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If you have sold all your shares in China Overseas Land & Investment Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser(s) or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser(s).

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中國海外發展有限公司

CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)

DISCLOSEABLE AND CONNECTED TRANSACTION
Provision of New Indemnity to Financial Institutions issuing Bonds
for the Connected Parties

Independent Financial Adviser to the Independent Board Committee of
China Overseas Land & Investment Limited



Yu Ming Investment Management Limited

PROPOSALS RELATING TO THE
ADOPTION OF THE NEW SHARE OPTION SCHEME,
TERMINATION OF OPERATION OF THE EXISTING SCHEME
AND GENERAL MANDATE TO GRANT OPTIONS

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

A letter from the independent board committee of China Overseas Land & Investment Limited is set out on page 13 of this circular. A letter from Yu Ming Investment Management Limited, the independent financial adviser, containing its advice to the Independent Board Committee of China Overseas Land & Investment Limited is set out on pages 14 to 18 of this circular.

A notice convening an extraordinary general meeting of China Overseas Land & Investment Limited to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on 18th July, 2002 at 10:00 a.m. is set out on pages 32 to 35 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same with the Company's registrars, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of directors from time to time of the Company
“Bonds”	the bid bonds and performance bonds required by the employer when lodging tenders by any of the Connected Parties for construction and engineering projects in Hong Kong
“COHL”	China Overseas Holdings Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of the Company holding approximately 57.12% interests in the issued share capital of the Company
“Company”	China Overseas Land & Investment Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Connected Parties”	CSCE(HK) and CSCEC, being associates of COHL pursuant to the Listing Rules
“CSCEC”	China State Construction Engineering Corporation, a PRC state-owned corporation organised and existing under the laws of the PRC, being the ultimate controlling shareholder of both COHL and the Company
“CSCE(HK)”	China State Construction Engineering (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, which is an indirect wholly-owned subsidiary of CSCEC and a fellow subsidiary of the Company
“Directors”	the directors of the Company
“Existing Indemnity”	the indemnity currently provided by the Company to Financial Institutions offering the Bonds to CSCEC, terms of which were disclosed in a circular issued by the Company dated 24th May, 2000 and were subsequently approved by the then independent shareholders of the Company at an extraordinary general meeting of the Company held on 13th June, 2000
“Existing Scheme”	the existing share option scheme of the Company adopted at an extraordinary general meeting of the Company held on 31st July, 1992
“Extraordinary General Meeting”	the extraordinary general meeting of the Company convened to be held on 18th July, 2002 at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong at 10:00 a.m. to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 32 to 35 of this circular
“Financial Institutions”	banks licensed under the Banking Ordinance (Cap 155 of the laws of Hong Kong) or an authorised institution within the meaning of that ordinance which will offer to provide the Bonds. All Financial Institutions are independent third parties not connected to the Group

DEFINITIONS

“General Mandate”	a general mandate proposed to be granted to the Directors to exercise all the powers of the Company to allot, issue and deal with Shares in the manner as set out in the notice of the Extraordinary General Meeting
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company, comprising Dr. Li Kwok Po, David and Mr. Hu Zhao Guang
“Independent Shareholders”	shareholders of the Company other than COHL and its associates
“Joint Project Managers”	the position of joint project managers which CSCEC has undertaken to appoint various indirect wholly-owned subsidiaries of the Company for public works projects it secured since 1st January, 1993 pursuant to a project management agreement dated 18th August, 1993 between the Company and CSCEC
“Latest Practicable Date”	29th June, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information of this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“New Indemnity”	The counter-indemnities to Financial Institutions issuing Bonds to the Connected Parties
“New Scheme”	the new share option scheme proposed to be conditionally approved and adopted by the Company at the Extraordinary General Meeting, a summary of the principal terms of which is set out in Appendix I to this circular
“Option”	an option to be granted to subscribe for Shares pursuant to the New Scheme, the adoption of which is subject to the approval by the Shareholders at the Extraordinary General Meeting
“Participant”	any full-time employee, executive Director or non-executive Director of the Company or any of its subsidiaries
“PRC”	The People’s Republic of China
“Repurchase Mandate”	a general mandate proposed to be granted to the Directors to exercise all the powers of the Company to repurchase Shares in the manner as set out in the notice of the Extraordinary General Meeting
“SAFE”	The State Administration of Foreign Exchange of the PRC

DEFINITIONS

“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of Section 2 of the Companies Ordinance) of the Company whether incorporated in Hong Kong or elsewhere
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Yu Ming”	Yu Ming Investment Management Limited, a dealer and an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong) and the independent financial adviser to the Independent Board Committee
“%”	per cent.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.



中國海外發展有限公司

CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)

Directors:

Sun Wen Jie (*Chairman*)
Kong Qingping (*Vice Chairman and Chief Executive*)
Yao Peifu (*Vice Chairman*)
Yao Xiancheng (*Vice Chairman*)
Cui Duosheng
Cheung Shiu Kit
Yip Chung Nam
Luo Weikang
Wu Jianbin
Nip Yun Wing

Registered Office:

29th Floor
China Overseas Building
139 Hennessy Road
Wanchai
Hong Kong

Independent non-executive directors:

Li Kwok Po, David O.B.E., J.P.
Hu Zhao Guang

2nd July, 2002

To the Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION
Provision of New Indemnity to Financial Institutions issuing Bonds
for the Connected Parties

PROPOSALS RELATING TO THE
ADOPTION OF THE NEW SHARE OPTION SCHEME,
TERMINATION OF OPERATION OF THE EXISTING SCHEME
AND GENERAL MANDATE TO GRANT OPTIONS

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

INTRODUCTION

The Board announced on 7th June, 2002 that the Company proposes to provide the New Indemnity on behalf of the Connected Parties in favour of Financial Institutions issuing the Bonds for the Connected Parties for an amount up to HK\$2 billion.

The maximum amount of the Bonds will represent 24.88% of the latest published net tangible asset value of approximately HK\$8,040 million of the Group as at 31st December, 2001, therefore constituting a discloseable transaction of the Company.

LETTER FROM THE BOARD

Both Connected Parties are associates of the controlling shareholder of the Company, the provision of the New Indemnity in respect of the Bonds constitutes a connected transaction of the Company, which will be subject to approval of the Independent Shareholders at the Extraordinary General Meeting. COHL and its associates will abstain from voting in respect of the resolution approving the provision of the New Indemnity. The Independent Board Committee has been appointed to advise the Independent Shareholders in this respect.

On 23rd August, 2001, the Stock Exchange announced that amendments be made to Chapter 17 of the Listing Rules in connection with stock options scheme and that the new requirements should come into effect on 1st September, 2001. To comply with the new requirements as stipulated by the provisions of Chapter 17, the Board considers that it is in the best interest of the Company to adopt the New Scheme and to terminate the operation of the Existing Scheme.

At the Extraordinary General Meeting, ordinary resolutions will be proposed to approve:

- (i) the provision of the New Indemnity in respect of the Bonds;
- (ii) the adoption of the New Scheme and the grant of a general authorisation to the Board to grant Options under the New Scheme of up to 10% of the number of Shares in issue as at the date of the Extraordinary General Meeting that may be issued pursuant to the exercise of Options under the New Scheme;
- (iii) the termination of operation of the Existing Scheme; and
- (iv) the granting of the General Mandate, the granting of the Repurchase Mandate and the extension of the General Mandate.

The purpose of this circular is to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed ordinary resolutions at the Extraordinary General Meeting.

