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**THE GENERAL MANDATE TO REPURCHASE SHARES
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
ADOPTION OF NEW SHARE OPTION SCHEME**

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DEFINITIONS

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

“AGM”	Annual General Meeting to be held at Units 9-10, 13th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong on Monday, 30, June 2003 at 3:00 p.m.;
“Associates”	shall, in relation to an Eligible Person, have the meaning ascribed to that term under rule 1.01 of the Listing Rules in relation to any director, chief executive or substantial shareholder of the Company or its subsidiaries;
“Board”	the board of Directors;
“Business Day”	a day upon which the Stock Exchange is open for securities trading;
“Company”	Kong Sun Holdings Limited, a company incorporated in Hong Kong with limited liability, the securities of which are listed on the main board of the Stock Exchange;
“Connected Person”	shall have the meaning ascribed to it under rule 1.01 of the Listing Rules;
“Control”	the power of a person to secure: (i) by means of the holding of shares or other securities or the possession of voting power in or in relation to the relevant body corporate or any other body corporate; or (ii) by means of controlling the composition of a majority of the board of directors of the relevant body corporate or any other body corporate; or (iii) by virtue of any powers conferred by the articles of association or other constitutional document regulating the relevant body corporate or any other body corporate, that the affairs of the first-mentioned body corporate are conducted in accordance with the wishes of such person;

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“Controlling Shareholder”	any person who has the power, directly or indirectly, to secure: (i) by means of the holding of shares entitling him to exercise or control the exercise of 30% (or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the Company; or (ii) by means of controlling the composition of a majority of the Board; or (iii) by virtue of any powers conferred by the constitutional document of the Company or any other corporation, that the affairs of the Company are conducted in accordance with the wishes of such person;
“Directors”	the directors of the Company;
“Eligible Person”	any person will be determined by the Board on the basis of their contribution to the development and growth of the Group, should be given incentives in the form of options to subscribe for Shares. It can be divided into three categories as follows: (i) any director (whether executive or non-executive, including any independent non-executive director), employee (whether full time or part time) of the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a “Category A Eligible Person”); or (ii) any holder of any securities issued by the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a “Category B Eligible Person”); or (iii) (a) any business or joint venture partner, contractor, agent or their representatives of, (b) any person or entity that provides research, development or technological support or other services, inter alia, in the areas of technical, financial or corporate management, to the Group,

DEFINITIONS

(c) any supplier of goods or services to,

(d) any customer of,

the Group or any Controlling Shareholder or any company controlled by a Controlling Shareholder (a **“Category C Eligible Person”**);

and, for the purposes of the New Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of participants;

“Existing Scheme”	the existing share option scheme of the Company adopted on 31 May 2001;
“Group”	the Company and any entity in which the Company, directly or indirectly, holds any equity interest;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Kong Fa”	Kong Fa Holding Limited, a company incorporated in the British Virgin Islands, is wholly-owned by Mr. Kong Look Sen (the chairman and managing director of the Company), Mr. Kong Li Jer and Mr. Kong Li Szu (the executive directors of the Company) and their Associates, respectively holding 51%, 10%, 10% and 29% interests in Kong Fa;
“KSE”	Kong Sun Enterprise Sdn. Bhd., a company incorporated in Malaysia and is wholly-owned by Mr. Kong Look Sen (the chairman and managing director of the Company), and Mr. Kong Li Jer (the executive director of the Company) and their Associates, respectively holding 22.25%, 17.37% and 60.38% interests in KSE;
“Latest Practicable Date”	13 June 2003, being the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Scheme”	the share option scheme of the Company to be proposed for adoption by the Company at the AGM, a summary of the principal terms of the rules of which is set out in the Appendix on pages 11 to 19 of this circular;
“Repurchase Mandate”	the general mandate for repurchase the Company’s own Shares;

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“Scheme Period”	the period commencing on the date on which the New Scheme is adopted by Shareholders at the AGM and expiring at the close of business on the day immediately preceding the tenth anniversary thereof;
“Shareholders”	holders of Shares;
“Share(s)”	ordinary shares of HK\$0.10 each in the issued share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Substantial Shareholder”	shall have the meaning ascribed to it under rule 1.01 of the Listing Rules;
“Takeovers Code”	The Code of Takeovers and Mergers (approved by the Securities and Futures Commission as amended from time to time); and
“HK\$” and “\$”	Hong Kong dollars, the lawful currency of Hong Kong.

