
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in APT Satellite Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**APT SATELLITE HOLDINGS LIMITED****(亞太衛星控股有限公司)****(Incorporated in Bermuda with limited liability)***GENERAL MANDATES TO REPURCHASE SHARES****AND TO ISSUE SHARES****AND****ADOPTION OF NEW SHARE OPTION SCHEME**

A notice convening an annual general meeting of APT Satellite Holdings Limited to be held at the Satellite Control Centre of the Company, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Wednesday, 22 May 2002 at 11:00 a.m. is set out in the Annual Report for the year ended 31 December 2001. A form of proxy for use at the annual general meeting is enclosed.

Whether or not you are able to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Share Registrar in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not prevent shareholders from attending and voting at the meeting if they so wish.

18 April 2002

* for identification purpose only

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RESPONSIBILITY STATEMENT

This document 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 document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

DEFINITIONS

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

“Annual General Meeting”	an annual general meeting of the Company to be held at the Satellite Control Centre of the Company, 22 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong on Wednesday, 22 May 2002 at 11:00 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is enclosed in the Annual Report for the year ended 31 December 2001;
“Annual Report for the year ended 31 December 2001”	the audited consolidated financial statements and the reports of the Directors and of the auditors for the year ended 31 December 2001;
“associates”	has the same meaning as ascribed thereto in the Listing Rules;
“Board”	the board of Directors or a committee duly appointed by such board of Directors (if any);
“Company”	APT Satellite Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“connected persons”	has the same meaning as ascribed thereto in the Listing Rules;
“Court”	has the same meaning as ascribed thereto in the Companies Ordinance;
“Director(s)”	director(s) of the Company;
“Eligible Employee(s)”	employee(s) (whether full time or part time employee(s), including any executive director but not any non-executive director) of the Company or its Subsidiaries;
“Eligible Grantees”	persons who are eligible to accept the offer of the grant of an Option in accordance with the Scheme 2001;
“Group”	the Company and its Subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	12 April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Option(s)”	option(s) granted to the Eligible Grantees under the Scheme 2001 or to the Participants under the Scheme 2002, as the context requires;
“Ordinary Resolution”	the ordinary resolution to be proposed and passed at the Annual General Meeting for the adoption of the Scheme 2002 as set out in item 8 of the notice for the Annual General Meeting;
“Participant(s)”	any person belonging to any of the following classes of persons: (a) any Eligible Employee; and (b) any non-executive director (including independent non-executive directors) of the Company or any of its Subsidiaries;
“Scheme 2001” or “Existing Share Option Scheme”	the existing share option scheme of the Company which was adopted by the Company on 22 May 2001;
“Scheme 2002” or “New Share Option Scheme”	the share option scheme proposed to be adopted by the Company at the Annual General Meeting, a summary of the principal terms of which is set out in Appendix II;
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company;
“Share Buy Back Rules”	provisions under the Listing Rules to regulate the repurchase by companies with primary listings on the Stock Exchange of their own shares on the Stock Exchange;
“Shareholder(s)”	holder(s) of Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a subsidiary for the time being of the Company (within the meaning of Section 2 of the Companies Ordinance), whether incorporated in Hong Kong or elsewhere;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers;
“HK\$”	Hong Kong dollars.

LETTER FROM THE BOARD



APT SATELLITE HOLDINGS LIMITED

(亞太衛星控股有限公司)*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Chen Zhaobin (*President*)

Cui Xinzheng (*Vice President*)

Non-executive Directors:

Liu Ji Yuan (*Chairman*)

He Ke Rang (*Vice Chairman*)

Zhou Ze He (*Vice Chairman*)

Wong Hung Khim

Lim Toon

Hsu Chih Chang

Wu Zhen Mu

Lu Xiaochun

Wu Jinfeng

Lim Shyong

Tay Chek Khoon

Yang Tze-kaing

Loh Yim Kew (*Alternate director to Lim Shyong*)

Lim Bee Ling (*Alternate director to Tay Chek Khoon*)

Independent Non-executive Directors:

Li Kwok Wing, Meocre

Yuen Pak Yiu, Philip

Registered office:

Clarendon House

2 Church Street

Hamilton, HM 11

Bermuda

*Head office and principal
place of business:*

Rooms 3111-3112

31/F One Pacific Place

88 Queensway

Hong Kong

18 April 2002

To the Shareholders

Dear Sir or Madam,

**GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES
AND
ADOPTION OF NEW SHARE OPTION SCHEME**

1. INTRODUCTION

The purpose of this circular is to provide you with information in respect of the ordinary resolutions to be proposed at the Annual General Meeting for the approval of the granting to the Directors the general mandate for the repurchase and issue of shares and in respect of the Ordinary Resolution to be proposed at the Annual General Meeting for the approval of the adoption of the Scheme 2002.

