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If you are in any doubt as to any aspect of this circular or as to the action you should take, 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 Playmates Interactive Entertainment Limited, you should at once hand this circular and the accompanying proxy form 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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PLAYMATES INTERACTIVE ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

**PROPOSALS INVOLVING
CHANGE OF COMPANY NAME,
AMENDMENTS TO THE BYE-LAWS,
ADOPTION OF NEW SHARE OPTION SCHEME,
TERMINATION OF THE OPERATION OF
THE EXISTING SHARE OPTION PLAN
AND
THE EXPLANATORY MEMORANDUM FOR THE
GENERAL MANDATE TO REPURCHASE SHARES**

A notice convening a special general meeting of Playmates Interactive Entertainment Limited to be held at Ballroom A, 2nd Floor, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 28 June, 2002 at 9:45 a.m. (or as soon as possible after conclusion or adjournment of the Annual General Meeting of the Company convened at 9:00 a.m. on the same day and at the same place) or any adjournment thereof to approve the matters referred to in this circular is set out on pages 23 and 24 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding of the special general meeting or any adjournment thereof.

Hong Kong, 26 April, 2002

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DEFINITIONS

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

“Adoption Date”	the date on which the New Share Option Scheme is conditionally adopted by resolution of the shareholders of the Company at the Special General Meeting
“Allotment Date”	the date on which Shares are allotted and issued to a Grantee pursuant to the exercise of the rights attaching to an Option granted and exercised under the New Share Option Scheme
“Applicable Laws”	any relevant laws and regulations (including those of both Hong Kong and overseas jurisdiction as may be applicable)
“Annual General Meeting”	the annual general meeting of the Company to be held at Ballroom A, 2nd Floor, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 28 June, 2002, at 9:00 a.m. or any adjournment thereof
“Associate”	shall have the meaning ascribed to it under the Listing Rules
“Auditors”	the auditors for the time being of the Company
“Board”	the board of Directors of the Company or a duly authorised committee thereof
“Business Day”	shall have the meaning ascribed to it under the Listing Rules
“Bye-laws”	the bye-laws from time to time adopted by the Company
“Chief Executive”	shall have the meaning ascribed to it under the Listing Rules
“Commencement Date”	in respect of any particular Option, the Business Day on which that Option is deemed to have been granted in accordance with the terms of the New Share Option Scheme
“Companies Act”	the Companies Act 1981 of Bermuda, as amended or supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”	Playmates Interactive Entertainment Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange
“Connected Person”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company

DEFINITIONS

“Disability”	shall have the meaning as defined under the long-term disability policy, if any, of the Company or the relevant Subsidiary to which the Grantee provides services regardless of whether the Grantee is covered by such policy. In the event the Company or the relevant Subsidiary to which the Grantee provides service does not have a long-term disability plan in place, “Disability” shall mean that a Grantee is unable to carry out the responsibilities and functions of the position held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Board in its discretion
“Eligible Participant”	any person or organisation who/which satisfies the eligibility criteria under the New Share Option Scheme
“Employee”	any employee or officer of any company in the Group who is employed by any company in the Group (whether full time or part time)
“Exercise Period”	in respect of any particular Option, the period to be notified by the Board to each Grantee which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the Commencement Date
“Exercise Price”	the price per Share at which a Grantee may subscribe for Shares upon the exercise of an Option pursuant to the terms and conditions of the New Share Option Scheme
“Existing Share Option Plan”	the existing share option plan for the Employees (including executive directors) of the Group adopted by the Company on 4 May, 1998
“Grantee”	any Eligible Participant who accepts the Offer in accordance with the terms of the New Share Option Scheme, and where the context permits, any person who is entitled to any such Option in consequence of the death of the original Grantee (being an individual)
“Group”	the Company and its Subsidiaries
“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 for the time being
“Latest Practicable Date”	18 April, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“Memorandum of Association”	the memorandum of association adopted by the Company from time to time

DEFINITIONS

“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company pursuant to Ordinary Resolution No. 3 as set out in the Notice of Special General Meeting in its present or any amended form
“Notice”	written notice (whether in printed form or otherwise) unless otherwise specifically stated and as further defined in the Bye-laws and/or New Share Option Scheme
“Notice of Annual General Meeting”	the notice convening the Annual General Meeting as set out on pages 56 to 58 of the 2001 annual report of the Company
“Notice of Special General Meeting”	the notice convening the Special General Meeting as set out on pages 23 and 24 of this circular
“Offer”	an offer by the Company to an Eligible Participant to accept an Option in accordance with the New Share Option Scheme
“Option(s)”	right(s) to subscribe for Share(s) granted pursuant to the New Share Option Scheme
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the Notice of Special General Meeting
“Repurchase Mandate”	the proposed mandate to the Directors to repurchase Shares pursuant to Ordinary Resolution No.5B as set out in the Notice of Annual General Meeting in its present or any amended form
“Scheme Mandate Limit”	shall have the meaning given to that term in the New Share Option Scheme
“Share(s)”	fully paid share(s) of HK\$0.10 each of the Company (or such other nominal amount prevailing from time to time)
“Special General Meeting”	the special general meeting of the Company to be held at Ballroom A, 2nd Floor, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 28 June 2002, at 9:45 a.m. (or as soon as possible after conclusion or adjournment of the Annual General Meeting of the Company convened at 9:00 a.m. on the same day and at the same place) or any adjournment thereof
“Special Resolution(s)”	the proposed special resolution(s) as referred to in the Notice of Special General Meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary (within the meaning of the Companies Ordinance or section 86 of the Companies Act) for the time being and from time to time of the Company

