

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

If you have sold all your shares in South China Holdings Limited (the “Company”), you should at once hand this circular together with the proxy form enclosed to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

**PROPOSED ADOPTION OF A NEW SHARE OPTION SCHEME
OF THE COMPANY, SCI, SCB AND SCIT**

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

AND

NOTICE OF ANNUAL GENERAL MEETING

A notice convening an annual general meeting of South China Holdings Limited (the “Company”) to be held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on Friday, 31 May 2002 at 11:00 a.m. is set out on pages 27 to 31 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s Share Registrar, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the annual general meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting thereof should you so wish.

30 April 2002

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	
Introduction	5
Termination of the Existing Share Option Scheme and Adoption of New Share Option Scheme	6
Adoption of SCI, SCIT and SCB New Share Option Schemes	8
General Mandates and Repurchase Mandate	12
Annual General Meeting	12
Responsibility Statement	13
Recommendations	13
APPENDIX I — PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME	14
APPENDIX II — EXPLANATORY STATEMENT	24
NOTICE OF ANNUAL GENERAL MEETING	27

DEFINITIONS

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

“Adoption Date”	the date of adoption of the New Share Option Scheme by the Shareholders of the Company and as the case may be, its Holding Company in general meetings simultaneously
“AGM”	the annual general meeting of the Company to be convened and held at 28th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong on 31 May 2002 at 11:00 a.m., notice of which is set out on pages 27 to 31 of this circular
“Board”	the board of Directors
“Company”	South China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 29 July 1992, which will expire on 28 July 2002
“General Mandates”	the general and unconditional mandates proposed under ordinary resolutions numbered 6(A) and 6(C) in the notice of the AGM set out on pages 27 to 31 of this circular to be granted to the Directors to (i) allot and issue securities of the Company up to an aggregate nominal amount not exceeding 20% of the aggregate nominal value of the issued share capital of the Company on the date of the passing of the said ordinary resolution; (ii) to extend the mandate in (i) above by an amount representing the aggregate nominal amount of the Shares repurchased by the Company made pursuant to and in accordance with the Repurchase Mandate
“Grantee(s)”	means any Participant who accepts the offer of the grant of any option in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled to any such option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries

DEFINITIONS

“Holding Company(ies)”	company(ies) which is/are for the time being and from time to time the holding company(ies) (within the meaning given in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the shares of which are listed on the Stock Exchange)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Invested Entity”	any entity in which any member of the Group holds any equity interest
“Latest Practicable Date”	29 April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	Listing Committee of the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the AGM, a summary of the principal terms of which is set out in Appendix I of this circular;
“Option(s)”	share option(s) that may be granted under the New Share Option Scheme by the Board to the Participant(s) with rights to subscribe for Shares at a pre-determined subscription price in accordance with the New Share Option Scheme
“Participant(s)”	means (i) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or Substantial Shareholder; (ii) any non-executive director (including any independent non-executive director) of any member of the Group or any Invested Entity or Substantial Shareholder; (iii) any individual for the time being seconded to work for any member of the Group or any Invested Entity or Substantial Shareholder; (iv) any shareholder of any member of the Group or any Invested Entity or Substantial Shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or Substantial Shareholder; (v) any business partner, consultant or contractor of any member of the Group or any Invested Entity or Substantial Shareholder; (vi) any supplier of goods or services to any member of the Group or any

DEFINITIONS

Invested Entity or Substantial Shareholder; (vii) any customer of any member of the Group or any Invested Entity or Substantial Shareholder; (viii) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or Substantial Shareholder; and, for the purposes of the Scheme, shall include any company wholly owned by one or more persons belonging to any of the aforesaid classes of participants

“Repurchase Mandate”

the general and unconditional mandate proposed under ordinary resolution numbered 7(B) in the notice of the AGM set out on pages 27 to 31 of this circular to be granted to the Directors to repurchase the Company’s securities up to an aggregate nominal amount not exceeding 10% of the aggregate nominal value of the issued share capital of the Company immediately after the passing of the said ordinary resolution

“SCB”

South China Brokerage Company Limited, a company incorporated in Hong Kong Special Administrative Region of the People’s Republic of China with limited liability and the shares of which are listed on the main board of the Stock Exchange, a subsidiary of the Company

“SCI”

South China Industries Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange, a subsidiary of the Company and an intermediate Holding Company of SCIT

“SCIT”

South China Information and Technology Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange, a subsidiary of the Company

“SCB New Share Option Scheme”

the new share option scheme to be adopted by SCB at the annual general meeting of SCB to be held on 31 May 2002 at 10:30 a.m.

“SCI New Share Option Scheme”

the new share option scheme to be adopted by SCI at the annual general meeting of SCI to be held on 31 May 2002 at 10:50 a.m.

“SCIT New Share Option Scheme”

the new share option scheme to be adopted by SCIT at the annual general meeting of SCIT to be held on 31 May 2002 at 10:40 a.m.

