the general mandate will continue in force until the conclusion of the next annual general meeting of the Company or any earlier date referred to in paragraph (c) of resolution No. 4 set out in the notice of the Extraordinary General Meeting.

In accordance with the requirements set out in the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the Repurchase Proposal. A summary of certain provisions of the Listing Rules relating to the repurchase of securities and the explanatory statement required by the Listing Rules in connection with the Repurchase Proposal are set out in Appendix II to this circular.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on 22 July, 2002 in order to determine entitlements to the Bonus Warrant Issue. During this period, no transfer of Shares can be registered. The last day for dealing in Shares cum entitlements to the Bonus Warrant Issue will be Wednesday, 17 July, 2002.

Shareholders are reminded that in order to qualify for the Bonus Warrant Issue, all forms of the transfers of Shares must be duly completed, accompanied by the relevant share certificates and must be lodged with the Company's registrar, Standard Registrars Limited, 5th Floor, Wing On Centre, 111 Connaught Road, Central, Hong Kong for registration not later than 4:00 p.m. on 19 July, 2002.

EXTRAORDINARY GENERAL MEETING

The notice of the Extraordinary General Meeting is set out in Appendix III to this circular. At the Extraordinary General Meeting, ordinary resolutions will be proposed to approve, inter alia:

- the Bonus Warrant Issue;
- to revoke the general mandates granted to the Directors at the annual general meeting of the Company held on 31 May, 2002 permitting them (i) to allot and issue Shares, (ii) to repurchase Shares and Warrants of the Company and (iii) to allot and issue Shares of such aggregate nominal value as are equal to that number of Shares repurchased pursuant to the general mandate to repurchase Shares and such Warrants;
- the grant of a new general mandate to the Directors to issue further Shares up to 20 per cent. of the aggregate nominal amount of the Shares in issue on the date of the resolution passed;

- the grant of a new repurchase mandate to the Directors to repurchase on the Stock Exchange securities of the Company up to a maximum of 10 per cent. of the share capital of the Company in issue and 10 per cent. of the amount of Warrants as at the date of the passing of the resolution (the “Repurchase Mandate”); and
- the grant of a mandate to the Directors permitting them, after the grant of the repurchase mandate referred to above, to further allot and issue shares in the Company pursuant to the new general mandate of such aggregate nominal value as is equal to the nominal value of Shares repurchased pursuant to the Repurchase Proposal.

A form of proxy for use at the Extraordinary General Meeting is enclosed. Whether or not shareholders are able to attend the Extraordinary General Meeting, they are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company’s registrar, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for the holding the Extraordinary General Meeting. The completion and return of the form of proxy will not prevent Shareholders from attending and voting at the Extraordinary General Meeting in person if they so wish.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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.

RECOMMENDATION

The Directors are of the opinion that the Bonus Warrant Issue, revocation of the existing general mandates to issue Shares and repurchase Shares and Warrants, the proposed mandates to be granted to the Directors to issue new Shares and to issue Shares up to the number of Shares repurchased are all in the interests of the Company and accordingly recommend you to vote in favour of the relevant resolutions to be proposed at the Extraordinary General Meeting. The Directors have indicated that the votes attaching to the Shares owned and controlled by them and their respective associates which as at the Latest Practicable Date amounted to approximately 73.71 per cent. of the issued Shares will be cast in favour of the relevant resolutions to be proposed at the Extraordinary General Meeting.

DOCUMENTS AVAILABLE FOR INSPECTION

A specimen copy of the Warrant certificate, the draft Warrant Instrument and the memorandum and Articles of Association will be available for inspection at the principal place of business of the Company at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours on any day up to and including the date of the Extraordinary General Meeting.



LETTER FROM THE CHAIRMAN

ADDITIONAL INFORMATION

Your attention is drawn to the appendices which set out a summary of the provisions of the Listing Rules relating to the repurchase of securities and the explanatory statement required by the Listing Rules in connection with the Repurchase Proposal and the notice of the Extraordinary General Meeting.

