

CIRCULAR ON SHARE OPTION SCHEME AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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14 March 2002



LIU CHONG HING BANK LIMITED
(Incorporated in Hong Kong with limited liability)

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

A letter from the chairman of Liu Chong Hing Bank Limited is set out on pages 20 to 24 of the Company's Annual Report 2001. A notice convening the annual general meeting of Liu Chong Hing Bank Limited to be held at the Conference Room, 16th Floor, Liu Chong Hing Bank Building, 24 Des Voeux Road Central, Hong Kong at 11:30 am on Thursday, 25 April 2002 is set out on pages 13 to 16 of the Company's Annual Report 2001.

Whether or not you intend to attend the said meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion and return of the form of proxy shall not preclude shareholders from attending and voting at the meeting or any adjourned meeting should they so desire.

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DEFINITIONS

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

“Associates”	shall have the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Connected Persons”	shall have the meaning ascribed to it under the Listing Rules;
“Company”	Liu Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange;
“Directors”	the directors (including independent non-executive directors) of the Company;
“AGM”	the annual general meeting of the Company to be held in the Conference Room, 16th Floor, Liu Chong Hing Bank Building, 24 Des Voeux Road Central, Hong Kong at 11:30 am on 25 April 2002;
“AGM Notice”	the notice of the AGM which is set out on pages 13 to 16 to the Company’s Annual Report 2001;
“Existing Scheme”	the existing share option scheme adopted by the Company on 10 June 1994;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	14 March 2002, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;

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DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“New Scheme”	the proposed share option scheme of the Company to be adopted by the Company, the principal terms of which are set out in Appendix I of this circular;
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong);
“Shareholder(s)”	holder(s) of Share(s);
“Share(s)”	share(s) of \$0.50 each in the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of such shares from time to time of the Company);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder”	shall have the meaning ascribed to it under the Listing Rules; and
“\$”	Hong Kong dollars.

RESPONSIBILITY

This circular includes information 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.

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LETTER FROM THE CHAIRMAN



LIU CHONG HING BANK LIMITED
(Incorporated in Hong Kong with limited liability)

Directors

Executive Directors:

Mr LIU Lit Man, GBS, JP, FIBA

Mr LIU Lit Mo, MBE, JP

Mr LIU Lit Chi

Mr Dominic Bing Hoi LAM

Mr Don Tit Shing LIU

Mr Wilfred Chun Ning LIU

Mr LAU Wai Man

Mr Frank Shui Sang JIN

Non-executive Directors:

Dr Robin Yau Hing CHAN, GBS, LLD, JP, EOE

Mr LIU Guoyuan

Mr Tatsuo TANAKA

Dr LIU Lit Chung, MB, BS (London), MRCP (UK)

Mr Andrew LIU

Mr SHI Qin

Mr Christopher Kwun Shing LIU

(Alternate director to Dr LIU Lit Chung)

Independent Non-executive Directors:

Mr Peter Alan Lee VINE, OBE, VRD, LLD, JP

Mr Timothy George FRESHWATER

Mr CHANG Ying Kuang

Mr Wanchai CHIRANAKHORN

Registered Office

24 Des Voeux Road Central

Hong Kong

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LETTER FROM THE CHAIRMAN

14 March 2002

To the Shareholders

Dear Sir or Madam,

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

BACKGROUND

The Board announced on 14 March 2002 that the Board proposes that the New Scheme be adopted by the Company to replace the Existing Scheme (under which no options have ever been granted) so that Directors, employees, shareholders, customers, suppliers and professional advisers of the Company may be given incentives by way of options to subscribe for Shares. The terms of the New Scheme will be in line with the current provisions of the Listing Rules relating to share schemes of listed companies.

At the annual general meeting of the Company held on 26 April 2001, a general mandate was given to the Directors to exercise the powers of the Company to repurchase Shares up to a maximum of 10 per cent of the then issued share capital of the Company. At the same time, other general mandates were given to the Directors to issue Shares up to 20 per cent of the then issued share capital of the Company and to extend the general mandate to issue Shares by adding to it the number of Shares repurchased under the share repurchase mandate granted at the said annual general meeting. All mandates will lapse at the conclusion of the AGM unless renewed at that meeting. Ordinary resolutions will therefore be proposed at the AGM to approve the general mandates to repurchase Shares and to issue Shares.

The purpose of this circular is to provide the Shareholders with additional information relevant to the New Scheme and the proposed general mandates to issue and repurchase shares.