LETTER FROM THE BOARD

KongSun **江山**
江山控股有限公司
KONG SUN HOLDINGS LIMITED
(Incorporated in Hong Kong with limited liability)

Executive Directors:

Mr. Kong Look Sen
Mr. Kong Li Jer
Mr. Kong Li Szu

Registered Office:

Units 9–10, 13th Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

Independent Non-executive Directors:

Mr. Ku Suen Fai
Mr. Fai Cheong Hau

19 June 2003

To the shareholders

Dear Sir or Madam,

**THE GENERAL MANDATE TO REPURCHASE SHARES
TERMINATION OF EXISTING SHARE OPTION SCHEME
AND
ADOPTION OF NEW SHARE OPTION SCHEME**

INTRODUCTION

This is an explanatory statement given to the Shareholders of the Company relating to the ordinary resolutions authorising the Company to repurchase its own Shares, adopting the New Scheme and to cancel the Existing Scheme which was adopted on 31 May 2001, proposed to be passed by the Shareholders at the AGM. Further information regarding the proposed resolutions can be found in the notice of AGM contained in the Company's 2002 annual report.

This, explanatory statement contains all the relevant information which is reasonably necessary for the Shareholders to make an informed decision regarding the Repurchase Mandate and the New Scheme as required to be given to the Shareholders respectively pursuant to rule 10.06(1)(b) and Chapter 17 of the Listing Rules and Section 49BA(3)(b) of the Companies Ordinance (Chapter 32, Laws of Hong Kong).

LETTER FROM THE BOARD

THE GENERAL MANDATE TO REPURCHASE SHARES

1. Share Capital

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,561,166,921 Shares. Subject to the passing of an ordinary resolution for the granting of the Repurchase Mandate and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 256,116,692 Shares.

2. Reasons for Repurchases

The Directors consider that it is in the best interests of the Company and its Shareholders to have a general authority from Shareholders to enable the Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and its assets and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

3. Funding of Repurchases

Repurchases of Shares will be funded entirely from funds legally available for such purpose in accordance with the Articles of Association of the Company and the applicable laws of Hong Kong. It is presently proposed that any Shares repurchased under the Repurchase Mandate would be repurchased out of the capital paid up on the repurchased Shares, profits of the Company which would otherwise be available for distribution or the Company's share premium account.

4. Impact on Working Capital

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would in the circumstances, have a material adverse impact on the working capital or gearing position of the Company which in the opinion of the Directors are from time to time appropriate for the Company. However, there might be a material adverse impact on the working capital requirements or gearing levels of the Company (as compared with the position disclosed in its audited accounts for the year ended 31 December 2002 contained in its 2002 annual report) in the event that the Repurchase Mandate were to be exercised in full at any time during the proposed repurchase period.

5. Directors' Interests and Undertaking

None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their respective Associates, having any present intention to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

LETTER FROM THE BOARD

6. Takeovers Code

If, as a result of any Share repurchase, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will treat as an acquisition for the purposes of Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the Substantial Shareholders of the Company, Kong Fa and KSE were beneficially interested in 1,053,850,042 Shares and 403,375,794 Shares representing approximately 41.15% and 15.75% respectively of the issued share capital of the Company. If the Repurchase Mandate is exercised in full, Kong Fa and KSE will increase their shareholdings in the Company to approximately 45.72% and 17.50% respectively. The Directors of the Company currently are not aware of any consequences which will arise under the Takeovers Code as a result of any purchases made under the Repurchase Proposal.

7. Connected Person

No Connected Person has notified the Company that he has a present intention, to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders.

8. Market Prices

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months preceding the date of this statement were as follows:

	Shares	
	Highest	Lowest
	(HK\$)	(HK\$)
June 2002	0.315	0.280
July 2002	0.315	0.249
August 2002	0.280	0.242
September 2002	0.270	0.235
October 2002	0.249	0.164
November 2002	0.197	0.173
December 2002	0.193	0.160
January 2003	0.176	0.160
February 2003	0.168	0.136
March 2003	0.136	0.028
April 2003	0.031	0.017
May 2003	0.034	0.019

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9. Repurchases made by the Company

The Company has repurchased 200,000 Shares at the highest price and the lowest price of \$0.169 and \$0.167 per Share (whether on the Stock Exchange or otherwise) on 4 December 2002. Save as the aforesaid, the Company has not repurchased any Shares in the six months immediately preceding the date of this statement.