DEFINITIONS

“SCB Share(s)”	the ordinary share(s) of HK\$0.025 each in the capital of SCB
“SCI Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of SCI
“SCIT Share(s)”	the ordinary share(s) of HK\$0.10 each in the capital of SCIT
“Share(s)”	existing shares of HK\$0.025 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	SCB, SCI and SCIT
“Subsidiaries Boards”	the board of directors of SCB, SCI and SCIT
“Subsidiaries Group”	SCB, SCI, SCIT and their respective subsidiaries
“Subsidiaries New Share Option Schemes”	SCB New Share Option Scheme, SCI New Share Option Scheme and SCIT New Share Option Scheme
“Subsidiaries Participants”	participants as defined in the SCB New Share Option Scheme, SCI New Share Option Scheme and SCIT New Share Option Scheme
“Substantial Shareholder”	has the meaning ascribed to it under Rule 1.01 of the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

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

Registered Office:

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

Non-executive Director:

Tan Boon Seng

*Principal Place of Business
in Hong Kong:*

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

Independent Non-executive Directors:

David Michael Norman
David John Blackett

30 April 2002

*To the Shareholders and holders of options
to subscribe for Shares in the Company*

Dear Sir or Madam,

**PROPOSED ADOPTION OF A NEW SHARE OPTION SCHEME
OF THE COMPANY, SCI, SCB AND SCIT**

**GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

In view of the recent amendments to Chapter 17 of the Listing Rules by the Stock Exchange which has come into effect since 1 September 2001 and the fact that the Company's Existing Share Option Scheme adopted on 29 July 1992 will soon expire on 28 July 2002, the Company would like to propose to Shareholders for consideration and approval at the AGM to adopt the New Share Option Scheme and to terminate the Existing Share Option Scheme. Moreover, under Rule 17.01(4) of the Listing Rules, the SCI New Share Option Scheme, SCB New Share Option Scheme and SCIT New Share Option Scheme, while being required to be approved by the shareholders of SCI, SCB and SCIT respectively, must simultaneously be approved by the Shareholders.

LETTER FROM THE BOARD

The Directors would also take the opportunity to put forward to the Shareholders at the AGM ordinary resolutions to approve the granting of the General Mandates and Repurchase Mandate.

The purpose of this circular is to provide you with information on such proposals.

TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

As the Stock Exchange has amended Chapter 17 of the Listing Rules which has come into effect on 1 September 2001, the Company cannot grant further options from the Existing Share Option Scheme unless such grants are in accordance with the new rules of Chapter 17. Accordingly, the Directors of the Company propose to adopt the New Share Option Scheme which complies with such new rules before further options may be granted and to terminate the Existing Share Option Scheme. Save for the exception that no further options may be granted under the Existing Share Option Scheme consequent upon their termination, all other provisions of the Existing Share Option Scheme shall remain in force so as to give effect to the exercise of any options granted pursuant to the Existing Share Option Scheme prior to such termination. All options granted pursuant to the Existing Share Option Schemes prior to its termination shall remain valid and exercisable in accordance with the provisions of the Existing Share Option Scheme. The Directors confirm that no further options will be granted under the Existing Share Option Scheme prior to its termination and adoption of the New Share Option Scheme at the AGM.

The Existing Share Option Scheme was adopted by the Company on 29 July 1992. At the Latest Practicable Date, there were 1,823,401,376 Shares in issue. The particulars of the options granted under the Existing Share Option Scheme as at the Latest Practicable Date are set out below:

	As at the Latest Practicable Date	
	No. of Shares	Approximate
	<i>(adjusted after</i>	% of issued
	<i>subdivision of</i>	share capital
	<i>shares on</i>	
	<i>16 August 2001)</i>	

Share options granted (including those exercised, outstanding or cancelled but excluding those lapsed)	111,916,000	6.14
Share options exercised	41,222,000	2.26
Share options outstanding*	65,148,000	3.57

- * These options will lapse on 28 July 2002 and will remain exercisable prior to the lapse of the Existing Share Option Scheme. Shares will be issued according to the provisions of the Existing Share Option Scheme.

LETTER FROM THE BOARD

The Directors are of the view that contributions of the Participants under the New Share Option Scheme are of paramount importance to the success of the Group. Therefore the Directors believe that the giving of incentives to these people by way of granting to them Options to subscribe for Shares of the Company is in the interest of the Group.

The rules of the New Share Option Scheme allow the Board to offer the Options to Participants in flexible terms as and when it considers appropriate after having regard to the particular circumstances of each Participants, in particular, (i) the imposition of performance targets to be achieved before the exercise of any Options by the Participants; (ii) the determination of the exercise price of the Options on a fair basis in compliance with the requirements of the Listing Rules; and (iii) the setting of a minimum period for which the Options have to be held before the exercise of the subscription rights attaching thereto. The purposes of the New Share Option Scheme can be served since the Participants will be entitled to acquire monetary gain or ownership interest in the Company pursuant to the terms of issue of the Options which provide incentive to the Participants for advancing their performance. On the other hand, the flexibility given to the Board in granting Options will place the Group in a better position to attract and retain employees of appropriate qualification and with necessary experience that are valuable to the growth and development of the Group as a whole.

Further information on and a summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. Copies of the rules of the New Share Option Scheme are available for inspection at the principal place of business of the Company at 28/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong during normal business hours from the date of this circular up to and including the date of AGM and at the AGM.