THE NEW INDEMNITY

Parties

- i. The Company;
- ii. The Connected Parties; and
- iii. Financial Institutions

Transactions

The New Indemnity is an indemnity to be issued by the Company to Financial Institutions issuing the Bonds for the Connected Parties for an amount not exceeding HK\$2 billion from time to time. The New Indemnity to be given by the Company will cover any actions, demands, liabilities, losses and expenses which may result or otherwise incur or suffer by the Financial Institutions in connection with the Bonds during the term of the grant in which such term will not exceed six years. Even though there will be no monetary limit to such liability, nevertheless, CSCEC has undertaken to the Company to reimburse all losses which may be suffered by the Company as a result of the New Indemnity. The giving of such undertaking by CSCEC is subject to the approval of SAFE, which may or may not be obtained. The

LETTER FROM THE BOARD

Company will not earn any direct fee income from the Connected Parties for giving the New Indemnity. However, the Company will derive management fee income by facilitating the businesses of the Connected Parties for which the Bonds are to be issued.

The project management fee income received from the Connected Parties for each of the three years ended 31st December, 1999, 2000 and 2001 was HK\$357.5 million, HK\$248.6 million and HK\$268.9 million respectively, representing 17%, 9%, and 10.5% of the total external construction related income generated by the Group in the respective years.

Condition

The issue of the New Indemnity is conditional upon the Independent Shareholders approving such transaction at the Extraordinary General Meeting.

Amount of the Bonds

The maximum amount of the Bonds will not exceed HK\$2 billion, representing approximately 24.88% of the audited consolidated net tangible asset of approximately HK\$8,040 million of the Group as at 31st December, 2001. The New Indemnity constitutes a discloseable transaction of the Company pursuant to the Listing Rules. The maximum amount of the Bonds is arrived at after considering, inter alia, the term of the Bonds of six years, the historical and prospective value of construction and engineering contracts CSCEC has or will secure and available for tendering respectively. The amount payable by the Group under the New Indemnity should any events of default occur would be funded by internal resources of the Group and subject to approval from SAFE, be reimbursed by CSCEC.

REASONS FOR THE NEW INDEMNITY

In June 2000, the Independent Shareholders of the Company approved a transaction similar to the New Indemnity whereby the Company was to provide the Existing Indemnity to Financial Institutions for performance bonds issued or to be issued for CSCEC. Due to the growth of CSCEC in the past two years since the Existing Indemnity was approved and the opportunities foreseen in the construction and engineering industry in Hong Kong, it is essential to broaden the terms underlying the Existing Indemnity by replacing it with the New Indemnity. The table below sets out the major differences between the New Indemnity and the Existing Indemnity.

	New Indemnity	Existing Indemnity
Maximum amount of the Bonds subject to the indemnity	HK\$2 billion	HK\$1 billion
Beneficiaries of the indemnity	CSCEC and CSCE (HK)	CSCEC
Maximum term of the Bonds	Six years	Three years
Restriction on the use of the Bonds	All contracts from public and non-public sectors	Public contracts from the Government of Hong Kong only

Background of the indemnities

Both the Connected Parties are registered contractors who can participate in tenders for public construction and engineering contracts from the Government of Hong Kong and quasi-government bodies. When submitting tenders for public construction and engineering contracts, bidders are usually required to present the Bonds as a surety for satisfactory performance of the contracts and as a proof of their financial ability to fulfil the capital commitment under the contracts. The size of the Bonds is usually determined with reference to the aggregate size of the contracts under the tender, ranging from 5% to 20% on the contract value. Similar terms apply to the tendering of private contracts. In return for offering the Bonds, the Financial Institutions usually demand an arrangement fee and an indemnity from the bidders. At times, CSCEC has provided such indemnities, nevertheless, as a state-owned corporation, it requires approval from the SAFE before providing any indemnity. The Company, as a Hong Kong incorporated public company, can offer convenience to the Connected Parties by providing such indemnity on behalf of the Connected Parties.

Even though the Company will not receive any direct fee for providing such indemnity, however, the Company will derive substantial income by offering convenience to the Connected Parties in participating in the tender of such projects. Pursuant to a project management agreement between CSCEC and the Company dated 18th August, 1993, CSCEC agreed to appoint various indirect wholly-owned subsidiaries of the Company to act as Joint Project Managers for public works projects it secured since 1st January, 1993.

Pursuant to a Deed of Undertaking and Indemnity dated 8th September, 1993, CSCEC has undertaken to the Company to use its best endeavours to procure all non public works projects that would otherwise be awarded to the Connected Parties would be awarded to the Company and should it be unreasonable to expect the Company be awarded these projects, the Connected Parties will appoint the Joint Project Managers as project managers of those projects on the same terms as they are appointed under the project management agreement for public works.

Incidental to the consolidation of part of CSCEC's operation to CSCE (HK), the project management arrangement was subsequently extended to cover all public contracts secured by CSCE (HK) by a deed of novation executed between the Connected Parties and the Joint Project Managers on 20th December, 2001.

The appointment of the Joint Project Managers under the project management agreement entitles the Group to a management fee equivalent to 7% of the final contract sum which the Connected Parties receive from such contracts awarded to them.

The management fee is determined with reference to the prevailing market rate. In the past two years ended 31st December, 2000 and 2001, management fee received from Connected Parties amounted to HK\$248.6 million and HK\$268.9 million respectively.

The novation of the project management agreement and the provision of the Existing Indemnity for Bonds in relation to public works undertaken by CSCE (HK) as it becomes a registered contractor for public construction and engineering contracts and takes up part of the operation of CSCEC as mentioned above do not constitute new connected transactions of the Company. Incidental to the above consolidation of CSCEC's operations, CSCE (HK) also proposes to execute an undertaking to the Company, similar to the one given by CSCEC, to procure the award of non-public works projects to the Group or otherwise to appoint the Joint Project Managers for those non-public works projects it secures in the future on the same terms as they are appointed under the project management agreement. As the undertaking will be given on the same terms and basis as the one previously given by CSCEC, this undertaking would not constitute a new connected transaction for the Company.

LETTER FROM THE BOARD

Reasons for the New Indemnity

As the operation of the Connected Parties grew through the years, not only they were able to secure larger scale projects in public tenders, the Connected Parties are also becoming an active player in the market for projects other than public works from the Government of Hong Kong. The Existing Indemnity, which only cover public works from the Government of Hong Kong, is clearly inadequate for the Connected Parties to maximise such opportunities to capture for more projects, in particular, projects other than the public works projects from the Government of Hong Kong which in turn could generate more project management fee income for the Group under the project management agreement with the Connected Parties. The Company therefore considers it imminent to the growth of the Group to extend the Existing Indemnity to cover project works other than public works projects from the Government of Hong Kong.

With reference to the contract value secured by CSCEC in the past three years and the lengthening of the terms of the Bonds from three years to six years, the Directors believe the maximum amount of the Bonds of HK\$2 billion is reasonable.

Furthermore, since CSCEC has undertaken to reimburse any expenses incurred and losses suffered by the Group in the course of providing the Existing Indemnity and the New Indemnity and the Group has neither received claims nor suffered any losses as a result of providing the Existing Indemnity, the Directors believe the returns from providing the New Indemnity outweighs the risks involved. Even though in the event of default, CSCEC will require SAFE's approval for reimbursing the losses the Group suffers.

BUSINESS OF THE COMPANY

The Group is principally engaged in property development and investment, building and civil construction, foundation engineering and project management, real estate agency and management, infrastructure project investments, and trading of securities.

Both the Connected Parties are registered contractors qualified to make tenders for building works, roads and drainage works, ports works, site formation works and waterworks in Hong Kong for the government.

GENERAL

CSCEC is a controlling shareholder of the Company by virtue of its interest in approximately 57.12% of the issued share capital of the Company held under its wholly-owned subsidiary COHL. CSCE (HK) is a wholly-owned subsidiary of COHL. Accordingly, CSCEC and CSCE (HK) are associates of COHL. Therefore, the provision of financial assistances in the form of indemnity under the New Indemnity otherwise than in accordance with the terms of the Existing Indemnity constitutes connected transactions of the Company.

