

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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ALLAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

ADOPTION OF A NEW SHARE OPTION SCHEME

AND

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

A notice convening an annual general meeting of the Company to be held at 3:45 p.m. on 20 August 2002 at World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong is set out on pages 19 to 23. A form of proxy is also enclosed. Whether or not you are able to attend and vote at the annual general meeting, you are requested to complete the enclosed proxy form and return it to the office of the share registrar of the Company in Hong Kong, Standard Registrars Limited at 5/F, 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 the annual general meeting. Completion and return of the proxy form will not preclude you from subsequently attending and voting at the annual general meeting or any adjourned meetings should you so wish.

25 July 2002

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RESPONSIBILITY STATEMENT

This document 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 document 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.

DEFINITIONS

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

“AGM Notice”	the notice of the Annual General Meeting despatched to the Shareholders together with this circular;
“Annual General Meeting”	the Annual General Meeting of the Company to be held at World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 20 August 2002 at 3:45 p.m., to consider and, if appropriate, to approve the Ordinary Resolutions or any adjournment thereof;
“associates”	has the same meaning ascribed in the Listing Rules;
“Board”	the board of Directors;
“Company”	Allan International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Companies Act”	the Companies Act 1981 of Bermuda;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Connected Person”	has the same meaning ascribed in the Listing Rules;
“Directors”	directors of the Company;
“Eligible Employee”	means any employee (whether full time or part time employee, including any executive directors but not any non-executive director and independent non-executive director) of the Company, its Subsidiaries or any Invested Entity;
“Eligible Grantees”	any persons who are eligible for granting Options under the Existing Share Option Scheme;
“Existing Issue Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 22 August 2001 to allot, issue and deal with Shares not exceeding 20 per cent. of the aggregate of the nominal amount of the issued share capital of the Company as at 22 August 2001;
“Existing Repurchase Mandate”	a general mandate granted to the Directors at the annual general meeting of the Company held on 22 August 2001 to repurchase Shares not exceeding 10 per cent. of the aggregate number of shares comprised in the share capital of the Company in issue as at 22 August 2001;

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“Existing Share Option Scheme”	the existing share option scheme of the Company which was adopted by the Company on 21 October 1992 and expiring on 20 October 2002 and which is to be terminated upon the adoption of the New Share Option Scheme;
“General Scheme Limit”	the total 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 of the Group and which must not in aggregate exceed 10 per cent. of the Shares in issue as at the day of the passing of the relevant ordinary resolution;
“Group”	the Company and its Subsidiaries;
“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”	18 July 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Share Option Scheme”	The share option scheme proposed to be adopted by the Company at the Annual General Meeting, a summary of the principal terms of which is set out in the Appendix I;
“Option”	options granted to the Eligible Grantees under the Existing Share Option Scheme (if any) or the Participants under the New Share Option Scheme, as the context requires;
“Ordinary Resolutions”	the ordinary resolutions to be proposed and passed at the Annual General Meeting as set out in the AGM Notice;
“Participants”	means any person belonging to any of the following classes of participants: (a) any Eligible Employee; (b) non-executive director (including independent non-executive directors) of the Company, any of its Subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity;

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- (d) any customer of the Group or any Invested Entity;
- (e) any agent or consultant of any member of the Group that provides research, development or technological support or other services to the Group or any Invested Entity;
- (f) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, who has contributed or may contribute to the development and growth of the Group and any Invested Entity; and
- (g) any ex-employees who has contributed to the development and growth of the Group and any Invested Entity;

“Proposed Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase Shares not exceeding 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of relevant resolution granting the Proposed Repurchase Mandate;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company or if there has been a sub-division, consolidation, reclassification of or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Shareholder(s)”	registered holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a subsidiary for the time being of the Company (within the meaning of Section 2 of the Companies Ordinance, whether incorporated in Hong Kong or elsewhere);
“HK\$” and “cents”	Hong Kong dollars and cents, the lawful currency in Hong Kong.

