

If you are in any doubt about this circular or as to the action to be taken, you should consult a stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in CNT Group Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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CNT GROUP LIMITED

(北海集團有限公司)*

(Incorporated in Bermuda with limited liability)

**PROPOSALS FOR
TERMINATION OF THE EXISTING SHARE OPTION SCHEME
ADOPTION OF NEW SHARE OPTION SCHEME
GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
AMENDMENTS TO THE BYE-LAWS
AND
ADOPTION OF CHINESE NAME**

A notice convening the special general meeting of the Company to be held at 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong on Friday, 28 June 2002 at 11:45 a.m. (or as soon as the annual general meeting of the Company convened at the same place and date at 11:30 a.m. shall be concluded or adjourned) is appended to this circular. Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

* For identification purposes only

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Chairman	
1. Termination of the Existing Share Option Scheme and Adoption of New Share Option Scheme	
Introduction	3
Purposes of the Share Option Scheme	4
Value of the Options	5
Termination of the Existing Share Option Scheme and Adoption of the Share Option Scheme	5
Conditions of the Share Option Scheme	6
2. Grant of General Mandates to Issue and Repurchase Shares	6
3. Amendments to the Bye-Laws	7
4. Adoption of Chinese Name	7
5. Special General Meeting	7
6. Recommendation	8
7. Further Information	8
Appendix I — General Information	9
Appendix II — Summary of the Share Option Scheme	10
Appendix III — Explanatory Statement for the Repurchase Mandate	15
Notice of Special General Meeting	18

DEFINITIONS

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

“Allotment 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 Special General Meeting
“associate”	has the meaning ascribed to it under the Listing Rules
“Company”	CNT Group Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on the Stock Exchange
“Date of Grant”	the business day on which an option is granted by resolution of the board of Directors and issue of an option certificate, provided that such resolution and issue of option certificate shall not be later than 7 days after the end of the period for acceptance by the Participant
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	23 April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Participant”	any person who satisfies the eligibility requirements in the Share Option Scheme, a summary of which is set out in paragraph (b) of Appendix II to this circular
“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 Special General Meeting
“Share”	the ordinary share in the capital of the Company with a par value of HK\$0.1 each (or such other prevailing par value from time to time)

DEFINITIONS

“Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the Special General Meeting, a summary of the principal terms of which is set out in Appendix II to this circular
“Shareholder(s)”	shareholder(s) of the Company
“Special General Meeting”	the special general meeting of the Company to be held on Friday, 28 June 2002 at 11:45 a.m. (or as soon as the annual general meeting of the Company convened at the same place and date at 11:30 a.m. shall be concluded or adjourned), the notice of which is appended to this circular, or any adjournment thereof
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers
“trading day”	means a day on which the Stock Exchange is open for the trading of securities
“%”	per cent.



CNT GROUP LIMITED
(北海集團有限公司)*

(Incorporated in Bermuda with limited liability)

Executive and Non-executive Directors:

Tsui Tsin Tong (*Chairman*)

Sir David Akers-Jones** (*Deputy Chairman*)

Tsui Ho Chuen, Philip (*Executive Deputy Chairman*)

Tsui Yam Tong, Terry (*Managing Director*)

Lam Ting Ball, Paul (*Managing Director*)

Lau Wong Fat**

Wu Tat Po

Li Hui Yan**

** *independent non-executive Director*

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Principal place of business:

31st Floor

CNT Tower

338 Hennessy Road

Wanchai

Hong Kong

26 April 2002

To the Shareholders

Dear Sir or Madam,

**1. TERMINATION OF THE EXISTING SHARE OPTION SCHEME
AND ADOPTION OF NEW SHARE OPTION SCHEME**

Introduction

In response to the recent changes in those provisions governing share option scheme in the Listing Rules, the Directors propose that the existing share option scheme of the Company should be replaced by a new scheme which complies with the new requirements of the Listing Rules. The purpose of this circular is to provide you with information in respect of an ordinary resolution to be proposed at the Special General Meeting for the approval of: (i) the termination of the existing share option scheme for executive directors and employees of the Group; (ii) the adoption of the Share Option Scheme in replacement of the existing share option scheme of the Company; and (iii) the grant to the Directors' authority to grant options under the Share Option Scheme and to issue and allot Shares following the exercise of such options by the grantees thereof.

