

**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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold** all your shares in Ngai Hing Hong Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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## **NGAI HING HONG COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

**PROPOSALS FOR**

**TERMINATION OF THE EXISTING SHARE OPTION SCHEME,**

**ADOPTION OF THE NEW SHARE OPTION SCHEME**

**AND GENERAL MANDATES TO ISSUE SHARES**

**AND TO REPURCHASE ITS OWN SHARES BY THE COMPANY**

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A letter from the board of directors of Ngai Hing Hong Company Limited (the “Company”) is set out on pages 4 to 10 of this circular.

Whether you are able to attend or not, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the principal office and place of business of the Company at Unit 3, 6th Floor, Hopeful Factory Centre, 10 Wo Shing Street, Fo Tan, New Territories, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time for holding the meeting. Completion and return of the form of proxy shall not preclude you from attending and voting at the said meeting or any adjourned meeting should you desire.

11th October 2002

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## DEFINITIONS

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

“AGM”	the Annual General Meeting of the Company to be held at Caine Room, Level 7, Conrad Hotel, Pacific Place, 88 Queensway, Hong Kong on Thursday, 5th December 2002 at 10:00 a.m.;
“Associates”	shall have the same meaning ascribed to it under the Listing Rules;
“Board”	the Board of Directors of the Company or a duly authorised committee thereof for the time being;
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities;
“Chief Executive”	shall have the same meaning ascribed to it under the Listing Rules;
“Date of Grant”	in respect of any particular Option, the date upon which the Option is granted in accordance with the New Share Option Scheme;
“Company”	Ngai Hing Hong Company Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange;
“Companies Act”	Companies Act 1981 of Bermuda;
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Director(s)”	the director(s) of the Company from time to time;
“Eligible Person(s)”	(i) any executive or non-executive Director of the Group (or persons proposed to be appointed as such) or any employee of the Group; (ii) any discretionary object of a discretionary trust established by any employee, executive or non-executive Director of the Group; and (iii) any consultant(s) and professional adviser(s) to the Group;
“Existing Share Option Scheme”	the share option scheme adopted by the Company at its general meeting on 29th March 1994 for the employees (including directors) of the Company or any Subsidiary;

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## DEFINITIONS

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“Grantee”	any Eligible Person who accepts an offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) the personal representative(s) entitled to any such Option in consequence of the death of the original Grantee;
“Group”	the Company and its Subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Latest Practicable Date”	11th October 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange;
“New Share Option Scheme”	the new share option scheme proposed to be adopted by the Company at the AGM, a summary of the principal terms of the rules of which are set out in Appendix to this circular;
“Option”	an option to subscribe for Shares on terms determined by the Board pursuant to the New Share Option Scheme;
“Option Period”	the period that an Option may be exercised as specified by the Board, which shall not be more than 10 years from its Date of Grant;
“Option Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option;
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the AGM Notice;
“Repurchase Mandate”	the repurchase mandate to be adopted by the Company as detailed under the paragraph headed “6. General Mandate to Repurchase Shares” in the “Letter from the Board” in this circular;
“Share(s)”	share(s) of HK\$0.10 each in the issued share capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time);
“Shareholder(s)”	shareholder(s) of the Company;

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## DEFINITIONS

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“Share Buyback Rules”	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing of their own securities on the Stock Exchange;
“Share Issue Mandate”	the share issue mandate to be adopted by the Company as detailed under the paragraph headed “5. General Mandate to Issue Shares” in the “Letter from the Board” in this circular;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	an amount equal to the Option Price multiplied by the relevant number of Shares;
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance and Companies Act) of the Company;
“Substantial Shareholder”	shall have the same meaning ascribed to it under the Listing Rules; and
“Takeovers Code”	Hong Kong Codes on Takeovers and Mergers.

