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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in 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 or transferred** all your shares in Karce International Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED**

(**泰盛實業集團有限公司\***)

*(Incorporated in Bermuda with limited liability)*

**(A) GENERAL MANDATE TO REPURCHASE SHARES**

**(B) PROPOSAL FOR ADOPTION OF A NEW SHARE  
OPTION SCHEME AND TERMINATION OF THE  
EXISTING SHARE OPTION SCHEME**

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30 April 2002

\* for identification purpose only

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## DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company for the year ended 31 December 2001 to be held on 29 May 2002, to consider and, if thought fit, to approve, among others, the audited annual results of the Company for the year ended 31 December 2001, the repurchase by the Company of its own shares and the adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme
“associates”	having the meaning as ascribed in the Listing Rules
“Board”	the board of Directors
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Karce International Holdings Company Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 14 February 1998 (which will remain in force for a period of 10 years therefrom) for the grant of share options to full-time employees of the Group, including any executive director of the Company or any Subsidiary
“Group”	the Company and its Subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	24 April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“New Share Option Scheme”	the share option scheme which is proposed to be adopted by the Company at the Annual General Meeting, further information and a summary of the principal terms are set out in the Appendix to this circular
“Shareholders”	holders of the Share
“Shares”	ordinary shares of HK\$0.1 each in the 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) and a “Share” shall be construed accordingly
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary within the meaning of the Companies Ordinance for the time being of the Company whether incorporated in Hong Kong or elsewhere and “Subsidiaries” shall be construed accordingly
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

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LETTER FROM THE BOARD

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**KARCE INTERNATIONAL HOLDINGS COMPANY LIMITED**

(泰盛實業集團有限公司\*)

(Incorporated in Bermuda with limited liability)

*Directors:*

Tong Shek Lun  
Li Ka Fai, Fred  
Ko Lai King, Kinny  
Chung Wai Yu, Regina  
Wu Yong Yei

*Principal Office:*

Units 1 and 2  
29th Floor  
Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

*Independent non-executive Directors:*

Sun Yaoquan  
Tsao Kwang Yung, Peter  
Goh Gen Cheung

*Non-executive Directors:*

Lee Kwok Leung  
Yang Yiu Chong, Ronald Jeffrey

30 April 2002

*To the Shareholders and for information of  
the holders of options granted under  
the Existing Share Option Scheme*

Dear Sir or Madam,

**(A) GENERAL MANDATE TO REPURCHASE SHARES**

**(B) PROPOSAL FOR ADOPTION OF A NEW SHARE  
OPTION SCHEME AND TERMINATION OF THE  
EXISTING SHARE OPTION SCHEME**

**A. GENERAL MANDATE TO REPURCHASE SHARES**

**1. Introduction**

It is proposed that at the Annual General Meeting of the Company, a resolution will be proposed to grant to the Directors a general mandate to repurchase Shares (“**Repurchase**

\* for identification purpose only

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## LETTER FROM THE BOARD

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**Mandate**”). This circular contains the explanatory statement in compliance with the Listing Rules and to give all the information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own Shares.

### **2. General mandate to repurchase Shares**

At the Annual General Meeting, an ordinary resolution will be proposed 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 on the date of the resolution. The Company’s authority is restricted to repurchases made on the Stock Exchange in accordance with the Listing Rules. As at the Latest Practicable Date, there were in issue an aggregate of 557,144,000 Shares. Exercise in full of the Repurchase Mandate, on the assumption and basis that no further Shares will be issued or repurchased prior to the date of the Annual General Meeting, could accordingly result in up to 55,714,400 Shares being repurchased by the Company. The Repurchase Mandate allows the Company to make or agree to make repurchases only during the period ending on the earliest of (a) the date of the next annual general meeting, (b) the date by which the next annual general meeting of the Company is required to be held by law or (c) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

The Directors have no present intention to repurchase any Shares but consider that the Repurchase 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 its earnings per Share. As compared with the financial position of the Company as at 31 December 2001 (being the date of its latest published audited accounts), the Directors consider that there would not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the Repurchase Mandate is exercised in full during the proposed repurchase period. However, no repurchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

The Company is empowered by its memorandum of association and bye-laws to repurchase its Shares. Repurchase of Shares will be funded out of funds legally available for such purpose in accordance with the memorandum of association and bye-laws of the Company and the applicable laws of Bermuda. Bermuda law provides 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 Shares repurchased, 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.