SHARE OPTION SCHEME

The Stock Exchange has issued an announcement on 23 August 2001 in respect of the introduction of certain amendments to Chapter 17 of the Listing Rules and that such amendments became effective on 1 September 2001. No further option can be granted under the Existing Scheme from 1 September 2001.

As at the Latest Practicable Date, there is no option granted under the Existing Scheme which remains outstanding. In view of the amended Chapter 17 of the Listing Rules, the Board proposes to adopt the New Scheme for the Company, subject to the approval of the Shareholders.

1. Existing Scheme

The Existing Scheme was adopted on 31 May 2001. All the options granted under the Existing Scheme, which were 68,282,085 Shares representing 2.67% of the issued share capital of the Company, have been exercised in full and there is no option granted under the Existing Scheme which remains outstanding as at the Latest Practicable Date. Since all the options granted under the Existing Scheme have been fully exercised, no option has been lapsed and cancelled. Immediately upon adoption of the New Scheme, the Board will terminate the Existing Scheme and no further options under the Existing Scheme will be offered. The Company had not adopted any other share option scheme other than the Existing Scheme as at the Latest Practicable Date.

2. New Scheme

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

The purpose of the New Scheme is to enable the Board to grant options to selected Eligible Persons as incentives or rewards for their contribution to the Group. The Board considers that it is in line with modern commercial practice that appropriate Eligible Persons determined by the Board on the basis of their contribution to the development and growth of the Group, should be given incentives in the form of options to subscribe for Shares.

The terms of the New Scheme provide that in granting options under the New Scheme, the Board can determine whether there is any minimum holding period, and whether there is any performance target which must be achieved, before an option granted under the New Scheme can be exercised. The Board will also determine the option price per Share payable on the exercise of an option according to the terms of the New Scheme. Subject to the New Scheme becoming effective, the Board intends to exercise its powers under the New Scheme during the Scheme Period with the objective of serving the purposes of the New Scheme as stated above.

LETTER FROM THE BOARD

Under the New Scheme, conditional upon the occurrence of the events mentioned in the paragraph headed “Conditions” below, the Board will be authorized to grant options to selected Eligible Persons to subscribe for Shares under the New Scheme and to allot and issue Shares pursuant to the exercise of any outstanding options which may be granted under the New Scheme. Upon adoption of the New Scheme by the Shareholders at the AGM, and subject to fulfillment of the condition set out in paragraph (b) in the section below headed “Conditions”, the Existing Scheme will be terminated and the New Scheme will become operative for the Scheme Period.

The Board considers that it is not appropriate to state the value of all options that can be granted under the New Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, lock up period (if any), performance targets set (if any) and other relevant variables. The Board believes that any calculation of the value of any option which might have been granted on the Latest Practicable Date would be based on a number of speculative assumptions and would therefore not be meaningful but would be misleading to the Shareholders.

Subject to the obtaining of Shareholders’ approval with respect to the adoption of the New Scheme, the total number of Shares which may be issued upon exercise of all options which may be granted under the New Scheme and any other share option schemes of the Company (excluding, for this purpose, those Shares issuable upon exercise of all options which will in the meantime have been granted but which have lapsed in accordance with the terms of the New Scheme and any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue at the date of approval of the New Scheme.

Assuming no Shares will be issued or repurchased prior to the date of the AGM on which the New Scheme is expected to be adopted by the Shareholders, the total number of the Shares in issue as at the date of the AGM will be 2,561,166,921. Subject to the New Scheme becoming effective, the Company may grant options under the New Scheme and any other share option schemes of the Company in respect of which up to 256,116,692 Shares may be issued, representing 10% of the total number of Shares in issue as at the date of approval of the New Scheme. Further announcement will be made upon approval of the adoption of the New Scheme and termination of the Existing Scheme at the AGM.