DEFINITIONS

“Substantial Shareholder”	shall have the meaning ascribed to it under the Listing Rules
“Takeover Code”	The Hong Kong Code on Takeovers and Mergers issued by the Hong Kong Securities and Futures Commission

LETTER FROM THE BOARD OF DIRECTORS



PLAYMATES INTERACTIVE ENTERTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. CHAN Chun Hoo, Thomas (*Chairman*)
Mr. IP Shu Wing, Charles (*Vice Chairman*)
Mr. TO Shu Sing, Sidney
Mr. CHENG Bing Kin, Alain
Mr. LAM Yin Shing, Donald

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent Non-executive Directors:

Mr. LEE Peng Fai, Allen
Mr. LO Kai Yiu, Anthony
Mr. TSIM Tak Lung
Mr. YU Hon To, David

Principal Place of Business:

21st Floor, The Toy House
100 Canton Road
Tsimshatsui
Kowloon
Hong Kong

26 April, 2002

To the shareholders of the Company

Dear Sir or Madam,

**PROPOSALS INVOLVING
CHANGE OF COMPANY NAME,
AMENDMENTS TO THE BYE-LAWS,
ADOPTION OF THE NEW SHARE OPTION SCHEME,
TERMINATION OF THE OPERATION OF
THE EXISTING SHARE OPTION PLAN
AND
EXPLANATORY MEMORANDUM FOR THE
GENERAL MANDATE TO REPURCHASE SHARES**

1. INTRODUCTION

This circular sets out the information reasonably necessary to enable the shareholders of the Company to make an informed decision on whether to vote for or against the following:

- (a) the Special Resolutions to approve the proposed change of Company name and the proposed amendments to the Bye-laws; and
- (b) the Ordinary Resolutions to approve the adoption of the New Share Option Scheme and the termination of the operation of the Existing Share Option Plan.

LETTER FROM THE BOARD OF DIRECTORS

A summary of the principal terms of the New Share Option Scheme is set out in Appendix I to this circular. This circular also constitutes an explanatory statement for the Repurchase Mandate (in relation to which ordinary resolutions are to be proposed at the Annual General Meeting as set out in the Notice of Annual General Meeting), the details of which are set out in Appendix II to this circular.

2. CHANGE OF COMPANY NAME

To better reflect the business composition of the Company, it is proposed, subject to the passing of the special resolution by the shareholders of the Company at the Special General Meeting, that the name of the Company be changed from “Playmates Interactive Entertainment Limited” to “Playmates Holdings Limited” (“**Name Change**”).

The proposed Name Change is subject to:

- (a) the passing of the Special Resolution No.1 by the shareholders at the Special General Meeting; and
- (b) the approval of the Registrar of Companies in Bermuda being obtained.

The Board will also adopt the Chinese name of “彩星集團有限公司” for identification purposes upon the Name Change becoming effective and the same be registered in the Companies Registry of Hong Kong.

The Name Change will take effect from the date when the new English name is registered by the Registrar of Companies in Bermuda and a further announcement will be made by the Company in respect thereof. All necessary filing procedures with the Registrar of Companies in Bermuda and the Companies Registry of Hong Kong will be carried out by the Company.

The proposed Name Change will not affect any of the rights of the existing shareholders. The existing Share certificates bearing the current name of the Company will continue to be evidence of title to the Shares under the new name upon the Name Change being effective and will be valid for trading, settlement and registration purpose. All existing certificates representing the Shares in issue will, after the date when the Name Change becomes effective, continue and be deemed to be certificates in respect of the same number of Shares in the new name of the Company. Upon the Name Change becoming effective, any issue of Share certificates thereafter will be in the new name and the Shares will be traded on the Stock Exchange in the new name.

3. AMENDMENTS TO THE BYE-LAWS

The Bye-laws of the Company were adopted in 1993. In the opinion of the Directors, clause 157 of the Bye-laws of the Company is not in conformity with the relevant provisions of the Companies Act and the current form of bye-laws generally adopted by companies incorporated in Bermuda and listed on the Stock Exchange. Under the circumstances, the Directors propose to recommend to the shareholders of the Company to approve at the Special General Meeting the following amendments to the Bye-laws allowing the Directors with necessary flexibility to make arrangement for the appointment of auditors to fill any casual vacancy in that office.

The proposed amendments would mean that where the office of the Company’s auditors becomes vacant by the resignation, bankruptcy, death or by their becoming incapable of acting by reason of illness or other disability at a time when their services are required, the Board may fill the vacancy. Such amendments would enable the Directors to minimise any period of vacancy in the office of the auditors of the Company in order to protect the interests of the shareholders and the Company as a whole.

LETTER FROM THE BOARD OF DIRECTORS

4. ADOPTION OF THE NEW SHARE OPTION SCHEME AND TERMINATION OF THE OPERATION OF THE EXISTING SHARE OPTION PLAN

The Existing Share Option Plan was adopted by the Company on 4 May 1998 and will expire on 3 May 2008. In view of the recent changes to Chapter 17 of the Listing Rules which governs the operation of share option schemes, the Directors propose to recommend to shareholders at the Special General Meeting to approve the adoption of the New Share Option Scheme and the simultaneous termination of the operation of the Existing Share Option Plan. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Existing Share Option Plan.