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## LETTER FROM THE BOARD

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### **3. Directors, their associates and connected persons**

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) has any present intention, in the event that the proposed Repurchase Mandate is approved by Shareholders, to sell the Shares to the Company.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she has a present intention to sell the Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Repurchase Mandate is granted.

### **4. 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 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.

### **5. Effect of the Takeovers Code**

A repurchase of the 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 may 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, Sapphire Profits Limited and Perfect Treasure Investment Limited held approximately 41.5 per cent. and 15.8 per cent. of the issued share capital of the Company respectively, were the only substantial shareholders 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 shareholdings of Sapphire Profits Limited and Perfect Treasure Investment Limited in the Company would be increased to approximately 46.1 per cent. and 17.6 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 Code. The Directors have no intention to repurchase Shares to such an extent which will result in the amount of Shares held by the public being reduced to less than 25 per cent. of the total issued share capital of the Company.

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**LETTER FROM THE BOARD**

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**6. General**

During the six months preceding the date of this circular, the Company repurchased its own Shares through the Stock Exchange as follows:

Month of repurchase	Number of Shares	Price per Share		Aggregate Price <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
<b>2001</b>				
October	500,000	0.350	0.350	175,000
November	900,000	0.350	0.345	313,500
December	1,000,000	0.290	0.275	280,000

During each of the previous 12 months, the highest and lowest traded prices for Shares on the Stock Exchange were as follows:

Month	Per Share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2001</b>		
April	0.360	0.190
May	0.350	0.236
June	0.690	0.300
July	0.510	0.440
August	0.435	0.335
September	0.380	0.300
October	0.400	0.280
November	0.405	0.330
December	0.460	0.270
<b>2002</b>		
January	0.300	0.250
February	0.300	0.250
March	0.275	0.238



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## LETTER FROM THE BOARD

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

#### **1. Introduction**

At the Annual General Meeting, an ordinary resolution will be proposed for the Company to approve and adopt the New Share Option Scheme and to terminate the Existing Share Option Scheme. The purpose of this circular is to provide you with further details in respect of the proposed adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme.

#### **2. Adoption of the New Share Option Scheme and termination of the Existing Share Option Scheme**

At the Annual General Meeting, an ordinary resolution will be proposed for the Company to terminate the Existing Share Option Scheme and to approve and adopt the New Share Option Scheme, pursuant to which the eligible participants may be granted options to subscribe for Shares upon and subject to the terms and conditions of the rules of the New Share Option Scheme.

The New Share Option Scheme shall take effect subject to:

- (a) the passing of the necessary resolution by the Shareholders to approve and adopt the New Share Option Scheme, and to authorise the Directors to grant options and to allot, issue and deal with the Shares pursuant to the exercise of any options granted under the New Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued pursuant to the exercise of options granted under the New Share Option Scheme.

If condition (b) is not being satisfied within 2 calendar months after the approval and adoption date of the New Share Option Scheme:

- (a) the New Share Option Scheme shall forthwith determine;
- (b) any option granted or agreed to be granted pursuant to the New Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the New Share Option Scheme or any option.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there were 557,144,000 Shares in issue. The particulars of the options granted under the Existing Share Option Scheme immediately prior to 1 September 2001 (being the date on which the new Listing Rules governing share option schemes came into effect) are set forth below:

Number of options granted at 1 September 2001	Number of options lapsed at 1 September 2001	Number of outstanding options granted at 1 September 2001	Number of options lapsed between 1 September 2001 to the Latest Practicable date	Number of outstanding options granted at the Latest Practicable Date
12,210,000	2,172,000	10,038,000	1,040,000	8,998,000 <i>(Note )</i>

*Note:* These options are subject to the 30% limit pursuant to paragraph 3(a) of the Appendix to this circular.

After 1 September 2001 and up till the date of the Annual General Meeting, no further options have been or will be granted under the Existing Share Option Scheme.

A summary of the principal terms of the New Share Option Scheme is set out in the Appendix to this circular.

