

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

If you have sold or transferred all your shares in **Hysan Development Company Limited** 希慎興業有限公司, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other material facts not contained herein the omission of which would make any statement contained in this circular misleading.

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HYSAN DEVELOPMENT COMPANY LIMITED

希慎興業有限公司

(Incorporated under Hong Kong Companies Ordinance, Cap. 32 with limited liability)

(Stock Code: 00014)

NOTICE OF ANNUAL GENERAL MEETING AND PROPOSALS FOR GENERAL MANDATES TO ISSUE AND TO REPURCHASE SHARES AND ADOPTION OF NEW SHARE OPTION SCHEME AND AMENDMENTS TO ARTICLES OF ASSOCIATION

A notice convening the AGM to be held at Suite 308, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong on Tuesday, 10 May 2005 at 12:00 noon is set out on pages 2 to 5 of this circular.

Whether or not you intend to attend the AGM, you are advised to read this circular and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's registered office at 49th Floor, Manulife Plaza, The Lee Gardens, 33 Hysan Avenue, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjournment thereof should you so wish.

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INVITATION TO SHAREHOLDERS



HYSAN DEVELOPMENT COMPANY LIMITED

希慎興業有限公司

(Incorporated under Hong Kong Companies Ordinance, Cap. 32 with limited liability)

(Stock Code: 00014)

Chairman

Peter Ting Chang LEE

Independent non-executive Deputy Chairman

Sir David AKERS-JONES

Managing Director

Michael Tze Hau LEE

Independent non-executive Directors

Per JORGENSEN

Dr. Geoffrey Meou-tsen YEH

Non-executive Directors

Fa-kuang HU

Hans Michael JEBSEN

Anthony Hsien Pin LEE

Chien LEE

Dr. Deanna Ruth Tak Yung RUDGARD

Director, Property

Pauline Wah Ling YU WONG

Registered Office:

49th Floor

Manulife Plaza

The Lee Gardens

33 Hysan Avenue

Hong Kong

31 March 2005

Dear Shareholder(s)

On behalf of the Board and management, we invite you to attend Hysan Development Company Limited's Annual General Meeting to be held on Tuesday, 10 May 2005.

We aim to continually enhance our corporate governance practices, including the quality of our reporting and communications with our shareholders. Detailed explanation on the business to be considered at the Meeting, together with Board Recommendations, is set out in this circular.

We regard annual general meetings as one of the principal channels to communicate with our shareholders. We also made arrangements for shareholder visits this year, scheduled to be held before the Meeting. We look forward to seeing you on that day. If you are unable to attend the Meeting in person, we encourage you to appoint a proxy to attend and vote on your behalf.

Yours faithfully,

Peter T.C. Lee
Chairman

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the members of Hysan Development Company Limited 希慎興業有限公司 (the “**Company**”) will be held at Suite 308, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong on Tuesday, 10 May 2005 at 12:00 noon for the following purposes:

1. To receive and consider the Statement of Accounts for the year ended 31 December 2004 together with the Reports of Directors and Auditors thereon.
2. To declare a final dividend (together with a scrip alternative) for the year ended 31 December 2004.
3. To re-elect Directors.
4. To approve annual Directors’ fees and additional fees payable to Directors serving on board committees of the Company (such revised remuneration arrangements to take effect from 1 July 2005 and be payable to Directors on a pro rata basis for the financial year ending 31 December 2005) and to remain the same until the Company in general meeting otherwise determines:

	HK\$ per annum
<u>Board of Directors</u>	
Chairman	140,000
Deputy Chairman	120,000
Director	100,000
 <u>Audit Committee</u>	
Chairman	60,000
Member	30,000
 <u>Other Committees</u>	
Chairman	30,000
Member	20,000

5. To re-appoint Messrs. Deloitte Touche Tohmatsu as Auditors and authorise the Directors to fix their remuneration.

As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions and Special Resolution respectively:

ORDINARY RESOLUTIONS

6. **“That:**
 - (a) subject to paragraph (c), a general mandate be and is hereby unconditionally granted to the Directors to exercise during the Relevant Period all the powers of the Company to allot, issue and dispose of additional shares in the Company and to make or grant offers, agreements, options, warrants or other securities which would or might require the exercise of such powers;
 - (b) the mandate in paragraph (a) shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and other securities which would or might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

(c) the aggregate nominal value of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to a share option or otherwise) by the Directors pursuant to the mandate in paragraph (a), otherwise than pursuant to (i) Rights Issue, or (ii) any share option scheme or similar arrangement for the time being adopted for the grant or issue to the eligible participants of shares or rights to acquire shares of the Company or (iii) any scrip dividend or similar arrangement pursuant to the Articles of Association of the Company from time to time, shall not exceed, where the shares are to be allotted wholly for cash, 10%, and in any event 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution and the said mandate shall be limited accordingly;

(d) for the purpose of this Resolution:

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

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

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company 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 legal restrictions under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).”

7. **“That:**

(a) a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period all the powers of the Company to purchase or otherwise acquire shares of HK\$5.00 each in the capital of the Company in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, provided that the aggregate nominal amount of shares so purchased or otherwise acquired shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution, and the said mandate shall be limited accordingly.

(b) for the purpose of this Resolution:

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

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

NOTICE OF ANNUAL GENERAL MEETING

8. **“That**, conditional upon the passing of Resolutions numbered 6 and numbered 7 set out in the Notice convening this Meeting, the aggregate nominal amount of the shares which are purchased or otherwise acquired by the Company pursuant to Resolution numbered 7 shall be added to the aggregate nominal amount of the shares which may be issued pursuant to Resolution numbered 6.”
9. **“That** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of and permission to deal in the shares to be allotted and issued pursuant to the exercise of options which may be granted under a new share option scheme of the Company (the **“New Scheme”**), the principal terms of which are set out on pages 17 to 24 of the circular to shareholders of the Company dated 31 March 2005 and a copy of which is now produced to this meeting and marked “A” and signed by the Chairman for the purpose of identification:
- (a) the rules of the New Scheme be and are hereby approved and adopted;
 - (b) the Directors be and are hereby authorised to administer the New Scheme and to grant options in accordance with the rules and provisions of the New Scheme;
 - (c) the exercise by the Directors of all the powers of the Company to issue, allot and deal with any shares from time to time pursuant to the exercise of options under and in accordance with the New Scheme be and is hereby generally and unconditionally approved; and
 - (d) the Directors be and are hereby authorised to do all such other acts and things as may be necessary or expedient as they think fit in order to give effect to the New Scheme from time to time.”