Pursuant to the Listing Rules, the New Indemnity is subject to the approval of the Independent Shareholders. COHL and their respective associates will abstain from voting on the resolution relating to the New Indemnity at the Extraordinary General Meeting of the Company to be held to consider the transaction. An Independent Board Committee will be formed to advise the Independent Shareholders on the New Indemnity.

The Independent Board Committee has been formed to advise the Independent Shareholders on the New Indemnity. Yu Ming has been appointed as the independent financial adviser to advise the Independent Board Committee. The text of a letter to the Independent Shareholders from the Independent Board Committee containing their recommendation is set out on page 13 of this Circular. Having regard to the

LETTER FROM THE BOARD

opinion of Yu Ming which is set out on pages 14 to 18 of this Circular, the Independent Board Committee is of the opinion that terms underlying the provision of the New Indemnity to the Connected Parties are fair and reasonable insofar as the interests of the Independent Shareholders and the Company as a whole are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution numbered 1 to be proposed at the Extraordinary General Meeting to approve the provision of the New Indemnity to the Connected Parties.

ADOPTION OF THE NEW SCHEME AND TERMINATION OF OPERATION OF THE EXISTING SCHEME

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 31st July, 1992, the Company adopted the Existing Scheme under which the Board was authorised to grant options to any employees including executive directors of the Company or its subsidiaries, to subscribe for an aggregate of up to 10% of the issued share capital of the Company from time to time. Under the Existing Scheme, the Company granted options to subscribe for a total of 456,580,000 Shares in which options to subscribe for 49,030,000 Shares have been exercised, options to subscribe for 47,310,000 Shares have lapsed and options to subscribe for 360,240,000 Shares remain outstanding.

The new requirements of Chapter 17 of the Listing Rules governing share option schemes of listed issuers and their subsidiaries came into effect on 1st September, 2001. As the terms of the Existing Scheme do not meet such requirements, no further options can be granted thereunder. The Company therefore proposes to adopt the New Scheme which will be in compliance with such new requirements.

The Board proposes to adopt the New Scheme which is desired for providing incentives or rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

A summary of the principal terms of the New Scheme which will be proposed to be approved and adopted by the Company at the Extraordinary General Meeting is set out in Appendix I to this circular.

The New Scheme is conditional upon:

- (i) the passing of an ordinary resolution at the Extraordinary General Meeting approving the adoption of the New Scheme;
- (ii) the termination of operation of the Existing Scheme; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, up to 10% of the number of Shares in issue as at the date of approval of the New Scheme by the Shareholders, the Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Options that may be granted under the New Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, up to 10% of the number of Shares in issue as at the date of approval of the New Scheme by the Shareholders, the Shares which may fall to be issued pursuant to the exercise of any Options that may be granted under the New Scheme.

The New Scheme shall take effect immediately after the ordinary resolution to adopt the New Scheme is approved by the Shareholders and all the conditions as stated in the last paragraph are fulfilled.

LETTER FROM THE BOARD

The operation of the Existing Scheme shall be terminated after the ordinary resolution to terminate the same is approved by the Shareholders. According to paragraph 12 of the Existing Scheme, upon termination of the operation thereof, no further options will be offered but in all other respects the provisions of the Existing Scheme shall remain in force and all options granted under the Existing Scheme shall continue to be valid and exercisable in accordance therewith.

GENERAL MANDATE TO GRANT OPTIONS

Subject to the approval of the New Scheme by the Stock Exchange and the Shareholders, an ordinary resolution will be proposed at the Extraordinary General Meeting for the grant of a general authorisation to the Board to grant Options under the New Scheme which will be not more than 10% of the issued capital of the Company as at the date of passing of the relevant resolution.

VALUE OF ALL OPTIONS

The Board considers that it is not appropriate to state the value of all the Options that can be granted pursuant to the New Scheme as if they had been granted at the Latest Practicable Date for the following reasons:

- (i) the Options to be granted shall not be assignable, and no holder of the Option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option;
- (ii) the calculation of the value of the Options as at the Latest Practicable Date will be based on a number of undetermined but crucial variables such as the subscription price payable for the Shares, the number of Options to be granted under the New Scheme, the exercise period, interest rate, expected volatility and other relevant variables. In particular, the Scheme Period (hereinafter defined) of 10 years will make these volatile variables very difficult to ascertain with accuracy; and
- (iii) the Board believes that the calculation on speculative assumptions would not be meaningful and would be misleading to the Shareholders.

GENERAL MANDATE AND REPURCHASE MANDATE

In order to provide for flexibility and discretion to the Directors to issue new Shares, an ordinary resolution will be proposed at the Extraordinary General Meeting that the Directors be granted a general mandate to allot and issue new Shares up to an amount not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue and fully paid-up at the date of passing such resolution and that the General Mandate be extended by a separate ordinary resolution by adding to the aggregate nominal amount of the share capital of the Company to be issued and allotted pursuant to the General Mandate the nominal amount of any Shares repurchased by the Company pursuant to the Repurchase Mandate.

At the Extraordinary General Meeting, an ordinary resolution will be proposed to the Shareholders that the Directors be granted a general mandate to exercise all the powers of the Company to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the share capital of the Company in issue and fully paid-up at the date of passing the relevant resolution. An explanatory statement as required under the Listing Rules to provide the requisite information concerning the Repurchase Mandate is set out in Appendix III to this circular.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

The notice convening the Extraordinary General Meeting to be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on 18th July, 2002 at 10:00 a.m. at which ordinary resolutions will be proposed to approve (i) the New Indemnity; (ii) the New Scheme; (iii) the termination of operation of the Existing Scheme; (iv) the granting of the General Mandate; (v) the granting of the Repurchase Mandate; and (vi) the extension of the General Mandate. **COHL and its associates will abstain from voting in respect of the resolution approving the New Indemnity.**

A form of proxy for use in connection with the Extraordinary General Meeting is enclosed with this circular. Whether or not you are able to attend the Extraordinary General Meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's registrars, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjournment thereof should you so desire.

RECOMMENDATION

The Board believes that (i) the New Indemnity; (ii) the New Scheme; (iii) the termination of operation of the Existing Scheme; (iv) the granting of the General Mandate; (v) the granting of the Repurchase Mandate; and (vi) the extension of the General Mandate are all in the best interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends you to vote in favour of all the ordinary resolutions set out in the notice of the Extraordinary General Meeting.

GENERAL

Your attention is drawn to additional information set out in the sections headed "Letter from the Independent Board Committee", "Letter from Yu Ming" and in the Appendices.

Yours faithfully,
for and on behalf of the Board
China Overseas Land & Investment Limited
Kong Qingping
Vice Chairman and Chief Executive



中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)

2nd July, 2002

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
PROVISION OF NEW INDEMNITY TO FINANCIAL INSTITUTIONS ISSUING BONDS
FOR THE CONNECTED PARTIES

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the discloseable and connected transaction involving the granting of the New Indemnity, details of which are set out in the section headed “Letter from the Board” in the circular dated 2nd July, 2002 (the “Circular”) to the shareholders of the Company which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Having taken into account the advice of Yu Ming, the independent financial adviser, we consider the terms underlying the provision of the New Indemnity to the Connected Parties are fair and reasonable so far as the interests of the Independent Shareholders are concerned and that continued provision of the indemnity to the Connected Parties is in the interest of the Company and the Independent Shareholders.

Accordingly, we recommend that the Independent Shareholders to vote in favour of the resolution approving the granting of the New Indemnity at the Extraordinary General Meeting.