Assuming that no further Shares will be issued prior to the date of the passing of the resolution to adopt the New Share Option Scheme by Shareholders, the maximum number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company (which for this purpose, exclude the Existing Share Option Scheme which will lapse upon the adoption of the New Share Option Scheme) will be 182,340,137 representing 10 per cent. of the total number of Shares in issue as at the Latest Practicable Date. Option lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating such limit. The maximum aggregate number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the Shares in issue from time to time. No Option may be granted under any schemes of the Company (or the subsidiary) if this will result in such limit being exceeded.

No Directors are trustees of the New Share Option Scheme or have a direct or indirect interest in such trustees.

The Directors consider that it is not appropriate or helpful to the Shareholders to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. No valuation of Options will be provided by the Company as all Options to be granted pursuant to the New Share Option Scheme are personal to

LETTER FROM THE BOARD

the Grantees and shall not be assignable, and no holder of the Option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option and therefore have no market value. 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 Directors believe 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.

Conditions

The adoption of the New Share Option Scheme is conditional upon:

- (a) the Shareholders passing an ordinary resolution to approve the New Share Option Scheme and to terminate the Existing Share Option Scheme at the AGM to be convened for this purpose;
- (b) the Listing Committee granting the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any Option granted under the New Share Option Scheme (limit to 10% of the Shares in issue as at the date of passing of the resolution to adopt the New Share Option Scheme).

Application for Listing

An application will be made to the Listing Committee by the Company for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options granted under such schemes.

ADOPTION OF SCI, SCB AND SCIT NEW SHARE OPTION SCHEMES

In view of the changes in the Chapter 17 of the Listing Rules of the Stock Exchange, each of the board of directors of SCI, SCB and SCIT also proposes to its shareholders to terminate its existing share option scheme and to adopt a new share option scheme, in the same terms as the New Share Option Scheme as set out in Appendix I of this circular, in their annual general meetings to be held on 31 May 2002. All definitions, including, inter alia, “Grantee(s)”, “Option(s)”, “Participant(s)” as set out in the section of “Definitions” in this circular shall have the same meanings with respect to the SCI New Share Option Scheme, SCB New Share Option Scheme and SCIT New Share Option Scheme save as the following:

- (a) “Company” refers to SCI, SCB and SCIT respectively;
- (b) “Group” refers to SCI and its subsidiaries, SCB and its subsidiaries and SCIT and its subsidiaries respectively;
- (c) “Share(s)” refers to SCI Share(s), SCB Share(s) and SCIT Share(s) respectively;

LETTER FROM THE BOARD

- (d) “Shareholders” refers to holder(s) of SCI Share(s), holders of SCB Share(s) and holders of SCIT Share(s) respectively; and
- (e) “Holding Company(ies)” refers to Holding Company(ies) of SCI, Holding Company(ies) of SCB and Holding Company(ies) of SCIT respectively.

The particulars of the existing share option schemes of SCI, SCB and SCIT as at the Latest Practicable Date are set out below:

(a) **SCI**

	As at the Latest Practicable Date	
	No. of Shares	Approximate % of issued share capital[#]
Share options granted pursuant to SCI existing share option scheme (including those exercised, outstanding or cancelled but excluding those lapsed)	42,494,500	8.01
Share options exercised pursuant to SCI existing share option scheme	907,000	0.17
Share options outstanding pursuant to SCI existing share option scheme [*]	41,587,500	7.84

[#] As at the Latest Practicable Date, there were 530,334,742 SCI Shares in issue.

^{*} These options will lapse on 9 August 2002 and will remain exercisable prior to the lapse of the existing share option scheme of SCI. SCI Shares will be issued according to the provisions of the existing share option scheme of SCI.

LETTER FROM THE BOARD

(b) SCB

	As at the Latest Practicable Date	
	No. of Shares	Approximate % of issued share capital[#]
Share options granted pursuant to SCB existing share option scheme (including those exercised, outstanding or cancelled but excluding those lapsed)	467,400,000	9.61
Share options exercised pursuant to SCB existing share option scheme	126,400,000	2.60
Share options outstanding pursuant to SCB existing share option scheme [*]	341,000,000	7.01

[#] As at the Latest Practicable Date, there were 4,861,936,740 SCB Shares in issue.

^{*} These options will lapse on 11 July 2003 and will remain exercisable prior to the lapse of the existing share option scheme of SCB. SCB Shares will be issued according to the provisions of the existing share option scheme of SCB.

(c) SCIT

	As at the Latest Practicable Date	
	No. of Shares	Approximate % of issued share capital[#]
Share options granted pursuant to SCIT existing share option scheme (including those exercised, outstanding or cancelled but excluding those lapsed)	53,430,000	7.85
Share options exercised pursuant to SCIT existing share option scheme	—	—
Share options outstanding pursuant to SCIT existing share option scheme [*]	46,180,000	6.79

[#] As at the Latest Practicable Date, there were 680,529,805 SCIT Shares in issue.

^{*} These options will lapse on 12 October 2007 and will remain exercisable prior to the lapse of the existing share option scheme of SCIT. SCIT Shares will be issued according to the provisions of the existing share option scheme of SCIT.

