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

If you have sold or transferred all your shares in Guoco Group Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or 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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Guoco Group Limited

國浩集團有限公司

(Incorporated in Bermuda with limited liability)

PROPOSED ONGOING CONNECTED TRANSACTIONS SHARE OPTION PLAN

Independent Financial Adviser to the Independent Shareholders



A letter from the Board is set out on pages 4 to 13 of this circular. A letter from Access Capital Limited is set out on pages 14 to 23 of this circular.

A notice dated 30 November 2002 convening a Special General Meeting of the shareholders of Guoco Group Limited to be held at Room 1505, 15th Floor, The Center, 99 Queen's Road Central, Hong Kong on Monday, 16 December 2002 at 11:30 a.m. is set out on pages 29 and 30 of this circular. Whether or not you are able to attend the Special General 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 fixed for holding of the Special General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Special General Meeting should you so wish.

30 November 2002

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DEFINITIONS

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

“Access Capital”	Access Capital Limited, the independent financial adviser to the Independent Shareholders in relation to the Ongoing Connected Transactions
“Announcement”	the announcement made by the Company on 29 November 2002 in connection with the Ongoing Connected Transactions and the Share Option Plan
“associated company”	any company in which the Company directly or indirectly holds between 20% to 50% of its issued share capital
“Board”	the board of directors of the Company or a duly authorised committee thereof (together with an individual or individuals duly authorised by the board of directors of the Company, if necessary)
“Chairman”	the chairman of the Board
“Circular”	this circular issued by the Company to its shareholders dated 30 November 2002 in respect of the Ongoing Connected Transactions and to the Share Option Plan
“Company”	Guoco Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (or any other Group Company substituted in accordance with the Trust Deed)
“Companies Act”	the Companies Act 1981 of Bermuda (as amended from time to time)
“Directors”	the directors of the Company
“Grant of Loans”	the granting of Loans by the Company to the Trust from time to time pursuant to the Trust Deed
“Grant of Options”	the granting of Options by the Company to any Participant pursuant to the Share Option Plan
“Group”	the Company and its subsidiaries
“Group Company”	the Company and any company which is its Subsidiary, its holding company or a Subsidiary of its holding company
“holding company”	any holding company for the time being within the meaning of Section 86 of the Companies Act

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Shareholders”	Shareholders other than those who are connected persons (as defined in the Listing Rules) of the Company and who also fall within the definition of “Participants”
“Latest Practicable Date”	27 November 2002, being the latest practicable date before the printing of the Circular for ascertaining certain information for the purpose of inclusion in the Circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loans”	Loans that will be granted by the Company to the Trust pursuant to the Trust Deed, the maximum subsisting amount during the period of the Waiver (for 3 financial years ending 30 June 2005) of which will be 3% of the value of the latest published consolidated net tangible assets of the Group available at the time when the Independent Shareholders approve the Ongoing Connected Transactions
“Notice of SGM”	the notice convening the SGM
“Ongoing Connected Transactions”	connected transactions which will be entered into continually for the purpose of the Trust, comprising the Grant of Loans and the Grant of Options
“Option(s)”	option(s) to subscribe for existing Shares pursuant to the Share Option Plan
“Participant”	(i) any employee and director (including non-executive director and independent non-executive director) of any Group Company; and (ii) any employee of any associated company (which will include connected persons as defined in the Listing Rules)
“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Shares”	shares of US\$0.50 each in the share capital of the Company
“Share Option Plan”	the share option plan to be adopted by the Company, a summary of which is contained in the section headed “Overview of the Share Option Plan” in the “Letter from the Board” in the Circular
“Share Option Scheme”	the share option scheme adopted by the Company on 29 November 2001
“Special General Meeting” or “SGM”	the Special General Meeting of the Company to be held at Room 1505, 15th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Monday, 16 December 2002 at 11:30 a.m. to approve: (i) the Ongoing Connected Transactions; and (ii) the adoption of the Share Option Plan, a notice of which is set out on pages 29 and 30 of the Circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	any subsidiary for the time being within the meaning of Section 86 of the Companies Act
“Trust”	the employee share trust constituted by the Trust Deed
“Trustee”	a wholly-owned subsidiary of the Company and the trustee of the Trust (including the future trustee(s) of the Trust)
“Trust Deed”	the trust deed to be entered into between the Company and the Trustee to constitute the Trust
“Waiver”	the waiver submitted to the Stock Exchange by the Company applying for a waiver from strict compliance of the Listing Rules in respect of the Ongoing Connected Transactions
“%”	per cent.

LETTER FROM THE BOARD



Guoco Group Limited

國浩集團有限公司

(Incorporated in Bermuda with limited liability)

Directors:

Quek Leng Chan (*Executive Chairman*)
Kwek Leng Hai (*President, CEO*)
Sat Pal Khattar**
Kwek Leng San*
Peter Anthony Wakefield*
Tan Lim Heng
James Eng, Jr.
Harry Richard Wilkinson**
Jamal Al-Babtain*
Tung Hsi Hui, Frank**

**Non-executive Directors*

***Independent Non-executive Directors*

Registered office:

Cedar House
41 Cedar Avenue
Hamilton, HM 12
Bermuda

Principal office:

50th Floor, The Center
99 Queen's Road Central
Hong Kong

30 November 2002

To the Shareholders

Dear Sir or Madam,

PROPOSED ONGOING CONNECTED TRANSACTIONS SHARE OPTION PLAN

INTRODUCTION

The Company has adopted the Share Option Scheme on 29 November 2001 in accordance with the provisions under Chapter 17 of the Listing Rules. The Share Option Scheme is intended to provide executives of the Group (including the Directors) with the opportunity to participate in the growth and success of the Group. As the granting of options under the Share Option Scheme may be subject to performance targets laid down by the Directors from time to time and the exercise price of the options under the Share Option Scheme is expected to be set at a level which reflects generally the share price of the Company at the time of grant of the options, the Share Option Scheme provides incentives for advancing their performance.

LETTER FROM THE BOARD

As the terms of the Share Option Scheme only allow the grant of options over newly issued Shares, there will be uncertainty in the potential dilution effect on the Company's issued share capital from time to time. In addition, the timing for any such dilution is of particular concern to investors as well as the existing Shareholders. The Directors therefore intend to set up a share option plan to enable the grant of options over existing issued shares as a complement to the Share Option Scheme. The proposed grant of Options over existing Shares, as distinct from the grant of options over newly issued Shares under the Share Option Scheme, would eliminate the dilution effect on Shareholders' interests and the Company's capital base and future returns as well as the uncertainty of the timing of dilution.

Under the proposed Share Option Plan, the Trust will be set up to acquire existing Shares for the purpose of satisfying outstanding Options from time to time. The Company will make Loans to the Trust from time to time to enable the Trust to acquire existing Shares for the purpose of the Trust, and the Loans are expected to be repaid from the exercise price received by the Trust upon the exercise of Options.