NEW SCHEME

The Existing Scheme was adopted by the Company on 10 June 1994 by way of shareholders' resolution and will expire on 10 June 2004. In view of the recent changes to Chapter 17 of the Listing Rules which governs the operation of share option schemes, the Directors propose to recommend to shareholders at the AGM to approve the adoption of the New Scheme and simultaneously terminate the operation of the Existing Scheme. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Existing Scheme.

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LETTER FROM THE CHAIRMAN

It is proposed that subject to the approval of the shareholders of the Company of the adoption of the New Scheme at the AGM, the operation of the Existing Scheme shall be terminated with effect from the conclusion of the AGM (such that no further options could thereafter be offered under the Existing Scheme but in all other respects the provisions of the Existing Scheme shall remain in full force and effect) and the New Scheme will take effect, subject to the Stock Exchange granting the necessary approvals for the listing of and dealing in the Shares to be issued and allotted pursuant to the exercise of Options in accordance with the terms and conditions of the New Scheme, on the date of its adoption at the AGM. Operation of the New Scheme will commence after all conditions precedent have been fulfilled.

A summary of the principal terms of the New Scheme is set out in Appendix I.

For the better development of the Group, it is important that the Group is able to recruit, retain and motivate high caliber and good quality employees and officers to serve the Group on a long term basis as well as to maintain good relationship with its suppliers, customers and professional advisers. The Directors believe that having a share option scheme in place is one of the most attractive means to attract and retain those persons to contribute to the continuous development of the Group. It is also in line with general commercial practice that executives and employees of the Group be given incentives and rewards for their contribution to the Group in the form of options to subscribe for Shares. The purpose of the New Scheme is to enable the Directors to grant options to the eligible participants as incentives or rewards for their commitment and/or contribution to the Group and as incentive for such eligible participants to render improved services and/or patronage to the Group on a long-term basis. In addition, the terms of the New Scheme will be in line with the existing provisions of the Listing Rules with regard to share schemes of listed companies.

Any persons belonging to any of the following classes have been determined by the Directors to be eligible to be granted options under the New Scheme (“**Eligible Participant(s)**”):

- (a) any employee or proposed employee (whether full-time or part-time), any director (whether executive, non-executive or independent non-executive director) or any shareholder of any member of the Group;
- (b) any supplier of goods or services to any member of the Group;
- (c) any customer of any member in the Group;
- (d) any professional adviser to any member of the Group; and
- (e) any company wholly-owned by any one or more persons belonging to any of the above classes of persons.

The eligibility of a participant to the New Scheme shall be determined by the Directors at their sole discretion on the basis of any one or more of the following factors :

- (a) the length of service of the eligible participant with the Group;
- (b) the job performance of the eligible participant; and
- (c) the contribution made or expected to be made by the eligible participant to the Group.

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Under the New Scheme, the total number of Shares in respect of which options may be granted under the New Scheme and any other schemes of the Company shall not exceed 10 per cent of the Shares in issue at the date of adoption of the New Scheme. Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the 10 per cent limit. However, under Note (1) to Rule 17.03 of the Listing Rules, the Company may, subject to the approval of Shareholders in general meeting and the issue of a circular in accordance with the requirements of the Listing Rules, renew such 10 per cent limit such that the total number of Shares in respect of which options may be granted under the New Scheme and any other schemes of the Company shall not exceed 10 per cent of the Shares in issue at the date of approval to renew such limit. Options previously granted under the New Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as “refreshed”. In addition, the Company may grant options to specifically identified Eligible Participants beyond the 10 per cent limit if the grant of such options is specifically approved by the Shareholders in general meeting and a circular is issued in accordance with the requirements of the Listing Rules. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company shall not exceed 30 per cent of the total number of Shares in issue from time to time.

The New Scheme is conditional on (a) the same being adopted by Shareholders at the AGM and (b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of options 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 the Shares which may be issued pursuant to the exercise of the options under the New Scheme.

Upon adoption of the New Scheme, the operation of the Existing Scheme will be terminated such that no options will be granted under the Existing Scheme but in all other respects, the provisions of the Existing Scheme shall remain in full force and effect in respect of any options granted prior to the adoption of the New Scheme and any such options shall continue to be exercisable in accordance with their terms of issue.

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an ordinary resolution (being Ordinary Resolution No.6 set out in the AGM Notice) will be proposed to grant a new general and unconditional mandate to the Directors to exercise the powers of the Company to repurchase, at any time during the Relevant Period (as defined in Ordinary Resolution No.6), Shares up to a maximum of 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of Ordinary Resolution No.6 (the “**Repurchase Mandate**”).