A copy of the proposed New Scheme (subject to amendments required to be made by the Company after the date of this circular in compliance with the Listing Rules) will be available for inspection at the registered office of the Company in Hong Kong at Units 9-10, 13th Floor, Tower One, Lippo Centre, 89 Queensway, Hong Kong during normal business hours on any business day (except public holidays) from 19 June 2003 up to and including 29 June 2003 and will also be available for inspection at the AGM.

3. Conditions

The New Scheme will become effective for the 10-year period ending at the close of business on the day immediately preceding the tenth anniversary of the date of the AGM subject to:

- (a) the passing by the Shareholders of an ordinary resolution at the AGM to approve the adoption of the New Scheme; and

LETTER FROM THE BOARD

- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, up to 256,116,692 Shares (subject to adjustment as is permissible under the rules of the New Scheme), representing 10% of the Shares in issue as at the date of the AGM (assuming no Shares will be issued or repurchased by the Company prior to such date), which may be issued pursuant to the exercise of options granted under the New Scheme.

4. Present Status of the New Scheme

Application has been made to the Listing Committee of the Stock Exchange for the grant of listing of and permission to deal in the Shares up to 256,116,692 Shares (subject to adjustment as is permissible under the rules of the New Scheme), representing 10% of the Shares in issue as at the date of the AGM (assuming no Shares will be issued or repurchased by the Company prior to such date) which may be issued pursuant to the exercise of options granted under the New Scheme. As at the Latest Practicable Date, no option has been granted or agreed to be granted under the New Scheme.

5. Responsibility Statement

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

6. Recommendation

The Board believes that the adoption of the New Scheme and termination of the Existing Scheme are in the best interests of the Company and the Shareholders as a whole as it will enable the Company to create more incentives and benefits for appropriate Eligible Persons and increase their productivity and contribution to the Group.

Accordingly, the Board recommends you to vote in favour of the ordinary resolution to be proposed at the AGM.

7. Additional Information

Your attention is drawn to the summary of the principal terms of the rules of the New Scheme as set out in the Appendix to this circular.

Yours faithfully,
By Order of the Board
Kong Look Sen
Chairman and Managing Director

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

1. Purpose of the New Scheme

The purpose of the New Scheme is to enable the Board to grant options to selected Eligible Persons as incentives or rewards for their contribution to the Group.

2. Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant options to any Eligible Person to subscribe at a price calculated in accordance with paragraph 3 below for such number of Shares as it may determine in accordance with the terms of the New Scheme.

The basis of eligibility of any of the Eligible Persons to the grant of options shall be determined by the Board on the basis of his contribution to the development and growth of the Group.

3. Option price for subscription of Shares

The option price per Share payable on the exercise of an option is to be determined by the Board provided always that it shall be at least the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange for the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the Eligible Person), which must be a business day; and
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of offer of grant (which is deemed to be the date of grant if the offer for the grant of an option is accepted by the Eligible Person),

(as subsequently adjusted pursuant to the terms of the New Scheme, if relevant), provided that the option price per Share shall in no event be less than the nominal amount of one Share.

4. Acceptance of offers

An offer for the grant of options must be accepted within twenty-one days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$10.00.

5. Maximum number of Shares

- (A) Subject to sub-paragraph (B) and (C) below, the maximum number of Shares issuable upon exercise of all options to be granted under the New Scheme and any other share option schemes of the Company as from the commencement of the Scheme Period (excluding, for

this purpose, options which have lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the Shares in issue as at the date of the AGM (the “Scheme Mandate”). The Shares underlying any options granted under the New Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed) will be counted for the purpose of the Scheme Mandate.

- (B) The Scheme Mandate may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the new limit under the refreshed Scheme Mandate must not exceed 10% of the Shares in issue at the date of the Shareholders’ approval of such refreshed Scheme Mandate. Options previously granted under the New Scheme or any other share option schemes of the Company (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the New Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the total number of Shares subject to the refreshed Scheme Mandate. In such event, the Company must send a circular to its Shareholders containing the information required under Rule 17.02(4) of the Listing Rules.
- (C) The Company may also, by obtaining separate approval of the Shareholders in general meeting, grant options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Eligible Persons specifically identified by the Company before such approval is sought. The date of board meeting for proposing such further grant should be taken as the date of grant for such options. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified grantees with an explanation as to how the terms of the options serve such purpose and such other 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.
- (D) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No option may be granted under any scheme of the Company if this will result in such limit being exceeded.