The Ongoing Connected Transactions, comprising the Grant of Loans and the Grant of Options, constitute connected transactions of the Company under Chapter 14 of the Listing Rules. The Company announced on 29 November 2002 that it has made an application for a waiver to the Stock Exchange from strict compliance with the relevant requirements of the Listing Rules in respect of the Ongoing Connected Transactions. Please see the section headed "Ongoing Connected Transactions" below for more details. In addition, Access Capital has been appointed as the independent financial adviser to the Independent Shareholders in respect of the Ongoing Connected Transactions.

The purpose of this letter and the other sections of the Circular (of which this letter forms part) is to provide you with information relating to the details of the Ongoing Connected Transactions and the Share Option Plan, to set out the advice from Access Capital, to seek: (i) the Independent Shareholders' approval of the Ongoing Connected Transactions; and (ii) the Shareholders' approval of the adoption of the Share Option Plan by the Company and to give you Notice of SGM. Connected persons (as defined in the Listing Rules) of the Company who fall within the definition of "Participant" are required to abstain from voting in respect of the ordinary resolution to approve the Ongoing Connected Transactions to be proposed at the SGM.

Terms defined in the Circular have the same meanings when used in this letter.

LETTER FROM THE BOARD

OVERVIEW OF THE SHARE OPTION PLAN

The Company will establish the Trust, the mechanism that will underpin the Share Option Plan, for the benefit of the Participants. The Company will establish the Trust as soon as practicable after the following events: (i) the Independent Shareholders' approval of the Ongoing Connected Transactions and the Shareholders' approval of the Share Option Plan at the SGM; and (ii) the Stock Exchange granting the Waiver. The Share Option Plan has a maximum term of 10 years from the date of adoption of the Share Option Plan.

The following is a summary of the Share Option Plan and how it will operate:

1. Purpose

The purpose of the Share Option Plan is to motivate the Participants and to allow them to participate in the growth of the Company.

2. Administration

The Company will appoint the Trustee, a wholly-owned subsidiary of the Company, to act as the Trustee for the Trust. The Trustee's role is to administer the Trust in accordance with its terms, including giving effect to the grant of Options to the Participants at the direction of the Board.

3. Participants

Any employee and director of any Group Company and any employee of any associated company (but not any person whose inclusion would cause the Share Option Plan to cease to be an employees' share scheme within the meaning of Section 39A(4)(b) of the Companies Act) may participate in the Share Option Plan if invited to do so by the Trustee at the direction of the Board.

4. Grant of Options

The Board may at its absolute discretion and subject to such conditions as it may think fit offer to Participants Options to subscribe for existing Shares.

Acceptance by any Participant of an offer to be granted with Options under the Share Option Plan shall be sent to the Company in writing, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for such a grant, and must be received by the secretary of the Company within 21 days from the date such offer was made.

LETTER FROM THE BOARD

5. Grant of Options to Connected Persons

The Board's approval will be required for each grant of Options to any Participant who is a director, chief executive, or substantial shareholder (as defined in the Listing Rules) of the Company (or any of its subsidiaries) or any of their associates (as defined in the Listing Rules). The grant of Options to connected persons (as defined in the Listing Rules) will be subject to the connected transaction requirements under Chapter 14 of the Listing Rules.

6. Exercise price of an Option for the purchase of Shares

The exercise price of an Option for the purchase of Shares will not be less than the greatest of: (i) the average closing price of a Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such Option; (ii) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the day of offer of such Option, which must be a business day; and (iii) the nominal value of a Share.

7. Time of exercise of an Option

An Option can be exercised at any time during the period specified at the time of grant of the relevant Option, subject to compliance with the terms of the relevant Option. No Option may be exercised later than ten years after it has been granted.

8. Limits of the Share Option Plan

The Trustee is expected to acquire existing Shares to cover its exposure under the Options to be granted from time to time. The maximum number of Shares which may be subject to Options under the Share Option Plan will be subject to the maximum limits set out below.

Under the Share Option Plan, Options can be granted so that the total number of Shares that may be transferred upon exercise of all Options does not in aggregate exceed 10% of the Shares in issue on the date of obtaining the approval of the Ongoing Connected Transactions at the SGM.

The Company may renew this limit at any time, subject to Independent Shareholders' approval and the issue of a circular, provided that the number of Shares to be transferred upon exercise of all outstanding Options does not exceed 30% of the Shares in issue from time to time. The Company may also seek separate Shareholders' approval for granting further blocks of Options beyond the 10% limit to Participants specifically identified by the Company (each block of such Options being subject to a maximum limit of 10% of the Shares in issue from time to time), subject to Shareholders' approval and the issue of a circular. For information only, as at the Latest Practicable Date, 10% of the Shares in issue represents 32,490,137 Shares.

For the avoidance of doubt, the aforesaid limits of the Share Option Plan relate to the Share Option Plan only. Also, the above limits of the Share Option Plan comply with the provisions set out in Chapter 17 of the Listing Rules (where applicable).

LETTER FROM THE BOARD

9. Maximum entitlement for each Participant

Subject to the paragraph below in relation to each Director who is an independent non-executive Director or a substantial shareholder (as defined in the Listing Rules) of the Company, the maximum entitlement for any Participant in respect of the total number of Shares transferred and to be transferred upon exercise of all Options granted and to be granted in any 12-month period up to the date of the latest grant will not exceed 1% of the Shares in issue as at any date of grant. Where a further grant of Options to any Participant would result in the total number of Shares transferred and to be transferred upon exercise of all Options granted and to be granted in the 12-month period up to and including the proposed date of such further grant to exceed 1% of the Shares in issue as at any date of grant, the Company may only grant such further Options by obtaining Shareholders' approval, with that Participant and his associates abstaining from voting.

Options granted to a Director (who may be an independent non-executive Director or a substantial shareholder (as defined in the Listing Rules) of the Company) or any of their respective associates (as defined in the Listing Rules) will not result in the total number of Shares transferred and to be transferred upon exercise of Options granted and to be granted to such person in the 12-month period up to and including the date of such grant:

- (i) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of the grant, in excess of HK\$5 million; and
- (ii) representing in aggregate over 0.1% of the Shares issued from time to time.

If the abovementioned thresholds are exceeded, such grant of Options will be required to be approved by the Shareholders (by way of a poll). The Company will be required to send a circular to the Shareholders regarding such matter. All connected persons (as defined in the Listing Rules) of the Company will be required to 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.

10. Maximum waiver period

In view of the ongoing nature of the connected transactions arising from the operation of the Share Option Plan (see the section headed "Ongoing Connected Transactions" in this letter for further details), the Company has applied to the Stock Exchange for a connected transaction waiver in order to be exempted for a period of up to 3 financial years from the need to obtain Shareholders' approval in respect of the Ongoing Connected Transactions arising from the operations of the Share Option Plan. In addition, the Company will need to apply to the Stock Exchange for another waiver approval every 3 financial years when such waiver expires (see the section headed "Disclosure Requirement and Waiver Sought" in this letter for further details).