Yours faithfully,
By order of the Board
Ng Hung Sang, Robert
Chairman

The Warrants will be issued subject to and with the benefit of the Warrant Instrument and will be issued in registered form and will form one class and rank pari passu in all respects with each other.

The Warrants will represent direct obligations of the Company to the registered holders for the time being of the Warrants (the “Warrantholders”). The principal terms and conditions of the Warrants will be set out in the certificates for the Warrants (“Warrant Certificate”) and will include provisions to the effect set out below. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Warrant Instrument, copies of which will be available at the principal place of business of the Company. The following is a summary of the principal provisions of the Warrant Instrument.

1. Subscription Rights

- (a) The Warrantholders will have rights (“Subscription Rights”) to subscribe the whole or in part (in units of \$0.42) of the amount in respect of which the Warrant is issued for fully paid Shares at a price (subject to the adjustments referred to below) of \$0.42 per Share (the “Subscription Price”). The Subscription Rights attaching to the Warrants may be exercised on or after the date of issue but not later than 4:00 p.m. (Hong Kong time) on the first anniversary of the date of issue of the Warrants. The date on which such rights or any part thereof are exercised is referred to in this summary as the “Subscription Date”. Any Subscription Rights which have not been exercised on or before 4:00 p.m. (Hong Kong time) on the first anniversary of the date of issue of the Warrants (expected to be 23 July, 2003) will lapse following such date and the Warrants will cease to be valid for any purpose. References in this summary to “Shares” are to the existing Shares and all other (if any) shares of the Company from time to time and for the time being ranking pari passu therewith.
- (b) The entitlement of the Warrantholders (as defined in the Warrant Instrument) to their Warrants will be evidenced by the Warrant Certificates, each of which will contain a subscription form (the “Subscription Form”). In order to exercise his Subscription Rights in whole or in part, a Warrantholder must complete and sign the Subscription Form (which will be irrevocable) and deliver the Warrant Certificates (and, if the Subscription Form used is not the form endorsed on the Warrant Certificates, the separate Subscription Form which the Company permits to be used) to the Registrars (as defined in the Warrant Instrument) for the time being of the Company together with a remittance for the relevant portion of the Exercise Moneys (as defined in the Instrument) for the Shares in respect of which the Subscription Rights are being exercised. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.
- (c) No fraction of a Share will be allotted but any balance representing fractions of the Exercise Moneys (as defined in the Warrant Instrument) paid on the exercise of the Subscription Rights will be refunded to the Warrantholder (as defined in the Warrant Instrument), provided always that if the Subscription Rights comprised in two or more Warrant Certificates are exercised on the same Subscription Date by the same Warrantholder (as defined in the Warrant Instrument) then, for the purpose of determining whether any (and if so what) fraction of a Share arises, the Subscription Rights represented by such Warrant Certificates will be aggregated.
- (d) The Company will undertake in the Warrant Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be issued and allotted no later than 10 business days after the relevant Subscription Date and will rank pari passu in all respects with the fully paid Shares in issue on the relevant Subscription Date and accordingly will entitle the holders thereof to participate in full in all dividends or

other distributions declared, paid or made on the Shares on or after the relevant Subscription Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is on or before the relevant Subscription Date and notice of the amount and record date therefor has been given to the Stock Exchange prior to the relevant Subscription Date.

- (e) As soon as practicable after the relevant allotment and issue of Shares (and in any event no later than 10 business days after the relevant Subscription Date) there will be issued free of charge to the Warrantholder (as defined in the Warrant Instrument):
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantholder(s);
 - (ii) (if applicable) a balancing Warrant certificate in registered form in the name(s) of such Warrantholder(s) in respect of any Subscription Rights represented by the relevant Warrant Certificate and remaining to be exercised; and
 - (iii) (if applicable) a cheque representing any fractional entitlement to Shares not allotted as mentioned in sub-paragraph (c) above.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant Certificates (if any) and the cheque in respect of the fractional entitlement (if any) will be sent by post at the risk of such Warrantholder(s) to the address of such Warrantholder(s) or (in the case of a joint holding) to that one of the joint Warrantholders whose name stands first in the register of Warrantholder(s). If the Company agrees, such certificate(s) and cheque may by prior arrangement be retained by the Registrars for the time being of the Company to await collection by the relevant Warrantholder(s).