LETTER FROM THE BOARD



ALLAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Cheung Lun (*Chairman*)
Mr. Cheung Shu Wan (*Managing Director*)
Ms. Cheung Lai Chun, Maggie
Ms. Cheung Lai See, Sophie
Mr. Cheung Pui

Independent Non-Executive Directors:

Mr. Lai Ah Ming, Leon
Professor Lo Chung Mau

Registered Office:

Clarendon House
Church Street
Hamilton HM11
Bermuda

Principal Place

of Business in Hong Kong:
12th Floor
Zung Fu Industrial Buildings
1067 King's Road
Quarry Bay
Hong Kong

25 July 2002

To the Shareholders

Dear Sir or Madam,

ADOPTION OF A NEW SHARE OPTION SCHEME AND GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

INTRODUCTION

The purpose of this circular is to provide you with information in respect of the Ordinary Resolutions to be proposed at the Annual General Meeting for (a) the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme; (b) granting to the Directors a general mandate to allot, issue and deal with Shares of up to 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the relevant resolution granting this mandate; (c) granting to the Directors the Proposed Repurchase Mandate; and (d) to extend the general mandate to issue Shares by adding to it the aggregate number of the issued Shares repurchased under the Proposed Repurchase Mandate.

THE NEW SHARE OPTION SCHEME

On 23rd August 2001, the Stock Exchange has announced amendments to Chapter 17 of the Listing Rules, which has come into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Board considers that it is in the interest of the Company to terminate the Existing Share Option Scheme and to adopt the New Share Option Scheme which allows wider classes of person or entity to be the participants and

LETTER FROM THE BOARD

contains terms as are in compliance with the requirements of the Chapter 17 of the Listing Rules now in force. Under the provisions of the Existing Share Option Scheme, termination shall be by way of passing an ordinary resolution in the general meeting of the Company and such termination is not subject to any conditions.

At the Annual General Meeting, an ordinary resolution will be proposed for the Company to approve the adoption of the New Share Option Scheme for the Participants pursuant to which the Participants may be granted options to subscribe for Shares upon and subject to the terms and conditions of the rules of the New Share Option Scheme.

A summary of the principal terms of the rules of the New Share Option Scheme which is proposed to be approved and adopted by the Company at the Annual General Meeting is set out in the Appendix to this circular. A copy of the rules of the New Share Option Scheme is available for inspection at the principal place of business of the Company at 12th Floor, Zung Fu Industrial Building, 1067 King's Road, Quarry Bay, Hong Kong during normal business hours from the date hereof up to and including 20 August 2002.

The New Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution at the Annual General Meeting approving the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in any new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the New Share Option Scheme and up to the General Scheme Limit.

The Existing Share Option Scheme will be terminated on the date when the New Share Option Scheme coming into effect upon the fulfillment of the conditions set out above. Upon termination of the Existing Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Existing Share Option Scheme shall remain in force and all Options which have been granted prior to such termination shall continue to be valid and exercisable in accordance therewith. As at the Latest Practicable Date, the Company had granted Options to subscribe for a total of 56,500,000 Shares (representing approximate 16.84% of the existing share capital of Company as at the Latest Practicable Date) under the Existing Share Option Scheme to the Eligible Grantees, of which Options to subscribe for 21,308,000 Shares (representing approximate 6.35% of the existing share capital of Company as at the Latest Practicable Date) have been exercised, Options to subscribe for 35,192,000 Shares (representing approximate 10.49% of the existing share capital of Company as at the Latest Practicable Date) have lapsed in accordance with the terms of the Existing Share Option Scheme. The Directors have no present intention to grant further Options under the Existing Share Option Scheme during the period between the Latest Practicable Date and the date on which the Annual General Meeting will be held.

Based on the number of shares in issue of the Company is 335,432,520 Shares as at the Latest Practicable Date, Options to subscribe for up to 33,543,252 Shares may be issued to the Participants under the New Share Option Scheme under Rule 17.03(3) of the Listing Rules should the New Share Option Scheme be adopted.