* *For identification purposes only*

LETTER FROM THE CHAIRMAN

Purposes of the Share Option Scheme

With effect from 1 September 2001, the provisions governing share schemes of a listed issuer in the Listing Rules have been changed. The changes allow greater flexibility in the operation of share schemes, and on the other hand, place stricter requirements in respect of, among other things, grant of options to connected persons, the exercise price of the options and disclosure of information relating to options in annual and interim reports.

The Company adopted its existing share option scheme (“**existing share option scheme**”) for executive directors and employees of the Group on 13 June 2001. Under the existing share option scheme, options in respect of a total of 152,284,000 Shares have been granted as at the Latest Practicable Date. Out of these granted options, no options have been exercised or cancelled and options in respect of 1,076,000 Shares have lapsed. The remaining options in respect of 151,208,000 Shares that have been granted but remain unexercised will expire on 27 September 2006.

The Directors confirm that they have not exercised and will not further exercise their authorities to grant options under the existing share option scheme between the Latest Practicable Date and the date of the Special General Meeting.

Prior to the adoption of the existing share option scheme, the Company had a share option scheme (“**old share option scheme**”) which came into operation on 2 May 1991 and expired on 2 May 2001. The options granted under the old share option scheme but remain unexercised are as follows:

No. of Shares	Expiry date
16,000,000	23 August 2003
8,000,000	26 April 2006

In order to comply with the latest requirements of the Listing Rules, the Directors propose to adopt the Share Option Scheme in replacement of the Company’s existing share option scheme. Options granted and not yet exercised under the existing share option scheme and the old share option scheme before the adoption of the Share Option Scheme will however remain effective and bound by the terms of the existing share option scheme and the old share option scheme respectively. The Share Option Scheme is a share scheme which, the Directors believe, will recognize and motivate the Participants that made contributions to the Group, provide incentives to the Participants, help the Group retain the existing employees and recruit additional human resources that are valuable to the Group and provide them with a direct economic interest in attaining the long-term development and growth of the Group.

The Directors consider that it would be advantageous to the Group’s development for the Company to adopt the Share Option Scheme. The grant of options to the employees or other eligible persons under the Share Option Scheme will provide the Participants a personal stake in the Company, which the Directors believe, will help the building of common objectives of the Group and the Participants for the betterment of business and profitability of the Group. The grant of options may be subject to conditions which may include the minimum period for which the options must be held and the performance targets that must be achieved before the options can be exercised as laid down

LETTER FROM THE CHAIRMAN

by the board of Directors from time to time and the basis for the exercise price is to be set at a level which reflects generally the Share price at the time of grant of the options. The board of Directors may determine such performance targets and minimum period as it thinks fit without Shareholders' approval after the adoption of the Share Option Scheme, provided that (i) such decision is made by the board of Directors on a case by case basis; and (ii) the board of Directors should not impose such further restriction to the advantage of the Participants. Unless the board of Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance target or comply with any minimum period for which options must be held before any option granted under the Share Option Scheme can be exercised.

The imposition of such conditions and the basis of determination of the exercise price under the Share Option Scheme as set out in paragraph (d) of Appendix II to this circular may provide further incentive to the Participants to perform services for a minimum period, reach a specified level of standard and assist the Group in achieving better results, which the Directors believe, will serve the purposes of the Share Option Scheme.

Value of the Options

The Directors consider it inappropriate to value the options that can be granted under the Share Option Scheme on the assumption that they had been granted at the Latest Practicable Date, as various determinating factors for the calculation of such value cannot be reasonably fixed at this stage. It would not be meaningful and to certain extent would be misleading to the Shareholders if the value of the options is calculated based a set of speculated assumptions. However, the information on value of the options granted in any financial period will be provided to the Shareholders based on Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of relevant financial period for any interim or final results of the Company.