2. Adjustments of Subscription Price

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

- (a) The Subscription Price will (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Warrant Instrument in each of the following cases (but shall however not be adjusted below the nominal value of Shares until the Subscription Rights Reserve (as defined in the Warrant Instrument) is established):
- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
 - (ii) an issue (other than pursuant to a scrip dividend scheme in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a Capital Distribution (as defined in the Warrant Instrument) being made by the Company, whether on a reduction of capital or otherwise, to all holders of Shares in their capacity as such;
 - (iv) a grant by the Company to all holders of Shares (in their capacity as such) of rights to acquire for cash assets of the Company or any Subsidiary (as defined in the Warrant Instrument);
 - (v) an offer or grant being made by the Company to holders of its Shares by way of rights, or of options or warrants to subscribe new Shares, at a price which is less than 90% of the market price (calculated as provided in the Warrant Instrument) provided that no such adjustment is to be made if the Company also makes a like offer or grant (as the case may be) at the same time to each Warrantholder (subject to such exclusions or other arrangements as the Directors 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) as if he had exercised the Subscription Rights represented by his Warrant Certificate in full on the day immediately preceding the record date for such offer or grant;

- (vi) an issue wholly for cash being made by the Company or any of its Subsidiaries (as defined in the Warrant Instrument) of Securities (as defined in the Warrant Instrument) convertible into or exchangeable for or carrying rights of subscription for new fully paid-up Shares, if in any case the Effective Consideration per new Share (as defined in the Warrant Instrument) is less than 90 per cent. of the market price (calculated as provided in the Warrant Instrument), or the rights of conversion or exchange or subscription attaching to any such Securities are modified so that the said Effective Consideration per new Share is less than 90 per cent. of such market price;
 - (vii) an issue of Shares being made by the Company wholly for cash (other than pursuant to a Share Option Scheme, as defined in the Warrant Instrument) at a price less than 90 per cent. of the market price (calculated as provided in the Warrant Instrument); and
 - (viii) the purchase by the Company of Shares or Securities (as defined in the Warrant Instrument) convertible into Shares or any rights to acquire Shares (excluding any such purchases made on the stock exchange or any recognised stock exchange, as provided in the Warrant Instrument) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.
- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a) above will be made in respect of:
- (i) an issue of fully paid Shares upon the exercise of any conversion, exchange or subscription rights attached to Securities (as defined in the Warrant Instrument) wholly or in part convertible into or exchangeable for Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue of Shares or other Securities (as defined in the Warrant Instrument) of the Company or any Subsidiary (as defined in the Warrant Instrument) wholly or in part convertible into or exchangeable for or carrying rights to acquire Shares to directors or employees of the Company or any Subsidiary pursuant to a Share Option Scheme (as defined in the Warrant Instrument);
 - (iii) an issue by the Company of Shares or by the Company or any Subsidiary (as defined in the Warrant Instrument) of Securities (as defined in the Warrant Instrument) wholly or in part convertible into or exchangeable for or carrying rights to acquire Shares, in any such case in consideration or part consideration for the acquisition of any other Securities, assets or business;
 - (iv) an issue of fully paid Shares by way of capitalisation of all or part of the Subscription Rights Reserve (as defined in the Warrant Instrument) to be established in certain circumstances pursuant to the terms and conditions contained in the Warrant Instrument (or other profits or reserves or any similar reserve which has been or may be established pursuant to the terms of any other Securities (as defined in the Warrant Instrument) wholly or partly convertible into or exchangeable for or carrying rights to acquire Shares); or
 - (v) an issue of Shares pursuant to a scrip dividend scheme in lieu of a cash dividend where an amount of not less than the nominal amount of the Shares so issued is capitalised and the market price (calculated as provided in the Warrant Instrument) on the date on which the Directors resolve to make such issue multiplied by the number of such Shares is not more than 110 per cent. of the amount of dividend which holders of Shares could elect to or would otherwise receive in cash.

- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Directors shall appoint an approved merchant bank or auditors (as defined in the Instrument) to consider whether for any reason whatever the adjustment to be made (or the absence of an adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such approved merchant bank or auditors considers this to be the case, the adjustment will be modified or nullified or an adjustment made in such manner (including, without limitation, making an adjustment calculated on a different basis) and/or the adjustment shall take effect from such other date and/or time as is certified by such approved merchant bank or auditors to be in its opinion appropriate.
- (d) Any adjustment to the Subscription Price will be made to the nearest one cent so that any amount under half a cent will be rounded down and any amount of half a cent or more will be rounded up. No adjustment will be made to the Subscription Price in any case in which the amount by which the same would be adjusted would be less than one cent and any adjustment which would otherwise then be required will not be carried forward. No adjustment may be made (except on a consolidation of Shares into Shares of a larger nominal amount or upon a repurchase of Shares) which would increase the Subscription Price.
- (e) Every adjustment to the Subscription Price will be certified by the Auditors (as defined in the Instrument) or an approved merchant bank (as defined in the Instrument) and notice of each adjustment (giving the relevant particulars) will be given to the Warrantholders (as defined in the Instrument). A press announcement will be made on the adjustment to the Subscription Price. Any such certificate of such Auditors and/or such approved merchant bank will be available for inspection at the registered office of the Company.

3. Registered Warrants

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

4. Transfer, transmission and register

The Subscription Rights represented by the relevant Warrant Certificate will be transferable, in whole amounts or integral multiples of the Subscription Price for the time being in force, by an instrument of transfer in any usual or common form or such other form as may be approved by the Directors or, where the transferor or the transferee is HKSCC Nominees Limited (or its successor(s)) by an instrument of transfer executed by machine imprinted signature or under the hand of an authorised person(s). The Company will maintain a register of Warrantholders in Hong Kong and the provisions of the Articles of Association relating to the registration, transfer and transmission of Shares and the register of members shall, mutatis mutandis, apply to the registration, transfer and transmission of the Warrants and the register of Warrantholders. Transfers of Warrants must be executed by both the transferor and the transferee.

Each beneficial owner of Warrants who has not registered the Warrants in their own names and wish to exercise the Warrants should note that additional costs and expenses may be incurred by it in connection with any expedited re-registration of the Warrants prior to the transfer of the Warrants or the exercise of the Subscription Rights, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period, being 23 July, 2003 (or such earlier date as provided in the Warrant Instrument).

Since the Warrants will be admitted to the CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before 23 July, 2003 (or such earlier date as provided in the Warrant Instrument).

5. Closure of register of Warrantholders

The registration of transfers of Warrants may be suspended and the register of Warrantholders may be closed for such period as the Directors may from time to time direct, provided that registration may not be suspended or such register may not be closed for a period of more than 30 days or, with the approval of an ordinary resolution, for a longer period not exceeding 60 days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants, made while the register of Warrantholders is so closed shall, as between the Company and the person claiming under the relevant transfer of Warrants or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the reopening of the register of Warrantholders.

6. Purchase and cancellation

The Company or any Subsidiary (as defined in the Warrant Instrument) may at any time purchase the Warrants:

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

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

7. Meetings of Warrantholders and modification of rights

- (a) The Warrant Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution (as defined in the Warrant Instrument) of the provisions of the Warrant Instrument and/or of the terms and conditions endorsed on the Warrant certificates provided always that any such resolution must be approved by the Company in writing. Such a Special Resolution duly passed at any such meeting will be binding on all Warrantholders whether present or not.
- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Warrant Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to the generality thereof, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the terms and conditions endorsed on the Warrant Certificates and/or the Instrument) provided that any such alteration or abrogation shall be sanctioned by way of a Special Resolution approved by the Company in writing and shall be effected only by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument.

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

8. Quorum

A quorum of a meeting of Warrantholders will be two or more Warrantholders representing not less than ten per cent. in value of the Subscription Rights for the time being outstanding and exercisable, present in person or by proxy. The quorum for the passing of a Special Resolution (as defined in the Warrant Instrument) is two or more Warrantholders, present in person or by proxy, representing not less than twenty-five per cent. in value of the Subscription Rights for the time being outstanding and exercisable.

