



Notice of Annual General Meeting 2003

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should consult a stockbroker, solicitor, accountant or other appropriate independent professional adviser.

If you have sold or transferred all of your shares please pass this document, together with the Report and Accounts or Annual Review and (if applicable) the form of proxy, to the person who arranged the sale or transfer so that they can pass these documents on to the person who now holds the shares. If you are not sure what to do, please contact an independent financial adviser.

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Notice of the Annual General Meeting of Standard Chartered PLC to be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB on Thursday 8 May 2003 at 12 noon (London time) is set out on pages 2 to 4.

Whether or not you propose to attend the Annual General Meeting, if you are an ordinary shareholder please complete and submit a form of proxy in accordance with the instructions printed on the enclosed form. The form of proxy must be received not less than 48 hours (or 72 hours if you hold your ordinary shares in ShareCare) before the time of the holding of the Annual General Meeting.

24 March 2003

Standard
Chartered 

24 March 2003

Dear Shareholder,

I am writing to you about the proposed final dividend and some of the other items to be considered at this year's annual general meeting.

Final dividend

Shareholders are asked to approve a final dividend of 32.9 US cents per ordinary share for the year ended 31 December 2002. If you approve the recommended final dividend, this will be paid on 13 May 2003 to all ordinary shareholders who were on the register of members on 28 February 2003. Payment will be made in either sterling, US dollars, Hong Kong dollars or in shares, according to individual shareholders' choice.

Employee Share Schemes

The Company introduced its shareholding guidelines in 2000 in respect of the Executive Share Option Scheme and extended them in 2001 to cover the Performance Share Plan. We have reviewed the impact of these shareholding guidelines since their introduction three years ago.

The Company remains supportive of the principles behind the adoption of the shareholding guidelines but we have experienced a number of difficulties in their application. With a view to simplifying the operation of our share plans, we therefore propose making some amendments to the guidelines to ensure they are workable and equitable for the Company, executives and shareholders alike.

Details of the proposed changes to the shareholding guidelines are given on page 8 of this document.

New Articles of Association

Following the listing of the Company's shares on the Hong Kong Stock Exchange, it has been necessary to amend the Company's articles of association. We have decided to take this opportunity to adopt new articles of association which not only reflect the changes required by the Hong Kong Stock Exchange but also bring the articles up to date with best practice. An explanation of the main changes between the proposed and the existing articles of association may be found in the appendix, on pages 9 to 11 of this document.

Explanatory notes on all the business to be considered at this year's AGM appear on pages 6 to 8 of this document. The directors consider that all the resolutions to be put to the AGM are in the best interests of the Company and its shareholders. We will be voting in favour of them and unanimously recommend that you do so as well.

If you would like to vote on the resolutions but cannot come to the AGM, please fill in the proxy or voting instruction form (for ShareCare members) sent to you with this notice and return it to our registrars as soon as possible. They must receive it by 12 noon (London time) or 8.00pm (Hong Kong time) on Tuesday 6 May (or by 12 noon (London time) on Monday 5 May if you hold your shares in ShareCare). The AGM will be held at 12 noon (London time) (8.00pm Hong Kong time) on Thursday 8 May 2003 at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB.

Yours sincerely



Sir Patrick Gillam
Chairman

Standard Chartered PLC
1 Aldermanbury Square
London EC2V 7SB

Registered Office as above
Registered in England 966425

Notice of Annual General Meeting 2003

This year's annual general meeting will be held at Merchant Taylors' Hall, 30 Threadneedle Street, London EC2R 8JB on Thursday 8 May 2003 at 12 noon (London time). You will be asked to consider and pass the resolutions below. Resolutions 1 to 12 (inclusive) and 17 will be proposed as ordinary resolutions and resolutions 13 to 16 (inclusive) will be proposed as special resolutions.