Assuming that no further SCI Shares will be issued prior to the adoption of the SCI New Share Option Scheme, the maximum number of SCI Shares which may be issued upon the

exercise of all options to be granted under the SCI New Share Option Scheme and any other share option scheme(s) of SCI (which for this purpose, exclude the existing share option scheme of SCI which will lapse upon the adoption of the SCI New Share Option Scheme) will be 53,033,474 representing 10% of the total number of SCI Shares in issue as at the Latest Practicable Date.

Assuming that no further SCB Shares will be issued prior to the adoption of the SCB New Share Option Scheme, the maximum number of SCB Shares which may be issued upon the exercise of all options to be granted under the SCB New Share Option Scheme and any other share option scheme(s) of SCB (which for this purpose, exclude the existing share option scheme of SCB which will lapse upon the adoption of the SCB New Share Option Scheme) will be 486,193,674 representing 10% of the total number of SCB Shares in issue as at the Latest Practicable Date.

Assuming that no further SCIT Shares will be issued prior to the adoption of the SCIT New Share Option Scheme, the maximum number of SCIT Shares which may be issued upon the exercise of all options to be granted under the SCIT New Share Option Scheme and any other share option scheme(s) of SCIT (which for this purpose, exclude the existing share option scheme of SCIT which will lapse upon the adoption of the SCIT New Share Option Scheme) will be 68,052,980 representing 10% of the total number of SCIT Shares in issue as at the Latest Practicable Date.

The rules of the Subsidiaries New Share Option Schemes allow the Subsidiaries Boards to offer the options to Subsidiaries Participants in flexible terms as and when they consider appropriate after having regard to the particular circumstances of each Subsidiaries Participants, in particular, (i) the imposition of performance targets to be achieved before the exercise of any options by the Subsidiaries Participants; (ii) the determination of the exercise price of the options on a fair basis in compliance with the requirements of the Listing Rules; and (iii) the setting of a minimum period for which the options have to be held before the exercise of the subscription rights attaching thereto. The purposes of the Subsidiaries New Share Option Schemes can be served since the Subsidiaries Participants will be entitled to acquire monetary gain or ownership interest in the Subsidiaries pursuant to the terms of issue of the options which provide incentive to the Subsidiaries Participants for advancing their performance. On the other hand, the flexibility given to the Subsidiaries Board in granting options will place the Subsidiaries Group in a better position to attract and retain employees of appropriate qualification and with necessary experience that are valuable to the growth and development of the Subsidiaries Group as a whole.

Since the Company is the ultimate Holding Company of SCI and SCB, pursuant to Chapter 17 of the Listing Rules, the adoption of the SCI New Share Option Scheme and SCB New Share Option Scheme are conditional upon, inter alias, (i) the shareholders' approval of SCI and SCB and the Shareholders' approval of the Company at their respective annual general meetings simultaneously; and (ii) the Listing Committee granting the approval of the

listing of, and permission to deal in, the SCI and SCB Shares to be issued pursuant to the exercise of any option granted under the SCI and SCB New Share Option Scheme respectively (limit to 10% of the SCI and SCB Shares in issue as at the date of passing of the resolution to adopt the SCI New Share Option Scheme and SCB New Share Option).

Similarly, as the Company and SCI is the ultimate and intermediate Holding Company of SCIT respectively, pursuant to Chapter 17 of the Listing Rules, the adoption of SCIT New Share Option Scheme is conditional upon, inter alia, (i) the shareholders' approval of SCI and SCIT and the Shareholders' approval of the Company at their respective annual general meetings simultaneously; and (ii) the Listing Committee granting the approval of the listing of and permission to deal in, the SCIT Shares to be issued pursuant to the exercise of any option granted under the SCI New Share Option Schemes (limit to 10% of the SCIT Shares in issue as at the date of passing of the resolution to adopt the SCIT New Share Option Schemes).

Copies of the rules of the SCI New Share Option Scheme, SCB New Share Option Scheme and SCIT New Share Option Scheme are available for inspection at the principal place of business of the Company at 28/F., The Bank of China Tower, 1 Garden Road Central, Hong Kong during normal business hours from the date of this circular up to and including the date of AGM and at the AGM.

GENERAL MANDATES AND REPURCHASE MANDATE

At an annual general meeting of the Company held on 25 May 2001, resolutions were passed by the Shareholders of the Company giving general unconditional mandates to the Directors to issue and allot Shares and to exercise the powers of the Company to repurchase its own Shares in accordance with the Listing Rules. These general mandates will lapse at the conclusion of the AGM. It is therefore proposed to renew the General Mandates and the Repurchase Mandate at the AGM and an ordinary resolution will be proposed to seek the Shareholder's approval for granting of the General Mandates and the Repurchase Mandate at such meeting. Details of the aforesaid ordinary resolutions are set out in ordinary resolution number 7 in the notice of the AGM.

In accordance with the requirements of the Listing Rules, the Company is required to send to the Shareholders an explanatory statement containing all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against granting of the Repurchase Mandate. An explanatory statement as required by the Listing Rules in connection with the Repurchase Mandate is set out in Appendix II to this circular.