LETTER FROM THE BOARD

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option scheme as if they had been granted at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variable which are critical for the calculation of the value of such Options cannot be determined. The variables which are critical for the determination of the value of such Options include, the subscription price for the Shares upon the exercise of the subscription rights attaching to the Options, whether or not Options will be granted under the New Share Option Scheme and the timing of the granting of such Options, the period during which the subscription rights may be exercised, the discretion of the Board to impose any performance target that has to be achieved before the subscription right attaching to the Options can be exercised and any other conditions that the Board imposed on the Options and whether or not such Options if granted will be exercised by the Eligible Grantees. The subscription price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant Options under the New Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility the Share price may be subject to during the 10-year life span of the New Share Option Scheme. In the premises, the Directors are of the view that the value of the Options depends on a number of variables which are either not difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

APPLICATION FOR LISTING

Application will be made to the Listing Committee of the Stock Exchange for any Options that may be granted under the New Share Option Scheme and the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options that may be granted under the New Share Option Scheme and up to the General Scheme Limit.

REASONS FOR ADOPTING THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to provide incentives or rewards to Participants thereunder for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The New Share Option Scheme permits the Company to grant Options to a wider category of Participants, and not just the Eligible Grantees as under the Existing Share Option Scheme. Under the rules of the New Share Option Scheme, the Board has discretion to set a minimum period for which an Option has to be held before the exercise of the subscription rights attaching thereto. This discretion allows the Board to provide incentive to a Participant to remain as a Participant during the minimum period and thereby enable the Group or the relevant Invested Entity to continue to benefit from the services of such Participant during such period. This discretion, couple with the power of the Board to impose any performance target as it consider appropriate before any Option can be exercised, enable the Group to provide incentives to the Participants to use their best endeavours in assisting the growth and development of the Group. Although the New Share Option Scheme does not provide for the granting of Options with right to subscribe for Shares at a discount to the trading price of the Shares on the Stock Exchange, the Directors are of the view that the flexibility given to the Board in granting Options to Participants, other than the

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Eligible Grantees and to impose minimum period for which the Options have to be held and performance targets that have to be achieved before the Options can be exercised, will place the Group in a better position to attract human resources that are valuable to the growth and development of the Group as a whole, than the Existing Share Option Scheme.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 22 August 2001, ordinary resolutions were passed granting the Existing Issue Mandate and the Existing Repurchase Mandate to the Directors.

In accordance with the provisions of the Listing Rules and the terms of the Existing Issue Mandate and the Existing Repurchase Mandate, the Existing Issue Mandate and the Existing Repurchase Mandate shall lapse if, inter alia, they are revoked or varied by ordinary resolution of the Shareholders in general meeting.

Resolutions set out as resolutions 6(d) and 7(c) in the AGM Notice will be proposed at the Annual General Meeting to revoke the Existing Issue Mandate and the Existing Repurchase Mandate respectively. New general mandate to allot, issue and deal with Shares of up to 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the relevant resolution granting this mandate and the Proposed Repurchase Mandate as set out in resolutions 6(a), (b), (c) and (e) and resolutions 7(a), (b) and (d) respectively will also be proposed at the Annual General Meeting. With reference to the proposed new general mandates, the Directors wish to state that they have no immediate plans to issue or repurchase any Shares pursuant to the relevant mandates.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the Proposed Repurchase Mandate is set out in the Appendix 2 to this circular. The explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the Annual General Meeting.

RECOMMENDATION

Having considered the reasons set out herein, the Directors consider that the proposed ordinary resolutions for (a) the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme; (b) granting to the Directors a general mandate to allot, issue and deal with Shares of up to 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing the relevant resolution granting this mandate; (c) granting to the Directors the Proposed Repurchase Mandate; and (d) to extend the general mandate to issue Shares by adding to it the aggregate number of the issued Shares repurchased under the Proposed Repurchase Mandate are in the interests of the Company, and in particular, the Group as a whole. The Directors therefore recommend the Shareholders to vote in favour of the Ordinary Resolutions.

LETTER FROM THE BOARD

GENERAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix 1 and Appendix 2 to this circular.

Yours faithfully,
By order of the Board of
Cheung Shu Wan
Managing Director

APPENDIX 1 THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

(a) Purpose of the scheme

The purpose of the New Share Option Scheme is to provide incentives or rewards to participants thereunder for their contribution or would-be contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any Invested Entity.