Ordinary Resolutions

1. To receive the annual report and accounts for the year ended 31 December 2002.
2. To declare a final dividend of 32.9 cents per ordinary share for the year ended 31 December 2002.
3. To approve the directors' remuneration report for the year ended 31 December 2002, as set out on pages 46 to 56 of the annual report and on pages 37 to 46 of the annual review.
4. To elect Mr P A Sands, who was appointed as an executive director by the Board during the year.
5. To elect Mr R H Meddings, who was appointed as an executive director by the Board during the year.
6. To elect Mr B K Sanderson, who was appointed as an executive director by the Board during the year.
7. To re-elect Sir Ralph Robins, a non-executive director retiring by rotation, having reached the age of 70 and special notice having been given pursuant to sections 293 and 379, Companies Act 1985.
8. To re-elect Mr K S Nargolwala, an executive director retiring by rotation.
9. To re-elect Mr D G Moir, a non-executive director retiring by rotation.
10. To re-appoint KPMG Audit Plc as auditors to the Company until the end of next year's annual general meeting and to authorise the Board to set their fees.
11. That the Board be authorised, generally and without conditions, to allot relevant securities (as defined in the Companies Act 1985), such authority to be limited to:
 - (a) the allotment (otherwise than under (b) or (c) below) up to a total nominal value of US\$117,010,077 (being not greater than 20 per cent of the issued ordinary share capital of the Company as at the date of this resolution);
 - (b) the allotment (when combined with any allotment made under (a) above) up to a total nominal value of US\$213,616,834 in connection with:
 - (i) a rights issue or other issue the subject of an offer or invitation, open for acceptance for a period decided on by the Board:
 - (A) to ordinary shareholders on the register on a particular date, in proportion (as nearly as may be) to their existing holdings; and
 - (B) to people who are registered on a particular date as holders of other classes of equity securities, if this is required by the rights of those securities or, if the Board considers it appropriate, as permitted by the rights of those securities;
 - (ii) a scrip dividend scheme or similar arrangement implemented in accordance with the articles of association of the Company; and
 - (iii) the issue of ordinary shares in respect of exchangeable securities issued by the Company or any of its subsidiary undertakings prior to the date of this meeting; and
 - (c) the allotment pursuant to the terms of any existing share scheme of the Company or any of its subsidiary undertakings adopted prior to the date of this meeting.

such authority to apply for the period from 8 May 2003 until the earlier of the end of next year's annual general meeting and 7 August 2004 unless previously revoked or varied by the Company in general meeting, but during this period the Company may make offers, and enter into agreements, which would, or might, require relevant securities to be allotted after the authority ends and the Board may allot relevant securities under any such offer or agreement, as if the authority had not ended.

- 12.** That the authority granted to the Board to allot relevant securities up to a total nominal value of US\$117,010,077 pursuant to paragraph (a) of resolution 11 set out above be extended by the addition of such number of ordinary shares of US\$0.50 each representing the nominal amount of the Company's share capital repurchased by the Company under the authority granted pursuant to resolution 14 set out below.

Special Resolutions

- 13.** That if resolution 11 is passed as an ordinary resolution, the Board be given power to allot equity securities (as defined in the Companies Act 1985) for cash under the authority given by that resolution, free of the restriction in section 89(1) of the Companies Act 1985, such power to be limited to:
- (a) the allotment of equity securities in connection with an offer of equity securities open for a period decided on by the Board:
 - (i) to ordinary shareholders on the register on a particular date, in proportion (as nearly as may be) to their existing holdings; and
 - (ii) to people who are registered on a particular date as holders of other classes of equity securities, if this is required by the rights of those securities or, if the Board considers it appropriate, as permitted by the rights of those securities,
and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with fractional entitlements, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
 - (b) the allotment (otherwise than under (a) above) of equity securities up to a total nominal value of US\$29,251,278,

such power to apply from 8 May 2003 until the earlier of the end of next year's annual general meeting and 7 August 2004 unless previously revoked or varied by the Company in general meeting, but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

- 14.** That the Company be authorised, generally and without conditions, to make market purchases (as defined in the Companies Act 1985) of its ordinary shares of US\$0.50 each provided that:
- (a) the Company does not purchase more than 117,010,076 shares under this authority;
 - (b) the Company does not pay less for each share (before expenses) than US\$0.50 (or the equivalent in the currency in which the purchase is made, calculated by reference to a spot exchange rate for the purchase of US dollars with such other currency as displayed on the appropriate page of the Reuters screen at or about 11.00am (London time) on the business day before the day the Company agrees to buy the shares); and
 - (c) the Company does not pay more for each share (before expenses) than 5 per cent over the average of the middle market prices of the ordinary shares according to the Daily Official List

of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the shares,

such authority to apply from 8 May 2003 until the earlier of the end of next year's annual general meeting and 7 August 2004 unless previously revoked or varied by the Company in general meeting, but during this period the Company may agree to purchase shares where the purchase may not be completed (fully or partly) until after the authority ends and may make a purchase of ordinary shares in accordance with any such agreement as if the authority had not ended.