SPECIAL RESOLUTION

10. **“That** the Articles of Association of the Company be amended in the following ways:

- (a) Article 83 be deleted in its entirety and replaced by the following new Article 83:

“Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by proxy or by a representative duly authorised under section 115 of the Ordinance, shall have one vote, and on a poll every member present in person or by proxy or by duly authorised representative shall have one vote for each share of any class of which he is the holder. On a poll a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. Where any shareholder is restricted or prohibited from voting or required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution by reason of applicable laws or the Listing Rules, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.”

- (b) Article 114 be deleted in its entirety and replaced by the following new Article 114:

“At each Annual General Meeting, one-third (or such other number as may be required under applicable legislation) of the Directors for the time being; and where the applicable number is not an integral number, to be rounded upwards, who have been longest in office shall retire from office by rotation. As between two or more Directors who have been in office for an equal length of time, the Director or Directors to retire shall in default of agreement between them be determined by lot. The length of time

NOTICE OF ANNUAL GENERAL MEETING

a Director has been in office shall be computed from his last election or appointment where he has previously vacated office. A retiring Director shall be eligible for re-election and shall act as a Director throughout the meeting at which he retires.””

By Order of the Board
Wendy W.Y. Yung
Company Secretary

Hong Kong, 31 March 2005

Notes:

1. A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote on his behalf. The proxy need not be a member of the Company.
2. In order to be valid, a form of proxy must be deposited at the Company's registered office at 49th Floor, Manulife Plaza, The Lee Gardens, 33 Hysan Avenue, Hong Kong together with the power of attorney or other authority (if any) under which it is signed or a notorially certified copy of that power or authority, not less than 48 hours before the time for holding the Meeting.
3. The register of members will be closed from Friday, 6 May 2005 to Tuesday, 10 May 2005, both dates inclusive. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 p.m. on Thursday, 5 May 2005.
4. Further information on voting procedures are set out in the section "Voting Information: Frequently Asked Questions and Answers" in the circular to be sent to shareholders (the "**Circular**").
5. Detailed information on the businesses to be transacted at the Annual General Meeting (the "**AGM**") are set out in the section "Business of the Meeting and Board Recommendations" of the Circular.
6. At the AGM, the Chairman of the Meeting will exercise his power under Article 78 of the Articles of Association of the Company to put each of the resolutions set out in this notice to be voted by way of poll. On a poll, every member present in person (or in the case of a corporation by its corporate representative) or by proxy shall have one vote for each share of any class of which he is the holder.
7. Copies of the following documents will be available for inspection at the Company's registered office at 49th Floor, Manulife Plaza, The Lee Gardens, 33 Hysan Avenue, Hong Kong, during normal business hours from the date hereof up to and including the date of the AGM and at the AGM:
 - (a) the Memorandum and Articles of Association of the Company; and
 - (b) the rules of the New Scheme.

As at the date of this notice, the Board of Directors comprises (Chairman) Peter Ting Chang Lee; (Independent non-executive Deputy Chairman) Sir David Akers-Jones; (Managing Director) Michael Tze Hau Lee; (Independent non-executive Directors) Per Jorgensen and Dr. Geoffrey Meou-tsen Yeh; (Non-executive Directors) Fa-kuang Hu, Hans Michael Jebesen, Anthony Hsien Pin Lee, Chien Lee, Dr. Deanna Ruth Tak Yung Rudgard; and (Director, Property) Pauline Wah Ling Yu Wong.

Your vote is important, and you can exercise your right to vote whether you choose to attend the AGM or not. Find out how below:

Q. Am I entitled to vote?

- A.** You are entitled to vote if you are a registered holder of Shares of Hysan Development Company Limited as of 10 May 2005 (the date of AGM).

The register of members will be closed from Friday, 6 May to Tuesday, 10 May 2005, both days inclusive. If you have recently purchased the Shares, you must deliver to Standard Registrars Limited the share certificates, share transfer form or relevant evidence to establish that you own the Shares no later than 4:00 p.m. on Thursday, 5 May 2005.

Q. What am I voting on?

- A.** You are voting on the resolutions as set out in the Notice of AGM on pages 2 to 5, and “Business of the Meeting and Board Recommendations” on pages 8 to 10 of this circular.

Q. How can I vote?

- A.** 1. Attending the AGM

You are entitled to attend the AGM and cast your vote in person. To vote shares registered in the name of a corporation, the corporation must have submitted a properly executed form of proxy or corporate representative authorisation to the Company.

2. By Proxy

If you do not plan to attend the AGM, you may cast your vote by proxy in one of the two ways. **Your proxy must vote as you instruct in the form of proxy:**

- (a) You may authorise the Chairman of the Company named in the form of proxy to vote your shares. Please indicate how you would like your shares voted.
- (b) You may appoint some other person to attend the AGM and vote your shares on your behalf. Please print your appointee’s name in the blank space on the form of proxy and indicate how you would like your shares voted. A proxy need not be a shareholder of the Company.

Q. When shall I return my form of proxy?

- A.** To be valid, the **original** form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of the same, must be completed and **returned to the Company’s registered office at 49th Floor, Manulife Plaza, The Lee Gardens, 33 Hysan Avenue, Hong Kong, not less than 48 hours before the time for holding the AGM or any adjournment thereof.** Forms of proxy sent electronically or by any other data transmission process will not be accepted.