(b) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of Participants, to take up options to subscribe for Shares:

- (aa) any Eligible Employee;
- (bb) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (cc) any supplier of goods or services to any member of the Group or any Invested Entity;
- (dd) any customer of the Group or any Invested Entity;
- (ee) any agent or consultant of any member of the Group that provides research, development or other technological support or other services to the Group or any Invested Entity;
- (ff) any shareholder or any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, who has contributed or may contribute to the development and growth of the Group and any Invested Entity; and
- (gg) any ex-employees who has contributed to the development and growth of the Group and any Invested Entity,

and, for the purposes of the New Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust.

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

(c) Maximum number of Shares

- (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 scheme of the Company must not in aggregate exceed 30 per cent. of the issued share capital of the Company from time to time.

APPENDIX 1 THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

- (bb) The total 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 of the Group must not in aggregate exceed 33,543,252 Shares (assuming no further issue of Shares from the Latest Practicable Date), being 10 per cent. of the Shares in issue as at the day of the passing of the relevant ordinary resolution.
- (cc) Subject to (aa) above and without prejudice to (dd) below, the Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total 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 of the Company must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options previously granted (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other share option scheme of the Company) will not be counted.
- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may issue a circular to the Shareholders and seek separate Shareholders' approval in general meeting to grant Options beyond the General Scheme 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 scheme of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company in issue (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the Shareholders and the Shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

(e) Grant of options to Connected Persons

- (aa) Any grant of Options under the New Share Option Scheme to a director, chief executive, substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).
- (bb) In the event of any change in the terms of Options granted to a substantial shareholder or an independent non-executive of the Company ; or where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares 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 per cent. of the Shares in issue; and

APPENDIX 1 THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

- (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. The Company must send a circular to the Shareholders. 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.

(f) Time of acceptance and exercise of an option

An offer of grant of an Option may be accepted by a Participant within 28 days from the date of the offer of grant of the Option. A consideration of HK\$1 is payable on acceptance of the offer of grant of an Option.

An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the date on which the offer for the grant of Options is made but shall end in any event not later than 10 years from the date of grant of the Option subject to the provisions for early termination thereof and to the minimum period for which the Option has to be held before it can be exercised as the Directors may at their discretion determine. No minimum period for which the Option has to be held before it can be exercised is specified in the New Share Option Scheme.

(g) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of Options to a Participant, a Participant is not required to achieve any performance targets 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 quotation 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 quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share. 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 Share for each of the different period shall not be less than the subscription price determined in the aforesaid manner.

(i) Ranking of Shares

- (aa) Shares allotted upon the exercise of an Option will be subject to all the provisions of the bye-laws of the Company and the Companies Act 1981 of Bermuda 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

APPENDIX 1 THE PRINCIPAL TERMS OF THE NEW SHARE OPTION SCHEME

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 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.

The Directors may not grant any Option to a Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(k) Period of the New Share Option Scheme

The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the New Share Option Scheme becomes unconditional.

(l) Rights on ceasing employment

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death or for serious misconduct or other grounds referred to in subparagraph (n) below before exercising his option in full, the Option (to the extent which has become exercisable and not already exercised) will lapse on the date of cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the Option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work 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 is an Eligible Employee and ceases to be an Eligible Employee by reason of his or her death before exercising the Option in full, his or her personal representative(s) may exercise the Option (to the extent which has become exercisable not already exercised) in whole or in part within a period of 12 months, following the date of death or such longer period as the Board may determine.

(n) Rights on dismissal

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of misconduct or has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Eligible Employee's service contract with the Company or the relevant Subsidiary or the relevant Invested Entity, his or her Option will lapse automatically on the date the Eligible Employee ceases to be an Eligible Employee.