Yours faithfully,

Independent Board Committee

Dr. Li Kwok Po, David
Director

Hu Zhao Guang
Director



YU MING INVESTMENT MANAGEMENT LIMITED

SUITE 51, 5TH FLOOR, NEW HENRY HOUSE, 10 ICE HOUSE STREET, CENTRAL, HONG KONG

2nd July, 2002

China Overseas Land & Investment Limited
29th Floor
China Overseas Building
139 Hennessy Road
Hong Kong

To the Independent Board Committee

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
PROVISION OF NEW INDEMNITY TO FINANCIAL INSTITUTIONS ISSUING BONDS
FOR THE CONNECTED PARTIES**

INTRODUCTION

We have been appointed to advise the Independent Board Committee in respect of the granting of the New Indemnity, details of which are set out in the Letter from the Board in the circular to the Shareholders of the Company dated 2nd July, 2002 (the “Circular”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors for which they are solely responsible are, to the best of their knowledge, true and accurate at the time they were made and continue to be so on the date of this letter.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and the representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors, nor have we conducted an independent investigation into the business and affairs of the Group or the Connected Parties.

The New Indemnity

On 7th June, 2002, the Board announced the proposal of providing the New Indemnity in place of the Existing Indemnity. The New Indemnity involves the provision of indemnity on behalf of the Connected Parties in favour of the Financial Institutions issuing the Bonds, with value not exceeding HK\$2 billion in aggregate from time to time, on behalf of the Connected Parties.

CSCEC is the ultimate controlling shareholder of the Company through its wholly-owned subsidiary, COHL, which owns 57.12% of the outstanding share capital of the Company. In addition, CSCE (HK) is a wholly-owned subsidiary of COHL. Therefore, the Connected Parties are associates of the controlling shareholder, COHL, and consequently the granting of the New Indemnity on behalf of the Connected Parties constitutes a connected transaction of the Group. Pursuant to the Listing Rules, the granting of the New Indemnity to the Connected Parties requires approval from the Independent Shareholders at the Extraordinary General Meeting. COHL and its associates will abstain from voting in respect of the resolution approving the proposal of the New Indemnity.

The proposal for the New Indemnity will also constitute a discloseable transaction of the Company as the aggregate amount of the Bonds may reach HK\$2 billion from time to time, representing approximately 24.88% of the audited net tangible assets of approximately HK\$8,040 million of the Group as at 31st December, 2001.

Background of the New Indemnity

As a surety for satisfactory performance of works contracts and as a proof of their financial ability to fulfil the capital commitment under the contracts, bidders of work projects have to present the bid bonds when submitting tenders for work projects. Successful bidders will then have to provide the performance bonds. Based on internal information supplied by the Company, the value of the Bonds are usually calculated at between five to 20% of the contract sum. The Connected Parties are approved contractors in public and non-public works and frequently lodges tenders for works projects and therefore required to present the bid bonds in the course of bidding for such projects. When bidding succeed, the Connected Parties will have to provide the performance bonds. As a pre-condition of issuing the Bonds, the Financial Institutions normally require indemnities to be given from the Connected Parties. The indemnities given will cover any action, demands, liabilities, losses and expenses which may result or otherwise incurred or suffered by the Financial Institutions in connection with the Bonds during the term of the grant. CSCEC, being a state-owned enterprise incorporated in the PRC which in order to comply with the relevant laws of the PRC, will have to seek approval from SAFE when providing any indemnities. The seeking of approvals from SAFE lengthens the reaction time of CSCEC to new projects available for bidding. For CSCE (HK) the Financial Institutions normally require indemnities to be given by CSCEC. Again, SAFE's approval will have to be sought. Therefore such indemnities from a Hong Kong incorporated company (which does not require approval from SAFE) improves the chance of the Connected Parties successfully bidding such projects.

PRINCIPAL FACTORS AND REASONS CONSIDERED

Benefits to the Group

Pursuant to a project management agreement between CSCEC and the Company dated 18th August, 1993, CSCEC has undertaken to appoint various indirect wholly-owned subsidiaries of the Company as Joint Project Managers for all public works projects secured by CSCEC. The Joint Project Managers are entitled to receive seven per cent. on the total contract amount as project management fee. Furthermore, pursuant to the Deed of Undertaking and Indemnity dated 8th September, 1993, CSCEC has also undertaken

to use its best endeavours to procure all non-public works projects that would otherwise be awarded to CSCEC be awarded to the Company and should it be unreasonable to expect the Company be awarded these projects, the Joint Project Managers will be appointed on substantially the same terms as for public works. With the consolidation of part of the operations of CSCEC into CSCE (HK) in 2000, applicability of the project management agreement and the Deed of Undertaking and Indemnity is extended to cover CSCE (HK). Based on the above relationship, the Group is going to derive benefit by providing assistance to the Connected Parties in the course of bidding and carrying out the works projects.

The project management fee income received from the Connected Parties for the three years ended 31st December, 1999, 2000 and 2001 was HK\$357.5 million, HK\$248.6 million and HK\$268.9 million respectively, representing approximately 17%, 9% and 10.5% of the total external construction related income generated by the Group in the respective years.

Therefore, even the Group would not receive any direct compensation, it will derive benefits in the form of project management income by providing the New Indemnity which offers flexibility and convenience when the Connected Parties initiate bids for works projects. We are of the view that the above arrangement is being fair and reasonable insofar as the Company and the Shareholders are concerned.

Nature and terms of the New Indemnity

In comparison to the Existing Indemnity, the structure of the New Indemnity has the following features:

1. The term of the Bonds has been extended to six years from three years;
2. The maximum amount of the Bonds to be issued increases from HK\$1 billion to HK\$2 billion;
3. The New Indemnity applies to the Connected Parties. CSCE (HK) is an indirect wholly-owned subsidiary of CSCEC incorporated in Hong Kong. Both the Connected Parties are registered contractors, the businesses of which include building works, roads and drainage works, port works, site formation works and waterworks in Hong Kong; and
4. The New Indemnity covers not only public works but also non-public works projects.

Rationale of the New Indemnity

The maximum amount of the Bonds indemnified under the New Indemnity will be HK\$2 billion, which is arrived at after considering the following factors:

Term of the projects

Recently, there have been construction works projects with life span of more than three years which is out of the scope approved by the Independent Shareholders under the Existing Indemnity. For instance, CSCE (HK) has been awarded a project for civil engineering works in Penny's Bay, where Hong Kong Disneyland will be located, with a project life of six years. According to the Chief Executive's Policy Address 2001, the government and the two railway companies in Hong Kong will invest HK\$600 billion in the next 15 years in infrastructure investments in projects including Hong Kong Disneyland, the Route 9 Tsing Yi to Sha Tin section, the Route 10 North Lantau to Yuen Long Highway, the KCR Lok Ma Chau to Sheung Shui Spur Line, the Southern Kowloon rail link, the Sha Tin to Central rail link and cross border rail and road links. The Directors believe such construction projects should be of longer term as evident by the Penny's Bay project. Therefore it is necessary to

extend the term of the Bonds to six years in the New Indemnity. Furthermore, by extending the term of the Bonds, the balance of Bonds outstanding at any time is expected to increase. Therefore, it is necessary to raise the maximum amount of the Bonds indemnified under the Existing Indemnity.

Coverage of the New Indemnity

The New Indemnity covers both public works projects and non-public works projects bid and carried out by the Connected Parties which will on one hand increase potential projects and project management fee income from the Connected Parties. On the other hand, the extension to cover works projects from both sectors renders the maximum amount indemnified under the Existing Indemnity inadequate as the Directors do not anticipate a drop in amount of projects from the public sector and based on the analysis in the paragraph above, we also have no reason to believe there will be a drop in level of public works.

Claim Record of the Existing Indemnity

The Existing Indemnity was approved by the Independent Shareholders in 2000 and there has been no claim made against the Company as a result of offering the indemnities. The Directors are confident in the Connected Parties in meeting their obligations under the Bonds and are of the view that the increase in exposure on the side of the Company is justifiable.