It is proposed that subject to the approval of the shareholders of the Company of the adoption of the New Share Option Scheme at the Special General Meeting, the operation of the Existing Share Option Plan shall be terminated with effect from the conclusion of the Special General Meeting (such that no further options could thereafter be offered under the Existing Share Option Plan but in all other respects the provisions of the Existing Share Option Plan shall remain in full force and effect) and the New Share Option Scheme will take effect, subject to the approvals of the Stock Exchange and the Bermuda Monetary Authority (if necessary), on the date of its adoption at the Special General Meeting. Operation of the New Share Option Scheme will commence after all conditions precedent of the New Share Option Scheme have been fulfilled.

The Directors consider that in order to enable the Group to attract and retain Employees of appropriate qualifications and with the necessary experience to work for the Group, it is important that the Group should continue to provide such Employees with an incentive by offering them an opportunity to obtain a proprietary interest in the Company and to reward them for contributing to the long term success of the business of the Group.

The Directors further consider that in order to enable the Group to motivate Eligible Participants (other than the Employees) to optimise their performance and efficiency for the benefit of the Group and to attract and retain or otherwise maintain ongoing business relationship with such Eligible Participants whose contributions are or will be beneficial to the Group, it is important that the Group should be permitted to provide them, where appropriate, with an incentive by also offering them an opportunity to obtain a proprietary interest in the Company and to reward them for contributing to the long term success of the business of the Group. By offering the Options to the Eligible Participants upon such terms as may be permitted under the New Share Option Scheme, such Eligible Participants may exercise their Options at any time within the Exercise Period (where applicable, subject to any terms of the grant of such Options) to acquire a monetary gain or proprietary interest in the Company which may in turn provide a further incentive to them for advancing their performance to the benefit of the Group.

It is therefore proposed that the New Share Option Scheme for the benefit of the Employees and Eligible Participants be adopted at the Special General Meeting. A summary of the principal terms of the New Share Option Scheme is set out in Appendix I hereto.

The Directors had granted options pursuant to the Existing Share Option Plan to Employees for subscription of a total of 89,931,000 Shares representing approximately 8.91 per cent. of the issued share capital of the Company as at the Latest Practicable Date. Save as aforesaid and up to the Latest Practicable Date, no other options have been granted under the Existing Share Option Plan. Up to the Latest Practicable Date, the Company has allotted 13,988,000 Shares to Employees (including Directors) pursuant to the exercise of options granted under the Existing Share Option Plan representing approximately 1.39 per cent. of the issued share capital of the Company as at the Latest Practicable Date. Options granted for the subscription of a total of 23,924,000 Shares have lapsed and no options have been cancelled under the Existing Share Option Plan. 52,019,000 options remain outstanding under the Existing Share Option Plan,

LETTER FROM THE BOARD OF DIRECTORS

representing approximately 5.16 per cent. of the issued share capital of the Company as at the Latest Practicable Date. The Directors confirm that between the date of this circular and the Special General Meeting, they will not grant any further option under the Existing Share Option Plan.

Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares that may be issued pursuant to the New Share Option Scheme will be 100,905,550 Shares, being 10 per cent. of the Company's issued share capital as at the Latest Practicable Date.

In respect of the operation of the New Share Option Scheme, the Company will comply with all relevant requirements under Chapter 17 of the Listing Rules.

5. VALUE OF THE OPTIONS

The Directors consider it inappropriate to value all the Options that can be granted under the New Share Option Scheme on the assumption that they were granted on the Latest Practicable Date. There are a number of factors critical for determining such a valuation which cannot be reasonably determined at this stage as no Options have actually been granted. These factors include, without limitation, the Exercise Period as well as the other terms and conditions of the grant, particularly those conditions which may be contingent in nature, such as continuing eligibility criteria and other relevant variables which the Board may prescribe on a case by case basis upon the grant of an Option. The Directors have decided not to provide a valuation of the Options based on a large number of speculated assumptions, as this would not be meaningful and may be misleading to shareholders. However, shareholders should note that, in compliance with the Listing Rules, estimated valuations may be provided based on the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology as at the end of the relevant financial period for any interim or final results of the Company.

6. CONDITIONS PRECEDENT OF THE NEW SHARE OPTION SCHEME

The adoption of the New Share Option Scheme is subject to the following conditions:

- (i) the approval of the shareholders of the Company for the adoption of the New Share Option Scheme;
- (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares in the Company to be issued and allotted pursuant to the exercise of the Options in accordance with the terms and conditions of the New Share Option Scheme; and
- (iii) if necessary, the Bermuda Monetary Authority granting permission for the issue and free transfer of any Shares to be issued by the Company pursuant to the exercise of the Options in accordance with the terms and conditions of the New Share Option Scheme.

Subject to satisfaction of the above conditions, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and options to be granted under any other schemes of the Company shall not, in aggregate, exceed 10 per cent. of the Shares in issue as at the date of approval of the New Share Option Scheme. Pursuant to the Listing Rules, the Company may obtain approval from its shareholders to renew the 10 per cent. limit. However, the maximum number of Shares which may be issued upon exercise of all options outstanding and yet to be exercised under the New Share Option Scheme and any other schemes shall, pursuant to the Listing Rules, not exceed 30 per cent. of the issued share capital of the Company from time to time.

LETTER FROM THE BOARD OF DIRECTORS

Applications will be made to the Stock Exchange and the Bermuda Monetary Authority (if required) respectively for obtaining the approvals abovementioned.

The New Share Option Scheme may be altered in any respect by resolution of the Board except that the terms referred to in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the shareholders of the Company in general meeting. Once the New Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. The amended terms of the New Share Option Scheme and all Options must continue to comply with the relevant requirements of Chapter 17 of the Listing Rules.