(o) Rights on breach of contract

If the Directors will at their absolute discretion determine that the grantee of any Option (other than an Eligible Employee) or his or her associate has committed any breach of any contract entered into between the grantee or his or her associate on the one part and the Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, the Directors shall determine that the outstanding Option granted to the grantee shall lapse. In such event, his or her option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(p) Rights on a general offer

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of 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, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his or her Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his or her option at any time before the close of such offer (or any revised offer). Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding up

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time no later than two business days prior to the date on which such resolution is passed, exercise his or her Option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the New Share Option Scheme and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her Option, to participate in the distribution of the assets of the Company available in liquidation *pan passu* with the Shares in issue on the day prior to the date of the passing of the resolution to wind-up the Company. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date of the commencement of the winding-up of the Company.

(r) Rights on compromise or arrangement between the Company and its creditors

In the event of a 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), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his or her legal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his or her Option (to the extent such which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her Option so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement. Subject to the above, an Option will lapse automatically on the date the proposed compromise or arrangement becomes effective.

(s) Adjustments to the subscription price or number of securities

In the event of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares the subject matter of the Share Option Scheme and the option so far as unexercised or the subscription price for Shares provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration and that the aggregate subscription price payable by a grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no alteration shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and (iii) no such adjustment will be required in circumstances whether there is an issue of Shares or other securities of the Group as consideration in a transaction. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(t) Cancellation of Options

Under Rule 17.03(14) of the Listing Rules, any cancellation of Options granted but not exercised must be approved by Shareholders in general meeting, with Participants and their associates abstaining from voting. Where the Company cancels Options and issues new ones to the same option holder, the issue of such new Options may only be made under a scheme with available unissued Options (excluding the cancelled Options) within the limit approved by Shareholders as mentioned in paragraph (c).

(u) Termination of the New Share Option Scheme

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

(v) Rights are personal to the 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 create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

(w) Lapse of option

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

- (aa) the expiry of the period referred to paragraph (f);
- (bb) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r); and
- (cc) the date on which a breach of the provision restriction on transfer and assignment of an Option referred to in paragraph (v) is committed.

(x) Others

- (aa) The terms and conditions of the New Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the Options except with the approval of the Shareholders in general meeting.
- (bb) 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 Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (cc) 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.
- (dd) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the New Share Option Scheme shall be approved by the Shareholders in general meeting.

This Appendix contains the particulars that are required by the Listing Rules to be included in an explanatory statement to enable the Shareholders to make an informed view on whether to vote for or against the resolution to be proposed at the Annual General Meeting in relation to the Proposed Repurchase Mandate.

LISTING RULES FOR REPURCHASE OF SHARES

The relevant sections of the Listing Rules which permit companies with primary listing on the Stock Exchange to repurchase their shares on the Stock Exchange subject to certain restrictions are summarized below:

SOURCES OF FUNDS

Repurchases must be funded out of fund legally available for the purpose and in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

SHARE CAPITAL

As at the Latest Practicable Date, the number of shares in issue of the Company is 335,432,520 Shares. Subject to the passing of the resolution granting the Proposed Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, the Company will be allowed to repurchase a maximum of 33,543,252 Shares during the period ending on the earlier of the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held by law or the date upon which such authority is revoked or varied by a resolution of the Shareholders in general meeting.

REASONS FOR REPURCHASES

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

The Directors have no present intention to repurchase any Shares and they would only exercise the power to repurchase in circumstances where they consider that the repurchase would be in the best interests of the Company. The Directors consider that if the general mandate to repurchase Shares were to be exercised in full at the currently prevailing market value, it would have a material adverse impact on the working capital position and gearing position of the Company, as compared with the positions disclosed in the audited consolidated accounts of the Company as at 31 March 2002, being the date to which the latest published audited accounts of the Company were made up. The Directors do not propose to exercise the mandate to repurchase Shares to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

SHARE PRICES

The following table shows the highest and lowest prices at which the Shares have been traded on the Stock Exchange in each of the last twelve months.