On 14 February 1998, the Company adopted the Existing Share Option Scheme which is the first share option scheme adopted by the Company since the listing of the Shares on the Stock Exchange. As a result of the Stock Exchange amending Chapter 17 (“Chapter 17”) (Share Option Schemes) of the Listing Rules, which became operative on 1st September, 2001, certain terms of the Existing Share Option Scheme, including the eligible participants, the exercise price, the maximum number of shares in respect of which options may be granted, are no longer in compliance with the amended rules of Chapter 17. Accordingly, the Company proposes to adopt the New Share Option Scheme which complies with the amended rules of Chapter 17 and to terminate the Existing Share Option Scheme. Except that no further options may be granted under the Existing Share Option Scheme consequent upon its termination, all the other provisions of the Existing Share Option Scheme will remain in force so as to give effect to the exercise of all outstanding options granted under the Existing Share Option Scheme prior to 1 September 2001 and all such options will remain valid and exercisable in accordance with the provisions of the Existing Share Option Scheme.

Assuming that no further Shares will be issued prior to the date of approval and adoption of the New Share Option Scheme by the Shareholders, the maximum number of options that can be granted by the Company under the New Share Option Scheme would be 55,714,400, representing 10 per cent. of the number of Shares in issue.

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## LETTER FROM THE BOARD

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The Directors are of the view that contributions of the directors, employees, executives, officers, suppliers, consultants, and advisers of the Group are of paramount importance to the success of the Group as a whole and therefore they consider it to be in the interests of the Group as a whole for such persons to be given incentives by allowing them to participate in the growth of the Group in the form of options to subscribe for Shares.

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

A further announcement will be made on the outcome of the Annual General Meeting regarding the adoption of the New Share Option Scheme on the business day (which means a day excludes Saturday on which banks in Hong Kong are generally open for business) following such meeting.

### **3. General**

There is no general requirement of any minimum period for which an option must be held before it can be exercised although the Board will be empowered under the New Share Option Scheme to impose at its discretion any such minimum period at the time of grant of any particular option. In addition, the Board will be empowered to determine the subscription price of a Share in respect of any particular option granted under the New Share Option Scheme, the basis upon which is set out in paragraph 2 of the Appendix to this circular so that the selected participants are attracted to subscribe for Shares pursuant to the options granted by the Company as rewards for their contribution to the Group and incentives to further contribute towards the profitability and success of the Group.

### **4. Application for Listing**

Application will be made to the Listing Committee of the Stock Exchange for approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the New Share Option Scheme.

### **5 Values of all options that can be granted under the New Share Option Scheme**

The Directors consider that it is not appropriate or helpful to the Shareholders to state the value of all options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options at the Latest Practicable Date will not be meaningful to the Shareholders, since the options to be granted shall not be assignable, and no holder of the option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

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## LETTER FROM THE BOARD

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In addition, the calculation of the value of the options is based on a number of variables such as the exercise price, exercise period, interest rate, expected volatility and other relevant variables. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

### **C. 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 information contained herein relating to the Company has been supplied by the Directors, who jointly and severally 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, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement contained herein misleading insofar as it relates to the Company.

### **D. RECOMMENDATION**

The Directors consider that (a) the granting of the Repurchase Mandate and (b) the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme are in the interest of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting. The Directors will vote in favour of such resolutions in respect of their shareholdings (if any) in the Company.

### **E. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business of the Company in Units 1 and 2, 29th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong for a period of 14 days before the date of the Annual General Meeting (i.e. from 15 May 2002 to 28 May 2002 (both dates inclusive)) and at the Annual General Meeting:

- (i) the memorandum of association and bye-laws of the Company; and
- (ii) the New Share Option Scheme.

Yours faithfully,  
By Order of the Board  
**Karce International Holdings Company Limited**  
**Tong Shek Lun**  
*Chairman and Managing Director*

**NEW SHARE OPTION SCHEME****Summary of terms**

The following is a summary of the principal terms of the New Share Option Scheme to be adopted at the Annual General Meeting.

**1. Who may join and purpose**

The Directors may, at their discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

- (a) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (“**Invested Entity**”) in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary or any Invested Entity,
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.

and, for the purposes of the New Share Option Scheme, the offer may be made to any company wholly owned by one or more persons belong to any of the above classes of participants. For the avoidance of doubt, any person who falls within any of the above classes shall not, by itself, unless the Directors otherwise determined, be construed as a grant of option under the New Share Option Scheme.

The basis of eligibility of any of the above class of participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group.

The purpose of the New Share Option Scheme is to enable the Group to grant options to selected participants as incentive or rewards for their contributions to the Group.