7. EXPLANATORY MEMORANDUM FOR THE GENERAL MANDATE TO REPURCHASE SHARES

To provide flexibility to the Directors, ordinary resolutions will be proposed at the Annual General Meeting to grant to the Directors the Repurchase Mandate, on the terms set out in ordinary resolutions No. 5B of the Notice of the Annual General Meeting, allowing them to exercise all powers of the Company to repurchase its Shares. Under the Repurchase Mandate, the number of Shares that the Company may repurchase shall not exceed 10 per cent. of the issued share capital of the Company at the date of passing the resolution.

In connection with the Repurchase Mandate, the Company's authority shall be restricted to repurchases made on the Stock Exchange. The mandate allows the Company to make repurchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required by any applicable law or the Company's Bye-laws to be held or the date upon which such mandate is revoked or varied by an ordinary resolution of shareholders of the Company in general meeting.

An ordinary resolution will also be proposed at the Annual General Meeting to authorise the extension of the general mandate to issue new Shares by adding to the mandate the number of Shares to be repurchased by the Company under the Repurchase Mandate in the terms set out in ordinary resolution no. 5D of the Notice of Annual General Meeting.

An explanatory statement as required under the Listing Rules governing share repurchase to provide the requisite information of the Repurchase Mandate is set out in Appendix II hereto.

8. SPECIAL GENERAL MEETING

Notice of the Special General Meeting is set out on pages 23 and 24 of this circular. A pink form of proxy for use at the Special General Meeting is also enclosed therewith.

The Ordinary Resolutions to approve the adoption of the New Share Option Scheme and the termination of the operation of the Existing Share Option Plan with effect from the conclusion of the Special General Meeting will be proposed at such meeting.

The Special Resolutions will also be proposed at the Special General Meeting to approve the change of name of the Company and the amendments to the Bye-laws.

LETTER FROM THE BOARD OF DIRECTORS

9. ACTION TO BE TAKEN

Whether or not you intend to attend the Special General Meeting, you are requested to complete the accompanying proxy form and return it to the Company's share registrar in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Special General Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders of the Company from attending and voting in person at the Special General Meeting if they so wish. A copy of the New Share Option Scheme will be available for inspection during normal business hours at Deacons, 5/F. Alexandra House, 16–20 Chater Road, Central, Hong Kong during the 14-day period immediately preceding the Special General Meeting, and at the Special General Meeting itself.

10. RECOMMENDATION

The Directors believe that adoption of the New Share Option Scheme and the termination of the operation of the Existing Share Option Plan are in the best interests of the Company and its shareholders and so recommend you to vote in favour of the Ordinary Resolutions at the Special General Meeting. The New Share Option Scheme has also been reviewed by the Board comprising all the independent non-executive Directors of the Company, who unanimously support the adoption of the New Share Option Scheme. The Directors also believe that the change of the Company name is appropriate in view of the Company's current business composition, and that the amendments to the Bye-laws would enable the Directors to promptly appoint auditors of the Company to fill any casual vacancy in that office for the protection of the interests of the shareholders and the Company as a whole. The Directors therefore recommend you to vote in favour of the Special Resolutions at the Special General Meeting.

Yours faithfully,
For and on behalf of the Board
Playmates Interactive Entertainment Limited
Chan Chun Hoo, Thomas
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. 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 material facts not contained herein the omission of which would make any statement contained in this circular misleading.

SUMMARY OF THE NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the New Share Option Scheme to be submitted to the shareholders of the Company for adoption at the Special General Meeting:

(1) Purpose of the New Share Option Scheme

- (a) The New Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants (as defined below) have made or may make to the Group.
- (b) The New Share Option Scheme will provide the Eligible Participants with an opportunity to acquire a proprietary interest in the Company with the view to achieving the following principal objectives:
 - (i) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group; and
 - (ii) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are or will be beneficial to the Group.
- (c) For the purpose of the New Share Option Scheme, “**Eligible Participant**” means any person who satisfies the eligibility criteria in paragraph 2 below.

(2) Who may join and basis for determining eligibility

- (a) The Board may at its discretion grant Options to: (i) any director, Employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (“**Affiliate**”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any director, Employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, Employee, consultant, professional, customer, supplier, agent, partner, adviser of or contractor to the Group or an Affiliate.
- (b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility).

- (c) Each grant of Options to a Connected Person of the Company or any of their respective Associates must be approved in accordance with the requirements of the Listing Rules.
- (d) Should the Board resolve that a Grantee fails/has failed or otherwise is/has been unable to meet the continuing eligibility criteria under the New Share Option Scheme, the Company would (subject to Applicable Laws) be entitled to deem any outstanding Option or part thereof, granted to such Grantee and to the extent not already exercised, as lapsed, subject to the requirements of the New Share Option Scheme.

(3) Grant of Options

- (a) On and subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time on a Business Day within 10 years commencing on the Adoption Date to offer the grant of Options to any Eligible Participant as the Board may in its absolute discretion select in accordance with the eligibility criteria set out in the New Share Option Scheme.
- (b) Subject to the provisions of the New Share Option Scheme, the Listing Rules and Applicable Laws, the Board may, on a case by case basis and at its discretion when offering the grant of an Option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set out in the New Share Option Scheme as it may think fit (which shall be stated in the letter containing the Offer of the grant of the Option) including (without prejudice to the generality of the foregoing):
 - (i) the continuing eligibility of the Grantee under this New Share Option Scheme, and in particular, where the Board resolves that the Grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the Option (to the extent it has not already been exercised) shall lapse;
 - (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the Option, failing which the Option (to the extent it has not already been exercised) will lapse unless otherwise resolved to the contrary by the Board;
 - (iii) in the event that the Eligible Participant is a corporation (wherever incorporated or unincorporated), that any change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the New Share Option Scheme;
 - (iv) in the event that the Eligible Participant is a trust, that any change of the beneficiary of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the New Share Option Scheme;
 - (v) in the event that the Eligible Participant is a discretionary trust, that any change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the New Share Option Scheme;
 - (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and
 - (vii) if applicable, the satisfactory performance of certain obligations by the Grantee;