ANNUAL GENERAL MEETING

A notice convening the AGM is set out on pages 27 to 31. At the AGM relevant resolutions will be proposed to approve the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme, the adoption of the SCI New Share Option Scheme, SCB New Share Option Scheme and SCIT New Share Option Scheme, the granting of the General Mandates and Repurchase Mandate.

LETTER FROM THE BOARD

Shareholders will find enclosed a form of proxy for use at the AGM. Whether or not you intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Share Registrar, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the AGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting thereof should you so wish. In the event that a Shareholder having lodged a form of proxy attends the AGM, his form of proxy will be deemed to have been revoked.

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.

RECOMMENDATIONS

The Directors believe that the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme, the adoption of the SCI New Share Option Scheme, SCB New Share Option Scheme and SCIT New Share Option Scheme, the granting of the General Mandates and Repurchase Mandate are in the best interests of the Company, the Group and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the AGM.

Yours faithfully,
On behalf of the Board
NG HUNG SANG, ROBERT
Chairman

This Appendix summarizes the principal terms of the New Share Option Scheme but does not form part of, nor was it intended to be, part of the New Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the New Share Option Scheme.

The following is a summary of the principal terms of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the AGM:

(a) Purpose of the New Share Option Scheme

The purpose of the New Share Option Scheme is to provide incentive or rewards to Participants for their contribution to the Group and to enable the Group to attract and retain employees of appropriate qualifications and with necessary experience to work for the Group and any Invested Entity.

(b) Who may join

The Directors may, at their absolute discretion, grant Options to any person belonging to any of the following classes of participants to subscribe for Shares:

- (aa) any executive director, employee or proposed employee (whether full time or part time) of any member of the Group or any Invested Entity or Substantial Shareholder;
- (bb) any non-executive directors (including any independent non-executive directors) of any member of the Group or any Invested Entity or Substantial Shareholder;
- (cc) any individual for the time being seconded to work for any member of the Group or any Invested Entity or Substantial Shareholder;
- (dd) any shareholder of any member of the Group or any Invested Entity or Substantial Shareholder or any holder of any securities issued by any member of the Group or any Invested Entity or Substantial Shareholder;
- (ee) any business partner, consultant or contractor of any member of the Group or any Invested Entity or Substantial Shareholder;
- (ff) any supplier of goods or services to any member of the Group or any Invested Entity or Substantial Shareholder;
- (gg) any customer of the Group or any Invested Entity or Substantial Shareholder; and
- (hh) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional or other services to any member of the Group or any Invested Entity or Substantial Shareholder.

For the avoidance of doubt, the grant of any Options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the New Share Option Scheme.

The basis of eligibility of any of the above classes of Participants to the grant of any Options shall be determined by the Directors from time to time on the bases of their contribution to the development and growth of the Group and the Invested Entity.

(c) Maximum number of Shares available for subscription

- (aa) The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (bb) The total number of Shares which may be issued upon exercise of all Options (excluding, for this purpose, Options which have lapsed in accordance with the terms of the New Share Option Scheme and any other share option schemes of the Company) which may be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of passing the resolution to adopt the New Share Option Scheme (the “Scheme Mandate Limit”) by the Shareholders and as the case may be, the shareholders of its Holding Company.
- (cc) Subject to (aa) above and without prejudice to (dd) below, the Company may seek approval of the Shareholders and as the case may be, the shareholders of its Holding Company in general meetings to renew the Scheme Mandate Limit provided that the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of approval of the renewal by Shareholders of the Company and as the case may be, the shareholders of its Holding Company. Upon any such renewal, all Options (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share option schemes of the Company) previously granted under the New Share Option Scheme and any other share option schemes of the Company prior to the approval of such renewal will not be counted for the purpose of calculating whether the renewed Scheme Mandate Limit has been exceeded.
- (dd) Subject to (aa) above and without prejudice to (cc) above and as the case may be, subject to the issue of a circular by its Holding Company and the approval of the shareholders of its Holding Company, the Company may issue a circular to the Shareholders and seek separate Shareholders’ approval in general meetings to grant Options beyond the Scheme Mandate Limit or, if applicable, the limit referred to in (cc) above to Participants specifically identified by the Company before such approval is sought.

(d) Maximum entitlement of each Participant

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the New Share Option Scheme and any other share option schemes of the Company (including both exercised, cancelled and outstanding Options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the “Individual Limit”). Any further grant of Options to a Participant in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meetings of the Company with such Participant and his associates abstaining from voting and as the case may be, the issue of a circular to the shareholders of its Holding Company and the shareholders’ approval in general meetings of its Holding Company.

(e) Grant of Options to connected persons

- (aa) Any grant of Options under the New Share Option Scheme to a connected person (as defined in the Listing Rules) or his associates (as defined in the Listing Rules) must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).
- (bb) Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates (as defined in the Listing Rules), would result in the Share issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue for the time being; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such further grant of Options must be approved by the Shareholders and as the case may be, the shareholders of its Holding Company. A shareholders’ circular of the Company (and as the case may be, its Holding Company) must be prepared and sent to the Shareholders and as the case may be, the shareholders of its Holding Company. All connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. 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 or an independent non-executive Director of the Company, or any of their respective associates (as defined in the Listing Rules) must be approved by the Shareholders and as the case may be, the shareholders of its Holding Company in general meetings.