Q. Who votes my shares and how will they be voted if I return a form of proxy?

- A.** By properly completing and returning a form of proxy, you are authorising the person named in the form of proxy to attend the AGM and to vote your shares. The shares represented by your proxy must be voted as you instruct in the form of proxy. If you properly complete and return your form of proxy but do not specify how you wish to cast your votes, your proxy will vote at his discretion.

VOTING INFORMATION: FREQUENTLY ASKED QUESTIONS AND ANSWERS

Q. Can I revoke a proxy or voting instruction?

A. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the AGM should he so wish. Therefore, your attendance at the AGM will override your proxy appointment.

Q. What will be the procedures for demanding a poll?

A. **The Chairman of the AGM intends to demand a poll regarding the voting for all the resolutions set out in the Notice of AGM. On a poll, every member present in person (or in the case of a corporation by its corporate representative) or by proxy shall have one vote for each Share of which he is the holder. The results of the voting by poll will be published in the local newspapers and on the Company's and the Stock Exchange's websites on the business day following the AGM.**

In any event, a poll may be demanded (before or on the declaration of the results of the show of hands):

- (a) by the Chairman; or
- (b) in writing by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
- (c) in writing by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) in writing by a member or members holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Q. What if I have a question?

A. If you have any question regarding the AGM, please contact Hysan's Company Secretarial Department at 2895-5777.

BUSINESS OF THE MEETING AND BOARD RECOMMENDATIONS

RESOLUTION NUMBERED 1 — RECEIVING 2004 FINANCIAL STATEMENTS

The full audited financial statements together with the Reports of Directors and Auditors thereon, are set out on pages 68 to 73 and pages 81 to 114 of the 2004 Annual Report.

The audited financial statements have been reviewed by the Audit Committee. A report of the Audit Committee is set out on page 80 of the 2004 Annual Report.

RESOLUTION NUMBERED 2 — DECLARATION OF FINAL DIVIDEND

The Board has recommended a final dividend for the year ended 31 December 2004 of HK30 cents per Share. Subject to passing Resolution numbered 2, such final dividend is expected to be paid on or about 10 June 2005, together with a scrip dividend alternative, to shareholders whose names appear on the Company's register of members on 10 May 2005.

A circular containing details of the scrip dividend and the form of election will be mailed to shareholders on or about 17 May 2005.

The share register will be closed from Friday, 6 May 2005 to Tuesday, 10 May 2005, both dates inclusive. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Standard Registrars Limited, at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong no later than 4:00 pm on Thursday, 5 May 2005.

RESOLUTION NUMBERED 3 — RE-ELECTION OF DIRECTORS

Under the current Articles of Association, all Directors are subject to the system of retirement by rotation. Specifically, the three Directors who have been longest in office as at each annual general meeting will retire from office and be subject to re-election. Accordingly, Fa-kuang HU (Non-executive Director), Dr. Geoffrey Meou-tsen YEH (Independent non-executive Director) and Pauline Wah Ling YU WONG (Director, Property) will retire from office at the AGM and, being eligible, offer themselves for re-election. Their proposed re-election will be considered by separate resolutions.

Per Jorgensen (Independent non-executive Director), Dr. Deanna Ruth Tak Yung Rudgard (non-executive Director) and Anthony Hsien Pin Lee (non-executive Director), having held office for three years since last re-election, offer to retire at the AGM to effect early adoption of the new Code on Corporate Governance Practices which provides that every Director shall be subject to retirement by rotation at least once every three years at the AGM. Being eligible, these Directors offer themselves for re-election at the forthcoming AGM.

Details of the background information on the retiring Directors who are proposed for re-election are set out on pages 11 to 13 of this circular.

RESOLUTION NUMBERED 4 — PROPOSED REVISION OF DIRECTORS' REMUNERATION

It is proposed to increase Directors' fees payable to Directors and Board Committee members. In making such revision to remuneration arrangements, consideration has been given to the level of responsibility, experience and abilities required of Directors, and the remuneration offered for similar positions in comparable companies.

The revised remuneration arrangements shall take effect from 1 July 2005 (and be payable to Directors on a pro rata basis for the financial year ending 31 December 2005) and shall remain the same until the Company in general meeting otherwise determines. Details of the revised Directors' fees are set out in the Notice of AGM.

BUSINESS OF THE MEETING AND BOARD RECOMMENDATIONS

RESOLUTION NUMBERED 5 — RE-APPOINTMENT OF AUDITORS

The Audit Committee has recommended to the Board (which in turn endorsed the view) that, subject to shareholders' approval at the forthcoming AGM, Deloitte Touche Tohmatsu be re-appointed as the external auditors of the Company for 2005.

RESOLUTIONS NUMBERED 6, 7 AND 8 — GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the last annual general meeting of the Company held on 11 May 2004, a general mandate under Section 57B of the Companies Ordinance and the Listing Rules was given to the Directors to issue and purchase shares in the Company. These general mandates will lapse at the conclusion of the AGM. Resolutions will therefore be proposed at the AGM to renew the grant of these general mandates. The relevant resolutions, in summary, are:

- an ordinary resolution (**Resolution numbered 6**) to give the Directors a general and unconditional mandate to allot, issue and dispose of additional shares in the Company, not exceeding, where the Shares are to be allotted wholly for cash, 10%, and in any event 20% of the Company's issued share capital as at the date of passing the resolution (as adjusted in accordance with Resolution numbered 8), for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution) (the "**Issue Mandate**");
- an ordinary resolution (**Resolution numbered 7**) to give the Directors a general and unconditional mandate to exercise all the powers of the Company to purchase an amount of Shares in the Company not exceeding 10% of the Company's issued share capital as at the date of passing the resolution, for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution) (the "**Share Repurchase Mandate**"); and
- conditional upon the passing of Resolutions numbered 6 and 7 to grant the Issue Mandate and the Share Repurchase Mandate, an ordinary resolution (**Resolution numbered 8**) to authorise the Directors to exercise the powers to allot, issue and dispose of additional shares in the Company under the Issue Mandate in respect of the aggregate nominal amount of share capital in the Company purchased by the Company.