LETTER FROM THE BOARD

11. Rights attaching to Options

If a Participant dies, his Options are transmitted to his personal representative subject to the limitations set out in the rules governing the Options. An Option cannot otherwise be transferred or assigned, and is personal to the Participant.

Options do not carry voting rights and no dividends are payable in relation to Options which have not been exercised.

12. Effect of alterations to capital

In the event of any capitalisation issue, rights issue, sub-division, consolidation or reduction of capital of the Company while any Option remains exercisable, corresponding alterations may be made to the number of Options held by each Participant and/or the price at which they may be exercised as the Board may at the time certify in its opinion to be fair and reasonable and the Trustee will accordingly notify the Participant of such alterations.

13. Ranking of Shares

The Shares to be transferred by the Trustee to the Participant upon the exercise of an Option will be subject to all the provisions of the Bye-Laws of the Company and will rank *pari passu* with the other fully-paid Shares in issue at the date of such transfer. Accordingly, the holders will be entitled to participate in all dividends and other distributions declared on or after the date of transfer.

14. Source of finance

The Company will make Loans to the Trust from time to time in accordance with the Trust Deed. Loans that will be provided by the Company to the Trust will be subject to a maximum limit of 3% of the value of the latest published audited net tangible assets of the Company as at the time when the Shareholders approve or renew the waiver in relation to the Ongoing Connected Transactions (as the case may be).

The Loans will enable the Trust to acquire existing Shares for the purpose of the Trust.

The Loans are expected to be repaid from the exercise price received by the Trust upon the exercise of Options. Before the relevant Shares are transferred to the Participant upon an exercise of the relevant Options, any income derived from the holding of such Shares will be used by the Trust to pay for its establishment and administrative expenses, interest (if any) on the bonus and as financing for further acquisitions of existing Shares.

15. Winding up

If the Trust is dissolved, any surplus funds remaining after repayment of the Loans and other liabilities would belong to the Company.

LETTER FROM THE BOARD

16. Value of Options

Taking into account the nature of the Group's business after the disposal of its core business (i.e. the disposal of Dao Heng Bank Group Limited in year 2001) and that the Directors do not believe they are in a position to make any realistic or meaningful assumption for the purpose of valuing the Options, the Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the Share Option Plan as if they had been granted at the Latest Practicable Date.

ONGOING CONNECTED TRANSACTIONS

The Grant of Loans and the Grant of Options constitute connected transactions of the Company under Chapter 14 of the Listing Rules.

The Grant of Loans by the Company to the Trust and the Grant of Options by the Trust to the Participants on a continuous basis therefore constitute Ongoing Connected Transactions of the Company.

RATIONALE OF THE SHARE OPTION PLAN

The Board believes the structure of the Share Option Plan will allow more flexibility to the Group in terms of remunerating the Participants. The Group will be in a position to structure incentives for the Participants in order to align their interests with the performance of the Group, with a view to improve the operations of the Group.

Further, unlike a traditional employee share option scheme, the structure of the Share Option Plan does not involve options over unissued Shares and thereby avoid the uncertainty for the Shareholders of potential dilutionary effect on the Company's issued share capital from time to time and future returns, as well as the timing for any such dilution. The acquisition of existing Shares by the Trustee for the purpose of the Share Option Plan from time to time would provide additional flexibility to the Company and allow the Board to achieve greater efficiency in packaging the remuneration for the Participants.

The Ongoing Connected Transactions will be conducted in accordance with the terms set out in the Share Option Plan and the Trust Deed, which will be fair and reasonable to the Group and the Shareholders. Due to the benefits of the Share Option Plan to the Group and the Shareholders, the Directors consider it to be beneficial to the Group and the Shareholders for the Ongoing Connected Transactions to take place.

INFORMATION ON THE GROUP

The Group is principally engaged in property development and investment; stock and commodity broking; insurance and fund management services, and treasury and investment management.

LETTER FROM THE BOARD

DISCLOSURE REQUIREMENT AND WAIVER SOUGHT

Under the Listing Rules, the Ongoing Connected Transactions would normally require full disclosure and/or prior Shareholders' approval. The Directors considered that it would not be practical to make disclosure or if necessary, obtain Shareholders' approval for such transaction on each occasion it arises. Accordingly, the Company has applied to the Stock Exchange to grant a waiver for a period of 3 financial years ending 30 June 2005 from the disclosure and/or shareholders' approval requirements of the Listing Rules in respect of the Ongoing Connected Transactions as described above on the conditions that:

- (i) the Ongoing Connected Transactions have been entered into on terms that are fair and reasonable so far as the Shareholders are concerned;
- (ii) the Ongoing Connected Transactions have been entered into, where applicable, within the following limits of the Share Option Plan: (i) limits on the number of Options that can be granted and the number of Shares that can be transferred or to be transferred upon exercise of all the Options, details of such limits and their bases are set out in the paragraphs below the section headed "Overview of the Share Option Plan" — "8. Limits of the Share Option Plan" above; and (ii) the limits set out below:
 - (a) the maximum number of Shares transferred and to be transferred upon the exercise of the Options under the Share Option Plan to each Participant, who is an independent non-executive Director or a substantial shareholder (as defined in the Listing Rules) or any of their respective associates (as defined in the Listing Rules), shall not exceed (i) an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of the grant, in excess of HK\$5 million; and (ii) 0.1% of the Shares issued from time to time (within any 12-month period up to and including the date of such grant);
 - (b) the maximum number of Shares transferred and to be transferred upon the exercise of the Options under the Share Option Plan to each Participant who is a connected person (as defined under the Listing Rules) of the Company, other than an independent non-executive Director or a substantial shareholder (as defined in the Listing Rules), shall not exceed 1% of the Shares in issue (within any 12-month period up to and including the date of such grant);
 - (c) the proposed waiver limit of the Loans of 3% of the Group's latest published consolidated net tangible assets value;

LETTER FROM THE BOARD

- (iii) details of the Ongoing Connected Transactions, including the date, the identity of the parties, a brief description of the transactions and their purposes (where applicable), the consideration, the nature of the parties' relationship and the extent of interest of the connected persons, as set out in Rule 14.25(1)(A) to (D) of the Listing Rules and in accordance with Rules 17.07 to 17.09 of the Listing Rules (as if the Share Option Plan was adopted pursuant to Chapter 17 of the Listing Rules), will be disclosed in the Company's next and subsequent annual reports;
- (iv) the independent non-executive Directors will review annually any Ongoing Connected Transactions and confirm in the Company's annual report of the relevant financial year that the Ongoing Connected Transactions have been entered in the manner stated in paragraphs (i) and (ii) above;
- (v) the auditors of the Company will review annually the Ongoing Connected Transactions, details of which will be set forth and confirmed in the Company's next annual report as well as provide the Board with a letter (a copy of which will be provided to the Stock Exchange) stating that:
 - (a) the Ongoing Connected Transactions have received approval of the Directors; and
 - (b) the Ongoing Connected Transactions have been conducted in the manner as stated in paragraphs (i) and (ii) above,where, for whatever reasons, the auditors of the Company decline to accept the engagement or are unable to provide the auditors' letter (as referred to above in this paragraph), the Directors shall contact the Stock Exchange immediately; and
- (vi) the Share Option Plan will fully comply with the provisions in Chapter 17 of the Listing Rules (where applicable).