- (c) The Board shall not offer the grant of an Option to any Eligible Participant (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the Listing Rules; or (ii) within such period as the Listing Rules may require from time to time immediately preceding the earlier of the date of the Board meeting for the approval of the Company's results and the deadline for the Company to publish its results announcement under the Listing Rules, until such information has been announced pursuant to the relevant requirements of the Listing Rules.
- (d) Any grant of Options to any Director, Chief Executive or Substantial Shareholder or any of their respective Associates must be approved by the independent non-executive Directors of the Company (provided that where the Company has appointed 2 or more independent non-executive Directors, approval from at least 2 of them is required, but excluding, for all purposes, any independent non-executive Director of the Company who is a proposed Grantee).
- (e) Where any grant of Options to a Substantial Shareholder or an independent non-executive Director of the Company or their respective Associates would result in the total number of the Shares issued and to be issued upon exercise of the Options granted and to be granted (including Options exercised, cancelled and outstanding) to such person in any 12-month period up to and including the date of the grant
- (a) representing in aggregate over 0.1 per cent. of the Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,
- such further grant of Options must be approved by the shareholders of the Company. The Company must send a circular to its shareholders. All Connected Persons must abstain from voting in 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) The circular referred to in sub-paragraph (e) above must contain:
- (i) details of the number and terms (including the Exercise Price) of the Options to be granted to each Eligible Participant, which must be fixed before the shareholders' meeting and the date of Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price under paragraph 5;
 - (ii) a recommendation from the independent non-executive Directors on whether or not to vote in favour of the proposed grant; and
 - (iii) all the information as required under the Listing Rules from time to time.

- (g) For the avoidance of doubt, the requirements of sub-paragraphs (d), (e) and (f) above for the granting of Options to a Director or Chief Executive of the Company do not apply where the Eligible Participant is only a proposed Director or Chief Executive of the Company.

(4) Payment upon acceptance

An Offer shall be accepted when the Company receives the duly signed Offer letter from the Grantee together with a remittance of HK\$10.00 (or such other nominal sum in any currency as the Board may determine) in favour of the Company as consideration for the grant thereof. Such remittance shall in no circumstances be refundable. Once accepted, the Option is granted as from the date on which it was offered to the relevant Eligible Participant.

(5) Exercise Price of Shares

- (a) The Exercise Price for any Share under the New Share Option Scheme will be a price determined by the Board and notified to each Grantee and shall be not less than the highest of (i) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a Business Day, (ii) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant Option and (iii) the nominal value of a Share on the date of grant.
- (b) In the case of an Option granted to a Grantee who, at the time of the grant of such Option, owns Shares representing more than 10 per cent. of the voting power of all classes of shares of the Company or any Subsidiary, the Exercise Price for any Share shall be not less than 110 per cent. of the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a Business Day. The Exercise Price shall also be subject to any adjustments made in a situation contemplated under paragraph 11.
- (c) In the event the Shares ceased to be listed on the Stock Exchange, the Exercise Price in connection with Options granted to a Grantee shall be determined by the Board in good faith and in a manner consistent with all Applicable Laws including, without limitation, any requirement that consideration be given to (i) the price at which securities of reasonably comparable corporations (if any) in the same industry are being traded, or (ii) if there are no securities of reasonably comparable corporations in the same industry being traded, the earnings history, book value and prospects of the Company in light of market conditions generally.

(6) Maximum number of Shares

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes must not, in aggregate, exceed 30 per cent. of the Shares in issue from time to time. No options may be granted under any scheme of the Company (including the New Share Option Scheme) if this will result in the said 30 per cent. limit being exceeded.

- (b) The total number of Shares available for issue under Options which may be granted under the New Share Option Scheme and any other share option schemes must not, in aggregate, exceed 10 per cent. of the Shares in issue as at the date of approval of the New Share Option Scheme by the shareholders of the Company (the “**Scheme Mandate Limit**”) unless shareholders’ approval has been obtained pursuant to sub-paragraph (d) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (c) The Scheme Mandate Limit may be renewed by shareholders of the Company in general meeting from time to time provided that the Scheme Mandate Limit so renewed must not exceed 10 per cent. of the Shares in issue at the date of the approval of the renewal by the shareholders of the Company. Upon any such renewal, all options granted under the New Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or any other share option scheme of the Company and exercised options) prior to the approval of such renewal shall not be counted for the purpose of calculating whether the renewed Scheme Mandate Limit has been exceeded. A circular must be sent to the shareholders of the Company containing such relevant information from time to time required by the Listing Rules in connection with the general meeting at which their approval is sought.
- (d) The Board may seek separate shareholders’ approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specifically identified by the Company before such approval is sought and the Company must issue a circular to the shareholders of the Company containing such relevant information from time to time required by the Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (e) No Option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options already granted or to be granted to such Eligible Participant under the New Share Option Scheme (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such new grant exceeding 1 per cent. in aggregate of the Shares in issue as at the date of such new grant. Any grant of further Options above this limit shall be subject to certain requirements provided under the Listing Rules.
- (f) The maximum number of Shares referred to in paragraph 6 shall be adjusted, in such manner as the Auditors or the independent financial adviser of the Company shall certify as fair and reasonable in accordance with paragraph 11.

