

VAN SHUNG CHONG HOLDINGS LIMITED

(萬順昌集團有限公司)

(於百慕達註冊成立之有限公司)

PROPOSED BONUS ISSUE OF WARRANTS, TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

A. Bonus Issue

The Board proposes, subject to the satisfaction of the conditions below, an issue of Warrants in the form of a Bonus Issue to Shareholders (other than the Overseas Shareholders) whose names appear on the Company's register of members at the close of business on the Record Date on the basis of one Warrant for every ten Shares then held by such Shareholders. The Warrants will be issued in registered form and each Warrant will entitle the holder thereof to subscribe in cash for one new Share at an initial subscription price of HK\$1.18 per Share (subject to adjustments). The Warrants will be exercisable at any time from 19th November, 2001 until 18th November, 200, both dates inclusive.

Fractional entitlements to the Warrants will not be issued to Shareholders but will be aggregated and sold for the benefit of the Company.

The initial subscription price of HK\$1.18 represents a premium of approximately 15.7% to the closing price of HK\$1.02 per Share of the Company on the Stock Exchange on 5th October, 2001, and represents a premium of approximately 20.8% to the average closing price of HK\$0.977 per Share of the Company on the Stock Exchange for the ten trading days ended 5th October, 2001. On the basis of 354,978,182 Shares in issue in issue on 5th October, 2001, and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, 35,497,818 Warrants are proposed to be issued pursuant to the Bonus Issue. On the basis of the initial subscription price is not adjusted, the issue of 35,497,818 new Shares represents approximately 10% of the existing share capital of the Company and approximately 9.09% of the share capital of the Company as enlarged by the issue of such Shares.

New Shares issued upon exercise of the subscription rights attaching to the Warrants will rank pari passu in all respects with the then existing Shares on the relevant subscription date, save for any rights or entitlements to dividends or other rights or distributions the record date for which precedes the relevant subscription date for such new Shares.

The terms of the Warrants will be different from that of the existing warrants of the Company that are

currently being traded on the Stock Exchange and that will expire on 16th February, 2002.

Overseas Shareholders

The document to be issued in relation to the Bonus Issue will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. As the Directors are of the view that the grant of Warrants to Overseas Shareholders would or might, in the absence of compliance with registration or other special formalities in other territories, be unlawful or impracticable, no Warrants will be issued to the Overseas Shareholders. However, arrangements will be made for the Warrants which would otherwise be issued to the Overseas Shareholders to be sold in the market as soon as practicable after dealings in the Warrants commence, if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong currency to such persons at their own risk pro rata to their respective shareholdings, unless the amount falling to be distributed to any such person is less than hk\$100 in which case it will be retained for the benefit of the Company.

Conditions of the Bonus Issue

The Bonus Issue is conditional upon:

- (i) the passing of an ordinary resolution at the Special General Meeting approving the creation and issue of the Warrants and the allotment and issue of new Shares upon exercise of the subscription rights attaching to the Warrants; and
- (ii) the Listing Committee of the Stock Exchange granting listings of, and permission to deal in the Warrants and any new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants.

Application will be made to the Listing Committee of the Stock Exchange for granting listings of and permission to deal in, the Warrants and any new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants.

Subject to the satisfaction of the conditions mentioned above, it is expected that certificates for the Warrants will be posted to those entitled thereto at their own risk on or before 14th November, 2001. In the case of joint shareholdings, the Warrant certificates will be posted to the address of the first person named on the Company's register of members in respect of such joint holdings.

Dealings in the Warrants are expected to commence on the Stock Exchange on 19th November, 2001. Certificates will be issued in, and the Warrants will be traded in, board lots of 10,000 units entitling the holder thereof to subscribe an amount of hk\$11,800 for 10,000 new Shares at an initial subscription

price of HK\$1.18 per Share, subject to adjustments.

Reasons for the Bonus Issue

The Directors consider that the Bonus Issue is beneficial to and in the interests of the Company and the Shareholders as a whole. The Bonus Issue will provide the VSC Group will additional working capital of approximately HK\$42 million for future expansion when all the subscription rights attaching to the Warrants are exercised. The Directors also consider that the exercise period of three (3) years and an initial subscription price of HK\$1.18 per Share are favourable to the Shareholders.