An explanatory statement setting out the requisite information regarding the Repurchase Mandate as required under the Listing Rules is set out in Appendix II to this circular.

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LETTER FROM THE CHAIRMAN

GENERAL MANDATE TO ISSUE SHARES

At the AGM, an ordinary resolution (being Ordinary Resolution No.7 set out in the AGM Notice) will also be proposed to grant a new general and unconditional mandate to the Directors to issue, at any time during the Relevant Period (as defined in Ordinary Resolution No.7), Shares representing up to 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of Ordinary Resolution No.7 (the “**Issue Mandate**”). In addition, an ordinary resolution (being Ordinary Resolution No.8 set out in the AGM Notice) will be proposed to extend the Issue Mandate which would increase the limit of the Issue Mandate by adding to it the number of Shares repurchased under the Repurchase Mandate.

ANNUAL GENERAL MEETING

The AGM Notice, which contains, inter alia, ordinary resolutions to approve the adoption of the New Scheme and the termination of the operation of the Existing Scheme, the Repurchase Mandate, the Issue Mandate and the proposed extension of the Issue Mandate, is set out on pages 13 to 16 of the Company’s Annual Report 2001. Shareholders of the Company are advised to read the AGM Notice and to complete and return the form of proxy for use at the AGM, (which is set out at the centre page of the Company’s Annual Report 2001) in accordance with the instructions printed thereon and deposit the same with the Company’s registered office at 24 Des Voeux Road Central, Hong Kong not less than 48 hours before the time fixed for holding that meeting or any adjournment thereof.

RECOMMENDATION

The Directors believe that the adoption of the New Scheme and the termination of operation of the Existing Scheme, the Repurchase Mandate, the Issue Mandate and the proposed extension of the Issue Mandate are in the interest of the Company and its shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour of all the ordinary resolutions to be proposed at the AGM.

DOCUMENTS FOR INSPECTION

The New Scheme and the Memorandum and Articles of Association of the Company will be available for inspection at the registered office of the Company at 24 Des Voeux Road Central, Hong Kong during normal business hours on any weekday (except public holidays) up to and including 25 April 2002 and also at the AGM.

Yours faithfully,

Liu Lit Man

Chairman & Managing Director

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APPENDIX I

SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SCHEME

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

(1) Who may join

The Board (which, in so far as may be required under the Listing Rules, shall include the independent non-executive Directors) may, at its discretion, invite any person belonging to any of the following Eligible Participants to take up options at \$10.00 per option to subscribe for Shares at a price calculated in accordance with paragraph (4) below :

- (a) any employee or proposed employee (whether full-time or part-time), any Director (whether executive, non-executive or independent non-executive Director) or any shareholders of any member of the Group;
- (b) any supplier of goods or services to any member of the Group;
- (c) any customer of any member of the Group;
- (d) any professional advisers to any member of the Group; and
- (e) any company wholly-owned by any one or more persons belonging to any of the above classes of persons.

The eligibility of a participant to the New Scheme shall be determined by the Directors at their sole discretion on the basis of any one or more of the following factors :

- (a) the length of service of the Eligible Participant with the Group;
- (b) the job performance of the Eligible Participant; and
- (c) the contribution made or expected to be made by the Eligible Participant to the Group.

(2) Grant of option

Any grant of options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, during the period of one month, or any other period(s) as the Listing Rules may require from time to time immediately preceding the preliminary announcement of annual results or the publication of interim results, no option should be granted until such information has been announced pursuant to the requirements of the Listing Rules.

(3) Payment on acceptance of option offer

\$10.00 is payable by the Eligible Participant to the Company on acceptance of the option offer.

(4) Price of Shares

The subscription price for Shares under the New Scheme (“**Subscription Price**”) will be a price determined by the Board and notified to each grantee and will be the highest of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the date of Offer, which must be

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a day on which the Stock Exchange is open for the business of dealing in securities (“**Trading Day**”);
(b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets for the five Trading Days immediately preceding the date of offer; or (c) the nominal value of a Share.