6. Maximum entitlement of each Eligible Person

The maximum number of Shares issued and to be issued upon exercise of options granted under the New Scheme and any other share option schemes of the Company to any Eligible Person (including cancelled, exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders with such Eligible Person and his Associates abstaining from voting. The date of board meeting for proposing such further grant should be taken as the date of grant for such options. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified grantees with an explanation as to how the terms of the options serve such purpose and such other 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.

7. Grant of options to certain Connected Persons

- (A) Any grant of an option 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 of the option).
- (B) Where any grant of options to a substantial shareholder of the Company or an independent non-executive Director (or any of their respective Associates) will result in the total number of Shares issued and to be issued upon exercise of options already granted and to be granted to such person under the New Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant (in relation to any option the offer of which is accepted by such person to whom the offer was made, the date on which an option is offered to such person, which must be a business day):
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at each date of grant (in relation to any option the offer of which is accepted by such person to whom the offer was made, the date on which an option is offered to such person, which must be a business day), in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders in general meeting in accordance with the Listing Rules with all Connected Persons of the Company must abstain from voting at such 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 which the Company is required to send to Shareholders in accordance with the Listing Rules. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of an option granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective Associates is also required to be approved by Shareholders in the aforesaid manner.

8. Time of exercise of option

An option may be exercised in accordance with the terms of the New Scheme at any time during a period commencing on such date on or after the date on which the option is granted as the Board may determine in granting the option and expiring at the close of business on such date as the Board may determine in granting the option but in any event shall not exceed ten years from the date of grant (which is the date of offer of grant if the offer for the grant of the option is accepted).

9. Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

10. Ranking of Shares

If under the terms of a resolution passed or an announcement made by the Company prior to the date of exercise of an option, a dividend is to be or is proposed to be paid, or Shares are to be issued or proposed to be issued by way of the capitalization of profits or reserves or by way of rights under an offer made pro rata, to Shareholders on the register of members of the Company on a date prior to such date of exercise, the Shares to be issued upon such exercise will not rank for such dividend or such Shares. Subject as aforesaid, Shares allotted upon the exercise of an outstanding option will be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of such exercise. Shares allotted upon the exercise of an option for the time being outstanding shall not carry voting rights until completion of the registration of the option holder (or any other person) as the holder thereof.

11. Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

12. Rights of exercise for grantees who were Category A Eligible Persons

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person because he was a Category A Eligible Person ceases to be such a Category A Eligible Person:

- (i) by reason of ill-health or injury or disability or death, then he or (as the case may be) his personal representative(s) may exercise his outstanding option within six months or up to the expiration of the relevant option period, whichever is earlier, failing which the option will lapse; or
- (ii) because the relevant member of the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder by reason of his employment or engagement with, which he qualified as a Category A Eligible Person at the time the option was granted ceases to be a member of the Group or a Controlling Shareholder or a company controlled by the relevant Controlling Shareholder (as the case may be), then he may exercise his outstanding option within six months or up to the expiration of the relevant option period, whichever is earlier, failing which the option will lapse; or
- (iii) by reason of retirement in accordance with his contract of employment or service, then he may exercise his outstanding option within six months after he so ceases or, if the Board in its absolute discretion determine, within six months following the date of his sixtieth birthday where the retirement takes effect prior to such date, failing which the option will lapse; or
- (iv) by reason of voluntary resignation or dismissal, or upon expiration of his term of directorship (unless immediately renewed upon expiration), or by termination of his employment or service in accordance with the termination provisions of his contract of employment or service by the relevant company otherwise than by reason of redundancy, then his outstanding options shall lapse on the date he so ceases; or

- (v) on the grounds that he has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally or has committed any serious misconduct or has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder into disrepute), then his outstanding options shall lapse automatically on the date of his ceasing to be an Eligible Person; or
- (vi) for any other reason, any options exercisable at the date he so ceases may be exercised within three months of the date he so ceases, failing which the option will lapse,

Provided always that in each case the Board in its absolute discretion may decide that such options or any part thereof shall not so lapse or determined subject to such conditions or limitations as it may decide.