Closure of Register

The Company's register of members will be closed from 8th November, 2001 to 12th November, 2001 (both dates inclusive) in order to determine entitlements of Shareholders to the Bonus Issue.

In order to qualify for the Bonus Issue, all transfer forms together with the relevant share certificates must be lodged with the Company's branch registrar in Hong Kong, Central Registration Hong Kong Limited at 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, by not later than 4:00 p.m. (Hong Kong time) on 7th November, 2001.

Expected timetable

| | 2001 |
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| Last day of dealings in Shares entitlement to the Bonus Issue..... | Monday, 5 th November |
| First day of dealings in Shares ex entitlement to the Bonus Issue..... | Tuesday, 6 th November |
| Latest time for lodging share transfers for registration to qualify for entitlement to the Bonus Issue | 4:00 p.m., Wednesday, 7 th November |
| Register of members closes (both dates inclusive) | |
| From | Thursday, 8 th November |
| To..... | Monday, 12 th November |
| Latest time for lodging forms of proxy for the Special General Meeting | 3:00p.m., Saturday, 10 th November |
| Record Date for entitlement to the Bonus Issue | Monday, 12 th November |
| Special General Meeting | 3:00p.m., Monday, 12 th November |
| Despatch of Warrant certificates on or before | Wednesday, 14 th November |
| First day of dealings in the Warrants | Monday, 19 th November |

B. NEW SHARE OPTION SCHEME

The Board notes that the Stock Exchange on 23rd August, 2001 announced amendments to Chapter 17 of the Listing Rules, regarding share option schemes, which came into effect on 1st September, 2001. In compliance with the above amendments to the Listing Rules and the announcement of the Stock Exchange, the Board considers that it is in the interest of the Company to terminate the Existing share Option Scheme and adopt the New Share Options Scheme. The purpose of the New Share Option Scheme is to provide incentives to the participants thereunder to contribute to the VSC Group and/or to enable the VSC Group to recruit high-calibre employees and attract human resources that are valuable to the VSC Group.

The New Share Option Scheme is conditional upon:

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

Upon termination of the Existing Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Existing Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. As at the date of this announcement, the Company had granted 31,610,000 share options to certain employees and directors of the VSC Group pursuant to the Existing Share Option Scheme, out of which 8,400,000 had been exercised, 20,900,000 were still outstanding and 2,310,000 had lapsed in accordance with the terms of the Existing Share Option Scheme.

C. GENERAL

A circular containing further details of the Bonus Issue and the principal terms of the New Share Option Scheme, together with a notice convening the Special General Meeting, will be dispatched to Shareholders of the Company as soon as practicable.

D. DEFINITIONS

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| “Board” | the board of Directors |
| “Bonus Issue” | the proposed bonus issue of Warrants in the proportion of one Warrant for every ten Shares on and subject the terms and conditions set out in this announcement and |

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| “Company” | the instrument constituting the Warrants Van Shung Chong Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange |
| “Directors” | the directors of the Company |
| “Existing Share Option Scheme” | the existing share option scheme of the Company adopted on 22 nd January, 1994 and expiring on 22 nd January, 2004 |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “New Share Option Scheme” | the new share options scheme proposed to be adopted at the Special General Meeting |
| “Overseas Shareholders” | the Shareholders whose addresses, as shown on the register of members of the Company at the close of business on the Record Date, are outside Hong Kong |
| “Record Date” | 12 th November, 2001, being the record date for determination of entitlements of the Shareholders to the Bonus Issue |
| “Shareholders” | registered holders of Shares |
| “Special General Meeting” | the special general meeting of the Company to be held at 52 nd Floor, The Center, 99 Queen’s Road Central, Hong Kong on 12 th November, 2001 at 3:00 p.m., to consider and, if appropriate, approve the Bonus Issue, the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “VSC Group” | the Company and its subsidiaries |
| “Warrants” | warrants of the Company to be issued in registered form in units of HK\$11,800 each conferring rights to subscribe for 10,000 new Shares at an initial subscription price of HK\$1.18 per share, subject to adjustments, at any time from 19 th November, 2001 to 18 th November, 2004, both dates inclusive |

By Order of the Board
Johnson Ho Sai Hou
Company Secretary