(5) Maximum number of Shares

- (a) Subject to the provisions of this paragraph (5) and paragraph (11), the maximum number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and any other schemes of the Company in issue entitling the grantees to exercise up to an aggregate of 10 per cent of the total number of Shares in issue as at the date of approval of the New Scheme. Options lapsed in accordance with the terms of the New Scheme will not be counted for the purpose of calculating the 10 per cent limit.
- (b) The Company may, subject to the approval of the Shareholders in general meeting and the issue of a circular in accordance with the requirements of the Listing Rules, renew the 10 per cent limit set out in (a) above such that the total number of Shares in respect of which options may be granted by the Directors under the New Scheme and any other share option schemes of the Company in issue shall not exceed 10 per cent of the Shares in issue at the date of approval to renew such limit. Options previously granted under the New Scheme and any other schemes of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with such schemes) will not be counted for the purpose of calculating the limit as “refreshed”.
- (c) The Company may grant options to specified Eligible Participant(s) beyond the 10 per cent limit if the grant of such options is specifically approved by the Shareholders in general meeting and a circular is issued in accordance with the requirements of the Listing Rules.
- (d) Notwithstanding the above, the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company in issue shall not exceed 30 per cent of the total number of Shares in issue from time to time.
- (e) No Eligible Participant shall be granted an option which, if exercised in full, would result in such Eligible Participant becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares issued and to be issued pursuant to all the options previously granted to him under the New Scheme and any other share option schemes of the Company in any 12-month period up to the date of grant of the option, would exceed one per cent of the aggregate number of Shares in issue unless the grant of such options is specifically approved by the Shareholders in general meeting and a circular in relation to the proposal for such further grant is issued in accordance with the requirements of the Listing Rules from time to time. The Eligible Participant and his Associates shall abstain from voting at such general meeting. The number and terms of the options to be granted to such Eligible Participant shall be fixed before the shareholders’ approval as mentioned. For the purpose of calculating the subscription price for the Shares in respect of the further options proposed to be so granted, the date of board meeting for proposing such grant of further options shall be taken as the date of offer of the options.

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(6) Requirements on granting options to connected persons

- (a) Any grant of options to an Eligible Participant who is a Connected Person of the Company or an Associate of a Connected Person of the Company must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (b) Where the Board proposes to grant any option to an Eligible Participant who is a Substantial Shareholder of the Company or an independent non-executive Director or any of his Associates which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to him in the 12-month period up to the date of proposed grant of the option (the “**Relevant Date**”):
 - (i) representing in aggregate over 0.1 per cent of the total number of Shares in issue at the Relevant Date; and
 - (ii) having an aggregate value in excess of \$5 million, based on the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheet on the Relevant Date and if the Relevant Date is not a Trading Day, the Trading Day immediately preceding the Relevant Date,

such proposed grant of options must be approved by the Shareholders in general meeting taken on a poll with the Eligible Participant concerned and all other Connected Persons of the Company abstaining from voting (except where any Connected Person intends to vote against such proposed grant and his intention to do so has been stated in the circular issued by the Company in connection therewith). The circular to be issued by the Company in connection with such proposed grant shall contain such information as the Listing Rules may require from time to time.

- (c) Where the Board proposes to change or alter the terms of options granted to a grantee who is a Substantial Shareholder of the Company or an independent non-executive Director or his Associates, such proposed change or alteration must be approved by the Shareholders in general meeting taken on a poll with the grantee concerned and all other Connected Persons of the Company abstain from voting (except where any Connected Person intends to vote against such proposed grant and his intention to do so has been stated in the circular issued by the Company in connection therewith). The circular to be issued by the Company in connection with such proposed grant shall contain such information as the Listing Rules may require from time to time.

(7) Time of exercise of option and performance target

An option may be exercised in accordance with the terms of the New Scheme at any time during a period of 5 years from the date of acceptance of the offer by the grantee (“**Option Period**”). No performance target needs to be achieved by the grantee before the options held by him or her may be exercised.

(8) Rights are personal to grantee

- (a) an option may not be transferred or assigned and is personal to the grantee 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 options or enter into any agreement to do so.
- (b) Any breach of paragraph 8(a) above shall entitle the Board to deem any option granted to such grantee, to the extent not already exercised, as lapsed.

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(9) Rights on ceasing employment or directorship

If the grantee of an option is an employee or director of a member of the Group and the grantee ceases to be an employee (whether full-time or part-time) or director of the relevant member of the Group (a) for any reason other than death, misconduct or certain other grounds (including bankruptcy, insolvency or a conviction of criminal offence) or (b) upon the cessation of the relevant company to be a member of the Group and the grantee not thereupon being employed by another member of the Group or being a director of another member of the Group, the grantee may exercise the option up to the grantee's entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of 3 months following the date of such cessation, which date shall be the grantee's last actual working day with the relevant member of the Group whether salary is paid in lieu of notice or not. The period of 3 months may, in the absolute discretion of the Directors, be extended by the Directors but the period of such extension shall not exceed 6 months from the date of expiration of the original periods.