Strategic Growth of the Group

In face of the uncertain external environment, the Group is pursuing an aggressive strategy in the construction market in Hong Kong, which compared to the property development and investment business of the Group, inherit a lower level of financial risks, especially after the collapse of the property market in 1997. By providing the New Indemnity, the Group is able to generate additional projects and project management fee income which is consistent with the current growth strategy.

Current utilization of the Existing Indemnity

The current amount of indemnity that can be given under the Existing Indemnity is approximately HK\$390 million, which is forecasted to be fully utilized by the end of 2002 based on projects available for bidding and the historical bidding success rate. Therefore, there is a need for raising the maximum amount of Bonds indemnified even without the inclusion of private works or the extended project life.

Financial Impact

It is expected that the provision of the New Indemnity will enhance the project and project management fee income of the Group. Nevertheless, Independent Shareholders should be aware that by providing the New Indemnity, the Group is effectively taking on a contingent liability to indemnify the Financial Institutions for any actions, demands, liabilities, losses and expenses which may result or otherwise incur or suffer by the Financial Institutions in connection with the Bonds issued from time to time. Such indemnities could exceed the maximum amount of the Bonds of HK\$2 billion, which we understand if materialized, will be funded initially by internal resources of the Group then external sources of financing.

However, both CSCEC and CSCE (HK) has undertaken to reimburse the Group for all losses which may arise from providing the New Indemnity subject to approval from the SAFE.

Conclusion

We believe the New Indemnity is fair and reasonable based on the fact that: (i) the Group will derive benefits from additional projects and project management fee income by assisting the Connected Parties in bidding for works projects; (ii) there is practical needs for the increase in the maximum amount of the Bonds indemnified; (iii) there has been no claim made against CSCEC for the past decade and the Group has not suffered any losses by providing the Existing Indemnity; and (iv) CSCEC has undertaken to reimburse the Group for any losses suffered from the New Indemnity subject to the approval from the SAFE. Therefore, we are of the opinion that the terms and conditions of the New Indemnity are fair and reasonable and the provision of the New Indemnity is in the interests of the Company and the Shareholders.

RECOMMENDATION

Having taken into account the information and representations provided to us and the above principal factors, we are of the opinion that the terms and conditions of the New Indemnity are fair and reasonable insofar as the Company and the Independent Shareholders are concerned and the provision of the New Indemnity is in the interest of the Company and the Independent Shareholders. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the provision of the New Indemnity.

Yours faithfully,
For and on behalf of
YU MING INVESTMENT MANAGEMENT LIMITED
Warren Lee
Director

1. DISCLOSURE OF INTERESTS

- (1) As at the Latest Practicable Date, the Directors of the Company and their respective associates had the following interests in the securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 or Part I of the Schedule to the SDI Ordinance), or which were required to be entered in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) Personal Interests in the Shares

Name of director	Number of Shares
Mr. Kong Qingping	460,000
Mr. Yao Peifu	500,000
Mr. Yao Xiancheng	500,000
Mr. Cui Duosheng	5,360,000
Mr. Yip Chung Nam	1,200,000
Mr. Luo Weikang	220,000
Dr. Li Kwok Po, David	200,000

(b) Interests in options to acquire Shares

Name of Director	Number of Shares under options granted on			
	17th July, 1997	14th February, 1998	30th September, 1998	4th January, 2000
	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4)</i>
Sun Wen Jie	6,880,000	20,000,000	3,800,000	2,500,000
Kong Qingping	1,000,000	11,000,000	1,840,000	2,000,000
Yao Peifu	3,800,000	15,000,000	2,000,000	2,000,000
Yao Xiancheng	3,800,000	15,000,000	2,000,000	2,000,000
Cui Duosheng	1,000,000	9,000,000	1,440,000	1,700,000
Cheung Shiu Kit	1,000,000	—	—	—
Yip Chung Nam	800,000	1,000,000	—	—
Luo Weikang	900,000	5,000,000	880,000	1,500,000
Wu Jianbin	550,000	800,000	720,000	1,300,000

Notes:

- (1) The share options were granted at an exercise price of HK\$4.06 per Share, exercisable for the period from 17th July, 1998 to 16th July, 2007 (both days inclusive).
- (2) The share options were granted at an exercise price of HK\$1.08 per Share, exercisable for the period from 14th February, 1999 to 13th February, 2008 (both days inclusive).
- (3) The share options were granted at an exercise price of HK\$0.52 per Share, exercisable for the period from 30th September, 1999 to 29th September, 2008 (both days inclusive).

- (4) The share options were granted at an exercise price of HK\$0.58 per Share, exercisable for the period from 4th January, 2001 to 3rd January, 2010 (both days inclusive).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, or their associates had or were deemed to have any interests in any securities of the Company or any of its associated corporations (as defined in the SDI Ordinance) which was required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of or Part 1 of the Schedule to the SDI Ordinance) or which was required pursuant to Section 29 of the SDI Ordinance to be entered in the register referred to therein, or which was required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, and none of the Directors or chief executive of the Company, or their spouse or children under the age of 18, had any right to subscribe for any securities of the Company, or had exercised any such right.

- (2) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31st December, 2001 (being the date to which the latest published audited consolidated accounts of the Group were made up) been acquired or disposed of by or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to the Company or any of its subsidiaries.
- (3) Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.

2. SERVICE CONTRACTS

There are no existing or proposed service contracts between any of the Directors and the Company or any of its subsidiaries respectively, other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

3. SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date and as far as the Directors are aware or can be ascertained after reasonable enquiry and according to the register kept by the Company under Section 16(1) of the SDI Ordinance, no persons (other than the Directors and chief executives of the Company whose interests are disclosed above) had an interest of 10 % or more of the issued share capital of the Company or its holding company.

Name of Shareholder	Number of Shares held	Approximate percentage of the outstanding share capital of the Company
China Overseas Holdings Limited	3,122,890,800	57.12%
CSCEC	3,122,890,800	57.12%

CSCEC owns 100% of China Overseas Holdings Limited and is accordingly deemed by the SDI Ordinance to be interested in 3,122,890,800 Shares directly owned by China Overseas Holdings Limited.

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

5. EXPERT'S DISCLOSURE OF INTEREST AND CONSENT

As at the Latest Practicable Date, Yu Ming had no direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, Yu Ming had no interests, either directly or indirectly, in the promotion of or in any assets which have been since 31st December, 2001 (being the date to which the latest published audited consolidated accounts of the Group were made up) acquired by or disposed of or leased to, or are proposed to be acquired by or disposed of or leased to any member of the Group.

Yu Ming has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

6. MISCELLANEOUS

- (a) Save as disclosed herein, the Directors are not aware of any material adverse change in the Group's financial or trading position since 31st December, 2001, the date to which the latest published audited consolidated accounts of the Group were made up.
- (b) The secretary of the Company is Mr. Keith Cheung, who is a practising solicitor.
- (c) The registered office of the Company is situated at 29th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the office of the Company, 29th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong up to and including 18th July, 2002:

- (a) the letter from the Independent Board Committee as set out on page 13 of this circular;
- (b) the letter from Yu Ming as set out on pages 14 to 18 of this circular;
- (c) the written consent referred to in paragraph 5 of this Appendix; and
- (d) the undertakings of CSCEC and CSCE (HK) dated 24th May, 2000 and 27th June, 2002 respectively to reimburse the Group for all losses which may arise from providing the indemnities.

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

1. Purpose

The purpose of the New Scheme is to provide incentives to Participants to contribute further to the Company.

2. Duration

Subject to earlier termination under paragraph 21 below, the New Scheme shall be valid and effective for a period of 10 years commencing on the date on which the New Scheme becomes unconditional (the “Scheme Period”), after which period no further Options will be issued, and thereafter for so long as there are outstanding any unexercised Options granted pursuant thereto and in order to give effect to the exercise of any such Options or otherwise as may be required in accordance with the provisions of the New Scheme.