(7) Time of exercise of Option

- (a) Subject to Applicable Laws and certain restrictions contained in the New Share Option Scheme, an Option may be exercised in accordance with the terms of the New Share Option Scheme and the terms of grant thereof at any time during the applicable Exercise Period.
- (b) The Board may in its absolute discretion impose a minimum period for which an Option has to be held before it is exercised. As at the date of passing the Ordinary Resolutions, the New Share Option Scheme does not contain any requirement of a minimum period and the

Board considers it is not necessary and too rigid to have a fixed minimum period. The Board is currently unable to determine the minimum period. The imposition of a minimum period requirement for each Option granted will be made by the Board on a case by case basis (subject to Applicable Laws) and will not be made to the advantage of the Eligible Participants. At the time of granting any Option, the Board may also, on a case by case basis and subject to Applicable Laws, make such grant subject to such other conditions, restrictions or limitations including (without limitation) those in relation to the performance targets to be achieved as the Board may determine in its absolute discretion.

- (c) Without prejudice to the generality of any provision in this paragraphs 7 and 10, the Grantee may only exercise an Option subject to any restrictions as may be reasonably imposed by the Board from time to time with a view to ensure or facilitate compliance with any Applicable Laws, mandatory rules and/or regulations binding the Company, particularly those relating to insider dealing and other prohibitions under the Listing Rules.
- (d) Subject to any provisions of this paragraphs 7 and 10, any Option granted pursuant to the New Share Option Scheme shall be exercisable at a rate of no less than 20 per cent. per year, subject to reasonable conditions such as continued employment. Notwithstanding the foregoing, in the case of an Option granted to an officer, director, consultant, professional, agent, partner, advisor of or contractor to the Group or its Affiliates, the Option may become exercisable, subject to reasonable conditions such as continuous service of such officer, director, consultant, professional, agent, partner, advisor of or contractor to the Group or its Affiliates, at any time or during any period set out in the letter for granting the Offer.

(8) Rights are personal to Grantee

An Option shall be 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.

(9) Rights on ceasing to be an Eligible Participant

Subject to Applicable Laws and the terms of the New Share Option Scheme, where an Option was granted subject to certain continuing conditions, restrictions or limitations on the Grantee's eligibility and the Board resolves that the Grantee has failed or otherwise is or has been unable to meet such continuing eligibility criteria, the Option (to the extent it has not already been exercised) shall lapse.

(10) Rights on death/ceasing employment

- (a) If the Grantee (being an individual) dies before exercising the Option in full, his or her legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of 12 months following his death or such longer period as the Board may determine.

- (b) Subject to sub-paragraphs (c) and (d) below, if the Grantee who is an Employee ceases to be an Employee for any reason other than his death, Disability or the termination of his employment on one or more of the following grounds that:
- (i) he/she has been guilty of serious misconduct; or
 - (ii) he/she has been convicted of any criminal offence involving his/her integrity or honesty,
- the Grantee may exercise the Option (to the extent exercisable as at the date of the relevant event and not exercised) within 30 days following the date of such cessation.
- (c) If the Grantee is an Employee, director, consultant, professional, agent, partner, advisor of or contractor to the Group or its Affiliate at the time of the grant of the relevant Option(s) and his employment or service to the Company is terminated on the ground of Disability, the Grantee may exercise the Option (to the extent exercisable as at the date on which such Grantee ceases to be an Employee, director, consultant, professional, agent, partner, advisor of or contractor to the Group or its Affiliate and not exercised) within 6 months following the date of such cessation or such longer period as the Board may determine.
- (d) If the Grantee who is an Employee at the time of the grant of the relevant Option(s) ceases to be an Employee but becomes or, where the Grantee continues to be, a consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or an Affiliate, then the Option(s) (to the extent exercisable as at the date on which such Grantee ceases to be an Employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine.
- (e) If the Grantee, who was an Employee at the time of the grant of the relevant Option(s), ceases to be an Employee but becomes, or continues to be, a director of the Group or an Affiliate, then the Option(s) (to the extent exercisable as at the date on which such Grantee ceases to be an Employee and not exercised) granted prior to the date of his becoming a Director of the Group shall remain exercisable until its expiry in accordance with the provisions of the New Share Option Scheme and the terms and conditions upon which they are granted unless the Board shall determine to the contrary.
- (f) If the Grantee, who is a director, consultant, customer, supplier, agent, partner or adviser of or contractor of the Group or an Affiliate but not an Employee, ceases to be a director, consultant, professional, customer, supplier, agent, partner or adviser of or contractor of the Group or an Affiliate (as the case may be) for any reason other than his/her death (in the case of a Grantee being an individual) or Disability (in the case of a Grantee being a director or consultant of the Group or an Affiliate), the Option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

(11) Effects of alterations to capital

In the event of any alteration in the capital structure of the Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made to the number or nominal amount of Shares which

are the subject of unexercised Options, the Exercise Price, the method of exercise of the Options or the maximum number of Shares subject to the New Share Option Scheme. Any adjustments required under this paragraph must give a Grantee the same proportion of the equity capital as that to which that Grantee was previously entitled, but no such adjustments may be made to the extent that Shares would be issued at less than their nominal value. In respect of any such adjustments, other than any made on a capitalisation issue, the independent financial adviser of the Company or the Auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out in this paragraph.

(12) Rights on a Takeover

If a general offer by way of takeover 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 concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeover Code), the Grantee may at any time within one month after the date on which the offer becomes or is declared unconditional (within the meaning of the Takeover Code) exercise the Option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part.