## 2. Price of Shares

The subscription price shall, subject to the adjustment as stated in the New Share Option Scheme, be a price determined by the Board and shall not be less than the higher of (i) the nominal value of a Share; (ii) the closing price of one Share as stated in the daily quotation sheets issued by the Stock Exchange on the date of offer, which shall be a business day; and (iii) the average closing price of the Shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer.

## 3. Maximum number of Shares

- (a) The number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised at any time under the New Share Option Scheme and any other schemes adopted by the Group (including the Existing Share Option Scheme) shall not exceed such number of Shares as equals 30 per cent. of the issued share capital of the Company from time to time. No options may be granted under the New Share Option Scheme or any other schemes adopted by the Group if the grant of such option will result in the limit referred to in this paragraph being exceeded.
- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Share Option Scheme and any other schemes of the Group ) to be granted under the New Share Option Scheme and any other schemes of the Group must not in aggregate exceed 10 per cent. of the Shares in issue on the date of adoption of the New Share Option Scheme (“**General Scheme Limit**”) provided that:
  - (i) subject to paragraph (a) and without prejudice to paragraph (b)(ii), the Company may by the issue of a circular to and approval of its Shareholders in general meeting to refresh the General Scheme Limit provided that 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 schemes of the Group must not exceed 10 per cent. of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the New Share Option Scheme and any other schemes of the Group) previously granted under the New Share Option Scheme and any other schemes of the Group will not be counted; and

- (ii) subject to paragraph (a) and without prejudice to paragraph (b)(i), the Company may by the issue of a circular and separate Shareholders' approval in general meeting to grant options under the New Share Option Scheme beyond the General Scheme Limit or, if applicable, the limit referred to in paragraph (b)(i) to participants specifically identified by the Company before such approval is sought.

#### **4. Maximum entitlement of each participant**

Subject to paragraph 5 of this Appendix, the total number of Shares issued and which may fall to be issued upon exercise of the options of the New Share Option Scheme and the options granted under any other schemes of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1 per cent. of the issued share capital of the Company for the time being. Where any further grant of options to a grantee under the New Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the New Share Option Scheme and any other schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. The number and terms (including the subscription price) of options to be granted to such grantee must be fixed before the Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date of offer for the purpose of calculating the subscription price.

#### **5. Grant of options to connected persons**

Any grant of options under the New Share Option Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee). Where any grant of options to a substantial shareholder 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 such person in the 12-month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1 per cent. of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK\$5 million;

such further grant of options must be approved by Shareholders.

For the purpose of seeking approval of Shareholders under paragraphs 3, 4 and 5 of this Appendix, the Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting. For the purpose of paragraph 5, all connected persons (as defined in the Listing Rules) of the Company must abstain from voting at the relevant general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular.

**6. Time of exercise of option**

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of the date on which such option lapses in accordance with the terms of the New Share Option Scheme and 10 years from the date of offer of that option. A consideration of HK\$1 will be payable upon acceptance of the offer. There is no minimum period for which an option must be held before it can be exercised.

**7. Performance target**

Unless the Directors otherwise determined and stated in the offer of grant of options to a grantee, a grantee is not required to achieve any performance target before any options granted under the New Share Option Scheme can be exercised.

**8. Rights are personal to grantee**

An option may not be transferred or assigned and will be personal to the grantee of the option.

**9. Rights on dismissal**

If the grantee of an option leaves the service of the Group by reason of his voluntary resignation or the termination of his employment in accordance with the provisions of his contract of employment or because his employing company cease to be a member of the Group, all his option will lapse (to the extent not already exercised) and determine on the date he so ceases provided that the Directors in their absolute discretion may otherwise determine.



**10. Rights on ceasing employment or death**

If the grantee of an option dies, is disabled or ill-health or retires in accordance with the terms of his employment, the grantee or the personal representatives of the grantee may exercise his option in full or part within a period of six months thereafter or at the expiration of the relevant option period, whichever is earlier, failing which the option will lapse provided that the Directors in their absolute discretion may otherwise determine.