(10) Rights on death

If the grantee of an option dies before exercising the option in full and, where the grantee is an employee or director of a member of the Group, none of certain events which would be a ground for termination of the relevant employment or directorship arises, the personal representative(s) of the deceased grantee may exercise the option in full (to the extent which has become exercisable and not already exercised) within a period of 12 months from the date of death unless extended by the Board but the period of such extension shall not exceed 6 months from the date of expiration of the original periods.

(11) Effects of alterations to capital structure

In the event of an alteration in the capital structure of the Company through consolidation, subdivision, capitalization issue, issue of shares by way of rights or a reduction of share capital whilst any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of the Company or the Company's independent financial adviser as fair and reasonable will be made in the number or nominal amount of Shares subject to the options so far as unexercised, the Subscription Price, the maximum number of Shares subject to the grant of options as referred to in paragraph (5) and/or the method of the exercise of the option, provided that no such alteration shall be made so that a Share would be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company as that to which he was previously entitled. No alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares in the capital of the Company as consideration in a transaction.

(12) Rights on takeover

If a general offer (including any takeover (as defined in the Code on Takeovers and Mergers ("Takeovers Code")), is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the grantee shall be entitled to exercise the option in whole or in part (to the extent which has become exercisable and not already exercised) at any time before the earlier of (1) the expiry of the Option Period or (2) the period of 1 month from the date on which the offer becomes or is declared unconditional.

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(13) Rights on winding-up

In the event of an effective resolution being passed for the voluntary winding up of the Company, the grantee (or his personal representative(s)) may by notice in writing to the Company within 30 days after the date of such resolution elect to be treated as if the option had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in such notice and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with Shareholders such sum as would have been received in respect of the Shares the subject of such election reduced by an amount equal to the subscription price which would otherwise have been payable in respect thereof. Subject to the above, an option will lapse automatically (to the extent not already exercised) on the date of commencement of the winding up of the Company.

(14) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the grantee on the same date as it dispatches the notice to each Shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representative(s) if applicable) may, forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date 2 months thereafter or the date on which such compromise or arrangement is sanctioned by the court, exercise any of his options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the New Scheme. The Company may require the grantee (or his personal representative(s) if applicable) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(15) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent which has become exercisable and not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of the periods referred to in paragraph (9), (10) or (12) respectively;
- (c) subject to the scheme of arrangement becoming effective in a situation contemplated in paragraph (14), the expiry of the period referred to therein;
- (d) where the grantee is an employee or director of a member of the Group, the date on which the relevant employee or director ceases to be an employee or director of a member of the Group by reason of the termination of his employment on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence or any other ground on which the member of the Group would be entitled to summarily terminate the grantee's employment or directorship at common law without notice or compensation. The Board's resolution to such effect shall be conclusive and binding;

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- (e) where the grantee is a corporation, the date of the commencement of the winding-up of the grantee;
- (f) the date of the commencement of the winding-up of the Company in a situation contemplated in paragraph (13); or
- (g) the date on which the grantee breaches paragraph (8), if the Board shall exercise its right to deem the option as lapsed.

(16) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option will be subject to the Articles of Association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and issue and in particular will rank in full for all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of allotment and issue.

Unless the context otherwise requires, references to “Shares” in the New Scheme include references to shares in the Company of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(17) Cancellation of options granted

Any cancellation of options granted but not exercised must be approved by the Shareholders (and also by shareholders of any holding company which is listed on the main board of the Stock Exchange) in general meeting, with participants and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken on a poll. Where the Board cancels options and issues new options to the same Eligible Participants, the issue of such new options may only be made under the New Scheme with available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (5).

(18) Period of the New Scheme

The New Scheme will remain valid for a period of 10 years commencing on 25 April 2002 after which period no further options will be granted but the provisions of the New Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the New Scheme may continue to be exercisable in accordance with their terms of issue.

The Company may at any time terminate the operation of the New Scheme by resolution in general meeting and in such event no further option shall be offered but in all other respects the provision of the New Scheme shall remain in force. All options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Scheme.

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APPENDIX I

SUMMARY OF THE PRINCIPAL TERMS OF THE NEW SCHEME

(19) Alteration to the New Scheme

The New Scheme may be altered in any respect by resolution of the Board except that the provisions of the New Scheme relating to matters contained in rule 17.03 of the Listing Rules shall not be altered to extend the class of Eligible Participants or to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their Associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles of Association of the Company for the time being for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the New Scheme, which are of a material nature, must be approved by the Shareholders of the Company in general meeting and the Stock Exchange, except where the alterations take effect automatically under the exiting terms of the New Scheme.