The Board is of the view that the independent non-executive Directors could review the Ongoing Connected Transactions independently to fulfill Waiver condition (iv) above (i.e. there is no conflict of interest from the perspectives of the independent non-executive Directors) as no subjective judgment will need to be exercised by the independent non-executive Directors in fulfilling their obligations under Waiver condition (iv). This is so because the parameters/limits of the proposed Share Option Plan have been viewed as fair and reasonable by Access Capital, the independent financial adviser, (see the "Letter from Access Capital" for further details) and the Independent Shareholders' approval of the Ongoing Connected Transactions at the SGM will indicate that the fairness and reasonableness of such parameters/limits have been accepted by the Independent Shareholders. Hence, there should be no element of conflict of interest as the independent non-executive Directors' annual review of the Ongoing Connected Transactions pursuant to Waiver condition (iv) would be purely administrative.

LETTER FROM THE BOARD

SGM

Set out at the end of the Circular is a notice of the SGM to be held at Room 1505, 15th Floor, The Center, 99 Queen's Road Central, Hong Kong on Monday, 16 December 2002 at 11:30 a.m. at which, amongst other things, an ordinary resolution will be proposed to approve each of (i) the Ongoing Connected Transactions; and (ii) the adoption of the Share Option Plan by the Company.

A form of proxy is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the Company's principal office at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible, but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion of the form of proxy will not preclude you from attending and voting at the SGM should you so wish.

Connected persons (as defined in the Listing Rules) of the Company who fall within the definition of "Participant" are required to abstain from voting in respect of the ordinary resolution to approve the Ongoing Connected Transactions be proposed at the SGM.

RECOMMENDATION

Having considered the advice from Access Capital in relation to the Ongoing Connected Transaction (including the principal factors and reasons considered by Access Capital in making its recommendation), which is set out on pages 14 to 23 of the Circular, the Board is of the opinion that the Ongoing Connected Transactions are in the best interest of the Company and the Shareholders, and the Ongoing Connected Transactions are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Directors recommend the Independent Shareholders and the Shareholders to vote in favour of the ordinary resolution no. 1 in respect of the Ongoing Connected Transactions and resolution no. 2 in respect of the Share Option Plan respectively at the SGM.

ADDITIONAL INFORMATION

A draft copy of the Share Option Plan will be available for inspection at the Company's principal office at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including the date of the Special General Meeting. An announcement as to whether the Share Option Plan has been approved by Shareholders in the Special General Meeting will be made on the business day following the meeting.

Your attention is drawn to the information set out in the following sections of the Circular:

- (i) Letter from Access Capital (pages 14 to 23);
- (ii) General Information (pages 24 to 28); and
- (iii) Notice of SGM (pages 29 and 30).

Yours faithfully,
By Order of the Board
Quek Leng Chan
Executive Chairman

LETTER FROM ACCESS CAPITAL

The following is the text of a letter received from Access Capital setting out its opinion to the Independent Shareholders in respect of the Ongoing Connected Transactions for inclusion in this circular.



3rd Floor
8 Queen's Road Central
Hong Kong

30 November 2002

To: The Independent Shareholders

Dear Sirs,

PROPOSED ONGOING CONNECTED TRANSACTIONS

PROPOSED GRANTING OF LOANS TO THE TRUST TO FACILITATE THE EXERCISE OF OPTIONS GRANTED UNDER THE SHARE OPTION PLAN AND GRANTING OF OPTIONS BY THE COMPANY UNDER THE SHARE OPTION PLAN TO CONNECTED PERSONS (AS DEFINED IN THE LISTING RULES)

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Shareholders as regards the Ongoing Connected Transactions, details of which are contained in the "Letter from the Board" set out on pages 4 to 13 of a circular to the Shareholders dated 30 November 2002 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As mentioned in the "Letter from the Board", under the Listing Rules, the Ongoing Connected Transactions would normally require full disclosure and/or prior Shareholders' approval. Since it would not be practical to make disclosure or if necessary, obtain Shareholders' approval for such transaction on each occasion it arises, the Company has applied to the Stock Exchange to grant a waiver for a period of three financial years ending 30 June 2005 from the disclosure and/or shareholders' approval requirements of the Listing Rules in respect of the Ongoing Connected Transactions.

The Board currently comprises Messrs. Quek Leng Chan, Kwek Leng Hai, Sat Pal Khattar, Kwek Leng San, Peter Anthony Wakefield, Tan Lim Heng, James Eng, Jr., Harry Richard Wilkinson, Jamal

LETTER FROM ACCESS CAPITAL

Al-Babtain and Tung Hsi Hui, Frank. Since the Directors will be eligible to participate in the Share Option Plan, they are not considered independent for the purpose of giving advice concerning the Ongoing Connected Transactions. Accordingly, we have been appointed to advise the Independent Shareholders as to whether the terms of the Ongoing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and to give our opinion in relation to the Ongoing Connected Transactions for the Independent Shareholders to consider and, accordingly, make our recommendation to the Independent Shareholders.

Connected persons (as defined in the Listing Rules) of the Company who fall within the definition of Participants will abstain from voting to approve the Ongoing Connected Transactions at the Special General Meeting.

BASES AND ASSUMPTIONS OF THE ADVICE

In formulating our advice, we have relied principally on the statements, information, opinion and representations contained in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all such statements, information, assumptions, estimates, opinions and representations contained or referred to in the Circular or otherwise provided by the Company and the Directors and for which they are solely responsible were true and accurate and valid at the time they were made and given and continue to be true and valid as at the date of the Circular. We have also assumed that all statements of belief, opinion and intention of the Directors as set out in the “Letter from the Board” on pages 4 to 13 of the Circular and in this letter have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular.

We consider that we have reviewed all currently available information and documents which are available under the present circumstances to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis of our opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents. We have not, however, carried out an independent verification of the information provided, nor have we conducted an independent investigation into the business and affairs of the Company, or any of its subsidiaries.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons:

1. **Background to and reasons for the Share Option Plan and the establishment of the Trust**
 - (a) Business of the Company

The Company’s principal businesses include property development and investment, financial services, and treasury and investment management.

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Based on the audited consolidated results of the Group for the two years ended 30 June 2002, the Group recorded profit after taxation (but before minority interests) of approximately HK\$21,478 million and HK\$1,204 million respectively. The decline in profitability in 2002 was primarily due to the profit on disposal of the Group's interests in Dao Heng Bank Group in 2001 which resulted in a profit of approximately HK\$22,630 million.