Termination of the existing share option scheme and adoption of the Share Option Scheme

At the Special General Meeting, an ordinary resolution will be proposed for the Company to approve the termination of the existing share option scheme for executive directors and employees of the Group, the adoption of the Share Option Scheme by the Company and the grant to the Directors' authority to grant options under the Share Option Scheme and to issue and allot Shares following the exercise of such options by the grantees thereof.

On the basis of 1,528,188,193 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be issued between the Latest Practicable Date and the date of the Special General Meeting, the Company may initially grant options representing 152,818,819 Shares under the Share Option Scheme, which is approximately 10% of the issued share capital of the Company as at the date of the Special General Meeting.

A summary of the principal terms of the Share Option Scheme is set out in Appendix II to this circular. The maximum number of Shares which may be issued and allotted upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company represents 30% of the issued share capital of the Company from time to time.

LETTER FROM THE CHAIRMAN

Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional upon:

- (i) the termination of the existing share option scheme by an ordinary resolution at the Special General Meeting;
- (ii) the approval by the Shareholders of the Share Option Scheme at the Special General Meeting and the issue and allotment of the Shares which fall to be issued and allotted upon the exercise of the options granted under the Share Option Scheme; and
- (iii) the Stock Exchange granting the approval of the listing of and permission to deal in the Shares which fall to be issued and allotted pursuant to the exercise of any option granted under the Share Option Scheme, not exceeding 10% of the Shares in issue as at the date of adoption of the Share Option Scheme.

2. GRANT OF GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

The existing general mandates to issue and repurchase Shares will expire at the conclusion of the forthcoming annual general meeting of the Company to be held on 28 June 2002. In order to provide flexibility and discretion to the Directors to issue and repurchase Shares, ordinary resolutions will be proposed at the Special General Meeting that: (i) the Directors be granted a general mandate to allot and issue new Shares up to an amount of 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 of such resolution; (ii) 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 of such resolution; and (iii) the Allotment Mandate be extended by adding the nominal amount of all the Shares repurchased by the Company pursuant to the Repurchase Mandate to the aggregate nominal amount of the share capital of the Company to be issued and allotted pursuant to the Allotment Mandate.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,528,188,193 Shares. With reference to the proposed new general mandates, the Directors wish to state that, as at the date hereof, they have no immediate plans to issue any new Share or to repurchase any existing Share.

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 CHAIRMAN

3. AMENDMENTS TO THE BYE-LAWS

At the Special General Meeting, a special resolution will be proposed for the Shareholders to approve certain amendments to the Company's bye-laws. The Directors wish to state that the proposed amendments to the Company's bye-laws is to facilitate the flexibility under the recent amendments of the Listing Rules which allow the Company to send corporate documents to the Shareholders with their prior approval using electronic means and in either English or Chinese only and to offer Shareholders the choice to receive a summary financial report in place of the Company's full financial report from which the former is derived. The new arrangement, if adopted by the Company, will result in a reduction of the volume and costs of the printed documents.

The Company's bye-laws, if amended, will still continue to comply with the requirements of the Listing Rules, the laws of Bermuda and other applicable laws.

4. ADOPTION OF CHINESE NAME

With effect from 3 July 2001, a Bermuda company is allowed to register a Chinese name in Hong Kong. The Directors propose to seek Shareholders' approval on the adoption of “北海集團有限公司”, being the Chinese translation of the Company's English name, for the purpose of registration in Hong Kong. Adoption of the Chinese name is subject to the passing of a special resolution by the Shareholders at the Special General Meeting and the approval of the Registrar of Companies of Hong Kong.

The proposed adoption of the Chinese name will not affect any of the rights of the Shareholders and all existing share certificates in issue bearing only the English name will, after the adoption of the Chinese name, continue to be effective as documents of title of the Shares and be valid for trading, settlement and registration purposes.

5. SPECIAL GENERAL MEETING

A notice convening the Special General Meeting to be held on Friday, 28 June 2002 at 11:45 a.m. (or as soon as the annual general meeting of the Company convened at the same place and date at 11:30 a.m. shall be concluded or adjourned) at 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong is appended to this circular. A form of proxy for use at the Special General Meeting is also enclosed. The form of proxy, in order to be valid, must be deposited in accordance with the instructions printed thereon not less than 48 hours before the time for holding the meeting. Completion and delivery of the form of proxy will not prevent the Shareholders from attending and voting at the Special General Meeting if they wish.