(13) Rights on a Scheme of Arrangement

If a compromise or arrangement between the Company and its members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), the Company shall give Notice to the Grantee on the same date as it gives Notice to each member or creditor of the Company summoning the meeting to consider such a scheme of arrangement, and thereupon the Grantee may, by Notice in writing to the Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Option (such Notice to be received by the Company not later than two Business Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting), exercise the Option (to the extent exercisable as at the date of Notice to the Grantee and not exercised) either in full or in part.

(14) Rights on a Voluntary Winding up

In the event that the Company gives Notice of a shareholders' meeting being convened to consider a resolution for the voluntary winding up of the Company, the Company shall forthwith upon such Notice being given, give Notice to Grantees of the convening of such meeting and thereupon the Grantee may, by Notice in writing to the Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Option (such Notice to be received by the Company not later than two Business Days (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting), exercise the Option (to the extent exercisable as at the date of Notice to the Grantee and not exercised) either in full or in part.

(15) Rights attaching to Shares upon exercise of an Option

Shares issued and allotted upon the valid exercise of an Option will rank *pari passu* in all respects with the other Shares of the same class in issue at the date of allotment.

(16) Lapse of Options

An Option (to the extent such Option has not already been exercised) shall lapse and not be exercisable on the earliest of:

- (a) the expiry of the Exercise Period;
- (b) the expiry of the periods referred to in paragraph 10;
- (c) subject to the Supreme Court of Bermuda not making an order prohibiting the offeror to acquire the remaining Shares in a general offer, the expiry of the period referred to paragraph 12;
- (d) the date of commencement of the winding-up of the Company in respect of the situation contemplated in paragraph 14;
- (e) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph 13; or
- (f) the date of which the Grantee who is an Employee ceases to be an Employee by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty.

(17) Cancellation of Options granted

The Board shall have the absolute discretion to cancel any Options granted at any time at the request of the Grantee provided where an Option is cancelled and a new Option can only be proposed to be granted to the same Grantee if there are available but unissued Shares in the authorised share capital of the Company, and available ungranted Options within the limits referred to in paragraph 6 (excluding for this purpose all the cancelled Options).

(18) Period of the New Share Option Scheme

Options may be granted to Eligible Participants under the New Share Option Scheme during the period of 10 years commencing on the date of adoption of the New Share Option Scheme.

(19) Alteration to New Share Option Scheme and Termination

- (a) The New Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the New Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the shareholders of the Company in general meeting.
- (b) Any alteration to the terms and conditions of the New Share Option Scheme which is of a material nature, must be approved by the shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

- (c) Any change to the authority of the Directors or scheme administrator in relation to any alterations to the terms of the New Share Option Scheme must be approved by the shareholders of the Company in general meeting.
- (d) The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but the provisions of the New Share Option Scheme shall remain in force in all other respects. Options complying with the provisions of the Listing Rules which are granted during the life of the New Share Option Scheme and remain unexpired immediately prior to the termination of the operation of the New Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the New Share Option Scheme.

(20) Conditions of the New Share Option Scheme

The New Share Option Scheme shall take effect subject to the passing of Ordinary Resolutions Nos.3 and 4 by the shareholders of the Company at the Special General Meeting and is conditional upon (a) the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may be issued and allotted pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme; and (b) if necessary, the Bermuda Monetary Authority granting permission for the issue and free transfer of any shares to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of the New Share Option Scheme. Applications will be made to the Stock Exchange and the Bermuda Monetary Authority (if required) for obtaining the approvals aforementioned.

(21) Administration of the New Share Option Scheme

The New Share Option Scheme shall be administered by the Board or any committee established by the Board from time to time, whose decision (save otherwise provided in the New Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no Options have been granted by the Company under the New Share Option Scheme.

This appendix serves as an explanatory statement, as required by the Share Repurchase Rules, to provide requisite information to you for your consideration of the proposal to permit the repurchase of Shares up to a maximum of 10 per cent. of the issued share capital of the Company as at the date of approval for the Repurchase Mandate.

GENERAL

As at the Latest Practicable Date, the number of Shares in issue was 1,009,055,509. On the basis of such figure, assuming that no Shares would be issued or repurchased thereafter and prior to the Annual General Meeting, the Directors would be authorized to repurchase Shares up to a limit of 100,905,550 shares.

REASON FOR REPURCHASES

The Directors have no present intention to make any repurchase of the Company's own Shares but consider that the mandate will provide the Company the flexibility to make such repurchases when appropriate and beneficial to the Company and its shareholders. Such repurchases may enhance the net asset value of the Company and/or earnings per share. Based on the financial position of the Company as at 31 December 2001 (being the date of its latest audited accounts), the Directors do not expect any material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed repurchases were to be carried out in full during the proposed repurchase period. No repurchases would be made in the circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

FUNDING FOR REPURCHASES

Repurchases must be funded out of funds legally available for the purpose in accordance with the laws of Bermuda, the Memorandum of Association and the Bye-Laws of the Company. It is envisaged that the Company will derive the funds for repurchase of its shares in accordance therewith.

The Company is empowered by its Memorandum of Association and Bye-Laws to repurchase its own shares. Bermuda law provides that any amount repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant shares, or the funds that would otherwise be available for distribution by way of dividend or distribution or the proceeds of a new issue of shares made for such purpose. The amount of premium payable on the repurchases, if any, may only be paid out of either the funds that would otherwise be available for dividend or distribution or out of the share premium of the Company. Further, the Company may not purchase its own shares if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is or, after the purchase, would be unable to pay its liabilities as they become due.

DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of their associates has any present intention, in the event that the proposed general mandate is approved by shareholders, to sell Shares to the Company.

No Connected Person of the Company has notified the Company that he/she has any present intention to sell Shares to the Company nor has he/she undertaken not to do so in the event that the Company is authorized to make repurchases of its own shares.

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed Repurchase Mandate in accordance with the Listing Rules, all applicable laws of Bermuda and the regulations set out in the Memorandum of Association and Bye-Laws of the Company.

EFFECT OF TAKEOVER CODE

A repurchase of shares by the Company may result in an increase in the proportionate interests of a shareholder of the Company in the voting rights of the Company, which could give rise to an obligation on such shareholder to make a mandatory offer in accordance with rule 26 of the Takeover Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, Angers Investments Limited was the beneficial holder of 500,000,000 shares representing 49.55 per cent. of the issued share capital of the Company. Based on that beneficial ownership and on the assumption that no shares held by Angers Investments Limited were repurchased, Angers Investments Limited may become obliged to make a mandatory offer in accordance with rule 26 of the Takeover Code in the event that the Directors exercise in full the power to repurchase shares pursuant to the Repurchase Mandate. The Directors do not propose to exercise the Repurchase Mandate to such an extent. However, in the event that the Directors exercise in full the power to purchase shares pursuant to the Repurchase Mandate, the shareholding of Angers Investments Limited would be increased to approximately 55.06 per cent..

REPURCHASES AND SHARE PRICES

During the six months preceding the date of this circular, the Company has not repurchased any of its Shares. During the previous twelve months from April 2001 to March 2002, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Month	SHARES	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
April	0.340	0.260
May	0.390	0.290
June	0.400	0.315
July	0.375	0.300
August	0.340	0.300
September	0.330	0.250
October	0.275	0.240
November	0.295	0.235
December	0.300	0.255
2002		
January	0.350	0.250
February	0.315	0.280
March	0.310	0.260

NOTICE OF SPECIAL GENERAL MEETING



PLAYMATES INTERACTIVE ENTERTAINMENT LIMITED

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of Playmates Interactive Entertainment Limited will be held at Ballroom A, 2nd Floor, Great Eagle Hotel, 8 Peking Road, Tsimshatsui, Kowloon, Hong Kong on Friday, 28 June 2002 at 9:45 a.m. (or as soon as possible after conclusion or adjournment of the Annual General Meeting of the Company convened at 9:00 a.m. on the same day and at the same place) for the purpose of considering and, if thought fit, passing the following resolutions as Ordinary Resolutions and Special Resolutions respectively:

SPECIAL RESOLUTIONS

1. **“THAT** subject to the approval of the Registrar of Companies in Bermuda, the Company’s name be changed from ‘Playmates Interactive Entertainment Limited (彩星互動科娛有限公司)’ to ‘Playmates Holdings Limited (彩星集團有限公司)’ and that the necessary documentation to effect the new name be filed with the Registrar of Companies in Bermuda and that the Chinese translation of the new name be registered in the Companies Registry in Hong Kong.”
2. **“THAT** with effect from the conclusion of the meeting, clause 157 of the Bye-laws of the Company be replaced with the following clause:

“If the office of auditor becomes vacant by the resignation, bankruptcy or death of the Auditor, or by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors may fill such vacancy.”

ORDINARY RESOLUTIONS

3. **“THAT** conditional upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the approval for the New Share Option Scheme referred to in the circular despatched to the shareholders on the same day as this Notice, the terms of which are set out in the printed document marked “A” now produced to the meeting and for the purpose of identification signed by the Chairman hereof (the “Scheme”) and subject to such amendments to the Scheme as the Stock Exchange may request, the Scheme be approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Scheme, notwithstanding that they or any of them may be interested in the same, including but without limitation:
 - (i) to administer the Scheme under which options will be granted to eligible persons under the Scheme to subscribe for shares;
 - (ii) to modify and/or amend the Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Scheme relating to modification and/or amendment, provided always that the total number of shares subject to the Scheme shall not exceed the limits referred to therein;

NOTICE OF SPECIAL GENERAL MEETING

(iii) to issue and allot from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the total number of shares available for issue under options which may be granted under the Scheme and any other share option schemes (exclude the share option plan adopted by the Company on 4 May 1998) must not, in aggregate, exceed 10 per cent. of the relevant class of the issued share capital of the Company as at the date of passing this Resolution, but the Company may seek approval of its shareholders in general meeting for renewing the 10 per cent. limit under the Scheme, and that the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes must not, in aggregate, exceed 30 per cent. of the relevant class of the issued share capital of the Company from time to time;

(iv) to make application at the appropriate time or times to the Stock Exchange and any other stock exchanges upon which the issued shares of the Company may for the time being be listed, for listing of and permission to deal in any shares which hereafter from time to time be issued and allotted pursuant to the exercise of the options under the Scheme; and

to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the Scheme.”

4. “**THAT** subject to and conditional upon the passing of Ordinary Resolution 3 set out in this Notice and the condition referred to therein being satisfied or fulfilled, the operation of the existing share option plan of the Company adopted on 4 May, 1998 be hereby terminated with effect from the adoption of the Scheme (such that no further options could thereafter be offered under the existing share option plan of the Company but in all other respects the provisions of the existing share option plan of the Company shall remain in full force and effect).”

By Order of the Board
Chan Chun Hoo, Thomas
Chairman

Hong Kong, 26 April, 2002

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority, must be lodged with the Company's share registrar in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.