3. Eligibility

The Board shall be entitled at any time and from time to time during the Scheme Period to offer to grant to any full-time employee, executive director or non-executive director of the Company or any subsidiary, who, in the absolute discretion of the Board, has made valuable contribution to the growth of the Group based on his performance and/or years of service, or is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors (“Participant”), and subject to such conditions as the Board may think fit, an Option to subscribe for such number of Shares as the Board may determine at the subscription price determined in accordance with paragraph 7 below.

4. Restrictions on the grant of Options

The Board shall not offer the grant of an Option to any Participant:

- (a) after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published in the newspapers; or
- (b) within the period of one month immediately preceding the earlier of: (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the listing agreement entered into between the Stock Exchange and the Company) for the approval of the Company’s interim or annual results; and (b) the deadline for the Company to publish its interim or annual results announcement under such listing agreement, and ending on the date of the results announcement.

5. Acceptance and Consideration

A sum of HK\$1.00 is payable as a non-refundable consideration on acceptance by the grantee of an Option within 28 days from the date of the offer letter in accordance with terms of the New Scheme.

6. Granting Options to connected persons

Where any offer of the grant of Options is proposed to be made to a director, chief executive or substantial shareholder of the Company, or any of their respective associates, such offer must first be approved by the independent non-executive directors of the Company (excluding the independent non-executive director who is the grantee of the Options).

If it is proposed that any offer of the grant of Options is to be made to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all Options already granted or to be granted (including Options exercised, cancelled and outstanding) to such person under the New Scheme and any other scheme(s) (including the Existing Scheme) of the Company and/or any subsidiary in the 12 month period up to and including the proposed business day on which the offer of an Option is made to a Participant in accordance with the New Scheme (“Offer Date”):

- (a) representing in aggregate over 0.1 per cent. (0.1%) of the issued share capital of the Company in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of \$5 million,

such offer of the grant of Options must be approved by the shareholders of the Company in general meeting with all the connected persons of the Company abstaining from voting in favour of the proposed grant, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular required to be issued pursuant to the Listing Rules. Any vote taken at the meeting to approve the proposed grant of such Options must be taken on a poll.

Any change in the terms of Options granted to a Grantee who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, pursuant to this paragraph 6 must be approved by the shareholders of the Company in general meeting.

7. *Subscription Price*

The subscription price per Share (“Subscription Price”) shall be determined by the Board and notified to a Participant and shall be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the Offer Date, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five business days immediately preceding the Offer Date; and (c) the nominal value of the Shares.

8. *Rights personal to grantee*

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 or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option, or any part thereof, in favour of such Grantee.

9. *Time of exercise of Option*

An Option may be exercised by the Grantee in accordance with the New Scheme at any time during a period to be notified by the Board to the Grantee, which shall be the period of Nine (9) years commencing on the expiry of One (1) year after the Offer Date and expiring on the last day of such 9 year period (the “Option Period”).

10. *Rights on ceasing employment or death*

- (a) If the Grantee ceasing to be an employee, an executive or a non-executive director, of the Company or any subsidiary for any reason, other than his death or the termination of his employment or office on one or more of the grounds specified in paragraph 15(e) below, the

Grantee may exercise the Option up to his entitlement at the date of cessation (to the extent not already exercised) from the date of such cessation until whichever is the earlier of the date of expiry of the Option Period or the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

- (b) If the Grantee ceasing to be an employee, an executive or a non-executive director of the Company or any subsidiary by reason of death and none of the events which would be a ground for termination of his employment or office, specified in paragraph 15(e) below has occurred, the legal personal representative(s) of the Grantee shall be entitled until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of Twelve (12) months from the date of death to exercise the Option (to the extent not already exercised) in full or to the extent specified in the notice to exercise such Option.

11. *Rights on takeovers*

If a general offer to acquire shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between the Company and its “shareholders” or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional during the Option Period, the Grantee (or his legal personal representatives) shall be entitled to exercise the Option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of fourteen (14) days after the date on which the offer becomes or is declared unconditional, after which the Option shall lapse.

12. *Rights on winding-up*

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees and thereupon, each Grantee (or his legal personal representative) shall be entitled to exercise all or any of his Options at any time not later than five (5) business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

13. *Performance target*

The exercise of Option is not subject to the achievement of any performance targets of the Group.

14. *Ranking of Shares*

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of the Company and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of

the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment, or, if later, before the date of registration of the allotment in the register of members of the Company.

A Share issued upon the exercise of an Option shall not carry voting rights until the registration of the Grantee (or any other person) as the holder thereof.

15. *Lapse of Option*

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of any of the other periods referred to in paragraphs 10 or 11;
- (c) subject to paragraph 12, the earliest of the close of business on the fifth Business Day prior to the general meeting referred to in paragraph 12 or the date of commencement of the winding-up of the Company;
- (d) save as otherwise provided in paragraph 11 or by the Court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Ordinance of a compromise or arrangement between the Company and its members or creditors 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;
- (e) the date on which the Grantee ceases to be an employee, an executive or a non-executive director of the Company or any subsidiary by reason of the termination of his employment or office, on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment or office at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiary. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment or office of a Grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 or that one or more of the grounds specified in this paragraph has arisen in respect of the employment or office of a Grantee shall be conclusive and binding on the Grantee and, where appropriate, the Grantee's legal personal representatives; or
- (f) where the Grantee commits a breach of paragraph 8, the date on which the Board shall exercise the Company's right to cancel the Option.

16. *Maximum number of Shares*

As at the Latest Practicable Date, the number of Shares in issue was 5,466,883,609. On these basis, the maximum number of Shares under the Options that can be granted by the Company under the New Scheme would be 546,688,360 under the 10% limit referred to in (a) below.

The limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Scheme, together with all outstanding Options granted and yet to be exercised under any other share option scheme(s) (including the Existing Scheme) of the Company and/or any subsidiary, must not exceed 30% of the issued share capital of the Company from time to time.

Subject always to the overall limit specified above:

- (a) the Board may, pursuant to a general mandate granted by Shareholders to the Board to grant Option under the New Scheme, issue Options pursuant to the New Scheme generally and without further authority in respect of up to a maximum number of Shares (when aggregated with any Shares subject to any other share option scheme(s) of the Company and/or any subsidiary) equal to 10 per cent. (10%) of the number of Shares in issue as at the Adoption Date. Options lapsed in accordance with the terms of the New Scheme or any other share option scheme(s) (including the Existing Scheme) of the Company and/or any subsidiary shall not be counted for the purpose of calculating the 10 per cent. (10%) limit;
- (b) the Board may refresh the 10 per cent. (10%) limit referred to in (a) above from time to time by obtaining shareholders' approval given by resolution passed at a general meeting of the shareholders of the Company and the issue of a circular to the shareholders of the Company in connection therewith, provided that the maximum number of Shares in respect of which Options may be granted under the New Scheme (when aggregated with any Shares subject to any other share option scheme(s) of the Company and/or any subsidiary) under the limit as refreshed must not exceed 10 per cent. (10%) of the number of Shares in issue as at the date of the approval of the limit, excluding any Shares that are subject to Options previously granted under the New Scheme or any other share option scheme(s) (including the Existing Scheme) of the Company and/or any subsidiary;
- (c) the Board may issue Options in excess of the limit referred to in (a) and (b) above to specified Grantees subject to having first obtained the authority so to do by obtaining shareholders' approval given by resolution passed at a general meeting of the shareholders of the Company to grant the Options in the amounts and to the Grantees specified in the resolution and the issue of a circular to the shareholders of the Company in connection therewith.