Month	Highest trade price <i>HK\$</i>	Lowest trade price <i>HK\$</i>
2001		
July	0.88	0.79
August	0.83	0.64
September	0.64	0.53
October	0.60	0.54
November	0.70	0.60
December	0.72	0.66
2002		
January	0.74	0.65
February	0.80	0.69
March	0.98	0.76
April	1.28	0.84
May	1.32	1.08
June	1.18	0.94

GENERAL

To the best of their knowledge, having made all reasonable enquiries, none of the Directors nor any of their associates currently intend to sell any Shares to the Company or its subsidiaries in the event that the Proposed Repurchase Mandate is approved.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Proposed Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Bermuda.

No connected person, as defined in the Listing Rules, has notified the Company that he has a present intention to sell any shares to the Company, or has undertaken not to do so, in the event that the Proposed Repurchase Mandate is approved.

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

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 16(1) of the SDI Ordinance, and so far as is known to the Directors, the following Shareholder was directly or indirectly interested in 10% or more of the issued share capital of the

Company carrying rights to vote in all circumstances at general meetings of the Company together with the number of Shares in which it was deemed to be interested:

Name	Number of Shares	Percentage of holding as at the Latest Practicable Date	Percentage of holding if the Proposed Repurchase Mandate is exercised in full
Allan Investment Company Limited	144,821,960	43.17%	47.97%
Mr. Cheung Lun (<i>Note 1</i>)	149,679,960	44.62%	49.58%
Mr. Cheung Shu Wan (<i>Note 2</i>)	55,289,335	16.48%	18.31%

Notes:

- (1) 4,000,000 Shares are held by Mr. Cheung Lun personally. 858,000 Shares are held by Commence Investment Ltd. which is wholly owned by Mr. Cheung Lun. The remaining 144,821,960 Shares are held through Allan Investment Company Limited, which is beneficially owned as to 89% by Mr. Cheung Lun and his spouse, Ms. Tse Kam, and owned as to 11% by Mr. Cheung Pui.
- (2) 48,594,400 Shares are held by Mr. Cheung Shu Wan personally. The remaining 6,694,935 Shares are held by Topsail Investments Inc. which is wholly owned by Mr. Cheung Shu Wan.

In the event that the Directors shall exercise the Proposed Repurchase Mandate in full and assuming there is no change in the issued share capital of the Company as at the date of passing of relevant resolution granting the Proposed Repurchase Mandate, the interest of the above Shareholders would be increased to approximately the percentage shown in the last column above. Such increase will be treated as an acquisition for the purpose of Rule 32 of the Code and, as a result, Allan Investment Company Limited and Mr. Cheung Lun may become obliged to make a mandatory offer in accordance with Rule 26 of the Code. The Directors do not have the intention to repurchase Shares up to an amount which would result in Allan Investment Company Limited or Mr. Cheung Lun becomes obliged to make a mandatory offer in accordance with Rule 26 of the Code in this respect.

The Listing Rules prohibit a company from making repurchase on the Stock Exchange if the result of the repurchase would be that less than 25 per cent. (or such other prescribed minimum percentage as determined by the Stock Exchange) of the issued share capital would be in public hands. The Directors do not propose to repurchase Shares which would result in less than the prescribed minimum percentage of Shares in public hands.

The Company has not repurchased any Shares on the Stock Exchange in the six months preceding the date of this circular.

NOTICE OF ANNUAL GENERAL MEETING



ALLAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Allan International Holdings Limited (the “**Company**”) will be held at World Trade Centre Club Hong Kong, 38th Floor, World Trade Centre, 280 Gloucester Road, Causeway Bay, Hong Kong on 20 August 2002 at 3:45 p.m., for the purpose of considering and, if thought fit, passing, with or without modification, the following 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 March 2002;
2. To declare a final dividend of HK5 cents and a special dividend of HK3 cents per share for the year ended 31 March 2002;
3. To re-elect directors and to authorize the board of directors to fix their remuneration;
4. To appoint auditors and to authorize the board of directors to fix their remuneration;
5. To consider and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:–