As mentioned in the Chairman's statement in the Group's 2002 annual report, the Board is committed to the policy of continuous improvement in productivity and cost effectiveness. In order to position the Group for this difficult economic environment, the Group has undertaken various steps to streamline the entire organization and its operations and implemented a series of restructuring transactions, with the objective of optimizing the Group's resources. The Board recognizes that effective management of the Group's substantial investment fund would be critical to short-term earnings, just as its subsequent investment in new businesses would be the key to long-term sustainability.

(b) Reasons for the Share Option Plan and the establishment of the Trust

As mentioned in the "Letter from the Board", the Directors consider the Share Option Plan (as a complement incentive plan to the existing Share Option Scheme adopted by the Company on 29 November 2001) forms an integral part of the Group's strategy to motivate performance of, and contribution by, the Participants in the future success and growth of the Group; whilst on the other hand, unlike the Share Option Scheme, the Share Option Plan does not involve options over unissued Shares and thereby avoids the uncertainty of any potential dilutive effect on the Company's issued share capital.

The Directors also consider that the Share Option Plan would provide the Board a means to achieve greater efficiency and flexibility in the remuneration packages of the Participants.

The Company will establish the Trust, that will underpin the Share Option Plan for the benefit of the Participants. The Company will establish the Trust as soon as practicable after (i) the Independent Shareholders granting an approval to the Ongoing Connected Transactions at the Special General Meeting and (ii) the Stock Exchange granting the Waiver. Accordingly, the Trust is to be established by the Company and the Trustee for the benefit of the Participants with the objective of acquiring and disposing of Shares in order to satisfy the exercise of any outstanding options granted under the Share Option Plan. The key features of the terms of the Share Option Plan are analysed below in this letter. Possible effects on the Company as a result of the financing of the Share Option Plan and the exercise of the options under the Share Option Plan are also set out below in this letter.

Given the fact that the Group is operating in a competitive economic environment in Hong Kong, it will be in the interests of the Company and its Shareholders as a whole to retain and attract quality personnel and other persons to work for the Group to improve the performance of the Group with a view to enhancing the value of the Shares.

In view of the above objective, in particular, the Share Option Plan is expected to provide additional flexibility for the Company to structure remuneration packages of the Participants and

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the exercise of any options would not give rise to any dilutive effect on the Company's issued share capital, we concur with the view of the Directors that the Share Option Plan will serve to foster the grantee's dedication to, and encourage active participation in, the business of the Group with the aim of establishing a long-term and good working relationship between the Group and the Participants and will avoid the uncertainty of any potential dilutive effect on the Company's issued share capital; and accordingly, the establishment of the Share Option Plan and the Trust, and the granting of Options and the granting of the Loans are in the interests of the Company and its Shareholders as a whole.

2. **Terms of the Share Option Plan**

An overview of the principal terms of the Share Option Plan are set out in the Circular.

(a) Administration of the Share Option Plan

The Company intends to appoint a wholly-owned subsidiary of the Company to act as the Trustee. The Trustee's role is to administer the Trust and the Share Option Plan, in accordance with its terms, at the direction of the Board or a duly authorized committee of the Board or such other individual(s) as duly authorized by the Board. It is proposed that the Group will fund all the expenses of the Trust and that upon the close of the Trust, all remaining Trust assets or fund deficiency will be for the account of the Group. Accordingly, the Trust will act solely for the long-term benefit of the Participants as a whole.

Bearing in mind (i) the abovementioned background to and reasons for the Share Option Plan and the establishment of the Trust, (ii) the implementation of the Share Option Plan depends on the set up of the Trust, (iii) the role of the Trustee is to act according to the direction of the Board (as defined in the Share Option Plan and the Trust) and (iv) the cost of appointing an independent third party to act as the Trustee, we concur with the Company that by appointing a wholly-owned subsidiary of the Group to act as the Trustee to administer the Trust and the Share Option Plan will be more effective and cost efficient and conforms with the stated policy of the Group to control cost effectively.

(b) Participants and transferability

Under the Share Option Plan, any employee and director (including non-executive director and independent non-executive director) of the Group and any of its associated companies shall, following the fulfillment of the prescribed performance targets and contribution criteria within the relevant period as set out in the "Letter from the Board", be eligible to be granted options, by the Company at the direction of the Board (as defined in the Share Option Plan), to purchase Shares under the Share Option Plan.

The options are not transferable or assignable and are personal to the grantee. Accordingly, the options are intended to be issued to those who have contributed to the business of the Group.

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We have considered the background to and reasons for the Share Option Plan and concur with the Board that the Share Option Plan (as a complement incentive plan to the Share Option Scheme) provides another tool for the Group to promote employee loyalty and dedication to the future of the Group.

(c) Grant of options to Connected Persons (as defined in the Listing Rules)

Under the terms of the Share Option Plan, the Board (as defined in the Share Option Plan) will be required to approve each grant of options to any Participants who is a director, chief executive, or substantial shareholder of the Company or any of its subsidiaries or any of their respective associates. If the aggregate number of options granted and to be granted to any Connected Person within any 12 months period exceed the maximum entitlement per Participant (as set out in paragraph 1(e) below), Independent Shareholder's approval at a general meeting of the shareholders of the Company will be required and the relevant participant and his associates will abstain from voting at the general meeting.

The Directors have advised us that the structure of the Share Option Plan will comply with the applicable requirements set out in Chapter 17 of the Listing Rules. We have compared this rule of the Share Option Plan with the same rule of the Share Option Scheme and found them to be consistent with each other.

Although under Chapter 17 of the Listing Rules, no Independent Shareholder's approval at a general meeting of the Company is required so long as the aggregate number of options granted and to be granted to any Connected Person within any 12 months period does not exceed the maximum entitlement per Participant, the grant of options to connected persons under the Share Option Plan constitutes a connected transaction under Chapter 14 of the Listing Rules, whereby this kind of connected transaction will normally be conditional on approval by the Independent Shareholders in general meeting and that any connected person interested in the transaction shall abstain from voting at the meeting.

We have considered the maximum entitlement per connected person within any 12 months period (which is consistent with the terms of the Share Option Scheme). We have also considered the time and costs involved by the Company and the Shareholders each time to approve the grant of options to connected persons under the Share Option Plan pursuant to the strict compliance with Chapter 14 of the Listing Rules. Based on the aforesaid reasons, we concur with the view of the Directors that it will be unduly burdensome to the Company and the Shareholders to obtain shareholders' approval each time options are granted to connected persons under the Share Option Plan. In order to simplify the approval procedures, to protect the interests of the Independent Shareholders and to comply with the Listing Rules, we are of the opinion that the terms currently set out in the Share Option Plan provide adequate flexibility for the Board (as defined in the Share Option Plan) to operate the Share Option Plan and at the same time without compromising the interests of the Company and the Shareholders as a whole.

(d) Exercise price of the options

According to the Share Option Plan, the exercise price for the purchase of Shares pursuant to an exercise of the option will not be less than the greater of (i) the average closing price of

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a Share as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the day of offer of such option; (ii) the closing price of a Share as stated in the daily quotation sheets issued by the Stock Exchange on the day of offer of such option; and (iii) the nominal value of a Share.