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## LETTER FROM THE BOARD

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### **NGAI HING HONG COMPANY LIMITED**

*(Incorporated in Bermuda with limited liability)*

*Directors:*

Hui Sai Chung (*Chairman*)

Hui Kwok Kwong (*Deputy Chairman and Managing Director*)

Ng Siu Kuen, Nelson

Liu Sau Lai

Dr. Wong Chi Ying, Anthony\*

Lai Kam Wah\*

\* *Independent Non-executive Directors*

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal office and  
place of business:*

Unit 3, 6th Floor

Hopeful Factory Centre

10 Wo Shing Street

Fo Tan

New Territories

Hong Kong

11th October 2002

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS FOR  
TERMINATION OF THE EXISTING SHARE OPTION SCHEME,  
ADOPTION OF THE NEW SHARE OPTION SCHEME  
AND GENERAL MANDATES TO ISSUE SHARES  
AND TO REPURCHASE ITS OWN SHARES BY THE COMPANY**

#### **1. INTRODUCTION**

The Existing Share Option Scheme was adopted by the Company on 29th March 1994. It will expire on 28th March 2004. To be in line with the recent changes of the Listing Rules in relation to share option schemes and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Persons for their contribution to the Company, the Board proposes that the Existing Share Option Scheme be terminated with effect from the conclusion of the AGM and the New Share Option Scheme for the Eligible Persons be approved and adopted at the AGM.

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## LETTER FROM THE BOARD

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At the annual general meeting of the Company held on 5th December 2001, resolutions were passed giving general mandates to the Directors to issue and allot Shares and to exercise the powers of the Company to repurchase its own Shares in accordance with the Share Buyback Rules. These general mandates will lapse at the conclusion of the AGM. It is therefore proposed to renew the general mandates to issue and allot Shares and to repurchase Shares at the AGM.

The purpose of this circular is to provide you with information regarding the New Share Option Scheme and the proposed renewal of the general mandates to issue and allot Shares and to repurchase Shares and to seek your approval of the Ordinary Resolutions relating to these matters at the AGM.

### **2. TERMINATION OF THE EXISTING SHARE OPTION SCHEME AND ADOPTION OF THE NEW SHARE OPTION SCHEME**

At the AGM, an ordinary resolution will be proposed that the Existing Share Option Scheme be terminated and the New Share Option Scheme be approved and adopted at the AGM. Subject to the approval of the Shareholders of the adoption of the New Share Option Scheme at the AGM, the Existing Share Option Scheme be terminated with effect from the conclusion of the AGM and the New Share Option Scheme will take effect on the date of its adoption at the AGM, subject to the grant by the Stock Exchange of the listing of, and permission to deal in, the Shares (which will not exceed 10 per cent. of the issued share capital of the Company as at the date of the adoption of the New Share Option Scheme) to be issued and allotted under the Options granted under the New Share Option Scheme. Operation of the New Share Option Scheme will commence after all conditions precedent as referred to in paragraph 3 below have been fulfilled.

As at the Latest Practicable Date, the Company had granted share options in respect of 27,918,000 Shares pursuant to the Existing Share Option Scheme and all share options granted have lapsed. The Board confirms that prior to the AGM, it will not grant any option under the Existing Share Option Scheme. Besides the Existing Share Option Scheme, there is no other subsisting share option scheme as at the Latest Practicable Date. Upon termination of the Existing Share Option Scheme, no options may be offered thereunder.

As at the Latest Practicable Date, the issued share capital of the Company comprised 300,000,000 Shares. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Share Option Scheme, the number of Shares issuable pursuant to the New Share Option Scheme and any other option schemes would be 30,000,000 Shares, representing 10 per cent. of the issued share capital of the Company as at the date of the AGM approving the adoption of the New Share Option Scheme.

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## LETTER FROM THE BOARD

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### 3. CONDITIONS PRECEDENT OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will take effect upon satisfaction of the following conditions:

- (i) the passing of an ordinary resolution approving the termination of the Existing Share Option Scheme by the Shareholders in the AGM;
- (ii) the passing of an ordinary resolution approving the adoption of the New Share Option Scheme by the Shareholders in the AGM;
- (iii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of Options granted under the New Share Option Scheme; and
- (iv) the Bermuda Monetary Authority granting approval for the granting of Options and the allotment and issue of Shares upon the exercise of Options granted under the New Share Option Scheme, if applicable.

Upon satisfaction of the above conditions, the Board will have the right to grant to the Eligible Persons Options to subscribe for Shares, which when aggregated with the Shares to be granted under any other share option schemes (if any) of the Company, representing up to 10 per cent. of total number of Shares in issue as at the date of approval of the New Share Option Scheme, unless the Company obtains a fresh approval from the Shareholders to renew the 10 per cent. limit. Pursuant to Note (2) to Rule 17.03(3) of the Listing Rules, 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 Share Option Scheme and any other share option schemes of the Company must not exceed 30 per cent. of the number of Shares of the Company in issue from time to time. No Options may be granted under any schemes of the Company if this will result in this 30 per cent. limit being exceeded.