“**THAT** conditional on the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting listing of, and permission to deal in, the shares of HK\$0.10 each in the capital of the Company (“**Shares**”) which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the options that may be granted under the share option scheme (a copy of which is produced to the meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) (“**New Share Option Scheme**”), the New Share Option Scheme be and is hereby approved and adopted by the Company and with effect from the date of the New Share Option Scheme becoming unconditional and coming into effect, the existing share option scheme of the Company which was adopted by the Company on 21 October 1992 be terminated therefrom and the directors of the Company (“**Directors**”) be and are hereby authorised to allot and issue Shares pursuant to the exercise of any options which may fall to be granted under the New Share Option Scheme, and that to the extent permissible under the bye-laws of the Company, the Rules Governing the Listing of Securities on the Stock Exchange and the rules of the New Share Option Scheme, the Directors may vote in respect of any resolution(s) under or affecting the New Share Option Scheme (including the granting of options thereunder or approving the allotment and issue of Shares upon exercise of options thereunder) notwithstanding any interest(s) of any Director(s).”

NOTICE OF ANNUAL GENERAL MEETING

6. To consider and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:–

“THAT:

- (a) subject to paragraph (c) below, the exercise by the directors of the Company (“**Directors**”) during the Relevant Period of all the powers of the Company to allot, issue and otherwise deal with additional shares of the Company (“**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 power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall be in addition to any other authorizations given to the Directors and shall authorize the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of the share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to:–
 - (i) a Rights Issue (as hereinafter defined);
 - (ii) the exercise of rights of subscription or conversion under terms of any warrants issued by the Company or any securities which are convertible into Shares;
 - (iii) the exercise of 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 right to acquire Shares;
 - (iv) any scrip dividend or similar arrangements providing for the allotment of shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company;

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution and the said approval shall be limited accordingly;

- (d) subject to the passing of each of the paragraphs (a), (b) and (c) of this Resolution, any prior approvals of the kind referred to in paragraphs (a), (b) and (c) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

NOTICE OF ANNUAL GENERAL MEETING

(e) for the purpose of this Resolution:

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
- (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting;

“**Rights Issue**” means the allotment, issue or grant of Shares pursuant to an offer of Shares open for a period fixed by the Directors to holders of Shares or any class thereof on the register 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 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 recognized regulatory body or any stock exchange in any territory outside Hong Kong).”

7. To consider and, if thought fit, passing with or without modification, the following resolution as an ordinary resolution of the Company:–

“**THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of Company (“**Directors**”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase the shares of the Company (“**Shares**”) on The Stock Exchange of Hong Kong Limited or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Hong Kong Code on Share Repurchases, and subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be repurchased pursuant to the approval in 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 of this Resolutions and the said approval shall be limited accordingly;
- (c) subject to the passing of each of the paragraphs (a) and (b) of this Resolution, any prior approvals of the kind referred to in paragraphs (a) and (b) of this Resolution which had been granted to the Directors and which are still in effect be and are hereby revoked; and

NOTICE OF ANNUAL GENERAL MEETING

- (d) for the purpose of this Resolution, “**Relevant Period**” means the period from the passing of this Resolution until whichever is the earlier of:–
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by law or the bye-laws of the Company to be held; or
 - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders of the Company in general meeting.”
8. To consider and, if thought fit, passing with or without modification, the following resolution shall be passed as an ordinary resolution of the Company:–

“**THAT** conditional upon the passing of the Resolutions 6 and 7 as set out in the notice of this meeting, the general mandate granted to the directors of the Company (“**Directors**”) to exercise the powers of the Company to allot, issue and otherwise deal with shares of the Company pursuant to Resolution 6 above be and is hereby extended by the addition to the aggregate nominal amount of the share capital of the Company which may be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution 7 above, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution.”

By order of the Board of
Cheung Shu Wan
Managing Director

Hong Kong, 15 July, 2002

NOTICE OF ANNUAL GENERAL MEETING

*Head office and Principal place
of business in Hong Kong:*
12th Floor
Zung Fu Industrial Building
1067 King's Road
Quarry Bay
Hong Kong

Registered office:
Clarendon House
Church Street
Hamilton HM11
Bermuda

Notes:–

1. A shareholder entitled to attend and vote at the above meeting may appoint one or more than one proxy to attend and to vote in his stead. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any Share, any one 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 be present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the share registrar of the Company in Hong Kong, Standard Registrars Limited at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.