Under the abovementioned exercise price structure, the exercise price should be set at a level near to the closing price of the Shares shortly before the grant of the options (in so far as it is higher than the nominal value of the Share). This will facilitate close monitoring of and matching of purchase cost of Shares under the Share Option Plan with the grant of options, thereby minimizing the possible discrepancies between the purchase cost of the Shares and the exercise price of the underlying options.

On the other hand, any judiciously well-timed purchases of existing Shares under the Share Option Plan to take advantage of any short-term market weakness of share price of the Shares would potentially result in financial gains to the Trust upon the subsequent grant and exercise of the relevant options, and hence potentially strengthen the financial position of the Trust, thereby enhancing the cost effectiveness of the Share Option Plan in the long run. Equally noteworthy is the risk of potential financial impairment sustainable by the Trust which would ultimately be borne by the Company pursuant to the Trust Deed and the decline in the intrinsic value of the options in the event of continuous decline in Share price.

(e) Maximum entitlement for each Participant

According to the terms of the Share Option Plan, the maximum number of Shares transferred and to be transferred upon the exercise of the options under the Share Option Plan to each Participant shall not exceed within any 12 months period:

- (i) for each Independent non-executive Director and each director who is also a substantial shareholder or any of their respective associates (as defined in the Listing Rules) — up to HK\$5 million (calculated based on the closing price of the Shares at the date of each grant) provided that it is not more than 0.1% in nominal value of the Shares in issue;
- (ii) for each other participant — up to 1% in nominal value of the Shares in issue.

The Company must get Shareholders' approval to go beyond either of the above limits but the relevant participant and his associates must abstain from voting.

We have compared this rule of the Share Option Plan with the same clause of the Share Option Scheme and found them to be consistent with each other. Since the above maximum limits comply with the relevant requirements as prescribed in Chapter 17 of the Listing Rules and are commonly adopted by listed companies in Hong Kong in their respective share option schemes, we are of the view that the maximum entitlement for each Participant is fair and reasonable to the Shareholders.

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(f) Limits of the Share Option Plan

In addition to the maximum entitlement for each Participants as mentioned above, according to the terms of the Share Option Plan, Options can be granted so that the total number of Shares that may be transferred and to be transferred upon exercise of the options granted under the Share Option Plan does not in aggregate exceed 10% of the Shares in issue on the date of obtaining approval of the Ongoing Connected Transactions at the Special General Meeting. Based on 324,901,373 Shares in issue as at the Latest Practicable Date, the Share Option Plan allows the granting of options to purchase a maximum of 32,490,137 Shares.

The Company must get Independent Shareholders' approval to renew the above limit, provided that the number of Shares transferred and to be transferred upon exercise of all outstanding options under the Share Option Plan does not in aggregate exceed 30% of the Shares in issue from time to time.

We have compared this rule of the Share Option Plan with the same clause of the Share Option Scheme and found them to be consistent with each other. Since the above limits comply with the relevant requirements as prescribed in Chapter 17 of the Listing Rules and are commonly adopted by listed companies in Hong Kong in their respective share option schemes, we are of the view that the limits of the Share Option Plan are fair and reasonable to the Shareholders.

Independent Shareholders should note that the aforesaid limits relate to the Share Option Plan only.

We have considered the background to and reasons for and the terms of the Share Option Plan and concur with the Board that, the Share Option Plan (as a complement incentive plan to the Share Option Scheme) provides an effective tool for the Group to promote employee loyalty and dedication to the future of the Group, and may improve the competitiveness of the Group and its future profitability, and therefore is in the interests of the Company and the Shareholders as a whole. In addition, we have considered the terms of the Share Option Plan and concur with the Directors that the terms are compatible with the reasons for the Share Option Plan and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Source of finance of the Trust

The Company will make loans to the Trust from time to time (the "Loans"). The Loans will enable the Trust to acquire existing Shares for the purpose of the Share Option Plan. According to the Trust Deed, the Trust may deposit any surplus or un-utilised funds from the Loans with any banking or deposit taking institutions for future acquisition of existing Shares. The Loans are expected to be repaid from the exercise price received by the Trust upon the exercise of options. Before the relevant Shares are transferred to the Participants upon an exercise of the relevant options, any income derived from the holding of such Shares will be used by the Trust to pay for its expenses, interest on the Loans and as financing for further acquisitions of existing Shares. If the Trust is dissolved, any surplus funds remaining after repayment of the Loans and other liabilities would belong to the Company.

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The Board confirms that interest may or may not be charged by the Company on the Loans after arm's length negotiation between the Company and the Trust and, if in case interest were charged, it will be charged at a rate by reference to the costs of fund incurred by the Group (which may or may not be based on the market rate) from time to time and fair and reasonable to the Group and its Shareholders as a whole. However, Independent Shareholders should note that based on the accounting treatment of the Trust, the Trust will be deemed as a special purpose entity under the control of the Company, which means that the assets, liabilities, income and expenses of the Trust will be consolidated in the accounts of the Group. The interest charged on the Loans (if any) will be eliminated upon the aforesaid consolidation. Hence, the Directors are of the view that there is no financial impact to the Group (as a whole) irrespective as to whether the Company charges interest on the Loans and we concur with their view.

4. Proposed waiver of annual limit of the Loans

The grant of the Loans to the Trust constitutes a connected transaction under Chapter 14 of the Listing Rules and will normally be conditional on approval by the Independent Shareholders in general meeting and that any connected person interested in the transaction must abstain from voting at the meeting.

With reference to the proposed annual waiver limit of the Loans, the Board considers that a cap amount equal to 3% of the Group's latest published consolidated net tangible asset value would be appropriate. Under the Listing Rules (save for the exemptions permissible under Rule 14.24 of the Listing Rules), the grant of the Loans (which will constitute Ongoing Connected Transactions) would be subject to the requisite disclosure requirements by way of press announcement and inclusion of details of the transactions in the Company's next published annual report and accounts, if the value of the Loans is or is less than the higher of either (a) HK\$10,000,000 or (b) 3% of the book value of the net tangible assets of the Company's latest published consolidated accounts.

Based on the Company's consolidated accounts for the year ended 30 June 2002, it reported a consolidated net tangible asset value of approximately HK\$27,912 million, the proposed 3% cap limit would be equivalent to approximately HK\$837 million. Based on the closing Share price as at the Latest Practicable Date of HK\$45.90 and the corresponding market capitalization of HK\$14,913 million, the proposed cap limit is equivalent to approximately 5.6% of the Company's market capitalization as at the Latest Practicable Date, which falls well within the maximum permissible purchase of Shares of 10% of the Company's issued share capital under the Share Option Plan.

The Board considers that the abovementioned proposed limit to be appropriate as it complies with the abovementioned relevant requirements of the Listing Rules. The Board also considers that having regard to recent market volatility and uncertainties, the proposed limit would provide the Trustee sufficient flexibility in the administration of the Share Option Plan in accordance with the objective of the Trust. Based on the above, we concur with the Board's view that the proposed limit to be appropriate for the Trust, and is fair and reasonable to the Company and its Shareholders as a whole.