Application has been made to the Stock Exchange for the grant of the listing of, and permission to deal in, the Shares (which will not exceed 10 per cent. of the issued share capital of the Company as at the date of the adoption of the New Share Option Scheme) to be issued and allotted pursuant to the exercise of the Options granted under the New Share Option Scheme.

A summary of the principal terms of the New Share Option Scheme is set out in the Appendix hereto. By offering the Options to the Eligible Persons in such flexible terms under the New Share Option Scheme, in particular, there is no minimum period or performance target required thereunder and the Option Price of the Options will be determined on a fair basis as prescribed under the Listing Rules, the Eligible Persons may exercise their Options at anytime within the Option Period to acquire a proprietary interest in the Company, which may in turn provide an incentive to the Eligible Persons to work towards enhancing the value of the Company and the Shares. Further, the terms of the New Share Option Scheme will provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Persons.

On the Business Day following the AGM, the Company will publish in the newspapers an announcement on the outcome of the AGM as regards the proposed adoption of the New Share Option Scheme.



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## LETTER FROM THE BOARD

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Once the New Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the Shareholders, except where the alterations take effect automatically pursuant to the terms originally provided in the New Share Option Scheme. The amended terms of the New Share Option Scheme and all options must continue to comply with the relevant requirements of Chapter 17 of the Listing Rules.

#### **4. VALUE OF THE OPTIONS**

The Board considers that it is not appropriate to state in this circular the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date prior to the adoption of the New Share Option Scheme given that the variables which are crucial for the calculation of the value of the Options cannot be determined at this juncture. The variables which are critical for the determination of the value of the Options include the Option Price for the Shares upon the exercise of the subscription rights attaching to the Options, whether or not Options will be granted under the New Share Option Scheme, and the timing of the grant of the Options, the period during which the subscription rights may be exercised, and any other conditions that the Board may impose on the Options and whether or not such Options, if granted, will be exercised by the Grantees. The Option Price payable for the Shares depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board are to grant Options under the New Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is premature to state whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the Option Price of the Shares given that the share price may fluctuate during the 10-year life span of the New Share Option Scheme. In the premises, the Board is of the view that the value of the Options depends on a number of variables which are difficult to be ascertained as at the date of this circular. Accordingly, the Board considers that it is premature and inappropriate to state the value of the Option for the time being in this circular.

#### **5. GENERAL MANDATE TO ISSUE SHARES**

An ordinary resolution will be proposed at the AGM to grant to the Directors a general mandate to allot, issue and dispose of Shares of the Company not exceeding 20 per cent. of the issued share capital of the Company in issue as at the date of the resolution granting the general mandate in order to provide flexibility to the Company to raise fund by issue of Shares efficiently.

#### **6. GENERAL MANDATE TO REPURCHASE SHARES**

An ordinary resolution will also be proposed at the AGM that the Directors be given a general mandate to exercise all powers of the Company to repurchase issued and fully paid Shares of the Company. Under such mandate, the number of Shares that the Company may repurchase shall not exceed 10 per cent. of the share capital of the Company in issue as at the date of the resolution approving the general mandate to repurchase Shares. The Company's authority is restricted to repurchases made on the Stock Exchange in accordance with the Listing Rules. On the Latest Practicable Date, there were in issue an aggregate of 300,000,000 ordinary shares of HK\$0.10 each in the Company. Subject to the passing of the resolution at the AGM and on the basis that no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be able to

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## LETTER FROM THE BOARD

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repurchase up to 30,000,000 Shares during the period ending on the earliest of the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held or the revocation or variation of the authority given under the resolution by an ordinary resolution of the Shareholders of the Company in general meeting.

The Directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such repurchase when appropriate and beneficial to the Company. Such repurchases may enhance the net asset value of the Company and/or earnings per Share. As compared with the financial position of the Company as at 30th June 2002 (being the date of its latest audited accounts), the Directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed repurchase period. No repurchase would be made in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

The memorandum of association and bye-laws of the Company and the law of Bermuda provide that the amount of capital repaid in connection with a share repurchase may only be paid out of either the capital paid up on the relevant Shares, or funds of the Company that would otherwise be available for dividend or distribution or the proceeds of a new issue of Shares made for such purpose. The amount of premium payable on repurchase may only be paid out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the share premium account of the Company. The Company is empowered by its memorandum of association and bye-laws laws to repurchase its Shares, and will only apply funds legally available for such purpose in accordance with its memorandum of association, bye-laws and the applicable law of Bermuda. Under the laws of Bermuda, the Shares so repurchased will be treated as cancelled but the aggregate amount of authorised share capital will not be reduced.