The full text of these resolutions is set out in the Notice of AGM. As required under the Listing Rules, an explanatory statement providing the requisite information regarding the Share Repurchase Mandate is set out on pages 14 to 16 of this circular.

The Directors wish to state that they have no immediate plan to issue any new Shares, other than pursuant to: (i) the scrip dividend alternative which is being proposed to be offered; and (ii) the exercise of the options granted under the Existing Scheme and the New Scheme, if approved.

RESOLUTION NUMBERED 9 — ADOPTION OF NEW SCHEME

On 28 April 1995, the Company adopted the Existing Scheme pursuant to which the Board may at its discretion grant options to any employee of the Company or any wholly-owned Subsidiary. The Existing Scheme will expire on 28 April 2005. Thereafter the provisions of the Existing Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior to the date of expiration of the Existing Scheme. All options granted prior to such date shall continue to be valid and exercisable in accordance with the provisions of the Existing Scheme. As at the Latest Practicable Date, options in respect of 1,590,000 Shares granted by the Company under the Existing Scheme remained outstanding, representing approximately 0.15 per cent of the issued share capital of the Company as at the Latest Practicable Date.

BUSINESS OF THE MEETING AND BOARD RECOMMENDATIONS

As the Existing Scheme will expire on 28 April 2005, the Board proposes that the Company adopt the New Scheme at the AGM. An ordinary resolution will be proposed at the AGM to consider and, if thought fit, approve the adoption of the New Scheme. A summary of the principal terms of the New Scheme and other background information are set out in the relevant explanatory statement on pages 17 to 24 of this circular.

The purpose of the New Scheme is to enable the Company to provide an incentive for employees of the Company and its wholly-owned Subsidiaries to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its shareholders. To this end, the rules of the New Scheme provide that the Board may only grant options to employees of the Company or any wholly-owned Subsidiary (including executive Directors) and such other persons as the Board may consider appropriate who, as the Board may in its absolute discretion determine, have made valuable contribution to the development and growth of the Company and the Subsidiaries. In addition, the Board may specify the minimum period, if any, for which an option must be held or the performance targets, if any, that must be achieved before the option can be exercised. The Board believes that the selection criteria prescribed by the rules of the New Scheme as well as the requirement for a minimum Subscription Price will serve to achieve the purpose of the New Scheme.

The Board has given approval for the adoption of the New Scheme. The New Scheme shall take effect subject to:

- (a) the passing of an ordinary resolution to adopt the New Scheme by shareholders of the Company at the AGM; and
- (b) the Stock Exchange approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the New Scheme.

RESOLUTION NUMBERED 10 — AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to effect early adoption of the new Code on Corporate Governance Practices which requires, among other things, Directors to retire by rotation at least once every three years, it is recommended to amend Article 114 of the Articles of Association in the manner described in the Notice of AGM.

It is also proposed to amend Article 83 of the Articles of Association in the manner described in the Notice of AGM to refine the mechanics regarding voting by poll.

BOARD RECOMMENDATIONS

The Directors consider that the proposed resolutions as set out in the Notice of AGM, including, among other things, the proposed resolutions in relation to the granting of the Issue Mandate and Share Repurchase Mandate, the adoption of the New Scheme and amendments to the Articles of Association are in the best interests of the Company and its shareholders as a whole. Accordingly, the Directors recommend shareholders to vote in favour of the proposed resolutions.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's registered office at 49th Floor, Manulife Plaza, The Lee Gardens, 33 Hysan Avenue, Hong Kong, during normal business hours from the date of this circular up to and including the date of the AGM and at the AGM:

- (a) the Memorandum and Articles of Association of the Company; and
- (b) the rules of the New Scheme.

INFORMATION ON DIRECTORS PROPOSED TO BE RE-ELECTED

Information on Directors standing for re-election at the AGM is set out below:

	Director since	Board Committee Memberships	Emoluments received for 2004 (HK\$) (Note 1)	Interests in Shares within the meaning of Part XV of SFO (Note 2)
Fa-kuang HU G.B.S., C.B.E., J.P. <i>Non-executive Director</i>	1979	Emoluments Review Committee	50,000	255,012 (Corporate interests)

Mr. Hu is Senior Advisor of Mitsubishi Electric Hong Kong Group Limited (formerly "Ryoden (Holdings) Limited"). He is also an independent non-executive director of i-CABLE Communications Limited. Mr. Hu holds a Bachelor of Science Degree from Shanghai Jiao Tong University; appointed a non-executive Director in 1979 and is aged 81.

Mr. Hu has no relationship with any directors, senior management or Substantial or controlling shareholders of the Company.

Dr. Geoffrey Meou-tsen YEH S.B.S., M.B.E., J.P., D.C.S., M.Sc., F.C.I.O.B., F.Inst.D. <i>Independent non-executive Director</i>	1979	Emoluments Review Committee and Nomination Committee	50,000	255,148 (Personal and corporate interests)
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Dr. Yeh is former Chairman of Hsin Chong Construction Group Ltd. He is currently an independent non-executive director of China Travel International Investment Hong Kong Limited. He holds a Bachelor of Science Degree from University of Illinois and a Master of Science Degree from Harvard University. Dr. Yeh was appointed a non-executive Director in 1979 and as Independent non-executive Director in 2001. He is aged 73.

Dr. Yeh has confirmed to the Board his independence under rule 3.13 of the Listing Rules. He has no relationship with any directors, senior management or Substantial or controlling shareholders of the Company.