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5. Possible effects on the Company as a result of the financing of the Trust and exercise of the options under the Share Option Plan

(a) Financial implications

As mentioned earlier in this letter, the Trust intends to purchase existing Shares to facilitate the implementation of the Share Option Plan. The Trust intends to repay the Loans from the proceeds on the exercise of Options by the Participants and the income receivable on the Shares purchased by the Trust. Save as to any surplus or deficiency which may be accrued to or be borne by the Company upon the dissolution of the Trust, the implementation of the Trust, as explained below, would not have any material dilutive effect on the earnings position of the Company.

As explained in the paragraph headed “Source of finance of the Trust” above, there will be no significant financial impact to the Group (as a whole) irrespective as to whether the Company charges interest on the Loans.

As the Share Option Plan does not involve options over unissued Shares, the implementation of the Plan would not materially affect the earnings position of the Group. Under the Trust Deed, the Group will be responsible for the establishment costs and the ongoing administration costs and liabilities incurred by the Trustee (but excluding any expenses or liabilities of the Trustee incurred as a result of acts of willful default, or fraud or negligence of the Trustee). As advised by the Company, the administration cost involved in operating the Trust is relatively minimal compared with the total general and administrative costs of the Group. Hence, the Board views that the expected expenses of the Trust to be borne by the Group would not be material to the financial position of the Group and we concur with their view.

With respect to the potential gain or loss arising from the discrepancy between the purchase cost and the exercise price, Shareholders’ attention is drawn to the manner under which the exercise price of the Options is set under the paragraph headed “Exercise price of the Options”. We have been advised by the Company that it considers that reasonable measures will be taken to minimise any potential financial impact to the Group.

The Board noted that the very essence and objective of the Share Option Plan is to provide additional flexibility for the Company to structure remuneration packages of the Participants and incentive for the Participants to perform and contribute to the Group’s future profitability, which would hopefully enhance the overall profitability of the Group in the long run.

(b) Dilution in shareholding

As the Trust intends to purchase existing Shares to facilitate the grant of the Options under the Share Option Plan, the structure of the Trust does not involve options over unissued Shares and thereby avoid the uncertainty of any potential dilutive effect on the Company’s issued share capital from time to time.

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RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Ongoing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company as well as its Shareholders as a whole; and accordingly, recommend the Independent Shareholders to vote in favour of the ordinary resolution no. 1 to approve the Ongoing Connected Transactions at the Special General Meeting.

Yours faithfully,
For and on behalf of
Access Capital Limited
Jeanny Leung
Managing Director

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors in the securities of the Company and its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Director was deemed or taken to have under section 31 of, or Part I of the schedule to, the SDI Ordinance) or which were required to be entered into the register maintained by the Company under section 29 of the SDI Ordinance or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Interests in Shares

Director	Number of Shares		
	Personal Interest	Family Interest	Corporate Interest
Quek Leng Chan	456,325	—	137,374,315*
Kwek Leng Hai	570,775	—	—
Sat Pal Khattar	631,125	—	—
Kwek Leng San	89,120	—	—
Tan Lim Heng	359,230	—	—
James Eng, Jr.	365,443	—	—
Tung Hsi Hui, Frank	200	—	—
Harry Richard Wilkinson	120,000	—	—

* These Shares represented the interest of Guoline Overseas Limited (137,046,740 Shares) and another company (327,575 Shares) with respect to which Mr. Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.

Interests in share options in the Company

Director	Outstanding Number of Share Options
Quek Leng Chan	1,200,000
Kwek Leng Hai	2,250,000
Sat Pal Khattar	60,000
Kwek Leng San	120,000
Tan Lim Heng	200,000
Harry Richard Wilkinson	60,000
James Eng, Jr.	200,000

On 6 December 1999, the Directors were granted share options pursuant to the executive share option scheme adopted on 30 July 1991. Such share options are exercisable at the subscription price of HK\$20.33 per share during the period from 12 November 1999 to 12 February 2004.

Interests in the securities of the associated corporations

Director	Name of Company	Number of Shares		
		Personal Interest	Family Interest	Corporate Interest
Quek Leng Chan	GuocoLand Limited <i>(Note 3)</i>	662,261	—	236,043,788 <i>(Note 1)</i>
	GuocoLand Limited (NCCPS*)	53,833	—	—
	Hong Leong Credit Berhad	10,290,600	—	815,107,454 <i>(Note 2)</i>
Kwek Leng Hai	GuocoLand Limited	1,234,094	—	—
	Hong Leong Credit Berhad	756,000	—	—
Sat Pal Khattar	GuocoLand Limited	—	—	3,594,908
Tan Lim Heng	Hong Leong Credit Berhad	245,700	—	—

Notes:

1. These shares represented the interests of the Company with respect to which Mr. Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.
 2. These shares represented the interests of the Company and other companies to which Mr. Quek Leng Chan had a corporate interest pursuant to the SDI Ordinance.
 3. GuocoLand Limited was formerly known as First Capital Corporation Ltd.
- * "NCCPS" means non-redeemable convertible cumulative preference shares.

Certain Directors held qualifying shares in certain subsidiaries in trust for other subsidiaries of the Company.

Save as disclosed herein, as at the Latest Practicable Date:

- (a) none of the Directors had or were deemed to have any interests in the share capital of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which any such Directors was deemed or taken to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which were required to be entered into the register maintained by the Company under section 29 of the SDI Ordinance or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange;
- (b) none of the Directors had entered into any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employee within one year without payment of compensation (other than statutory compensation));
- (c) none of the Directors nor Access Capital was interested, directly or indirectly, in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 30 June 2002, being the date to which the latest published audited financial statements of the Company were made up;
- (d) none of the Directors was materially interested in any contracts or arrangements subsisting at the date of this circular which was significant in relation to the business of the Group; and
- (e) Access Capital had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, and save for the interests of the Directors in the Shares as disclosed in the section headed “Disclosure of Interests” above, the following details were recorded in the register kept by the Company under section 16 of the SDI Ordinance for the purposes of sections 3 to 7 of the SDI Ordinance:

Name	Number of Shares		Note
	Direct Interest	Deemed Interest	
Guoline Overseas Limited (“GOL”)	137,046,740	—	—
Government of Kuwait, Investment Authority Kuwait Investment Office	71,172,395	—	—
Guoline Capital Assets Limited (“GCA”)	—	137,046,740	1
Hong Leong Company (Malaysia) Berhad (“HLCM”)	—	137,374,315	1 & 2
HL Holdings Sdn. Bhd.	—	137,374,315	3
Hong Leong Investment Holding Pte Ltd	—	137,374,315	3
Kwek Holdings Pte Ltd	—	137,374,315	4

Notes:

- GOL is a wholly-owned subsidiary of GCA which in turn is a wholly-owned subsidiary of HLCM. By virtue of Section 8 of the SDI Ordinance, both GCA and HLCM are deemed to have an interest in 137,046,740 shares held by GOL in the Company.
- The interests of HLCM represented the shares held by GOL and another company in which HLCM had a corporate interest pursuant to the SDI Ordinance.
- HL Holdings Sdn. Bhd. and Hong Leong Investment Holdings Pte Ltd were deemed to be interested in 137,374,315 shares in the Company with respect to their interests in HLCM pursuant to Section 8 of the SDI Ordinance.
- Kwek Holdings Pte Ltd was deemed to be interested in 137,374,315 shares in the Company in respect of its interest in Hong Leong Investment Holdings Pte Ltd pursuant to Section 8 of the SDI Ordinance.