### **Directors, their Associates and Connected Persons**

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the Associates of any of the Directors has any present intention, in the event that the proposal is approved by Shareholders, to sell Shares to the Company.

No Connected Person of the Company (as defined in the Listing Rules) has notified the Company that he or she has a present intention to sell Shares to the Company nor has he or she undertaken not to sell any of the Shares held by him or her to the Company in the event that the Company is authorised to make repurchases of Shares.

### **Undertaking of the Directors**

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules of the Stock Exchange and all applicable laws of Bermuda, and in accordance with the regulations set out in the memorandum of association and bye-laws of the Company.

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## LETTER FROM THE BOARD

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### Effect of Takeovers Code and Public Float

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a Substantial Shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Good Benefit Limited and its Associates, Ever Win Limited and Evergrow Company Limited who together held approximately 53.25 per cent. of the issued share capital of the Company, was the only substantial shareholder holding more than 10 per cent. of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding of Good Benefit Limited and its Associates in the Company would be increased to approximately 59.16 per cent. of the issued share capital of the Company respectively and such increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code or reduce the amount of Shares held by the public to less than 25 per cent. The Directors have no intention to exercise the power of the Company to make repurchases which would result in the Shares held by the public reduced to less than 25 per cent. of the issued shares of the Company.

### Share Price

The highest and lowest prices at which the Shares have been traded on the Stock Exchange during each of the 12 months immediately preceding the Latest Practicable Date were as follows:

	Shares	
	Highest HK\$	Lowest HK\$
<b>2001</b>		
October	0.270	0.204
November	0.230	0.205
December	0.225	0.208
<b>2002</b>		
January	0.310	0.230
February	0.248	0.216
March	0.400	0.249
April	0.560	0.385
May	0.740	0.405
June	0.680	0.560
July	0.680	0.560
August	0.600	0.550
September	0.670	0.600

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## LETTER FROM THE BOARD

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### General

During each of the six months preceding the Latest Practicable Date, no Shares had been repurchased by the Company.

### 7. ACTION TO BE TAKEN

A form of proxy for use at the AGM is enclosed. Whether or not you intend to be present at the AGM, you are requested to complete the form of proxy and return it to the principal office and place of business of the Company at Unit 3, 6th Floor, Hopeful Factory Centre, 10 Wo Shing Street, Fo Tan, New Territories, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding the AGM.

### 8. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the New Share Option Scheme will be available for inspection at the principal office and place of business of the Company during normal business hours from the date of this circular up to and including the date of the AGM.

### 9. RECOMMENDATION

The Directors believe that the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme, the Repurchase Mandate, the Share Issue Mandate and the extension of the Share Issue Mandate are in the best interests of the Company as well as the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour of all the resolutions set out in the AGM Notice.

Yours faithfully,  
By Order of the Board  
**HUI Sai Chung**  
*Chairman*

**1. RESPONSIBILITY STATEMENT**

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

**2. SUMMARY OF THE NEW SHARE OPTION SCHEME**

The following is a summary of the principal terms of the rules of the New Share Option Scheme to be adopted at the AGM:

- (a) The purpose of the New Share Option Scheme is to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Persons for their contribution to the Company and to provide the Eligible Persons with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Persons to work towards enhancing the value of the Company and its Shares for the benefit of the Company and the Shareholders as a whole.
- (b) The New Share Option Scheme is conditional upon (i) the passing of the necessary resolution to terminate the Existing Share Option Scheme by the Shareholders in general meeting; (ii) the passing of the necessary resolution to adopt the New Share Option Scheme by the Shareholders in general meeting; (iii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of Options granted under the New Share Option Scheme; and (iv) the Bermuda Monetary Authority granting approval for the granting of Options and the allotment and issue of Shares upon the exercise of Options granted under the New Share Option Scheme, if applicable.
- (c) The Board may, at their discretion, invite any Eligible Persons who have rendered service to the Group to take up Options. An Option is deemed to have been granted on the Date of Grant when the duplicate offer document constituting 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 is received by the Company, such date must be on or before the 28th day after the date of the said offer document, otherwise the grant shall be deemed to have been rejected. The Option Price for Shares in the Company is calculated in accordance with sub-paragraph (d) below.