9. Replacement of Warrant certificates

If a Warrant Certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the registrars for the time being of the Company in Hong Kong (unless the Directors otherwise determine) on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding \$2.50 (or such higher fee as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant Certificates must be surrendered before replacements will be issued.

In the case of lost Warrant Certificates, Section 71A of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if “shares” referred to therein included the Warrants.

10. Protection of Subscription Rights

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

11. Call

If at any time during the Subscription Period the Warrants which have not been exercised carry rights to subscribe 10 per cent. or less in value of the original aggregate value of the Subscription Rights the Company may, on giving not less than three months' notice to Warrantholders, require such Warrantholder either to exercise their Subscription Rights or to allow the Warrants held by them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to the Warrantholders.

12. Further issues

The Company will be at liberty to issue further Warrants.

13. Undertakings by the Company

The Company will undertake in the Instrument, inter alia, that:

- (a) all Shares allotted on the exercise of Subscription Rights will rank *pari passu* in all respects with the fully paid Shares in issue on the relevant Subscription Date;
- (b) it will use its best endeavours to ensure that all Shares allotted on the exercise of Subscription Rights will be admitted to listing on the Stock Exchange save in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to holders of the Warrants or to holders of any Shares issued on exercise of the Warrants during the period of the offer;

- (c) it will send to each Warrantholder, (or in the case of joint Warrantholders to the Warrantholder whose name stands first in the register of warrantholders in respect of the Warrant held by them), at the same time as the same are sent to the holders of Shares, its audited accounts and all other notices, reports and communications despatched by it to the holders of the Shares generally;
- (d) it will pay subject to certain exceptions, all Hong Kong stamp and capital duties (if applicable), registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights; and
- (e) it will keep available for issue out of its authorised but unissued share capital sufficient Shares to satisfy in full the Subscription Rights and all other rights for the time being outstanding of subscription for and conversion or exchange into Shares.

14. Winding up of the Company

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

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding up will lapse and each Warrant Certificate will cease to be valid for any purpose.

15. Notices

The Warrant Instrument will contain provisions relating to notices to be given to Warrantholders (as defined in the Warrant Instrument).

**16. Overseas Warrantholders**

No Subscription Rights may be exercised by any person who is resident in the United States of America, any of its territories and possessions, the United Kingdom, Canada or any other country, state, or territory nominated by the Directors from time to time for this purpose or is a national of the United States of America (including any of its territories and possessions). Each exercise of the Subscription Rights shall constitute a confirmation that the Warrantholder so exercising is not a resident or national of any such territories. Without prejudice to the above, in the case of any Warrantholder who has a registered address in any territory (other than Hong Kong) where, in the opinion of the Directors, the issue of Shares upon exercise of any of the Subscription Rights represented by any Warrant held by such Warrantholder would or may in the absence of compliance with registration or any other special formalities in such territory, be unlawful or impracticable, the Company shall either allot the Shares which would otherwise have been allotted to such Warrantholder to one or more third parties selected by the Company or allot such Shares to such Warrantholder and then on his behalf sell them to one or more third parties selected by the Company and thereafter the Company will pay such Warrantholder an amount equal to the consideration received by the Company therefor (less brokerage, commission, stamp duty, withholding tax and all other payments incurred by the Company in respect thereof).

17. Governing law

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

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to Shareholders for their consideration of the Repurchase Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the number of Shares of the Company in issue was 1,823,401,376.

Subject to the passing of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the Extraordinary General Meeting, the Directors would be authorised to repurchase Shares up to a limit of 182,340,137 Shares.

2. REASONS FOR THE REPURCHASE

The Directors believe that the ability to repurchase securities is in the interests of the Company and its shareholders. Repurchases may, depending on the circumstances, result in an increase in net assets and/or earnings per share. The Directors are seeking grant of a general mandate to repurchase securities to give the Company the flexibility to do so if and when appropriate. The number(s) and class(es) of securities to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the circumstances then pertaining.