15. That the Company be authorised, generally and without conditions, to make market purchases (as defined in the Companies Act 1985) of up to 340,874 of its non-cumulative preference shares of US\$5 each ("dollar preference shares") and up to 200,000,000 of its non-cumulative preference shares of £G1 each ("sterling preference shares") provided that:

(a) the Company does not pay less for each share (before expenses) than the nominal value of the share (or the equivalent in the currency in which the purchase is made, calculated by reference to the spot exchange rate for the purchase of the currency in which the relevant share is denominated with such other currency as displayed on the appropriate page of the Reuters screen at or about 11.00am (London time) on the business day before the day the Company agrees to buy the shares); and

(b) the Company does not pay more:

(i) for each sterling preference share (before expenses) than 25 per cent over the average of the middle market price of such shares according to the Daily Official List of the London Stock Exchange for the ten business days immediately before the date on which the Company agrees to buy the shares; and

(ii) for each dollar preference share (before expenses) than 5 per cent over the average of the middle market price of such shares according to the Daily Official List of the London Stock Exchange for the ten business days immediately before the date on which the Company agrees to buy the shares,

such authority to apply from 8 May 2003 until the earlier of the end of next year's annual general meeting and 7 August 2004 unless previously revoked or varied by the Company in general meeting, but during this period the Company may agree to purchase shares where the purchase may not be completed (fully or partly) until after the authority ends and may make a purchase of shares in accordance with any such agreement as if the authority had not ended.

16. That the articles of association produced to the meeting and signed by the Chairman of the meeting for the purposes of identification be adopted as the new articles of association of the Company.

Ordinary Resolution

17. That the rules of the 2000 Executive Share Option Scheme and the 2001 Performance Share Plan be amended to reflect the changes in the shareholding guidelines as described on page 8 of this document and that the Board (or any duly authorised committee of the Board) be authorised to do anything which it considers necessary or desirable to give effect to the changes.

By order of the Board



D J Brimacombe
Group Secretary
24 March 2003

Registered Office:
1 Aldermanbury Square
London EC2V 7SB

Notes

Ordinary Shareholders

If you are an ordinary shareholder you may attend and vote at the AGM or choose one or more other people (proxies) to attend the AGM and vote for you. A proxy does not need to be a shareholder of the Company. Your proxy form must reach our registrars in Bristol or Hong Kong, as appropriate, at least 48 hours before the time of the AGM. If you send in a completed proxy form you may still attend the AGM and vote in person. If you are a shareholder on the UK register of members, you may alternatively choose to submit your proxy form electronically – details are set out below under the heading ‘Electronic Proxy Voting’. Electronic proxy voting is not available to shareholders whose shares are registered on the branch register in Hong Kong.

If you want to attend the AGM and vote, you must be on the Company’s register of members in the UK by 10.00pm (London time) on Tuesday 6 May 2003 or on the Company’s branch register of members in Hong Kong by 6.00am (Hong Kong time) on Wednesday 7 May 2003. This will also allow us to confirm how many votes you have on a poll. If the AGM is adjourned to a time after 10.00pm (London time) on Thursday 8 May 2003, you must be on the appropriate register of members of the Company 48 hours before the time of the adjourned meeting. This will also allow us to confirm how many votes you will have on a poll called at such a meeting. If we give you notice of an adjourned meeting we will tell you in the notice when you need to be on the register to be able to attend and vote.

Inspection of documents

The following documents will be available for inspection at 1 Aldermanbury Square, London EC2V 7SB and at the offices of Slaughter and May, 27/F Two Exchange Square, Hong Kong from the date of this notice until the time of the AGM and at Merchant Taylors’ Hall from 15 minutes before the AGM until it ends:–

- Statement and auditor’s report required by section 343 of the Companies Act 1985 about transactions with directors and people connected with them.
- Directors’ service contracts and the register of directors’ interests in the share capital of the Company.
- The new articles of association of the Company, showing the changes to the current articles proposed in resolution 16.
- The rules of the 2000 Executive Share Option Scheme and the 2001 Performance Share Plan, showing the changes proposed in resolution 17.

Interests in shares

The Company had not been notified before 25 February 2003 (less than one month before the date of this notice) of any changes in the directors’ interests or the substantial shareholders’ interests in the Company’s ordinary shares from those shown in the Annual Report.

ShareCare

If you hold your shares in ShareCare, we will send you a voting instruction form. You must make sure that you return the completed form to the registrars by 12 noon (London time) on Monday 5 May 2003. You may also choose to appoint a proxy electronically – details are set out below under the heading ‘Electronic Proxy Voting’.

Preference shareholders

Only ordinary shareholders may attend and vote at the AGM. This document is sent to holders of preference shares for information only.