(20) Conditions of the New Scheme

The New Scheme shall take effect subject to the passing of the necessary resolution to adopt the New Scheme by the Shareholders in general meeting and is conditional on (a) the passing by the Shareholders at the AGM of the necessary resolution to adopt the New Scheme and (b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may be issued pursuant to the exercise of options granted under the New Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the New Scheme.

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

(21) Value of all options that can be granted under the New Scheme

The Board considers that it is not appropriate or helpful to Shareholders to state the value of all options that can be granted pursuant to the New Scheme as if they had been granted at the Latest Practicable Date. The Board believes that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the options to be granted shall not be assignable, and no holder of options 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.

In addition, the calculation of the value of the options is based on a number of variables such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables. The Board believes that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

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APPENDIX II

EXPLANATORY STATEMENT

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide the requisite information to shareholders of the Company for their consideration of the Repurchase Mandate. For this purpose, “shares” is defined in the Listing Rules to include securities carrying a right to subscribe for or purchase shares.

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

1. Reasons for repurchases

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

2. Source of funds

Repurchases must be made out of funds which are legally available for such purpose and in accordance with the Companies Ordinance and the Memorandum and Articles of Association of the Company. It is envisaged that the funds required for any repurchase would be derived from the distributable profits of the Company which shall be funds legally available for such purpose in accordance with the Listing Rules and the laws of Hong Kong.

3. Impact of repurchases on working capital

There could be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its latest published audited accounts) in the event that the proposed share 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 general mandate to such an 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.

4. Maximum number of shares to be repurchased and subsequent issue

A maximum of 10 per cent of the existing issued share capital of a company at the date of passing the relevant resolution may be repurchased on the Stock Exchange. A company may not, without the prior approval of the Stock Exchange, issue new shares or announce a proposed new issue of shares for a period of 30 days immediately following a share repurchase whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to the exercise of warrants, share options or similar instruments

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requiring the company to issue securities, which were outstanding prior to the repurchase). As at the Latest Practicable Date, the issued share capital of the Company comprised 435,000,000 Shares in issue. As at the same date, no options to subscribe for Shares had been granted and were outstanding under the Company's share option scheme adopted on 10 June 1994. Subject to the passing of Ordinary Resolution No.6 set out in the AGM Notice and on the basis that no further Shares are issued or repurchased between 15 March 2002 and the date of passing such resolution prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 43,500,000 Shares.

5. Connected parties

A company is prohibited from knowingly repurchasing shares on the Stock Exchange from a Connected Person, and a Connected Person is prohibited from knowingly selling his shares in the Company on the Stock Exchange. No Connected Persons have notified the Company that they have a present intention to sell Shares to the Company or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

6. Share prices

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

	Highest	Lowest
	\$	\$
March 2001	9.150	8.100
April 2001	11.200	8.000
May 2001	10.550	9.300
June 2001	9.650	8.500
July 2001	9.300	8.500
August 2001	8.850	8.100
September 2001	8.250	5.700
October 2001	7.100	6.450
November 2001	7.500	6.800
December 2001	7.750	7.100
January 2002	8.300	7.100
February 2002	8.000	7.650

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7. Disclosure of interests

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate and in accordance with the Listing Rules.

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and thereby become obliged to make a mandatory general offer in accordance with Rules 26 and 32 of the Takeovers Code. The Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any repurchases under the Repurchase Mandate other than the restriction that the controlling shareholding of Liu Chong Hing Estate Company Limited (which currently stands at 45.11 per cent of the Company's Shares in issue) should not rise more than 2 percentage points for a 12-month period thereafter. Neither should that of Liu Chong Hing Estate Company Limited and those persons acting in concert within the meaning of the Takeovers Code (which currently stands at 49.79 per cent of the Company's Shares in issue). If the Repurchase Mandate were to be fully exercised, the above shareholdings would exceed the limit concerned and move up to 50.12 per cent and 51.98 per cent respectively, thereby triggering Rule 26 of the Takeovers Code in respect of mandatory offer. The Directors, however, have no present intention of exercising the Repurchase Mandate in such a way (if it were to be exercised at all) that would trigger any such mandatory offer.

None of the Directors and their associates have any present intention to sell any Shares to the Company under the Repurchase Mandate if such Repurchase Mandate is approved by the Shareholders.

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.