(f) Time of acceptance and exercise of an Option

There is no specific requirement under the New Share Option Scheme that an Option must be held for any minimum period before it can be exercised, but the terms of the New Share Option Scheme provides that the Board has the discretion to impose a minimum period at the time of grant of any particular Option. Acceptance of an offer of the grant of an Option shall be made within 5 business days from the date of offer. The date of grant of any particular Option is the date when the duplicate offer document constituting acceptance of the Option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 28th day after the Option is offered to the relevant grantee. The period during which an Option may be exercised will be determined by the Board at its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted. No Option may be granted upon the expiry of the 10th anniversary of the approval date of the New Share Option Scheme. Subject to earlier termination by the Company in general meetings or by the Board in accordance with the terms of the New Share Option Scheme, the New Share Option Scheme shall be valid and effective for a period of 10 years after the date of the passing of the resolutions to adopt the New Share Option Scheme by the Shareholders and as the case may be, by the shareholders of its Holding Company in general meetings.

(g) Performance targets

Unless the Directors otherwise determined and provided in the offer of the grant of Options, there is no performance targets that must be achieved before any Options granted under the New Share Option Scheme can be exercised.

(h) Subscription price for Shares

The subscription price for Shares under the New Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. Without prejudice to the generality of the foregoing, the Directors may grant Options in respect of which the subscription price is fixed at different prices for each different period during the Option period provided that the subscription price for Shares for each of the different periods shall not be less than the subscription price determined in the aforesaid manner.

(i) Ranking of Shares

- (aa) Share allotted upon the exercise of an Option will be subject to all the provisions of the articles of association of the Company and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of the Company and accordingly

will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of the Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an Option shall not carry voting rights until the completion of the registration of the grantee as the holder thereof.

(bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification or reduction of the share capital of the Company from time to time.

(j) Restrictions on the time of grant of Options

No offer for grant of Options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Directors (as such date is first notified to the Stock Exchange in accordance with the terms of the Company’s listing agreement) for the approval of the Company’s interim or annual results, and (ii) the last date on which the Company must publish its interim or annual results announcement under its listing agreement with the Stock Exchange, and ending on the date of the announcement of the results, no Option may be granted.

(k) Rights are personal to Grantee

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or in any manner dispose of or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing by a grantee of the Option shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

(l) Rights on ceasing employment

If the grantee of an Option is an employee and ceases to be an employee for any reason other than death or the termination of employment on one or more of the grounds specified in sub-paragraph (u) below before exercising his Option in full, the Option (to the extent which has become exercisable and not already exercised) will lapse within the period of one month following the date of such cessation, which date shall be the last actual working day with the Group or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death

If the grantee of an Option ceases to be a Participant by reason of death before exercising the Option in full (provided that none of the events which would be a ground for termination for his or her employment under sub-paragraph (u) below arises prior to his or her death), the legal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death to exercise the Option (to the extent which has become exercisable and not already exercised).

(n) Rights on a general offer

If a general offer (whether by way of takeover offer or scheme or arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, the grantee (or his legal personal representatives) shall be entitled by notice in writing to the Company to exercise the Option in full (to the extent not already exercised) or to the extent specified in such notice at any time within fourteen (14) days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding up

In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall give notice thereof to the Grantee (or his legal personal representatives) who shall whereupon be entitled not later than two (2) business days prior to the proposed shareholders' meeting by notice in writing to the Company to exercise the Option either to its full extent or to the extent specified in such notice of the Grantor (or his legal personal representatives) and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, allot such number of Shares to the Grantee which shall fall to be issued pursuant to the exercise of the Option.

(p) Rights on compromise or arrangement

If an application is made to the court (otherwise than where the Company is being voluntarily wound up) in connection with a proposed compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), the grantee may by notice in writing to the Company within 21 days after the date of such application, exercise the Option in full (to the extent not already exercised) or to the extent specified in such notice.

(q) Reorganisation of capital structure

In the event of a capitalisation issue, rights issue, consolidation, subdivision or reduction of share capital of the Company (other than an issue of shares either for private placement or as consideration in respect of a transaction to which the Company is a party) whilst any Option remains exercisable, such corresponding alterations (if any) shall be made in:

- (1) the number or nominal amount of Shares under the Option so far as unexercised;
or
- (2) the subscription price per Share;

as the Auditors shall certify in writing to the Board (except for any adjustments made on a capitalisation issue) either generally in respect of all Options granted or specifically as regards any particular Option(s) to be in their opinion fair and reasonable and confirming that the adjustments satisfy the requirements set out in the Listing Rules, provided that:

- (a) any such alterations 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) it was before such event;
- (b) no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value; and
- (c) the proportion of the issued share capital of the Company to which a grantee is entitled after such alteration shall remain the same as that to which he was entitled before such alteration if the shares can be proportionate to an exact figure and, in case the Shares may not be perfectly proportionate to an exact figure, the proportion of the issued share capital of the Company to which a grantee is entitled after such alteration will be adjusted to remain as nearly as possible the same to which he was entitled before such alteration (and in any event not greater than the same).