Electronic Proxy Voting

Legislation has now been passed that permits shareholders to appoint a proxy electronically. If you wish to submit your proxy form electronically, you will need an internet-enabled PC with an Internet Explorer 4 or Netscape 4 web browser, or a more recent release of those browsers. You will also need your Shareholder Reference Number (SRN) or ShareCare number, as appropriate, and Personal Identification Number (PIN) (both of which are printed on the enclosed proxy form or voting instruction form) to access the service. Your PIN will expire at 12 noon on 6 May 2003 (at 12 noon on 5 May 2003 for ShareCare members).

Before you can appoint a proxy electronically, you will be asked to agree to the terms and conditions for electronic proxy appointment. It is important that you read these terms and conditions carefully, as they will govern the electronic appointment of your proxy.

It is up to you to decide if you wish to use the electronic proxy appointment service. You can instead continue to submit your proxy form or voting instruction form by post, if you wish.

Electronic proxy voting is not available to shareholders whose shares are registered on the branch register in Hong Kong.

Electronic Proxy Voting through CREST

If you are a CREST member and wish to appoint a proxy or proxies by using the CREST electronic proxy appointment service, you may do so by following the procedures described in the CREST manual. If you are a CREST Personal Member or other CREST sponsored member or a CREST member who has appointed a voting service provider, you should refer to your CREST sponsor or voting service provider, who will be able to take the appropriate action on your behalf.

In order for your proxy appointment using CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with CRESTCo’s specifications and must contain the information required for these instructions, as described in the CREST manual. The message must be transmitted so as to be received by our agent (ID CONRGBK1) by 12.00 noon on Tuesday 6 May 2003. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which our agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

You should note that CRESTCo does not make special procedures available in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is your responsibility to take any necessary action to ensure that messages are transmitted through the CREST system in time. In this connection, you should look at those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001, which regulates instructions containing incorrect information and instructions that are improperly sent.

Preference shareholders

Only ordinary shareholders may attend and vote at the AGM. This document is sent to holders of preference shares for information only.

Please also refer to the published version of this announcement in the South China Morning Post and the Economic Journal dated 24 March 2003.

In the case of a conflict between any translation and the English text hereof, the English text shall prevail.

Explanatory notes to the Notice of Annual General Meeting

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 12 (inclusive) and 17 are proposed as ordinary resolutions. This means that, for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution.

Resolutions 13 to 16 (inclusive) are proposed as special resolutions. This means that, for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Resolution 1: Report and accounts

For each financial year, the directors must present the directors' report, the audited accounts and the independent auditor's report to shareholders at a general meeting.

Resolution 2: Declaration of the final dividend

We may only pay the final dividend after shareholders have approved it. The directors recommend a final dividend of 32.9 cents per ordinary share for shareholders who were on the register of members on 28 February 2003. If the dividend is approved, it will be paid on 13 May 2003. You will be paid your dividend in sterling unless you choose to take US dollars, Hong Kong dollars or shares. If you are a shareholder registered on the branch register in Hong Kong, you will be paid your dividend in Hong Kong dollars unless you choose to take US dollars, sterling or shares. Please see the separate document entitled "2002 Final Dividend".

Resolution 3: Directors' Remuneration Report

In accordance with the Directors' Remuneration Report Regulations 2002, shareholders are invited to vote on the Directors' Remuneration Report, which may be found on pages 46 to 56 of the annual report and on pages 37 to 46 of the annual review.

Resolutions 4 to 9: Re-election of directors

The Company's articles of association require any director newly appointed by the Board to retire at the first annual general meeting after his appointment. You are therefore asked to elect as directors Mr P A Sands, Mr R H Meddings and Mr B K Sanderson, who were all appointed by the Board since last year's annual general meeting.

The articles of association also require one-third of the existing directors of the Company to retire at each annual general meeting. All of the directors are eligible to seek re-election by shareholders at the annual general meeting, if they so wish.

Sir Ralph Robins, Sir Patrick Gillam, Mr A W P Stenham, Mr R C Chan, Mr K S Nargolwala and Mr D G Moir are all retiring by rotation. Sir Patrick, Mr Stenham and Mr R C Chan wish to retire at the Annual General Meeting and not offer themselves for re-election. Mr Nargolwala and Mr Moir each last sought re-election at the annual general meeting in 2000 and, under the articles of association, submit themselves for re-election.