An announcement on the outcome of the resolutions to be proposed at the Special General Meeting will be made by the Company after conclusion of the Special General Meeting.

LETTER FROM THE CHAIRMAN

6. RECOMMENDATION

The Directors consider that the termination of the existing share option scheme and the adoption of Share Option Scheme, the grant of general mandates to issue and repurchase Shares, the amendments to the bye-laws and the adoption of the Chinese name are all in the interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions as set out in the notice of the Special General Meeting.

7. FURTHER INFORMATION

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

Yours faithfully,
Tsui Tsin Tong
Chairman

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors act as trustees of the existing share option scheme or have any direct or indirect interest in the trustees (if any) of the existing share option scheme. The Directors also declare that they will not have any direct or indirect interest in the trustees (if any) of the Share Option Scheme.

3. GENERAL

A copy of the Share Option Scheme will be available for inspection at the principal place of business of the Company at 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong during normal business hours from the date of this circular up to and including 28 June 2002, and at the Special General Meeting.

This Appendix summarises the principal terms of the Share Option Scheme but does not form part of, nor is it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme. The Directors reserve the right at any time prior to the Special General Meeting to make such amendments to the Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not vary in any material aspects with the terms of the Share Option Scheme and the summary in this Appendix and shall comply with the Listing Rules.

The following is a summary of the principal terms of the Share Option Scheme which is proposed to be adopted by the Company as a share incentive scheme for the Company at the Special General Meeting:

- (a) the Share Option Scheme will be valid and effective for a period of 10 years commencing from its date of adoption;
- (b) subject to the terms and conditions of the Share Option Scheme, the board of Directors may, in its absolute discretion, invite any person belonging to any of the following classes of Participants to take up options:
 - (i) any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which the Group holds an equity interest, including any executive director of the Company or any of its subsidiaries or Invested Entity;
 - (ii) any non-executive directors (including independent non-executive directors) of the Company or any of its subsidiaries or any Invested Entity;
 - (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
 - (iv) any customer of the Group or any Invested Entity;
 - (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; or
 - (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any security issued by any member of the Group or any Invested Entity;

and, for the avoidance of doubt, the grant of any option by the Company for the subscription of Shares to any person who fall within any of the above classes of Participants shall not, by itself, unless the board of Directors otherwise determines, be construed as a grant of option under the Share Option Scheme;

The basis of eligibility of any Participant to the grant of any option shall be determined by the board of Directors (or the case may be, the independent non-executive Directors) from time to time on the basis of their contribution to the development and growth of the Group;

- (c) the Directors may, at their discretion, invite the Participants to take up options to subscribe for the Shares at a price calculated in accordance with paragraph (d) below. No payment is needed as a consideration for the grant;
- (d) the subscription price for a Share under the Share Option Scheme shall be not lower than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the Date of Grant; and (iii) the nominal value of a Share;
- (e) (i) subject to (ii) and (iii) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company (excluding options lapsed in accordance with the Share Option Scheme and any other schemes of the Company) must not in aggregate exceed 10% of the Shares in issue at the date of adoption of the Share Option Scheme;
- (ii) the 10% limit under (i) above may be refreshed by approval by the Shareholders in general meeting. However, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the limit. Options previously granted under the Share Option Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme and other schemes of the Company or exercised options) will not be counted for the purpose of calculating the limit as refreshed;
- (iii) the Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit under (i) or (ii) provided the options in excess of the limit are granted only to Participants specifically identified by the Company before such approval is sought and the Company must send a circular to the Shareholders in compliance with the Listing Rules;
- (iv) notwithstanding the aforesaid, the limit on the number of the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under any scheme of the Company if this will result in the limit being exceeded;
- (f) the total number of Shares issued and to be issued upon exercise of all options granted to each Participant (including the exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue unless the same is approved by the Shareholders in general meeting. Where any further grant of options to a Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including the exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his associates (having the same meaning ascribed to it in Rule 1.01 of Chapter 1 of the Listing Rules in relation to any director, chief executive or substantial shareholder (being an individual) of an issuer) abstaining from voting. The Company must send a circular to the Shareholders in accordance with the Listing Rules;