(r) Duration and administration of the New Share Option Scheme

Subject to the early termination of the New Share Option Scheme pursuant to the terms thereof, the New Share Option Scheme shall be valid and effective for a period of 10 years

commencing on the Adoption Date, after which period no further Options will be granted but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect and Options granted prior thereto may continue to be exercisable in accordance with their terms of issue.

The New Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the New Share Option Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties.

(s) Alterations to the terms of the New Share Option Scheme

The New Share Option Scheme and the terms of any Options (including amendments in order to comply with changes in legal or regulatory requirements) may be altered at any time and from time to time in any respect by resolution of the Board except that:

- (1) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of grantees or prospective grantees without the prior sanction of a resolution by the Shareholders of the Company and as the case may be, the shareholders of its Holding Company in general meetings;
- (2) any change to the authority of the Directors or the administrators of the New Share Option Scheme in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders and as the case may be, the shareholders of its Holding Company in general meetings; and
- (3) any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of the Options granted (except where the alterations take effect automatically under the existing terms of the New Share Option Scheme) must be approved by Shareholders and as the case may be, the shareholders of its Holding Company in general meetings.

Provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted but not exercised or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of Grantees as shall together hold Options in respect of not less than three-fourths in nominal value of all Shares then subject to Options granted under the New Share Option Scheme and the amended terms of the New Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

(t) Cancellation of Options

Any cancellation of Options granted but not exercised, if the Grantee of the relevant Options so agrees, must be approved by the Board.

Any cancellation of Options granted but not exercised and the granting of new Options to the same grantee may only be made under the New Share Option Scheme with available unissued Options (excluding the cancelled Options) within the Mandate Limit.

(u) Lapse of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earlier of:

- (1) the expiry of the Option Period;
- (2) the expiry of the periods referred to in sub-paragraphs (l), (m) and (n) above;
- (3) subject to paragraph (o) above, the date of the commencement of the winding up of the Company;
- (4) subject to paragraph (p) above, the proposed compromise or arrangement becoming effective;
- (5) the date on which the grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offences involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary (a resolution of the Board to the effect that the employment of a grantee having or not having been terminated on one or more of the grounds specified in this sub-paragraph (5) shall be final and conclusive and binding on the grantee);
- (6) the date on which the grantee commits a breach of paragraph (k) above if the Company shall exercise the Company's right to cancel the same; and
- (7) the date on which the Options are cancelled in accordance with paragraph (t).

(v) **Termination**

The Company, may by resolution in general meeting, or the Board may at any time terminate the New Share Option Scheme and in such event no further Option will be offered but the provisions of the New Share Option Scheme shall remain in full force and to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

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

1. SHARE CAPITAL

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

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

2. REASONS FOR THE REPURCHASE

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

3. FUNDING OF REPURCHASES

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

There may be an adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report of the Company for the financial year ended 31 December 2001) in the event that the proposed securities repurchases were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or its gearing level which in the opinion of the Directors is from time to time appropriate for the Company.

4. UNDERTAKING

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

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

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

5. TAKEOVERS CODE

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

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Eartrade Investments Limited (“Eartrade”) held approximately 27 per cent., while Mr. Ng Hung Sang, Robert (“Mr. Ng”) personally and through companies wholly-owned and controlled by him, held approximately 47 per cent. of the issued share capital of the Company, were the substantial shareholders holding more than 10 per cent. of the issued share capital of the Company. In the event that the Directors should exercise the proposed Repurchase Mandate in full, the shareholding of Eartrade and Mr. Ng in the Company would be increased to approximately 30 per cent. and 52 per cent. of the issued share capital of the Company respectively and such increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Code but will result in the amount of Shares held by the public to less than 25 per cent. of the total issued share capital of the Company. The Directors have no intention to repurchase Shares to such an extent which will result in the amount of Shares held by the public being reduced to less than 25 per cent.

6. SHARE PURCHASE MADE BY THE COMPANY

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

7. MARKET PRICES

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

	Shares	
	Highest (HK\$)	Lowest (HK\$)
APRIL 2001	0.575	0.575
MAY 2001	0.495	0.463
JUNE 2001	0.475	0.463
JULY 2001	0.688	0.445
AUGUST 2001	0.640	0.500
SEPTEMBER 2001	0.600	0.420
OCTOBER 2001	0.650	0.440
NOVEMBER 2001	0.520	0.410
DECEMBER 2001	0.420	0.380
JANUARY 2002	0.580	0.390
FEBRUARY 2002	0.500	0.380
MARCH 2002	0.380	0.380



SOUTH CHINA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an Annual General Meeting of South China Holdings Limited (the “Company”) will be held at 28/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong on 31 May 2002, Friday, at 11:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions, as ordinary resolutions of the Company:

1. To receive and consider the audited financial statements and the Reports of the Directors and Auditors for the year ended 31 December 2001;
2. To re-elect Directors and fix the Directors’ fees;
3. To re-appoint Auditors and to authorise the Board of Directors to fix their remuneration;