Special provisions apply to the re-election of a director once he has reached the age of 70. Sir Ralph reached the age of 70 on 16 June 2002. In accordance with the Companies Act 1985 he is vacating office at this year's AGM. The Company has received special notice in accordance with sections 293 and 379 of the Companies Act 1985 to propose the re-election of Sir Ralph as a director. The Board is supporting this resolution because it considers that Sir Ralph brings a wealth of knowledge and experience to its business deliberations. Sir Ralph's knowledge of the Company and the markets in which it operates mean that he will make a significant contribution in the year ahead.

Sir Ralph is a non-executive director and does not have a service contract. Mr Moir served as an executive director of the Company from January 1993 until March 2000. He remains on the Board as a non-executive director and does not have a service contract.

Mr Nargolwala, Mr Sands and Mr Meddings each have a service contract with a notice period of one year, except in the year following a change of control of the Group, when the notice period would be two years.

Mr Sanderson is a non-executive director and does not have a service contract. On his succession as Chairman, Mr Sanderson will become the executive chairman and will have a contract with a notice period of one year; there will be no change in his notice period following a change of control of the Group.

Biographical details of the directors are given on pages 40 and 41 of the annual report and pages 30 and 31 of the annual review.

Resolution 10: Reappointment of auditors

At every general meeting at which accounts are presented to shareholders, the Company is required to appoint auditors to serve until the next such meeting. KPMG Audit Plc have said that they are willing to continue as the Company's auditors for another year. You are asked to reappoint them and, following normal practice, to authorise the Board to set their fees.

Resolutions 11 and 12: Directors' authority to allot shares

Under section 80 of the Companies Act 1985, the directors may only allot shares, or rights to shares, if shareholders in general meeting have given them power to do so. The power given to the directors at last year's annual general meeting to allot ordinary shares or rights to shares will expire at the end of this year's annual general meeting.

Resolution 11 (a) asks for a new authority to be given to allow the directors to allot shares or rights to shares up to a maximum nominal amount of \$117,010,977, being almost 20 per cent of the issued ordinary share capital of US\$585,050,382 as at 25 February 2003 (which is less than one month before the date of this notice). The Hong Kong Listing Rules do not permit the directors to allot shares or rights to shares that would represent more than 20 per cent of the issued ordinary share capital as at the date the resolution granting them the authority is passed. Accordingly, resolution 11 also restricts the authority of the directors to the 20 per cent threshold.

The directors are also authorised to make allotments, which exceed the 20 per cent authority, in connection with rights issues, by way of scrip dividend and in respect of exchangeable securities issued by the Company or its subsidiary undertakings prior to the date of this meeting, but only up to a maximum aggregate nominal amount (when combined with any allotments made under the general authority) of US\$213,616,834. This is approximately 36 per cent of the issued ordinary share capital as at 25 February 2003. Of this 36 per cent, approximately 3.2 per cent is to satisfy the Company's obligations to issue ordinary shares in respect of exchangeable securities issued by the Group prior to the date of this meeting. The balance of the authority is for approximately 33 per cent of the issued ordinary share capital. Notwithstanding the authority to be granted pursuant to resolution 11(b), any rights issue or open offer to shareholders will also need to comply with the applicable Hong Kong Listing Rules, and specific shareholder approval for such issues will therefore be obtained if necessary, in accordance with these requirements.

The directors are also authorised under Resolution 11(c) to make allotments pursuant to the Company's existing share schemes or those of its subsidiary undertakings adopted prior to the date of this meeting.

The directors have no intention at present to issue ordinary shares during the next year, except as scrip dividends instead of cash dividends, following the exercise of options and awards under the Company's existing share schemes and following the exercise of conversion and exchange rights under securities issued by the Group prior to the date of this meeting.

In accordance with the Hong Kong Listing Rules, resolution 12 seeks to extend the directors' authority to allot shares pursuant to paragraph (a) of resolution 11 to include the shares repurchased by the Company under the authority to be sought by resolution 14.

Resolution 13: Power to allot equity securities for cash without certain formalities

The Company's ordinary shares and rights to them are "equity securities" as defined in section 94(2) of the Companies Act 1985. If the directors wish to allot equity securities paid for entirely in cash, section 89(1) of the Companies Act 1985 requires that the equity securities must first be offered to existing shareholders in proportion to their shareholdings. Your right to be offered equity securities first in this way is known as a "pre-emption right".

In certain circumstances, it may be in the interests of the Company for the directors to be able to allot some equity securities for cash without having to offer them to existing shareholders first. Before this can happen, the shareholders must give up their pre-emption rights.