- (g) no options may be granted to a Director, chief executive or substantial shareholder of the Company or any of their respective associates unless it is approved by the independent non-executive Directors (excluding those who are the grantees), and if the grant to a substantial shareholder of the Company and an independent non-executive Director or any of their respective associates in the preceding 12-month period up to and including the date of such grant results in the Shares issued and to be issued upon exercise of all options already granted (including options exercised, cancelled and outstanding) to such person exceeding 0.1% of the Shares in issue and based on the closing price of the Shares at the date of each grant, having a value in excess of HK\$5 million, such grant must be subject to the approval of the Shareholders in general meetings in which all connected persons of the Company (as defined in the Listing Rules) must abstain from voting in such general meeting (except where any connected person intends to vote against the proposed grant). A shareholders' circular must be prepared by the Company explaining the proposed grant, disclosing the number and terms (including the exercise price) of the options to be granted and containing a recommendation from the independent non-executive Directors (excluding independent non-executive Director who is the grantee) on whether or not to vote in favour of the proposed grant. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder of the Company (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates must be approved by the Shareholders in a general meeting;
- (h) an option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Directors to the grantee, but in any event not beyond the 10-year period after the date of adoption of the Share Option Scheme, and the offer of the grant may impose performance targets that must be achieved and a minimum period that an option must be held before the options can be exercised. The board of Directors may determine such performance targets and minimum period as it thinks fit;
- (i) an option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, encumber or create any interest in favour of any third party over or in relation to such option. Any breach of these restrictions will automatically render the option lapsed;
- (j) the board of Directors and any holder of option may agree to cancel the option granted to such holder but not exercised upon such term as the board of Directors may think fit. New options may be issued to the same person in place of his cancelled options only if there are available unissued options (excluding the cancelled options) within the limit on the maximum number of option that can be granted by the Company under Rule 17.03(3) of the Listing Rules;
- (k) options will lapse in certain circumstances, including the occurrence of the earliest of:
- (i) the expiry of the relevant option period;
 - (ii) if the grantee is an employee or a Director when an offer is made to him and subsequently ceases to be an employee or a Director by reason of death and, before the grantee's death, (1) the grantee has not been convicted of any criminal offence

involving his integrity or honesty; and/or (2) the grantee's employment/directorship has not been determined/ceased, the legal representative(s) of the grantee shall be entitled before the expiration of 6 months from the date of death (or such longer period within the relevant option period as the board of Directors may determine) to exercise the option in full, otherwise the option will lapse upon the expiry of such 6-month or such longer period;

- (iii) subject to sub-paragraph (ii) above, if the grantee of an option is an employee when an offer is made to him and subsequently ceases to be an employee, the option will lapse from the date of termination of the employment;
 - (iv) the date of commencement of the winding-up of the Company;
 - (v) subject to sub-paragraph (ii) above, if the grantee is a director, but not an employee, of the Group, the option will lapse upon the date of cessation of his appointment as a director;
 - (vi) in the event of a compromise or amalgamation between the Company and its members or creditors being proposed in connection with any scheme for the reconstruction or amalgamation of the Company, the grantee (or his legal personal representative(s)) may, upon receipt of any notice of meeting from the Company, exercise the option by notice in writing to the Company not later than 7 business days prior to the proposed meeting to consider such scheme or arrangement, otherwise the option will lapse upon the expiry of such 7-business-day period;
 - (vii) if the grantee is a corporation, the grantee entering into receivership, liquidation or similar situation, or has had such positions presented against it or has made any arrangements or compositions with its creditors;
- (l) if a general offer (whether by takeover offer or scheme of arrangement or otherwise in like manner) is made to holders of the Shares and such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the grantee (or his legal personal representative(s)) shall be entitled to exercise the option not yet exercised in full at any time up to the close of the offer or the record date for entitlements under the scheme of arrangement, as the case may be;
 - (m) in the event of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (excluding issue of the Shares as consideration in a transaction and share placement and issue of the Shares as a result of the exercise of options) while any option remains exercisable, corresponding alterations shall be made in the number of the Shares subject to option so far unexercised, and/or the subscription price subject to which the option can be exercised as the auditors or the independent financial adviser shall at the request of the Company certify in writing to be in their opinion fair and reasonable and satisfy the requirements of the Listing Rules provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be

issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;