- (d) The Option Price for Shares in the Company under the New Share Option Scheme will be 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 (which date must be a Business Day); (ii) a price being 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 a Share.
- (e) (i) Subject to (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10 per cent. of the total number of Shares in issue as at the date of approval of the New Share Option Scheme unless the Company obtains a fresh approval from its Shareholders pursuant to (ii) below. Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the 10 per cent. limit;
- (ii) Subject to (iv) below, the Company may seek approval of its Shareholders in general meeting to refresh the 10 per cent. limit set out in (i) above such that the total number of Shares in respect of which Options may be granted under the New Share Option Scheme or any other share option schemes of the Company shall not exceed 10 per cent. of the total number of Shares in issue as at the date of approval to refresh such limit. Options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the New Share Option Scheme or exercised Options) will not be counted for the purpose of calculating such refreshed 10 per cent. limit. The Company shall send to Shareholders a circular containing a statement, information and a disclaimer required under the Listing Rules;
- (iii) Subject to (iv) below, the Company may also having first obtained separate Shareholders' approval to grant Options beyond the ten (10) per cent. limit to Eligible Person(s) specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought. The Company shall send a circular to Shareholders containing a generic description of the Eligible Person(s) in question, the number and the terms of the Options to be granted, the purpose of granting Options to the identified Eligible Person(s), how those Options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company shall not exceed 30 per cent. of the total number of Shares in issue from time to time. No Option may be granted under the New Share Option Scheme if such limit is exceeded.

- (f) Subject to the provisions of the New Share Option Scheme and the requirements of the Listing Rules, the Board may at its discretion when offering the grant of an Option imposes any conditions, restrictions or limitations in relation thereto as it may think fit.
- (g) (i) The maximum entitlement for any one Eligible Person is that the total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Person under the New Share Option Scheme and any other option schemes (including exercised and outstanding Options) in any 12-month period shall not exceed 1 per cent. of the total number of Shares in issue.
- (ii) Any further grant of Options (including exercised, cancelled and outstanding Options) to an Eligible Person in excess of the 1 per cent. limit shall be subject to Shareholders' approval in general meeting with such Eligible Person and his or her Associates abstaining from voting. The number and terms of the Options to be granted to such Eligible Person shall be fixed before Shareholders' approval. The Company shall send to the Shareholders a circular disclosing the identity of such Eligible Person, the number and terms of the Options to be granted and other information as required by Rule 17.03(4) of the Listing Rules.
- (h) (i) Any grant of Options to a Director, Chief Executive or Substantial Shareholder of the Company or their respective Associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the Grantee).
- (ii) Where the Board proposes to grant any Option to a Substantial Shareholder of the Company or an independent non-executive Director or any of their respective Associates would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to him or her under the New Share Option Scheme and any other option schemes in the 12-month period up to and including the date of such grant:
- (1) representing in aggregate more than 0.1 per cent. of the total number of Shares in issue; and
  - (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000.00,

such proposed grant of Options must be approved by the Shareholders in general meeting with all other Connected Persons (with the meaning as ascribed under the Listing Rules) of the Company abstaining from voting (except where any connected person may vote against the relevant resolution and his intention to do so be stated in the circular to Shareholders). In such a case, the Company shall send a circular to the Shareholders containing all those terms as required under Rule 17.04 of the Listing Rules. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll.

- (i) An Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the Option Period after the Option has been granted by the Board. An Option Period is a period to be determined by the Board in its absolute discretion and notified by the Board to each Grantee as being the period during which an Option may be exercised, and in any event such period shall not be longer than 10 years from the Date of Grant.
- (j) Unless otherwise determined by the Board and specified at the time of grant of the Option, there is neither any minimum period for which an Option must be held before it can be exercised nor any performance target needed to be achieved by the Grantee before an Option can be exercised.
- (k) An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, pledge, encumber or create any interest in favour of any third party over or in relation to any Option.
- (l) An Option shall lapse automatically (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) on the date on which the Grantee ceases to be an employee or a director of the Group by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or has committed any act of bankruptcy, or has become insolvent, or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty.
- (m) If the Grantee of an Option ceases to be an Eligible Person for any reason other than on his or her death or the termination of his or her employment on one or more of the grounds specified in paragraph (l) above the Grantee may exercise the Option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) and in any event not later than the date of such cessation, which date shall be the last actual working day with the Group whether salary is paid in lieu of notice or not or the last date of appointment as Director of the Group, as the case may be.
- (n) If the Grantee of an Option dies before exercising the Option in full and none of the events which would be a ground for termination of his or her employment under paragraph (l) above arises, the personal representative(s) of the Grantee may exercise the Option up to the entitlement of such Grantee at the date of death (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within a period of 12 months following the date of the death of the Grantee; or such longer period as the Board may determine from the date of death.