Resolution 13 deals with this, but only for equity securities up to a maximum total nominal value of US\$29,251,278, which was equal to approximately 5 per cent of the Company's issued ordinary share capital as at 31 December 2002 and also at 25 February 2003 and represents 58,502,556 ordinary shares of US\$0.50 each.

There are legal, regulatory and practical reasons why, under a rights issue or other pre-emptive offer, it may not be possible to issue equity securities to some shareholders, particularly those resident overseas. Resolution 13 also asks for your authority for the directors to make arrangements to deal with such difficulties when making these offers and also for the directors to deal with fractions of shares.

Resolution 14: Authority to purchase ordinary shares

Resolution 14 gives the Company authority to make market purchases of up to 117,010,076 ordinary shares. This is approximately 10 per cent of the Company's issued ordinary share capital as at 25 February 2003. No repurchases of shares will be conducted on the Hong Kong Stock Exchange pursuant to this authority.

The directors believe that it is in the best interests of the Company and all of its shareholders to have a general authority for the Company to buy back its ordinary shares in the market. The directors intend to keep under review the potential to purchase ordinary shares. Purchases will only be made if the directors consider that the purchase would be for the benefit of the Company and shareholders, taking into account relevant factors and circumstances at that time, for example the effect on earnings per share.

The total number of options to subscribe for ordinary shares outstanding at 25 February 2003 was 35,801,484, which represented 3.1 per cent of the issued ordinary share capital at that date. If the Company were to purchase the maximum number of ordinary shares permitted by this resolution, the options outstanding at 25 February 2003 would represent 3.4 per cent of the issued ordinary share capital.

Resolution 15: Authority to purchase preference shares

Resolution 15 gives the Company authority to buy up to 340,874 of its US dollar preference shares and up to 200,000,000 of its sterling preference shares. During the past year, the directors re-purchased 659,126 of the US dollar preference shares.

Whilst it is important to have a capital base which is adequate to allow the business to grow in all areas which appear to offer an appropriate balance between risk and profitability, it is equally important that the Company does not carry excessive amounts of capital and that it uses the most appropriate mix of capital instruments in the balance sheet. Having the authority to buy back all the preference shares would provide the Company with further flexibility in managing the capital base. Accordingly, the directors believe that it is in the best interests of the Company and its shareholders as a whole to have the authority sought by the resolution.

The directors intend to keep under review the potential to buy back preference shares, taking into account other investment and funding opportunities. The authority will be exercised only if the directors believe that to do so would be in the interests of shareholders generally.

Resolution 16: Adoption of new articles of association

As part of the application for listing in Hong Kong, the Company gave an undertaking to the Hong Kong Stock Exchange to seek the approval of shareholders to certain changes to the articles of association at the next annual general meeting. It is proposed in resolution 16 to adopt new articles of association (the “New Articles”) in order to comply with the requirements of the Hong Kong Stock Exchange. The current articles of association have also been updated to take account of changes in English company law and practice and in the UK Listing Rules. Details of the changes are summarised in the appendix.

Resolution 17: Amendments to the 2000 Executive Share Option Scheme and the 2001 Performance Share Plan

Resolution 17 proposes changes to the way in which the shareholding guidelines operate. Some aspects of the guidelines are set out in the rules of the 2000 Executive Share Option Scheme and the 2001 Performance Share Plan (the “Plans”). The resolution proposes that the rules of the Plans are adapted to allow the Plans to be operated in accordance with the revised guidelines, set out below.

The Company introduced its Executive Share Option Scheme in 2000 and its Performance Share Plan in 2001. As part of the Company’s objective to align the interests of its executives with shareholders, these Plans require executives to attain personal shareholding requirements.

The Company remains committed to the principles of shareholding guidelines for its executives. The Company is keen that the Plans meet their intended purpose of incentivising executives and aligning their interests with those of shareholders. As we have experienced certain difficulties in the application of the guidelines, we now propose the following changes:

- i) Currently executives are required to attain individual shareholding levels, which are expressed as a multiple of the executive’s base salary. These will be replaced by a single shareholding guideline, which is expressed as a number of shares. This will be clearer for each executive, as the number of shares to be acquired by the executive will not be subject to constant changes due to salary and share price movement.
- ii) There will be one shareholding guideline at each executive level rather than separate guidelines under each Plan and for each individual.
- iii) The Board Remuneration Committee has set the following guideline levels for executives:

Group Chief Executive	at least 100,000 shares
Other executive directors (including the Chairman)	at least 60,000 shares
Senior executives below board level	10,000 to 15,000 shares

The Board Remuneration Committee will continue to review guideline levels to ensure they remain challenging and appropriate.