The Board is satisfied as to Dr. Yeh's independence under the Listing Rules as well as under the Company's Corporate Governance Policy. The Board believes that "independence" is a matter of judgment and conscience but that, in order to be independent, non-executive Directors should be free from any business or other relationships that might interfere with the exercise of their independent judgment.

INFORMATION ON DIRECTORS PROPOSED TO BE RE-ELECTED

	Director since	Board Committee Memberships	Emoluments received for 2004 (HK\$) <i>(Note 1)</i>	Interests in Shares within the meaning of Part XV of SFO <i>(Note 2)</i>
Pauline Wah Ling YU WONG <i>Director, Property</i>	1991	—	3,102,399	274,000 (Personal interests)

Responsible for the Group's property portfolio. Having obtained a Bachelor of Arts Degree from The University of Hong Kong, she qualified as a Fellow Member of the Chartered Institute of Housing. She joined the Company in 1981 and has over 30 years of experience in the property field. She was appointed a Director in 1991 and is aged 56.

Mrs. Wong has no relationship with any directors, senior management or Substantial or controlling shareholders of the Company.

Per JORGENSEN <i>Independent non-executive Director</i>	1981	Audit Committee	70,000	6,678 (Personal interests)
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Mr. Jorgensen is a director of A.P. Moller-Maersk A/S, Denmark and a number of A.P. Moller-Maersk companies in Asia, Africa and Europe. He was appointed a non-executive Director in 1981 and as Independent non-executive Director in 2000 and is aged 69.

Mr. Jorgensen has confirmed to the Board his independence under rule 3.13 of the Listing Rules. He has no relationship with any directors, senior management or Substantial or controlling shareholders of the Company.

The Board is satisfied as to Mr. Jorgensen's independence under the Listing Rules as well as under the Company's Corporate Governance Policy. The Board believes that "independence" is a matter of judgment and conscience but that, in order to be independent, non-executive Directors should be free from any business or other relationships that might interfere with the exercise of their independent judgment.

Dr. Deanna Ruth Tak Yung RUDGARD <i>Non-executive Director</i>	1993	—	50,000	1,871,600 (Personal interests)
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Dr. Rudgard received a Master of Arts Degree, Bachelor of Medicine and of Surgery Degree from Oxford University. She is a member of the founding Lee family and a director of Lee Hysan Estate Company, Limited, a Substantial shareholder of the Company. She was appointed a non-executive Director in 1993 and is aged 65.

Save as disclosed above, Dr. Rudgard has no relationship with any directors, senior management or Substantial or controlling shareholders of the Company.

INFORMATION ON DIRECTORS PROPOSED TO BE RE-ELECTED

	Director since	Board Committee Memberships	Emoluments received for 2004 (HK\$) <i>(Note 1)</i>	Interests in Shares within the meaning of Part XV of SFO <i>(Note 2)</i>
Anthony Hsien Pin LEE <i>Non-executive Director</i>	1994	Chairman of Investment Committee	50,000	—

Mr. Lee is a director and substantial shareholder of the Australian-listed Beyond International Limited, principally engaged in television programme production and international sales of television programmes and feature films. He is also a director of Australian-listed Mariner Financial Limited, a Sydney based financial services group. He received a Bachelor of Arts Degree from Princeton University and a Master of Business Administration Degree from The Chinese University of Hong Kong. Mr. Lee is a member of the founding Lee family and a director of Lee Hysan Estate Company, Limited, a Substantial shareholder of the Company. He was appointed a non-executive Director in 1994 and is aged 47.

Save as disclosed above, Mr. Lee has no relationship with any directors, senior management or Substantial or controlling shareholders of the Company.

Notes:

1. Non-executive Directors received annual director fees of HK\$50,000 per annum and a fee of HK\$20,000 per annum for serving on the Audit Committee from the Company, which fees are determined with reference to the remuneration offered for similar positions in comparable companies and are subject to shareholder approval in general meetings. They received no other compensation from the Group.

Mrs. Pauline Wah Ling Yu Wong is an executive Director who also received a compensation package (which comprises a combination of basic salary, benefits, bonus, and long-term incentive in the form of Executive Share Options) from the Company. The remuneration package is set at levels to ensure comparability and competitiveness with Hong Kong-based companies competing within a similar talent pool, with particular emphasis on property industry. Details on Director emoluments are set out in "Directors' Remuneration and Interests Report" and notes 6 and 34 to the financial statements set out in the 2004 Annual Report.

2.
 - i) 255,012 Shares were held by a company which was wholly-owned by Mr. Hu and he was deemed to have beneficial interests in all these Shares;
 - ii) 254,148 Shares were held by Dr. Yeh personally and 1,000 Shares were held by a corporation in which Dr. Yeh was a member entitled to exercise more than one-third of the voting power at general meetings; and
 - iii) The "Directors' Remuneration and Interests Report" in the 2004 Annual Report sets out additional information on Directors' interests in share options granted under the Existing Scheme.

3. No Director proposed for re-election at the AGM has a service contract with the Company or any of its Subsidiaries that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. Save as disclosed above, Directors have not held any directorships in other listed public companies during the last three years.

EXPLANATORY STATEMENT ON THE SHARE REPURCHASE MANDATE

This is an explanatory statement as required under the Listing Rules in connection with the resolution authorising the Share Repurchase Mandate proposed to be considered, and if thought fit, passed by shareholders of the Company at the AGM. The Listing Rules provide that all repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate to the directors of the company to make such repurchases or by specific approval in relation to specific transactions. This explanatory statement also constitutes the memorandum required under Section 49 BA(3) of the Companies Ordinance.

Share Capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,049,963,659 Shares of HK\$5.00 each.

On the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Share Repurchase Mandate to repurchase a maximum of 104,996,365 Shares.

Reasons for Repurchase

The Directors believe that the Share Repurchase Mandate is in the best interests of the Company and its shareholders.

Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share and will only be made when the Directors believe that such a purchase will benefit the Company and its shareholders.