- (n) in the event that 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 it dispatches such notice to its members give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options which have not been exercised at any time not later than 7 business days prior to the proposed general meeting of the Company accompanied by a remittance for the full amount of the aggregate subscription prices for the Shares in respect of which the notice is given and any reasonable administration charges specified by the Company from time to time together with the relevant option certificate, 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 allot the relevant Shares, fully paid, to the grantee;
- (o) the Share Option Scheme may be altered in any respect by resolution of the Directors except that the provisions of the Share Option Scheme as to the definitions of “Participant”, “Grantee”, “Option Period” in the definition clause of the Share Option Scheme and matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the grantees except with the prior sanction of the Shareholders in general meeting. Any alteration to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of the option granted, must be approved by the Shareholders in general meeting, except where the alterations or changes take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the Chapter 17 of the Listing Rules. Any change to the authority of the Directors in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting;
- (p) the Shares to be allotted upon the exercise of an option will be subject to all the provisions of the bye-laws of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the relevant date of exercise of the option and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the relevant date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the relevant date of exercise of the option; and
- (q) the operation of the Share Option Scheme may at any time be terminated by Shareholders’ or Directors’ resolutions but options granted prior to such termination will continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

This Appendix serves as an explanatory statement required by the Listing Rules to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the Repurchase Mandate.

1. REPURCHASES OF SHARES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, among which, all on-market share repurchases 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 specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchases.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,528,188,193 Shares.

Subject to the passing of the relevant resolution and on the basis that no further Shares are issued or repurchased prior to the Special General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 152,818,819 Shares representing 10% of the Shares in issue as at the date of the Special General Meeting. The Shares proposed to be repurchased by the Company must be fully-paid up.

The Repurchase Mandate may continue in force until the earliest of: (i) the conclusion of the next annual general meeting of the Company for the year of 2003; (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and (iii) the revocation or variation of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting.

3. REASONS FOR REPURCHASES

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

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum of association and bye-laws of the Company and the laws of Bermuda. It is presently proposed that any repurchase under the Repurchase Mandate would be repurchased out of the capital paid up on the repurchased Shares, the profits of the Company which would otherwise be available for dividend, the Company's share premium account and/or contributed surplus account in each case to the extent as permitted by the laws of Bermuda.

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

5. SHARE PRICES

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

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
April	0.295	0.250
May	0.295	0.255
June	0.330	0.245
July	0.325	0.265
August	0.280	0.250
September	0.255	0.183
October	0.217	0.179
November	0.250	0.180
December	0.245	0.195
2002		
January	0.205	0.175
February	0.194	0.152
March	0.206	0.180

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that they will exercise the powers of the Company to make repurchases in accordance with the Listing Rules and the applicable laws of Bermuda so far as the same may be applicable and in accordance with the regulations set out in the memorandum of association and bye-laws of the Company.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates (as defined in the Listing Rules) have any present intention to sell Shares to the Company under the Repurchase Mandate if such is approved by the Shareholders.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company, nor has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

7. TAKEOVER CODE

If on exercise of the powers to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeover Code.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, Rapid Growth Ltd. ("RGL") is beneficially interested in 537,473,906 Shares (representing approximately 35.17% of the issued share capital of the Company). In the event that the Repurchase Mandate is exercised in full and no further Share is issued during the proposed repurchase period, the beneficial interest of RGL in the issued share capital of the Company will increase by more than 2% to approximately 39.08% and, therefore, RGL will be required under the Takeover Code to make an offer for all the issued shares of the Company. The Directors have no present intention to exercise the Repurchase Mandate to the extent that would increase the proportionate interest in the Company of RGL by more than 2%.

8. SHARE REPURCHASES MADE BY THE COMPANY

The Company has not repurchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months prior to the date of this circular.