- iv) At present awards cannot be exercised unless the required shareholding has been met. Furthermore, the current policy provides that options granted under the 2000 Executive Share Option Scheme will normally lapse and no further options will be granted until the shareholding requirement is satisfied.

In order to build up their shareholding, executives will in future be able to exercise any vested award. On exercise, it is proposed that executives will be able to sell sufficient shares to fund any exercise price and/or tax due, but they will be expected, other than in very exceptional circumstances, to retain the resulting shares until such time as the shareholding guideline is met. Once satisfied, an executive will be expected to maintain his shareholding.

- v) The revised guidelines will apply to subsisting awards (in place of the existing shareholding guidelines) as well as to new awards.

APPENDIX

Explanatory notes of material changes to the articles of association

It is proposed in resolution 16 to amend the Company's articles of association (the "**Current Articles**") in order to comply with the requirements of the Hong Kong Stock Exchange. This follows the commencement of trading of the ordinary shares in Hong Kong on 31 October 2002. As part of the application for listing, the Company gave an undertaking to the Hong Kong Stock Exchange to seek the approval of shareholders to certain changes to the articles of association at the AGM.

We have also updated the Current Articles to take account of changes in English company law and practice and in the UK Listing Rules.

There are therefore several changes introduced in the proposed new articles (the "**New Articles**") of a material nature, which are summarised in this Appendix. Other changes which are of a minor, technical or clarifying nature, or are made to remove provisions in the Current Articles which duplicate English company law, have not been noted. The New Articles showing all the changes to the Current Articles are available for inspection, as noted on page 5 of this document.

Uncertificated securities

Shareholders who wish to hold and transfer their shares in electronic form, rather than on paper, can do so through the electronic settlement system known as CREST. The rules governing these shares have been updated by the Uncertificated Securities Regulations 2001 and the New Articles take these changes into account.

Article 2 – Definitions

Article 2 of the New Articles introduces several definitions in relation to uncertificated securities. Definitions of the Hong Kong Listing Rules and Stock Exchange have also been included.

Article 3 – Form of resolution

Article 3 of the New Articles specifies that a resolution may be passed if each member who would have been entitled to vote on the resolution at a general meeting signs a copy of the resolution.

Article 5 – Rights attached to shares

The rights attaching to any new class of shares issued by the Company must now also comply with the requirements of the Hong Kong Stock Exchange.

Article 43 – Power of sale of shares held by untraced shareholders

Article 43 of the New Articles permits the Company, by instructing a member of the Hong Kong Stock Exchange, to sell any shares registered on the branch register in Hong Kong that are held by untraced shareholders.

Article 46 – Election of person entitled by transmission

Article 46 of the New Articles includes a new provision that if a person is entitled to a certificated share by transmission, the Board may request that person make a choice either to be put on the register or to transfer the share. If the choice is not made within 60 days of the request, payment of dividends and other moneys in respect of the share may be withheld.

Article 47 – Rights of person entitled by transmission

Article 47 of the New Articles clarifies that a person entitled to a share by transmission may not, without the authority of the Board, exercise any rights of membership in respect of general meetings until the person becomes registered as the holder of the share.

Article 54 – Separate general meetings

Article 54 of the New Articles is a new provision, allowing holders of a class of shares to meet in separate meetings convened for a purpose other than the variation of class rights. Rules relating to general meetings will also apply to these separate class meetings.

Article 57 – Postponement of general meetings

Article 57 of the New Articles gives the Board the authority to postpone a general meeting when it is considered impractical or undesirable to hold the meeting at the appointed date, time or place. The article also deals with notices for the rearranged meeting.

Article 59 – Procedure if quorum is not present

Article 59 of the New Articles now allows action to be taken if a quorum is not present five minutes after the appointed time for the commencement of a meeting. Provisions are made regarding the timing and notice of any re-arranged meeting. In order to ensure that business can be conducted at a re-arranged meeting, the quorum for this meeting will be one.

Article 60 – Security arrangements

Article 60 of the New Articles permits the Board to arrange for searches or to authorise specified people to refuse certain individuals entry to, or to eject certain individuals from, a general meeting. This provision is considered desirable for the safety of shareholders.

Article 62 – Orderly conduct

Article 62 of the New Articles states for clarity that the chairman may take action in order to preserve order at general meetings. The chairman is in any case entitled (and required) to do so. Such decisions must always be taken in good faith, as the chairman is obliged to act impartially.

Article 66 – Amendments to resolutions

Article 66 of the New Articles is included in order to prevent amendments to resolutions (except amendments to correct patent errors) being introduced at the last moment.