3. FUNDING OF REPURCHASES

Repurchases must be made out of funds which are legally available for such purpose in accordance with the memorandum and articles of association of the Company and the laws of the Cayman Islands. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company.

There may be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the financial year ended 31 December 2001) in the event that the proposed securities repurchases were 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 of the Company or its gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

4. UNDERTAKING

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases pursuant to the General Mandates only in accordance with the Listing Rules and the laws of the Cayman Islands.

None of the Directors nor (to the best of the knowledge of the Directors, having made all reasonable enquiries) any associates (as defined in the Listing Rules) of the Directors of the Company have any present intention, in the event that the Repurchase Mandate is granted by shareholders, to sell any securities to the Company.

No connected persons (as defined in the Listing Rules) of the Company have notified it of a present intention to sell securities to the Company and have undertaken not to sell any such securities to the Company in the event that the Repurchase Mandate is granted by shareholders.

5. TAKEOVERS CODE

A repurchase of securities by the Company may result in an increase in the proportionate interests of a substantial shareholder in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rules 26 and 32 of the Hong Kong Code on Takeovers and Mergers (the “Code”).

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Mr. Ng Hung Sang, Robert (“Mr. Ng”) personally and through companies wholly-owned and controlled by him, held approximately 74 per cent. of the issued share capital of the Company, was the substantial shareholder holding more than 10 per cent. of the issued share capital of the Company. In the event that the Directors should exercise the proposed Repurchase Mandate in full, the shareholding of Mr. Ng in the Company would be increased to approximately 82 per cent. of the issued share capital of the Company and such increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Code but will result in the amount of Shares held by the public to less than 25 per cent. of the total issued share capital of the Company. The Directors have no intention to repurchase Shares to such an extent which will result in the amount of Shares held by the public being reduced to less than 25 per cent.

6. SHARE PURCHASE MADE BY THE COMPANY

No purchase has been made by the Company of its Shares in the six months prior to the Latest Practicable Date.

7. MARKET PRICES

The highest and lowest prices at which Shares of the Company have traded on the Stock Exchange in each of the previous twelve months preceding the Latest Practicable Date are as follows:

	Shares	
	Highest	Lowest
	<i>(HK\$)</i>	<i>(HK\$)</i>
JULY 2001	0.688	0.445
AUGUST 2001	0.640	0.500
SEPTEMBER 2001	0.600	0.420
OCTOBER 2001	0.650	0.440
NOVEMBER 2001	0.520	0.410
DECEMBER 2001	0.420	0.380
JANUARY 2002	0.580	0.390
FEBRUARY 2002	0.500	0.380
MARCH 2002	0.380	0.380
APRIL 2002	0.380	0.355
MAY 2002	0.410	0.360
JUNE 2002	0.420	0.410

**SOUTH CHINA HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the Company will be held at 28th Floor, Bank of China Tower, 1 Garden Road Central, Hong Kong on Monday, 22 July, 2002 at 9:00 a.m. to consider and, if thought fit, pass each of the following resolutions, which will be proposed as Ordinary Resolutions:—

Ordinary Resolutions

1. **“THAT**, subject to and condition upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the Warrants (as hereinafter defined) and any new ordinary shares of HK\$0.025 each (the “Shares”) in the capital of the Company which may fall to be issued upon exercise of the subscription rights attaching to the Warrants, the directors of the Company (the “Directors”) be and are hereby authorised:
 - (a) to create and issue warrants (“Warrants”) conferring rights to subscribe for Shares at an initial subscription price of \$0.42 per Share, subject to adjustment, at any time from the date of issue (expected to be 23 July, 2002) up to and including the first anniversary of that date, both dates inclusive (or such earlier date as provided in the instrument constituting the Warrants (the “Warrant Instrument”)) (a final draft of which has been tabled at the meeting marked “A” and initialled by the Chairman of the meeting for the purpose of identification), upon the terms and conditions of the Warrant Instrument to be executed by way of deed poll by the Company and the circular dated 4 July, 2002 issued by the Company to its shareholders (a final draft of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification) and to issue the same by way of bonus to shareholders of the Company whose names appear on the register of members of the Company at the close of business on 22 July, 2002, in the proportion of one unit of subscription rights for every five Shares then held provided that:
 - (i) in the case of those holders of Shares having registered addresses outside the Hong Kong Special Administrative Region of the People’s Republic of China as shown on the register of members of the Company on the Record Date, then the Warrants shall not be issued to such persons but shall be sold in the market and the net proceeds of sale after deduction of expenses shall be distributed pro-rata to such persons unless the amount to be distributed to such persons is less than \$100 in which case such amount shall be retained for the benefit of the Company; and,
 - (ii) no fractional entitlements to Warrants shall be issued but fractional entitlements shall be aggregated and sold for the benefit of the Company; and