- (o) If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the Options granted to them, Shareholders of the Company). If such offer having been approved in accordance with the applicable laws and regulatory requirements becomes or is declared unconditional, the Grantee (or his or her legal representatives) shall be entitled to exercise the Option in full or in part (to the extent not already exercised) thereafter and up to the closing date of such general offer (or any revised offer).
- (p) In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the shareholders' meeting, give notice thereof to all Grantees and thereupon, each Grantee (or his or her personal representatives(s)) shall be entitled to exercise all or any of his or her Option at any time not later than seven Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a payment for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above allot the relevant Shares to the Grantee credited as fully paid. Subject to the above, an Option will lapse automatically (to the extent not already exercised) upon the expiry of the period in which to exercise an Option referred to above.
- (q) If, pursuant to the Companies Act, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or 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 thereof to all Grantees (together with a notice of the existence of the provision of this Rule) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his or her Options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Option shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this Rule shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the

effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the Grantees to exercise their respective Options shall with effect from the date of making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damages sustained by any Grantee as a result of the aforesaid suspension.

- (r) The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force, including those provisions relating to the voting, dividend, transfer and other rights (including those arising on a liquidation of the Company) attaching to the Shares, and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the Grantees to participate in all dividends or other distributions paid or made on or after the date of allotment of the relevant Shares other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment of the relevant Shares.
- (s) In the event of a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company whilst any Option remains exercisable, such corresponding adjustment (if any) certified in writing by the auditors for the time being of the Company to be in their opinion as fair and reasonable and satisfying the requirements set out in the note to Rule 17.03(13) of the Listing Rules will, subject to the Options already granted and to the provisions of the New Share Option Scheme, be made to (i) the number of Shares subject to the Option so far as unexercised and/or (ii) the Option Price, provided that no such adjustment shall be made so that a Share would be issued at less than its nominal value or which would give a Grantee a different proportion of the issued share capital of the Company as that to which he or she was previously entitled. No alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares as consideration in a transaction.
- (t) The New Share Option Scheme will remain in force for a period of 10 years commencing on the date on which it is adopted by resolution of the Company in general meeting, after which period no further Options will be issued but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect.
- (u) The Company by resolution in general meeting or the Board may at any time cancel any Option granted but not exercised. Where the Company cancels Options and offer new Options to the same Grantee, the offer of such new Options may only be made under the New Share Option Scheme with available Options to the extent not yet granted (excluding the cancelled Options).

- (v) The Company by resolution in general meeting or the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect.
- (w) The provisions of the New Share Option Scheme may be altered in any respect by resolution of the Board except that (i) any alteration to the advantage of the Grantees or the Eligible Persons (as the case may be) in respect of the matters contained in the Listing Rules; (ii) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New Share Option Scheme; or (iii) any material alteration to the terms and conditions of the New Share Option Scheme or any change to the terms of Options granted (except where the alterations take effect automatically under the existing terms of the New Share Option Scheme), shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect an Option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the Grantees' approval in accordance with the provisions of the New Share Option Scheme. The amended terms of the New Share Option Scheme shall comply with the relevant requirements of Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Scheme must be approved by the Shareholders in general meeting.

### 3. EXPLANATION OF THE TERMS

The terms of the New Share Option Scheme are in line with the provisions of the revised Chapter 17 of the Listing Rules, which govern the terms of the share option schemes of listed companies. Further, the New Share Option Scheme will provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Persons and for such other purposes as the Board may approve from time to time (which may be subject to the necessary consent or approval of the Shareholders pursuant to the Listing Rules). Therefore, the New Share Option Scheme, if adopted, will be in the interest of the Company as a whole in terms of management and operation. Accordingly, the Board proposes to recommend the Shareholders to approve the adoption of the New Share Option Scheme and simultaneously terminate the Existing Share Option Scheme at the AGM.