13. Rights of exercise for grantees who were Category B Eligible Persons

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person because he was a Category B Eligible Person:

- (i) ceases to be a Category B Eligible Person by reason that such grantee ceases to be a holder of any securities issued by the relevant member of the Group or the relevant Controlling Shareholder or the relevant company controlled by a Controlling Shareholder, then his outstanding option shall lapse on the date he so ceases; or
- (ii) ceases to be a Category B Eligible Person because the relevant member of the Group by reason of his holding of securities in which he qualified as a Category B Eligible Person at the time the option was granted ceases to be a member of the Group, then he may exercise his outstanding option within six months after he so ceases or up to the expiration of the option period, whichever is earlier, failing which the option will lapse; or
- (iii) ceases to be a Category B Eligible Person because the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder by reason of his holding of securities in which he qualified as a Category B Eligible Person at the time the option was granted ceases to be a Controlling Shareholder or a company controlled by the relevant Controlling Shareholder (as the case may be), then his outstanding option shall lapse on the date he so ceases; or
- (iv) (if the grantee is an individual) dies, then his personal representative(s) may exercise his outstanding option within six months after his death or up to the expiration of the option period, whichever is earlier, failing which the option will lapse; or
- (v) has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally or has committed any serious misconduct or has been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group or the relevant Controlling Shareholder or the

relevant company controlled by the relevant Controlling Shareholder into disrepute), then his outstanding option shall lapse automatically on the date of the relevant court order, resolution, misconduct or conviction or the effective date of the relevant arrangements or composition (as the case may be),

Provided always that in each case the Board in its absolute discretion may decide that such option or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

14. Rights of exercise for grantees who were Category C Eligible Persons

If a grantee of an option who at the time of grant of an option to him qualified as an Eligible Person because he was a Category C Eligible Person:

- (i) has, in the absolute determination of the Board, committed any breach of contract entered into between such Eligible Person and the relevant member of the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder; or
- (ii) has committed any act of bankruptcy or become insolvent or made any arrangements or composition with his creditors generally or committed any serious misconduct or been convicted of any criminal offence (other than an offence which in the opinion of the Board does not bring the grantee or the Group or the relevant Controlling Shareholder or the relevant company controlled by the relevant Controlling Shareholder into disrepute);

then his outstanding options shall lapse and determine automatically on the date of the Board's determination referred to in (i) above or, as the case may be, the date of the relevant court order, resolution, misconduct or conviction or the effective date of the relevant arrangements or composition (as the case may be) for the relevant event referred to in (ii) above; or

- (iii) if the grantee (if he is an individual) dies, then his personal representative(s) may exercise his outstanding option within six months after his death or up to the expiration of the option period, whichever is earlier, failing which the option will lapse,

Provided always that in each case the Board in its absolute discretion may decide that such options or any part thereof shall not so lapse or determined subject to such conditions or limitations as it may decide.

15. Rights on exercise for grantees which were companies controlled by any of the Eligible Persons

In respect of any option granted to a company which qualified as an Eligible Person because it was a company controlled by a person ("Such Person") who was a Category A Eligible Person or Category B Eligible Person or Category C Eligible Person:

- (i) the relevant provisions set out in paragraph 12, 13, or 14 (as the case may be) would apply to its outstanding option as if the option had been granted to Such Person; and

- (ii) its outstanding option shall lapse on the date it ceases to be a company controlled by Such Person,

Provided always that in each case the Board in its absolute discretion may decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as it may decide.

16. Failure to meet continuing eligibility criteria

If the Board in the offer granting the relevant option has specified that the grantee has to meet certain continuing eligibility criteria and that the failure of the grantee to meet any such continuing eligibility criterion would entitle the Company to cancel the option then outstanding (or part thereof), then upon the failure of the grantee to meet any such continuing eligibility criterion, his outstanding option shall lapse and determine on the date the Board exercises the Company's right to cancel the option on the ground of such failure.