- (b) to issue and allot to the holders of any Warrants upon the due exercise of the subscription rights attaching thereto the appropriate number of new Shares, and
 - (c) to do all such acts and things as they consider necessary or expedient to give effect to the foregoing arrangements.”
- 2. **“THAT** conditional upon Resolutions Nos. (3) and (4) set out in the notice convening this meeting being passed, the general mandates granted to the directors of the Company (i) to exercise the powers of the Company to issue Shares of HK\$0.025 each in the capital of the Company (“Shares”) and any repurchase shares and warrants issued by the Company to subscribe for such shares and (ii) permitting the directors of the Company to allot and issue shares in the capital of the Company of such aggregate nominal value as are equal to the number of shares of the Company repurchased pursuant to the general mandate to repurchase shares as aforesaid, pursuant to the ordinary resolutions numbered 6(A), 6(B) and 6(C) respectively approved by the shareholders of the Company as special business at the annual general meeting of the Company held on 31 May, 2002 be and are hereby revoked.”
- 3. **“THAT:—**
 - (a) subject to sub-paragraph (c) of this Resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in sub-paragraph (a) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers 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 pursuant to the approval in sub-paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue as hereinafter defined, (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any securities which are convertible into shares of the Company, (iii) the exercise of 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 the cash payment for a dividend on shares of the Company in accordance with the Articles of Association, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date 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 earlier 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 date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares or other securities open for a period fixed by the Directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

4. **“THAT:—**

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the directors of the Company (the “Directors”) during the Relevant Period of all the powers of the Company to repurchase securities of the Company including the Warrants as defined in Resolution No. 1 (the “First Resolution”) set out in the notice convening this meeting on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”) or on any other exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases (“Recognised Stock Exchange”) subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time or that of any other Recognised Stock Exchange, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares which may be purchased pursuant to the approval in sub-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 on the date of passing this Resolution and the aggregate number of warrants of the Company which may be purchased pursuant to such approval shall not exceed 10 per cent. of the amount of Warrants (as defined in Resolution No. 1 set out in the notice of which this Resolution forms part (the “First Resolution”)) which falls to be issued pursuant to the First Resolution if that resolution is passed 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 earlier 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 date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”

5. **“THAT** conditional upon the Resolution No. 3 set out in the notice of which this Resolution forms part (the “Third Resolution”) and Resolution No. 4 (the “Fourth Resolution”) set out in the notice convening this Meeting, the aggregate nominal amount of the shares which are repurchased by the Company after the date of the passing of this Resolution (up to a maximum of 10 per cent. of the aggregate nominal amount of the share capital of the Company as stated in the Fourth Resolution) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the Third Resolution.”

By Order of the Board
Yuen Kam Tim, Francis
Company Secretary

Hong Kong Special Administrative Region of
the People’s Republic of China,
4 July, 2002

Notes:

- 1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company. In the case of joint holders of a share, any one of such holders may vote, either personally or by proxy, but if more than one of such holders is present either personally or by proxy, that one who is so present whose name stands first on the register in respect of such shares shall alone be entitled to vote in respect thereof.
- 2. A form of proxy for use at the above meeting is enclosed herewith.



3. Where there are joint registered holders of any share, any one of such persons may vote at any 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 be present at any 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.
4. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's registrars, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, no less than 48 hours before the time fixed for holding the Meeting.