Subject to paragraph 6, no Participant shall be granted an Option which, if exercised in full, would result in such Participant, within any twelve month period, becoming entitled to subscribe for such number of Shares as when aggregated with the total number of Shares already issued and issuable under all the Options previously granted to him (including exercised, cancelled and outstanding options) would exceed one per cent (1%) of the number of Shares in issue for the time being. Any further grant of the Options in excess of this one per cent. (1%) limit is subject to shareholders' approval given by resolution passed at a general meeting of the shareholders of the Company (with the relevant Participant and his associates abstaining from voting) and the issue of a circular to the shareholders of the Company in connection therewith.

17. Reorganisation of Capital Structure

In the event of any capitalisation of profits or reserves, rights issue, consolidation or sub-division of shares or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction), such corresponding alterations (if any) shall be made in:

- (a) the number of Shares subject to the New Scheme in the event of a consolidation or subdivision of Shares only;

- (b) the number of Shares subject to outstanding Options; or
- (c) the Subscription Price in relation to each outstanding Option,

provided that any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which an Option entitles the Grantee to subscribe after such alteration shall remain the same as that to which the Option carried entitlement immediately before such alteration, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value. In respect of any adjustment required by this paragraph, other than any made on a capitalisation issue, an independent financial adviser or the Auditors must also confirm to the Board in writing that the adjustments satisfy the foregoing proviso. The capacity and role of the independent financial adviser or the Auditors pursuant to this paragraph is that of experts and not of arbitrators and their confirmation shall be final and binding on the Company and the Grantees. The costs of the independent financial adviser or the Auditors shall be borne by the Company.

18. *Cancellation*

Where it is desired that any Options granted but not exercised should be cancelled, the Board may effect such cancellation in a manner that complies with any legal requirements for cancellation.

Where Options are cancelled pursuant to this paragraph, further Options may be granted in relation to the Shares under such cancelled Options in accordance with the provisions of the New Scheme.

Where the Company cancels Options and issues new Options to the same Grantee, the issue of such new Options may only be made under a share option scheme with available unissued Options (excluding cancelled options) within the limit approved by the shareholders of the Company as referred to in paragraph 16.

19. *Alteration of the New Scheme*

The New Scheme may be altered in any respect by resolution of the Board except that paragraph 1, 2, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 21 of this Appendix, this paragraph, definition of “Grantee”, “Participant” and “Scheme Period” and other administration provisions stated in the New Scheme shall not be altered to the advantage of Grantees or prospective Grantees unless with the prior sanction of a resolution of the shareholders of the Company in general meeting.

20. *Effect of alteration of the New Scheme*

No alteration of the New Scheme shall operate to affect adversely the terms of issue of any Option granted or offered to any Participant for acceptance prior to such alteration, except:

- (a) in the case of the cancellation of any Option, with the consent of the holder of the Option concerned;
- (b) in the case of an alteration (other than as referred to in Clause 13.2(a)) affecting some but not all outstanding Options, with the written consent or sanction of such number of Grantees as shall together hold Options of the class affected in respect of not less than three fourths in nominal value of all Shares then the subject of such Options or with the sanction, given by resolution at a meeting of the relevant Grantees, passed by such majority of Grantees in respect of the nominal

value of all Shares then the subject of the outstanding Options of the class affected as would be required at a meeting of the shareholders of the Company under the memorandum and articles of association for a variation of rights attached to the Shares;

- (c) in the case of an alteration (other than as referred to in paragraph 20(a)) affecting all Options, with the written consent or sanction of such number of Grantees as shall together hold Options in respect of not less than three fourths in nominal value of all Shares then the subject of such Options or with the sanction, given by resolution at a meeting of the Grantees passed by such majority of the Grantees in respect of the nominal value of all Shares then the subject of the outstanding Options as would be required at a meeting of the shareholders of the Company under the memorandum and articles of association of the Company for a variation of rights attached to the Shares.

Any alterations to the terms and conditions of the New Scheme which are of a material nature or any change to the terms of Options must be approved by the shareholders of the Company, except where the alterations take effect automatically under the existing terms of the New Scheme.

The amended terms of the New Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

21. *Termination*

The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Scheme and in such event no further Options will be offered but the provisions of the New Scheme shall remain in force in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Scheme.

22. *Conditions precedent*

The New Scheme shall take effect subject to (i) the passing of the necessary resolution to adopt the New Scheme by the shareholders of the Company in general meeting; (ii) the granting by resolution of the shareholders of the Company in general meeting of a general mandate to the Board to issue Options under the New Scheme; and (iii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in, up to 10% of the number of Shares in issue as at the date of approval of the New Scheme by the Shareholders, the Shares which may fall to be issued pursuant to the exercise of Options under the New Scheme.

This Appendix serves as an explanatory statement required by the Listing Rules, and also as a memorandum of the terms of a proposed repurchase of shares required by section 49BA(3)(b) of the Companies Ordinance (Cap. 32 of the laws of Hong Kong), to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions in relation to the Repurchase Mandate.

LISTING RULES

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

(a) Shareholders' approval

All proposed repurchases of shares on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval.

(b) Source of funds

Repurchases of shares must be funded entirely from the company's available cashflow or working capital facilities and will be made out of funds legally available for such purpose in accordance with the company's memorandum and articles of association and the laws of Hong Kong.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprises of 5,466,883,609 Shares. Subject to the passing of the relevant resolution, the Company will be allowed to repurchase a maximum of 546,688,360 Shares on the assumption that there will be no change in the issued share capital prior to the Extraordinary General Meeting.

REASONS FOR REPURCHASES

The Directors believe that it is in the best interest of the Company and its Shareholders to have general authority from Shareholders to enable the Directors to exercise the Company's powers to repurchase Shares of the Company on the Stock Exchange. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per share and/or earnings per share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

FUNDING OF REPURCHASES

In repurchasing shares, the Company may only apply funds entirely from the Company's available cashflow or working capital facilities and will be made out of funds legally available for such purpose in accordance with its memorandum and articles of association and the laws of Hong Kong.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the Annual Report for the year ended 31st December, 2001) in the event that the proposed 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 requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

DISCLOSURE OF INTERESTS

None of the Directors nor, to the best of the knowledge of the Directors, having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention to sell any shares to the Company or any of its subsidiaries in the event that the Repurchase Mandate is approved by the Shareholders.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell any shares to the Company or he/she has undertaken not to sell any of the shares held by him/her to the Company, in the event that the Company is authorised to exercise the Repurchase Mandate.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and the applicable laws of Hong Kong.

EFFECT OF THE TAKEOVERS CODE

If as a result of a repurchase of shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeover Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert could as a result of such increase obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, COHL beneficially owned 3,122,890,800 Shares, representing approximately 57.12% of the total issued share capital of the Company. COHL is ultimately beneficially owned by China State Construction Engineering Corporation which is a state-owned enterprise established in the PRC.

As at the Latest Practicable Date, Messrs. Kong Qingping, Li Fuyou, Yao Peifu, Yao Xiancheng, Cui Duosheng, Yip Chung Nam, Luo Weikang and Li Kwok Po, David, Directors of the Company, beneficially held 8,940,000 Shares, representing approximately 0.16% of the total issued share capital of the Company.

In the event that the Directors exercise in full the power to repurchase the shares, the collective shareholdings of COHL and the Directors would be increased to about 63.68% and it would be expected to give rise to an obligation to make a mandatory offer in accordance with Rule 26 and 32 of the Takeover Code. However, the Directors have no present intention to exercise the Repurchase Mandate to the extent that would increase the proportionate interest in the Company of COHL by more than 2%.