**11. Effect of alterations to capital**

In the event of any reduction, sub-division or consolidation of the share capital of the Company or capitalisation of profits or reserves, rights issue by the Company, the number or nominal amount of Shares comprised in each option and/or the subscription price may be adjusted in such manner as the Directors (having received a statement in writing from the independent financial adviser or auditors of the Company that in their opinion the adjustments proposed satisfy the requirements as stated in the New Share Option Scheme and the Listing Rules and are fair and reasonable) may deem appropriate, provided always that a grantee shall have the same proportion of the equity capital of the Company as that to which he was entitled before such adjustments and no increase shall be made in the aggregate subscription price relating to any option and no adjustment shall have the effect of rendering the subscription price payable upon the exercise of any option becoming less than the nominal value of the Share. The issue of securities as consideration in a transaction may not be regarded as a circumstance requiring such adjustments.

**12. Rights on a general offer**

In the event of a general offer being made to all the holders of Shares (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, any person shall have obtained control of the Company, then the Directors shall as soon as practicable thereafter notify the grantee and the grantee shall be entitled to exercise the option in full or in part (to the extent not already exercised) at any time within one month after the date on which the general offer becomes or is declared unconditional and any option shall upon expiry of such period cease and determine.

**13. Rights on winding up**

If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, every option shall be exercisable in whole or in part at any time thereafter until the resolution is duly passed or defeated or the meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all options shall, to the extent that they have not been exercised, thereupon cease and terminate.

**14. Rights on a compromise or arrangement**

In the event of a compromise or arrangement between the Company and its members or creditors being proposed, the Company shall give notice thereof to all grantees on the same date as it despatches notice of the meeting to its members or creditors to consider such a compromise or arrangement and any grantees (or his or her legal personal representatives) may, forthwith and until the expiry of the period commencing on such date and ending on the earlier of the date two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the relevant court be entitled to exercise his option, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the relevant court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as exercised under this paragraph.

**15. Ranking of Shares**

The Shares to be allotted upon the exercise of an option will not carry voting rights until the registration of the grantee (or his nominee or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* with the fully-paid Shares in issue on the date on which the name of the grantee is registered on the register of members of the Company, save that they will not rank for any dividend to be or is proposed to be paid to holders of Shares on the register on a date prior to such registration.

**16. Period of the New Share Option Scheme**

The New Share Option Scheme will remain in force for a period of 10 years from the date of its adoption.

**17. Alteration**

The Directors may from time to time in their absolute discretion waive or amend such rules of the New Share Option Scheme as they may deem desirable save and except the following which shall be approved by the Shareholders in general meeting:

- (a) alteration to the terms and conditions of the New Share Option Scheme relating to the matters set out in rule 17.03 of the Listing Rules;
- (b) alteration to the terms and conditions of the New Share Option Scheme which are of a material nature; and
- (c) any alteration to the terms and conditions of the options granted.

The amended terms of the New Share Option Scheme must comply with Chapter 17 of the Listing Rules.

Any change to the authority of the Directors in relation to any alteration to the terms of the New Share Option Scheme must be approved by Shareholders in general meeting.

#### **18. Lapse of option**

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

- (a) the expiry of the option period;
- (b) the expiry of the period specified for the acceptance of an offer of the option;
- (c) the expiry of the period referred to in paragraphs 9, 10, 12, 13 and 14 above of this Appendix;
- (d) the date of commencement of the winding up of the Company; and
- (e) the date on which the grantee commits a breach of paragraph 8 above of this Appendix.

#### **19. Cancellation of options**

Any cancellation of options granted but not exercised shall require approval of the Shareholders in general meeting, and the relevant grantees and their respective associates shall abstain from voting. Any vote taken at the general meeting for approving such cancellation shall be taken by poll. Cancelled options may be re-issued after such cancellation has been approved, provided that the re-issued options shall only be granted in compliance with the terms of the New Share Option Scheme. If new options are issued to the same grantee, the issue of such new options may only be made where there are available unissued options (excluding the cancelled options) within the limit approved by the Shareholders pursuant to paragraph 3 of this Appendix.

#### **20. Termination of the New Share Option Scheme**

The Company may by resolution in general meeting or the Board may at any time terminate the New Share Option Scheme and in such event no further option shall be offered but the provisions of New Share Option scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

**21. Present status of the New Share Option Scheme**

Application will be made to the Listing Committee of the Stock Exchange for approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the New Share Option Scheme.

**22. Restrictions on the time of grant of option**

A grant of options may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been published in the newspaper. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's annual or interim results; and (b) the deadline for the Company to publish its interim or annual results announcement under the listing agreement and ending on the date of actual publication of the results announcement.