Funding of Repurchase

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the Company and/or the proceeds of a new issue of Shares made for the purpose of the repurchase to such extent allowable under the Companies Ordinance.

In the event that the proposed share repurchases were to be carried out in full at any time during the proposed repurchase period, the working capital or gearing position of the Company might be materially different as compared with the position disclosed in the audited consolidated accounts for the year ended 31 December 2004 as contained in the 2004 Annual Report. However, the Directors do not propose to exercise the Share Repurchase Mandate 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.

EXPLANATORY STATEMENT ON THE SHARE REPURCHASE MANDATE

Share Prices

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous 12 months before the printing of this circular were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
Year 2004		
March	15.30	12.45
April	14.65	12.55
May	13.30	10.20
June	12.50	11.00
July	14.80	11.30
August	14.10	13.05
September	14.70	13.25
October	14.15	12.80
November	16.15	12.80
December	16.85	15.35
Year 2005		
January	16.45	14.30
February	16.40	14.35

Undertaking

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases pursuant to Ordinary Resolution numbered 7 and in accordance with the Listing Rules and the Companies Ordinance.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company under the Share Repurchase Mandate if such Mandate is approved by the shareholders.

No connected persons have notified the Company that they have a present intention to sell Shares to the Company or have undertaken not to do so in the event that the Share Repurchase Mandate is approved by the shareholders.

Effect of the Takeovers Code

If on the exercise of the power to repurchase Shares pursuant to the Share Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition and may give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers ("**Takeovers Code**").

As at the Latest Practicable Date, Lee Hysan Estate Company, Limited ("**LHE**") and certain of its subsidiaries are the Substantial shareholders of the Company, which are indirectly interested in approximately 40.86% of the issued share capital of the Company. Lee Hysan Company Limited, being LHE's holding company, is also deemed to have

EXPLANATORY STATEMENT ON THE SHARE REPURCHASE MANDATE

same interests pursuant to the provisions of the Securities and Futures Ordinance. In the event that the Directors exercise in full the power to repurchase Shares which are proposed to be granted pursuant to the Share Repurchase Mandate, the shareholding of Lee Hysan Company Limited, LHE and certain of its subsidiaries would be increased to approximately 45.40%.

Such increase will give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no present intention to exercise the Share Repurchase Mandate to such an extent as would result in takeover obligations.

Save as disclosed above, the Directors are not aware of any shareholder or group of shareholders acting in concert, who may become obliged to make a mandatory offer under Rule 26 of the Takeovers Code as a consequence of any purchases pursuant to the Share Repurchase Mandate.

Share Purchase made by the Company

The Company had not repurchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

EXPLANATORY STATEMENT ON THE PROPOSED ADOPTION OF THE NEW SCHEME

I. Summary of Principal Terms of the New Scheme

1. Purpose of the New Scheme

The purpose of the New Scheme is to provide an incentive for employees of the Company and its wholly-owned Subsidiaries to work with commitment towards enhancing the value of the Company and its Shares for the benefit of its shareholders.

2. Participants of the New Scheme and the basis of determining the eligibility of participants

The Board may from time to time grant options to any individual who is an employee of the Company or any wholly-owned Subsidiary (including executive Directors) and such other persons as the Board may consider appropriate (the “**Participants**”) on the basis of their contribution to the development and growth of the Company and the Subsidiaries.

3. Status of the New Scheme

(a) *Conditions of the New Scheme*

The New Scheme shall take effect subject to: (i) the passing of the necessary resolutions to adopt the New Scheme by the shareholders of the Company; and (ii) the Stock Exchange approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the New Scheme (the “**Conditions**”).

(b) *Life of the New Scheme*

The New Scheme shall be valid and effective for 10 years from the date (the “**Adoption Date**”) on which the last of the Conditions is fulfilled (the “**Scheme Period**”), after which time no further options will be granted but the provisions of the New Scheme shall remain in full force and effect in all other respects.

4. Grant of options

(a) *Method of making offer*

An offer of the grant of an option shall be made to a Participant by letter in such form as the Board may from time to time determine, requiring the Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the New Scheme (including any operational rules made under the New Scheme). The offer shall remain open for acceptance for a period of 30 days from the date on which it is made.

(b) *Acceptance of an offer*

An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant of the option shall have been received by the Company on or before the last day for acceptance set out in paragraph 4(a) above (the “**Acceptance Date**”). The remittance is not in any circumstances refundable.

The Company shall provide a summary of the terms of the New Scheme to all grantees upon their joining the New Scheme and a copy of the rules of the New Scheme to any grantee who requests such a copy.

EXPLANATORY STATEMENT ON THE PROPOSED ADOPTION OF THE NEW SCHEME

(c) *Restrictions on time of grant*

(i) No grant of options shall be made after a price sensitive event in relation to the securities of the Company has occurred or a price sensitive matter in relation to the securities of the Company has been the subject of a decision, until the price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

- (1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of the Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) No grant of options shall be made to a Participant who is a Director during a period in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers or the Company's own equivalent Code.

(d) *Grant to connected persons*

Any grant of options to a connected person must be approved by all the Independent non-executive Directors (excluding any Independent non-executive Director who is also a grantee of the options).

(e) *Grants to Substantial shareholders and Independent non-executive Directors*

Any grant of options to a Substantial shareholder or an Independent non-executive Director or any of their respective associates must be approved by the shareholders of the Company in general meeting if the Shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12-month period up to and including the Date of Grant:

- (i) would represent in aggregate more than 0.1 per cent of the Shares then in issue; and
- (ii) the aggregate value of those options by reference to the closing price of the Shares at the date of each grant is in excess of HK\$5,000,000.

5. **Subscription Price**

The Subscription Price shall, subject to any adjustment pursuant to paragraph 7 below, be a price determined by the Board but in any event shall comply with the requirements of the Listing Rules and, on the Adoption Date the Listing Rules require that the Subscription Price shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant;

EXPLANATORY STATEMENT ON THE PROPOSED ADOPTION OF THE NEW SCHEME

- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant; and
- (iii) the nominal value of the Shares.