CNT GROUP LIMITED
(北海集團有限公司)*

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of CNT Group Limited (the “Company”) will be held at 31st Floor, CNT Tower, 338 Hennessy Road, Wanchai, Hong Kong on Friday, 28 June 2002 at 11:45 a.m. (or as soon as the annual general meeting of the Company convened at the same place and date at 11:30 a.m. shall be concluded or adjourned) for the purposes of considering and, if thought fit, passing, with or without modification, each of the following resolutions nos. 1 to 4 as an ordinary resolution and each of the following resolutions nos. 5 and 6 as a special resolution:

ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) subject to the adoption of the Scheme (as defined below) as the Company’s share option scheme, the existing share option scheme for executive directors and employees of the Company and its subsidiaries which was adopted on 13 June 2001 be terminated with effect from the adoption of the Scheme but without affecting any option granted under such existing scheme;
- (b) subject to the grant by The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the shares (“Shares”) in the capital of the Company with a par value of HK\$0.1 each to be issued and allotted by the Company after the exercise of options granted under the Scheme, the proposed share option scheme of the Company (the “Scheme”), the rules of which are set out in a document submitted to the meeting marked “A” and signed for the purpose of identification by the Chairman of the Meeting, be and is hereby approved and adopted as the Company’s share option scheme; and
- (c) the board of directors of the Company be and is hereby authorised to grant options to subscribe for Shares in accordance with the rules of the Scheme up to a maximum of 10% of the Shares in issue as at the date of passing of this resolution, to issue and allot Shares pursuant to the exercise of the options so granted, to administer the Scheme in accordance with its terms and to take all necessary actions incidental thereto as it deems fit.”

* *For identification purposes only*

NOTICE OF SPECIAL GENERAL MEETING

2. “THAT:

- (a) subject to paragraph (c) below, the exercise by the board of directors of the Company (the “Board”) during the Relevant Period of all the powers of the Company to allot, issue and otherwise 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 is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Board during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Board pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of rights of subscription or conversion under the terms of any warrant or other securities issued by the Company carrying a right to subscribe for shares of the Company; or (iii) the exercise of subscription rights under any share option scheme of the Company; or (iv) an issue of shares as scrip dividends pursuant to the bye-laws of the Company from time to time, shall not exceed the aggregate of (i) 20% of the nominal amount of the share capital of the Company in issue as at the date of this resolution; and (ii) subject to the passing of resolution 4 below, all those number of shares which may from time to time be repurchased by the Company pursuant to the general mandate granted under resolution 3 below, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means the allotment, issue or grant of shares of the Company pursuant to an offer open for a period fixed by the Board to holders of shares or any class thereof on the register of members of the Company on a fixed record date pro rata to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or having regard to any restriction or obligation under the laws of, or the requirements of any recognised regulatory body of any stock exchange in any territory outside Hong Kong).”

NOTICE OF SPECIAL GENERAL MEETING

3. **“THAT:**
- (a) subject to paragraph (b) below, the exercise by the board of directors of the Company during the Relevant Period of all the powers of the Company to purchase shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or on any other stock exchange recognised for this purpose by the Securities and Futures Commission and the Stock Exchange, subject to and in accordance with all applicable laws and requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of shares of the Company to be purchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the shares of the Company in issue at the date of this resolution, and the said approval shall be limited accordingly; and
 - (c) for the purpose of this resolution, “Relevant Period” means the period from the passing of this resolution until the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
 - (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
4. **“THAT** the board of directors of the Company be and is hereby given a general mandate to add all those shares in the capital of the Company which may from time to time be repurchased by the Company pursuant to the approval granted under resolution 3 above to the general mandate granted under resolution 2 above.”