SHARE REPURCHASES MADE BY THE COMPANY

The Company has not repurchased any of its shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

SHARE PRICES

The highest and lowest prices at which the shares of the Company were traded on the Stock Exchange during each of the previous 12 months were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
May	1.44	1.04
June	1.48	1.12
July	1.47	1.16
August	1.33	1.09
September	1.27	0.62
October	0.94	0.73
November	1.02	0.87
December	1.11	0.92
2002		
January	1.06	0.94
February	1.02	0.92
March	1.02	0.90
April	0.94	0.89
May	1.01	0.91



中國海外發展有限公司
CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of China Overseas Land & Investment Limited be held at 30th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong on 18th July, 2002 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 as more specifically indicated below:

ORDINARY RESOLUTIONS

1. **“THAT** the Indemnity (as defined in the circular dated 2nd July, 2002 despatched to the shareholders of the Company (“Circular”)) be hereby approved on the basis that:
 - (I) the aggregate amount of the Bonds (also defined in the Circular) that the Indemnity would secure will not exceed HK\$2 billion from time to time;
 - (II) the Bonds will be used by China State Construction Engineering Corporation and China State Construction Engineering (Hong Kong) Limited jointly for making tenders for and securing performance of both public and non-public works it secures in Hong Kong;
 - (III) the period during which the Financial Institutions may provide the Bonds will be a period of not more than 6 years from the date on which the relevant Financial Institutions offers the granting of the Bonds;

AND THAT the Directors be and are hereby authorised generally to do all things and executed all documents which may be necessary or desirable to give effect and to complete the foregoing.”

2. **“THAT:**
 - (I) conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) of approval of the share option scheme (the “New Scheme”, a copy of which has been tabled before the meeting and marked “A” and signed by the chairman of this meeting for the purpose of identification) and the subsequent granting of any options thereunder, the termination of operation of the Existing Scheme (as defined in Resolution (ii) below) and the listing of, and permission to deal in, the shares of HK\$0.10 each in the capital of the Company (the “Shares”) which may fall to be issued pursuant to the New Scheme, the New Scheme be and is hereby approved and adopted by the Company;
 - (II) the termination of operation of the existing share options scheme (“Existing Scheme”) of the Company adopted at the extraordinary general meeting of the Company held on 31st July, 1992 in accordance with paragraph 12 of the Existing Scheme be and is hereby approved; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (III) with effect from the date of the New Scheme becomes unconditional, the Directors be and are hereby authorised to take such steps as may be necessary to implement and administer the New Scheme in accordance with the provisions thereof and the Directors be and are hereby authorised to offer and grant options under the New Scheme and to allot, issue and otherwise deal with the Shares pursuant to the exercise of any options which may fall to be granted under the New Scheme, and that to the extent permissible under the articles of association of the Company, the Rules Governing the Listing of Securities on the Stock Exchange and the rules of the New Scheme, the Directors may vote in respect of any resolution(s) under or affecting the New Scheme (including the granting of options thereunder or approving the allotment and issue of Shares upon exercise of options thereunder) notwithstanding any interest(s) of any Director(s).”

3. (I) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to purchase shares in the capital of the Company be and it is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company which may be purchased by the Company on the Stock Exchange or any other stock exchange 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 pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval given under this Resolution in paragraph (a) above shall be limited accordingly; and
- (c) for the purpose 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 the Articles of Association of the Company and/or the Companies Ordinance of Hong Kong to be held; and
- (iii) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

(II) **“THAT:**

- (a) subject to paragraph (c) below, pursuant to Section 57B of the Companies Ordinance the exercise by the Directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and it is hereby generally and unconditionally approved;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the approval in paragraph (a) above shall authorise the Directors of the Company 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, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue, (ii) the exercise of rights of subscription or conversion under the terms of any securities or bonds which are convertible into Shares of the Company, (iii) any option scheme or similar arrangement for the time being adopted for the grant or issued to directors 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 the aggregate of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and (bb) if the Directors are so authorised by a separate ordinary resolution of the Shareholders of the Company, the nominal amount of share capital of the Company repurchased by the Company subsequent to the passing of this Resolution up to a maximum equivalent of 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval given under this Resolution in paragraph (a) above 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 the Articles of Association of the Company and/or the Companies Ordinance of Hong Kong to be held; and
- (iii) the revocation or variation of the approval given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares 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 any class thereof (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 or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (III) “**THAT** conditional upon the passing of Resolution 3(I) set out in the notice of this Meeting, the aggregate nominal amount of Shares of the Company which are purchased by the Company pursuant to and in accordance with the said Resolution 3(I) shall be added to the aggregate nominal amount of Shares of the Company that may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to and in accordance with Resolution 3(II) set out in the notice of this Meeting.”

By order of the Board
China Overseas Land & Investment Limited
Kong Qingping
Vice Chairman and Chief Executive

Hong Kong, 2nd July, 2002

Registered office:

29th Floor
China Overseas Building
139 Hennessy Road, Wanchai
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company. A form of proxy for use at the meeting is enclosed herewith.
2. Where there are joint holders of any share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he or she were solely entitled thereto, but if more than one of such joint holders be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, the form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy thereof, must be deposited at the office of the Company's registrar, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the accompanying form of proxy will not preclude members of the Company from attending and voting in person at the meeting or any adjournment thereof should they so wish.



中國海外發展有限公司

CHINA OVERSEAS LAND & INVESTMENT LTD.

(incorporated in Hong Kong with limited liability)

Form of proxy for use at the Extraordinary General Meeting to be held on Thursday, 18th July, 2002 and at any adjournment thereof

I/We^(Note 1) _____
of _____
being the registered holder(s)^(Note 2) of _____ shares of HK\$0.10 each in the capital of
CHINA OVERSEAS LAND & INVESTMENT LIMITED 中國海外發展有限公司 (the "Company"), HEREBY APPOINT THE
CHAIRMAN OF THE MEETING or^(Note 3) _____
of _____
as my/proxy to attend and vote for me/us at the Extraordinary General Meeting of the Company to be held on Thursday, 18th
July, 2002 at 10:00 a.m. and at any adjournment thereof and to vote for me/us in my/our name(s) in respect of the ordinary
resolutions set out in the Notice of the said meeting as indicated below^(Note 4).

Ordinary Resolutions:		FOR	AGAINST
1.	To approve the New Indemnity in respect of the Bonds		
2.	(I) To approve and adopt the New Share Option Scheme		
	(II) To approve the termination of operation of the Existing Share Option Scheme		
	(III) To approve the giving of authorisation to the directors to grant options under the New Share Option Scheme up to 10% of the issued share capital of the Company		
3.	(I) To approve the giving of authorisation to the directors to repurchase shares up to 10% of the issued share capital of the Company		
	(II) To approve the giving of authorisation to the directors to allot and issue new shares up to 20% of the issued share capital of the Company		
	(III) To approve the extension of the general mandate to be granted to the directors pursuant to Resolution 3(i) above		

Dated: _____ 2002

Signature^(Note 5) _____

Notes:

- Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
- Please insert the number of shares of HK\$0.10 each registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all shares of the Company registered in your name(s).
- If any proxy other than the Chairman is preferred, strike out "**THE CHAIRMAN OF THE MEETING**" and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE IN THIS FORM OF PROXY MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**
- IMPORTANT: IF YOU WISH TO VOTE FOR THE ORDINARY RESOLUTION, PLACE A TICK IN THE BOX MARKED "FOR", IF YOU WISH TO VOTE AGAINST THE ORDINARY RESOLUTION, PLACE A TICK IN THE BOX MARKED "AGAINST".** Failure to complete either box will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than that referred to in the Notice convening the meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be either under its common seal or under the hand of an officer or attorney duly authorised.
- Where there are joint registered holders of any share, any one of such persons may vote at the meeting either personally or by proxy in respect of such share as if he was 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 of members in respect of such share shall alone be entitled to vote in respect thereof.
- To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited with the Company's registrars, 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 holding the meeting or adjourned meeting (as the case may be).
- The proxy need not be a member of the Company.