6. Maximum number of Shares available for subscription

(a) *Scheme Mandate*

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the New Scheme and any other share option schemes of the Company shall not in aggregate exceed such number of Shares as required under the Listing Rules (and on the Adoption Date means not exceeding 10 per cent of the total number of Shares in issue as at the Adoption Date (“**Scheme Mandate**”). For the purpose of calculating the Scheme Mandate, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted. On the basis of 1,049,963,659 Shares in issue as at the Latest Practicable Date, the Company may grant Options in respect of 104,996,365 Shares under the New Scheme (i.e., 10 per cent of the issued share capital of the Company as at the Adoption Date).

(b) *Renewal of Scheme Mandate*

The Company may seek approval by its shareholders in general meeting for renewing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the New Scheme and any other schemes of the Company under the Scheme Mandate as renewed must not exceed such number of Shares as required under the Listing Rules (and on the Adoption Date means not exceeding 10 per cent of the total number of Shares in issue as at the date of shareholders approval). For these purposes, options previously granted under the New Scheme and any other share option schemes of the Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted.

(c) *Grant of options beyond Scheme Mandate*

The Company may seek separate approval by its shareholders in general meeting for granting options beyond the Scheme Mandate provided that the options in excess of the Scheme Mandate are granted only to Participants who are specifically identified before such approval is sought.

(d) *Maximum number of Shares issued pursuant to options*

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company must not exceed such number of Shares as required under the Listing Rules (and on the Adoption Date means not exceeding 30 per cent of the Shares in issue from time to time). No options may be granted if such grant will result in this 30 per cent limit being exceeded.

(e) *Grantee's maximum holding*

Unless approved by shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options during any 12-month period exceeding such number of Shares as required under the Listing Rules (and on the Adoption Date means not exceeding one per cent of the total Shares then in issue).

EXPLANATORY STATEMENT ON THE PROPOSED ADOPTION OF THE NEW SCHEME

7. Reorganisation of capital structure

(a) *Adjustment to options*

In the event of any alteration in the capital structure of the Company whilst any option becomes or remains exercisable, whether by way of capitalisation of profits or reserves (other than scrip dividend issuance), rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the Board shall make (and shall notify to the grantee) such corresponding alterations (if any) in:

- (i) the number of Shares subject to any option so far as such option remains unexercised;
- (ii) the Subscription Price;
- (iii) the method of exercise of the option; and/or
- (iv) the number of Shares subject to the New Scheme;

that are required to give each grantee the same proportion of the share capital as that to which the grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a grantee at less than its nominal value.

(b) *Auditor's certificate*

On any capital reorganisation other than a capitalisation issue, the Auditors or an independent financial adviser shall certify in writing to the Board that the adjustments made by the Board pursuant to sub-paragraph 7(a) above are in their opinion fair and reasonable.

8. Cancellation of options

Subject to the consent from the relevant grantee, the Board may at its discretion cancel options previously granted to and yet to be exercised by a grantee for the purpose of re-issuing new options to that grantee provided that there are sufficient available unissued options under the Scheme Mandate.

9. Assignment of options

An option is personal to the grantee and shall not be assignable. No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so.

10. Rights attached to the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles of Association and will rank *pari passu* with the fully paid Shares in issue on the date of allotment. Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

EXPLANATORY STATEMENT ON THE PROPOSED ADOPTION OF THE NEW SCHEME

11. Exercise of options

(a) *General*

Subject to the terms of the New Scheme and this paragraph 11, an option may be exercised by the grantee (or his or her legal personal representatives) at any time during the Option Period.

There is no general provision for the duration of the period (if any) during which an option granted under the New Scheme cannot be exercised (the “**Holding Period**”), the vesting period of an option or the performance targets required to be achieved before an option can be exercised. However, at the time of granting an option, the Board, may on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the Holding Period, vesting period and performance targets.

(b) *Rights of grantee upon his retirement or death*

If the grantee ceases to be a Participant by reason of retirement or death, the grantee (or his or her legal personal representatives) shall be entitled within a period of six months from the date of retirement or death (or within such longer period as the Board may determine) to exercise the option (to the extent not already exercised).

(c) *Rights of grantee upon his cessation of employment under certain circumstances*

If the grantee ceases to be a Participant for any reason other than his retirement or death or termination of his employment on one or more of the grounds specified in sub-paragraph 12(v) below, the grantee may exercise the option up to the date of cessation (which date shall be the last actual working day with the Company or the relevant Subsidiary, whether salary is paid in lieu of notice or not) or for such longer period as is determined by the Board.

(d) *Rights on a takeover*

If a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the holders of Shares (or all holders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the Option Period of an outstanding option, the grantee shall be entitled to exercise the option at any time within one month after the date on which the offer becomes or is declared unconditional.

(e) *Rights on a voluntary winding-up*

If an effective resolution is passed for the voluntary winding-up of the Company, a grantee may in respect of outstanding options by notice in writing to the Company within 15 business days after the date of such resolution, elect to be treated as if the options had been exercised immediately before the passing of the resolution. The notice must state the number of Shares in respect of which the election is made and be accompanied by a remittance for the full amount of the Subscription Price for the relevant Shares. Immediately upon receipt of the notice by the Company, the grantee will become entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of the election.

EXPLANATORY STATEMENT ON THE PROPOSED ADOPTION OF THE NEW SCHEME

(f) *Rights on a compromise or arrangement*

If a compromise or arrangement between the Company and its shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the grantee on the same day as it gives notice of the meeting to its shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (i) the date two calendar months thereafter; and
- (ii) the date on which such compromise or arrangement is sanctioned by the court;

exercise the option, conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. The Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement.