Save as disclosed herein, the Directors are not aware of any Shareholder who is interested in 10% or more of the issued share capital of the Company or any of its subsidiaries.

4. LITIGATION

None of the Company nor its subsidiaries is engaged in any litigation or arbitration of any material importance and the Directors are not aware of any litigation or claims of material importance pending or threatened against any of the Company or its subsidiaries.

5. QUALIFICATION AND CONSENT

Access Capital is an investment adviser registered under the Securities Ordinance, Chapter 333 of the Laws of Hong Kong. Access Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name in the form and context in which they appear.

6. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial position or trading prospects of the Group since 30 June 2002, the date to which the latest audited financial statements of the Company were made up.

7. MISCELLANEOUS

- (a) The secretary of the Company is Ms. Stella S.M. Lo.
- (b) The registered office of the Company is Cedar House, 41 Cedar Avenue, Hamilton, HM12, Bermuda.
- (c) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investors Services Limited at Shops 1712-6, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text, in the case of any inconsistency.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal office of the Company in Hong Kong at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including Monday, 16 December 2002 and at the Special General Meeting:

- (a) the letter from Access Capital to the Independent Shareholders; and
- (b) a draft copy of the Share Option Plan; and
- (c) the written consent referred to in the paragraph headed "Qualification and Consent" in this appendix.

NOTICE OF SGM



Guoco Group Limited
國浩集團有限公司

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a special general meeting of Guoco Group Limited (the “Company”) to be held at Room 1505, 15th Floor, The Center, 99 Queen’s Road Central, Hong Kong on Monday, 16 December 2002 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTION NO. 1

“**THAT** the Ongoing Connected Transactions (as defined in the circular to shareholders of the Company dated 30 November 2002, a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification) which the Company expects to occur on a regular and continuous basis in the ordinary and usual course of business of the Company and its subsidiaries, as the case may be, be generally and unconditionally approved and that any one director of the Company be authorised to do all such further acts and things and execute all such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the Ongoing Connected Transactions.”

ORDINARY RESOLUTION NO. 2

“**THAT** subject to Ordinary Resolution No.1 being approved, the adoption of the Share Option Plan (as defined in the circular to shareholders of the Company dated 30 November 2002, a copy of a draft of which has been produced to this meeting marked “B” and signed by the Chairman of this meeting for the purpose of identification) by the Company, be and is hereby approved and the exercise by any one director of the Company of all the powers of the Company for the purposes of the Share Option Plan, be and is hereby generally and unconditionally approved.”

By Order of the Board
Stella S.M. Lo
Company Secretary

Hong Kong, 30 November 2002

NOTICE OF SGM

Principal office:

50th Floor, The Center
99 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by this notice is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority notarially certified, must be deposited at the Company's principal office at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting, as the case may be. Completion and return of the form of proxy will not preclude shareholders from attending and voting at the meeting if shareholders so desire.



Guoco Group Limited

國浩集團有限公司

(Incorporated in Bermuda with limited liability)

FORM OF PROXY FOR THE SPECIAL GENERAL MEETING TO BE HELD ON MONDAY, 16 DECEMBER 2002

No. of shares to which this Proxy relates ^(Note 1)	
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I/We, ^(Note 2) _____
of _____
shareholder(s) of GUOCO GROUP LIMITED (the "Company") hereby appoint ^(Note 3) the Chairman of the Meeting
or _____
of _____

as my/our proxy to attend and act for me/us at the Special General Meeting of the Company to be held at Room 1505, 15th Floor, The Center, 99 Queen's Road Central, Hong Kong on Monday, 16 December 2002 at 11:30 a.m. and at any adjournment thereof for the purpose of considering and, if thought fit, passing the Ordinary Resolutions as set out in the Notice convening the Meeting and at the Meeting and at any adjournment thereof to vote for me/us and in my/our name(s) in respect of the Resolutions as hereunder indicated and, if no such indication is given, as my/our voting proxy thinks fit.

ORDINARY RESOLUTION NO. 1	For ^(Note 4)	Against ^(Note 4)
To approve the Ongoing Connected Transactions as set out in Ordinary Resolution No. 1 in the Notice convening the Special General Meeting dated 30 November 2002.		
ORDINARY RESOLUTION NO. 2		
To approve the adoption of the Share Option Plan by the Company as set out in Ordinary Resolution No. 2 in the Notice convening the Special General Meeting dated 30 November 2002.		

Dated this _____ day of _____ 2002 Signature(s) ^(Note 5) _____

Notes:

- Please insert the number of shares registered in your name(s) to which this proxy relates. If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
- Please insert your full name(s) and address(es) in BLOCK CAPITALS.
- If any proxy other than the Chairman of the Meeting is preferred, delete the words "the Chairman of the Meeting or" and insert the name and address of the proxy desired in the space provided. A member may appoint not more than two proxies to attend and vote in his stead. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. ANY ALTERATION MADE TO THIS FORM OF PROXY MUST BE DULY INITIALED BY THE PERSON WHO SIGNED IT.
- IMPORTANT: IF YOU WISH TO VOTE FOR THE RELEVANT RESOLUTION, PLEASE TICK IN THE RELEVANT BOX BELOW THE BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST THE RELEVANT RESOLUTION, PLEASE TICK IN THE RELEVANT BOX BELOW THE BOX MARKED "AGAINST". If you do not indicate how you wish your proxy to vote, your proxy will be entitled to cast your vote at his discretion or abstain. Your proxy will also be entitled to vote or abstain at his discretion on any resolutions properly put to the Meeting other than that referred to in the Notice convening the Meeting.
- This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, must be executed either under its common seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
- Where there are joint holders of a share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders is present at the Meeting personally or by proxy, then one of the holders so present whose name stands first on the Register of Members in respect of such share shall alone be entitled to vote in respect thereof.
- To be valid, this form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed, or a notorially certified copy of that power of authority or other attorney, must be deposited at the Company's principal office at 50th Floor, The Center, 99 Queen's Road Central, Hong Kong, not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.
- Completion and return of the form of proxy will not preclude you from attending and voting at the Meeting if you so wish. In the event that you attend the Meeting after having lodged this form of proxy as indicated above, this form of proxy will be deemed to have been revoked.