ORDINARY RESOLUTIONS

4. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolutions as Ordinary Resolution:

“**THAT**, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) granting approval of the new share option scheme of the Company (the “New Share Option Scheme”), the rules of which are contained in the document marked “A” produced to the meeting and for the purposes of identification signed by the Chairman thereof, and the granting of any options thereunder (the “Options”) and the listing of and permission to deal in the shares of the Company (i.e. shares of HK\$0.025 each of the Company (the “Shares”)) to be issued pursuant to the exercise of any such Options:

- (a) the New Share Option Scheme be and is hereby approved and adopted and the directors of the Company (the “Directors”) be and are hereby authorised to do all such acts, deeds and things and to enter into all such transactions, arrangements and agreements as they may, in their absolute discretion, deem necessary or expedient in order to give full effect to the New Share Option Scheme including but without limitation:
 - (i) to administer the New Share Option Scheme under which Options will be granted to participants eligible under the New Share Option Scheme to subscribe for Shares in the share capital of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) to modify and/or amend the New Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the New Share Option Scheme relating to modification and/or amendments;
 - (iii) to issue and allot from time to time such number of Shares in the share capital of the Company as may be required to be issued pursuant to the exercise of the Options under the New Share Option Scheme provided always that the maximum number of Shares to be issued pursuant to the New Share Option Scheme together with any shares subject to any other share option scheme remaining outstanding (but excluding the share option scheme adopted by the Company on 29 July 1992 (“Existing Share Option Scheme”) shall not exceed 10 per cent. of the issued share capital of the Company at the date of the approval and adoption of the New Share Option Scheme;
 - (iv) to make application at the appropriate time or times to the Stock Exchange, and any other stock exchange upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in any Shares which may hereafter from time to time be issued and allotted pursuant to the exercise of the Options under the New Share Option Scheme; and
 - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the New Share Option Scheme; and
- (b) upon the New Share Option Scheme becoming unconditional, the Existing Share Option Scheme be and is hereby terminated and no further options be granted under the Existing Share Option Scheme but in all other respects, the provisions of the Existing Share Option Scheme shall remain in full force and effect in respect of options which have been granted prior to the adoption of the New Share Option Scheme and such options shall continue to be exercisable in accordance with their terms of issue.”

5. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolutions as Ordinary Resolution:

“**THAT**, subject to and conditional upon the Stock Exchange granting approval of the new share option schemes (the “Subsidiaries New Share Option Schemes”) of South China Industries Limited (“SCI”), South China Brokerage Company Limited (“SCB”) and South China Information and Technology Limited (“SCIT”), subsidiaries of the Company, the rules of which are contained in the documents marked “B”, “C” and “D” respectively produced to the meeting and for the purpose of identification signed by the Chairman of the meeting, and the granting of any options thereunder and the listing of and permission to deal in the shares of SCI, SCB and SCIT to be issued pursuant to the exercise of any such options, and the approval and adoption of the Subsidiaries New Share Option Schemes by their respective shareholders of SCI, SCB and SCIT at their annual general meetings to be held on 31 May 2002, the Subsidiaries New Share Option Schemes be and are hereby approved for the purposes of Rule 17.01(4) of the Rules Governing the Listing of Securities on the Stock Exchange.”

NOTICE OF ANNUAL GENERAL MEETING

6. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolutions as Ordinary Resolutions:

(A) “**THAT**,

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

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

NOTICE OF ANNUAL GENERAL MEETING

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

(B) “**THAT**,

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the Directors of the Company during the Relevant Period (as defined below) of all the powers of the Company to repurchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other exchange on which the securities of the Company may be listed and recognised for this purpose by The Securities and Futures Commission of Hong Kong and the Stock Exchange under The Hong Kong Code on Share Repurchases (“Recognised Stock Exchange”) subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time (the “Listing Rules”) or that of any other Recognised Stock Exchange, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares which may be repurchased pursuant to the approval in sub-paragraph (a) of this Resolution, shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Company;
- (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

NOTICE OF ANNUAL GENERAL MEETING

(C) “**THAT**,

conditional upon the Resolutions Nos. 6(A) and 6(B) set out in the notice convening this Meeting being passed, the aggregate nominal amount of the number of shares which are repurchased by the Company after the date of the passing of this Resolution (up to a maximum of 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue immediately following the Resolutions Nos. 6(A) and 6(B) in the notice convening this meeting taking effect) shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors of the Company pursuant to Resolution No. 6(A) set out in the notice convening this Meeting.”

7. To transact any other ordinary business.

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

Hong Kong Special Administrative Region
of the People's Republic of China

24 April 2002

Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company's Share Registrar, Standard Registrars Limited of 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person should he so wishes.
3. The Register of Members of the Company will be closed from 30 May 2002 to 31 May 2002, both days inclusive, during which period no share transfers will be registered. To qualify for the attendance of the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Standard Registrars Limited of 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong, not later than 4:00 p.m. on 29 May 2002, for registration.
4. With regard to resolution set out in item 6 of this notice, the Directors wish to state that they have no immediate proposals either to issue or repurchase any securities of the Company. Approval is being sought from members as a general mandate pursuant to the Listing Rules of the Stock Exchange.