Article 67 – Amendments ruled out of order

Article 67 of the New Articles prevents a resolution being held invalid where the chairman has ruled a proposed amendment out of order but this ruling is later found to have been made in error.

Article 86 – Age of directors

Article 86 of the New Articles states that a director is not disqualified from office simply by being older than 70. However, a director aged over 70 must retire annually and, if desired, seek re-election at the annual general meeting. The circular calling an annual general meeting at which such a re-election is proposed must state the director's age. These requirements are in line with the expectations of institutional investors.

Article 91 – Identity of directors to retire

Article 91 provides that all directors shall be required to submit themselves for re-election at regular intervals of no more than three years in line with current principles of good corporate governance in this respect.

Article 97 – Alternate directors

Article 97 of the New Articles clarifies the entitlement of alternate directors to receive notice of board meetings and adds a provision that a person may be appointed as alternate director for more than one director.

Article 103 – Permitted interests and voting

Article 103 of the New Articles has been amended to provide expressly that directors' remuneration may be decided by a remuneration committee. Directors are required to disclose only those material interests of which they have knowledge.

Paragraph (f) provides that a director is not able to vote on, or be counted in the quorum, in respect of board resolutions concerning contracts with another company where he is not permitted to do so under the Hong Kong Listing Rules.

Article 115 – Directors below minimum through vacancies

Article 115 of the New Articles now provides that if the Company has no directors who are willing to act, two members may call a meeting in order to appoint new directors.

Article 121 – Validity of acts of Board or committee

Article 121 of the New Articles states that acts of the Board and its committees will be valid, notwithstanding any procedural defects which later come to light. The article now specifies that this will be the case if there is a query over a director's entitlement to vote.

Article 129 – Payment procedure

Article 129 of the New Articles has been amended to reflect current banking practice. To provide greater flexibility, a wider variety of methods may be used to make payments, including electronic media or CREST. It is expressly stated that, where more than one person is entitled to a payment in respect of the same share, an effectual receipt can be given by any one of them.

Article 130 – Uncashed dividends

Article 130 of the New Articles contains amendments consequential to the changes described under Article 129 "Payment procedure". In addition, if a dividend payment to a shareholder has failed, the Company may suspend further dividend payments, so long as reasonable enquiries have been carried out but no new address or account of the shareholder can be established.

Article 131 – Forfeiture of unclaimed dividends

Article 131 of the New Articles specifies that unclaimed dividends or other sums payable in respect of shares may be used for the benefit of the Company until claimed.

Article 133 – Scrip dividends

Article 133 of the New Articles introduces the following changes regarding scrip dividends:-

- Provisions have been added to allow the Company either (i) to retain fractional entitlements to scrip for the benefit of the Company, (ii) to accrue and/or retain fractional entitlements to scrip and then apply these on behalf of the relevant member by way of bonus or cash subscription or (iii) to make payments to members in respect of their fractional entitlements;
- The requirement to announce an intention to offer a scrip dividend election on, or as soon as practicable after, the announcement of a dividend and to notify shareholders in writing of their rights of election has been removed;
- The article allows for scrip dividend elections to take effect within CREST;
- The article covers cases of accidental failure to send notices of election or non-receipt of such notices. Such events will not invalidate offers of election or give rise to claims;
- The article clarifies the position of members resident in certain foreign territories. The Board is authorised to exclude from scrip or make other arrangements in relation to such a member where it believes this is necessary or expedient due to legal or practical problems arising from the laws or stock exchange rules of a territory; and
- The article makes it clear that the Board can decide not to allot scrip dividend shares at any time before they are actually allotted, whether or not any election has been made by shareholders.

Article 139 – Summary financial statements

The Company is authorised to send additional copies of summary financial statements and of the annual report and accounts to members or to people nominated by a member.

Article 146 – Notices when post not available

Article 146 of the New Articles allows alternative methods of giving notice of an annual general meeting, where there are problems either with the post in some part (and not necessarily the whole) of the United Kingdom or with an electronic communications system. In this situation, effective notice can be given by advertising in a national newspaper. The Article has also been expanded to cover the giving of notices to shareholders where postal services are suspended or curtailed due to the unavailability of postal services in Hong Kong.

Article 149 – Indemnity

Article 149 of the New Articles now expressly excludes any power to insure or indemnify the Company's auditors in line with the expectations of institutional investors. The article has been amended to make it clear that, in addition to providing insurance for directors, the Company may also indemnify directors, in each case only to the extent permitted by the Companies Act.

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