SPECIAL RESOLUTIONS

5. **“THAT** the existing Bye-laws of the Company be and are hereby amended as follows:
- (a) by inserting in Bye-law 2(e) after the words “photography and other modes of representing words in a visible form” the words “, and including where the representation takes the form of electronic display, and, in each case, the Member concerned (where the relevant provision of these Bye-laws and the rules of the Designated Stock Exchange require the delivery or service of any document or notice on him in his capacity as Member) has consented or is deemed to have consented to accept the receipt of the relevant document or notice through electronic means and both the mode of service of the relevant document or notice and the Member’s consent comply with all applicable Statutes, rules and regulations”;

NOTICE OF SPECIAL GENERAL MEETING

- (b) by inserting the following new Bye-law 2(k) immediately after Bye-law 2(j):

“(k) references to a document being executed include references to it being executed under hand or under seal or by electronic signature or by any other method and references to a notice or document include a notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not.”;

- (c) by inserting in Bye-law 44 after the words “any other newspapers in accordance with the requirements of any Designated Stock Exchange,” the words “or by any means in such manner as may be accepted by the Designated Stock Exchange”;

- (d) by inserting in Bye-law 51 after the words “any other newspapers in accordance with the requirements of any Designated Stock Exchange,” the words “or by any means in such manner as may be accepted by the Designated Stock Exchange”;

- (e) by inserting the following new Bye-laws 154A and 154B immediately after Bye-law 154:

“154A. To the extent permitted by and subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Bye-law 154 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes and instead of such copies, a summary financial statement derived from the Company’s annual accounts and the directors’ report which shall be in the form and containing the information required by applicable laws, rules and regulations.

154B. The requirement to send to a person referred to in Bye-law 154 the documents referred to in that bye-law or a summary financial report in accordance with Bye-law 154A shall be deemed satisfied where, to the extent permitted by and in accordance with all applicable Statutes, rules and regulations, including, without limitation, the rules of the Designated Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 154 and, if applicable, a summary financial report complying with Bye-law 154A, on the Company’s computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company’s obligation to send to him a copy of such documents.”;

- (f) by inserting the following new Bye-law 161 in place of the existing Bye-law 161:

“161. Any Notice or document (including any “corporate communication” within the meaning ascribed thereto under the rules of the Designated Stock Exchange), whether or not, to be given or issued under these Bye-laws from the Company to a Member shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such Notice or document may be served or delivered by the Company on or to any Member either (i) personally; (ii) by sending it

NOTICE OF SPECIAL GENERAL MEETING

through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose; (iii) as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving/delivering of Notice and or document to him or which the person transmitting the Notice and or document reasonably and bona fide believes at the relevant time will result in the Notice and or document being duly received by the Member; (iv) by advertisement in appointed newspapers (as defined in the Act) or in newspapers published daily and circulating generally in the territory of and in accordance with the requirements of the Designated Stock Exchange; or (v) to the extent permitted by in accordance with the applicable laws, rules and regulations, by placing it on the Company's computer network and giving to the member a notice stating that the Notice or other document is available there (a "Notice of Availability"). The Notice of Availability may be given to the Member by any of the means set out above. In the case of joint holders of a share all notices and/or documents shall be given to that one of the joint holders whose name stands first in the Register and notice and/or document so given shall be deemed a sufficient service on or delivery to all the joint holders."; and

(g) (i) by deleting the word "and" appearing at the end of Bye-law 162(a);

(ii) by renumbering the existing Bye-law 162(b) as Bye-law 162(d) and replacing "." appearing at the end of that bye-law with "; and";

(iii) by inserting the following new Bye-law 162(b):

"if sent by electronic communication, shall be deemed to be served or delivered on the day on which it is transmitted from the server of the Company or its agent. A notice or document published on the Company's computer network is deemed to have been served or delivered by the Company to a Member on the day following that on which a Notice of Availability is given or deemed to have been given to the Member;"

(iv) by inserting the following new Bye-law 162(c):

"if served by publishing it in newspapers in accordance with Bye-law 161 shall be deemed to have been served or delivered on the day it is so published;" and

(v) by inserting the following new Bye-law 162(e):

"may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.""

NOTICE OF SPECIAL GENERAL MEETING

6. “**THAT** “北海集團有限公司” be adopted as the Company’s Chinese name for the purpose of the registration of the Company’s Chinese name in Hong Kong.”

By order of the board
Ma Lai King
Company Secretary

Hong Kong, 26 April 2002

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority shall be delivered to the Company’s registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting at which the person named in the instrument proposes to vote.