17. Rights on a general offer

If a general offer by way of takeover is made to all the Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the grantee of an option shall, subject to paragraph 8 above, be entitled to exercise at any time within a period of fourteen days after such control has been obtained by the offeror any option in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such option from being exercisable at that time). For the avoidance of doubt, an option not so exercised shall remain valid in accordance with its terms and subject to such restrictions as applied to it before the general offer.

18. Rights on winding-up

If notice is given by the Company to Shareholders of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, the Company shall forthwith give notice to all grantees of options and each grantee shall be entitled, at any time no later than two business days prior to the proposed general meeting of the Company to exercise any of his outstanding options in whole or in part to the extent not already exercised (and notwithstanding any restrictions which would otherwise have prevented such option from being exercisable at that time). If such resolution is duly passed, all options shall, to the extent that they have not been exercised, thereupon lapse and determine on the commencement of the winding-up.

19. Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and Shareholders or the Company's creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company pursuant to the Companies Ordinance (Chapter 32), notice of the relevant meeting shall be given to the grantees of options on the same day notice is given to the Shareholders and the Company's creditors, and thereupon each grantee (or where permitted his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date

falling two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court of Hong Kong be entitled to exercise his option, but such exercise of an option shall be conditional upon such compromise or arrangement being sanctioned by the Court of Hong Kong and becoming effective. Failing such exercise, all options will lapse.

20. Lapse of options

An option shall lapse automatically on the earliest of:

- (i) the expiry of the period referred to in paragraph 8 above;
- (ii) the date on which the grantee commits a breach of paragraph 11 above, if the Board shall exercise the Company's right to cancel the option;
- (iii) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraph 12, 13, 14, 15 or 16 above; and
- (iv) the expiry of any of the relevant periods referred to in paragraph 18 or 19 above.

21. Cancellation of options granted but not yet exercised

Following the cancellation of any options granted under the New Scheme but not exercised, new options may only be granted to the same grantee under the New Scheme with available unissued options (excluding the cancelled options) within the limit of the Scheme Mandate then available to the Board.

22. Effects of alterations to capital

In the event of any reduction, sub-division or consolidation of the share capital of the Company or any capitalisation issue or rights issue, the number of Shares comprised in each option and/or the option price may be adjusted in such manner as the Board (having, except in the case of an issue of Shares by way of the capitalisation of profits or reserves, received a statement in writing from the auditors of the Company or an independent financial adviser appointed for such purpose that in their opinion the adjustments proposed are fair and reasonable) may deem appropriate, provided always that the grantee shall have the same proportion of the equity capital of the Company as that to which he was entitled before such adjustments, and that no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of Shares as consideration in a transaction will not be regarded as a circumstance requiring adjustment.

23. Period of the New Scheme

The New Scheme will remain in force for a period of ten years commencing on the date on which the New Scheme is adopted by Shareholders in general meeting and shall expire at the close of business on the day preceding the tenth anniversary thereof unless terminated earlier by Shareholders in general meeting.

24. Alteration to the New Scheme

- (A) No amendment shall be made to the terms and conditions of the New Scheme which extends the class of Eligible Persons, or alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules except with the prior approval of the Shareholders in general meeting.
- (B) Any amendment to any terms of the New Scheme which are of a material nature or any change to the options granted must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the New Scheme.
- (C) Any change to the authority of the Board in relation to any alteration to the terms of the New Scheme must be approved by Shareholders in general meeting.
- (D) Any amendment to any terms of the New Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

25. Termination to the New Scheme

The Company may, with the approval in general meeting of the Shareholders, terminate the New Scheme at any time following which no further grant of options shall be offered but in all other respects the rules of the New Scheme shall continue in full force and effect in respect of such options as may have been granted under the New Scheme prior to such termination. Any options granted prior to such termination, including options exercised or outstanding, under the New Scheme shall continue to be valid and exercisable in accordance with the rules of the New Scheme.

26. Conditions of the New Scheme

The New Scheme is conditional on (1) the passing by the Shareholders of ordinary resolutions at the AGM to approve the adoption of the New Scheme; and (2) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, up to 256,116,692 Shares (subject to adjustment as is permissible under the rules of the New Scheme), representing 10% of the Shares in issue as at the date of the AGM (assuming no Shares will be issued or repurchased by the Company prior to such date), which may be issued pursuant to the exercise of any options which may be granted under the New Scheme.