12. Lapse of options

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

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to sub-paragraphs 11(b) to (e) above;
- (iii) subject to sub-paragraph 11(e), the date of the commencement of the winding-up of the Company;
- (iv) the date the scheme or compromise referred to in sub-paragraph 11(f) above becomes effective;
- (v) the date on which the grantee ceases to be a Participant by reason of the termination of his employment on any one or more of the following grounds:
 - (a) that he has been guilty of misconduct;
 - (b) that he has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally;
 - (c) that he has been convicted of a criminal offence involving his integrity or honesty; or
 - (d) on any other ground on which an employer would be entitled to terminate his employment pursuant to applicable laws or under the grantee's employment contract;

and a resolution of the Board or the board of directors of the relevant wholly-owned Subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 12(v) shall be conclusive; and

- (vi) the date on which the grantee commits a breach of paragraph 9 above.

EXPLANATORY STATEMENT ON THE PROPOSED ADOPTION OF THE NEW SCHEME

13. Amendment of the New Scheme

(a) *Amendments requiring Board approval*

Any amendment to the New Scheme other than those set out in sub-paragraph 13(b) below must be approved by resolution of the Board.

(b) *Amendments requiring shareholders' approval*

The following matters require the prior sanction of a resolution of the shareholders of the Company in general meeting:

- (i) any change to the provisions relating to:
 - (1) the purpose of the New Scheme;
 - (2) the definitions of "Date of Grant", "Grantee", "Holding Period", "Offer Date", "Option Period", "Participant" and "Scheme Period" contained in the New Scheme;
 - (3) the provisions relating to the Scheme Period, the basis of eligibility for options, the method of making offer, the contents of an offer letter, the acceptance of an option, the Subscription Price, the exercise of options, the lapse of options, the maximum number of Shares available for subscription, cancellation of options, reorganisation of capital structure, termination and amendments requiring shareholders' approval;

which operates to the advantage of Participants or grantees;

- (ii) any change to the authority of the Board;
- (iii) any amendment to the terms and conditions of the New Scheme which are of a material nature; and
- (iv) any change to the terms of options granted.

14. Termination

The Company may at any time terminate the operation of the New Scheme by resolution of the Board or resolution of the shareholders in general meeting and in such event no further options will be offered but the provisions of the New Scheme shall remain in force in all other respects. All options granted and accepted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the New Scheme.

EXPLANATORY STATEMENT ON THE PROPOSED ADOPTION OF THE NEW SCHEME

II. Additional Information

The Board considers it inappropriate to value all the options that can be granted under the New Scheme as if they had been granted on the Latest Practicable Date prior to the approval of the New Scheme as a number of factors crucial for the valuation cannot be determined yet. Such factors include, for example, (i) whether or not any option will be granted under the New Scheme and if so, the timing of such grant; (ii) the Subscription Price; (iii) the exercise period and the conditions, if any, that the option is subject to; and (iv) whether or not any such option, if granted, will be exercised. Accordingly the Board is of the view that any valuation of the options based on a number of speculative assumptions would not be meaningful but would be misleading to the shareholders of the Company.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options granted under the New Scheme. On the basis of 1,049,963,659 Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or repurchased by the Company prior to the date of the passing of the resolution to adopt the New Scheme, the Company may initially grant options in respect of 104,996,365 Shares under the New Scheme (i.e., 10 per cent of the issued share capital of the Company as at the date of the resolution to adopt the New Scheme).

None of the Directors are appointed as trustees of the New Scheme or have a direct or indirect interest in the trustees of the New Scheme.

In accordance with the requirements of the Listing Rules, the Company will publish in the newspapers an announcement on the outcome of the AGM in respect of the resolution relating to the adoption of the New Scheme on the business day following the date of the AGM.

DEFINITIONS

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

“AGM” or “Annual General Meeting” or “Meeting”	means the annual general meeting of the Company to be held at Suite 308, Lee Gardens Two, 28 Yun Ping Road, Causeway Bay, Hong Kong on 10 May 2005 at 12:00 noon or any adjournment thereof;
“Articles of Association”	means the articles of association of the Company (as amended from time to time);
“associate”	has the meaning ascribed to it under the Listing Rules;
“Auditors”	means the auditors for the time being of the Company;
“Board”	means the board of Directors or a duly authorised committee of the board of Directors;
“business day”	has the meaning ascribed to it under the Listing Rules;
“Companies Ordinance”	means the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Company”	means Hysan Development Company Limited, a company incorporated in Hong Kong with limited liability;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Date of Grant”	means in respect of an option the offer of which is accepted by the participant to whom the offer was made, the Offer Date of such option;
“Directors”	means the directors from time to time of the Company;
“Existing Scheme”	means the share option scheme of the Company adopted on 28 April 1995;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Latest Practicable Date”	means 29 March 2005 being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as modified from time to time;
“New Scheme”	means the new share option scheme to be adopted by the Company at the AGM, the principal terms of which are set out on pages 17 to 24 of this circular;
“Notice of AGM”	means the notice convening the AGM as set out on pages 2 to 5 of this circular;

DEFINITIONS

“Offer Date”	means in respect of an option, the date on which the option is offered to a participant, which must be a business day;
“Option Period”	means in respect of an option, the period during which such option can be exercised, being the period commencing on such date on or after the Date of Grant as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event not exceeding 10 years from the Date of Grant;
“Securities and Futures Ordinance” or “SFO”	means the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Share(s)”	means ordinary share(s) of HK\$5.00 each in the Company (or of such other nominal amount as comprising the ordinary share capital of the Company as shall result from a sub-division or a consolidation of the share capital of the Company from time to time);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscription Price”	means the price per Share at which a grantee may subscribe for Shares upon exercise of an option granted under the New Scheme;
“Subsidiary”	means a company which is for the time being a subsidiary (within the meaning of section 2(4) of the Companies Ordinance) of the Company; and
“Substantial shareholder”	has the meaning ascribed to it under the Listing Rules.