* for identification purpose only

LETTER FROM THE BOARD

On 23 August 2001, the Stock Exchange announced amendments to Chapter 17 of the Listing Rules, which came into effect on 1 September 2001. In compliance with the amendments to the Listing Rules and for reasons set out in this letter, the Board considers that it is in the interest of the Company to adopt the Scheme 2002.

2. GENERAL MANDATE TO REPURCHASE SHARES

An ordinary resolution will be proposed at the Annual General Meeting to grant the Directors a general mandate to exercise the powers to repurchase the Company's shares up to 10% of the issued and fully paid-up share capital of the Company as at the date of passing of such resolution. An explanatory statement as required under the Share Buy Back Rules to provide the requisite information of the general mandate to repurchase shares is set out in Appendix I hereto.

3. GENERAL MANDATE TO ISSUE SHARES

Two ordinary resolutions will also be proposed at the Annual General Meeting respectively granting to the Directors a general mandate to allot, issue and deal with shares not exceeding 20% of the issued share capital of the Company at the date of passing of the resolution and adding to such general mandate so granted to the Directors any shares representing the aggregate nominal amount of the shares repurchased by the Company after the granting of the general mandate to repurchase up to 10% of the issued share capital of the Company at the date of passing of the resolutions.

4. THE SCHEME 2002

At the Annual General Meeting, the Ordinary Resolution will be proposed for the Company to approve the adoption of the Scheme 2002 pursuant to which the Participants may be granted Options to subscribe for Shares upon and subject to the terms and conditions of the rules of the Scheme 2002.

A summary of the principal terms of the rules of the Scheme 2002 which is proposed to be approved and adopted by the Company at the Annual General Meeting is set out in Appendix II to this circular. A copy of the rules of the Scheme 2002 is available for inspection at the Company's Share Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong during normal business hours from the date hereof up to and including 22 May 2002.

On 22 May 2001, the Company adopted the Scheme 2001 for the Eligible Grantees pursuant to which Options to subscribe for an aggregate of up to 10% of the issued share capital of the Company from time to time can be granted. As at the Latest Practicable Date, the issued share capital of the Company was 412,720,000 Shares. Under the Scheme 2001, the Company can grant Options to subscribe for up to 41,272,000 Shares to the Eligible Grantees, representing 10% of the issued share capital of the Company. As at the Latest Practicable Date, the Company had granted 14,650,000 Options to Eligible Grantees under the Scheme 2001. Among the 14,650,000 Options, 1,200,000 Options had been cancelled and the balance of 13,450,000 Options were outstanding. The Directors confirm that prior to the Annual General Meeting, they will not grant any Options under the Scheme 2001. At present, the Company has no other share option scheme except the Scheme 2001.

LETTER FROM THE BOARD

The Scheme 2002 is conditional upon:

- (i) the passing of the Ordinary Resolution at the Annual General Meeting approving the adoption of the Scheme 2002; and
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in any new Shares which may fall to be allotted and issued upon the exercise of the subscription rights attaching to the Options that may be granted under the Scheme 2002.

No further options can be granted under the Scheme 2001 and the provisions of the Scheme 2001 shall remain in force and any Options granted on 19 June 2001, which represents all options granted under the Scheme 2001, shall continue to be valid and exercisable in accordance therewith.

Assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the date of the adoption of the Scheme 2002, the number of Shares that may be issued pursuant to the Scheme 2002 on the date of its adoption and any other share option schemes will be 41,272,000 Shares representing 10% of the Company's issued capital as at the date of passing of the Ordinary Resolution.

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the Scheme 2002 as if they had been granted at the Latest Practicable Date prior to the approval of the Scheme 2002 given that the variables which are crucial for the calculation of the value of such Option cannot be determined. The variables which are critical for the determination of the value of such Options include, the subscription price for the Shares upon the exercise of the subscription rights attaching to the Options, whether or not Options will be granted under the Scheme 2002 and the timing of the granting of such Options, the period during which the subscription rights may be exercised, the discretion of the Board to impose any performance target that has to be achieved before the subscription right attaching to the Options can be exercised and any other conditions that the Board imposed on the Options and whether or not such Options if granted will be exercised by the Option holders. The subscription 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 is to grant Options under the Scheme 2002. It is also difficult to ascertain with accuracy the subscription price of the Shares given the volatility the Share price may be subject to during the ten year life span of the Scheme 2002. In the premises, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

5. APPLICATION FOR LISTING

Application has been made to the Listing Committee of the Stock Exchange for approval of 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 Scheme 2002.

LETTER FROM THE BOARD

6. REASONS FOR ADOPTING THE SCHEME 2002

The purpose of the Scheme 2002 is to provide incentives or rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The Scheme 2002 permits the Company to grant Options to a wider category of Participants, and not just the Eligible Grantees as under the Scheme 2001. Under the rules of the Scheme 2002, the Board has discretion to set a minimum period for which an Option has to be held before the exercise of the subscription rights attaching thereto. This discretion allows the Board to provide incentive to a Participant to remain as a Participant during the minimum period and thereby enable the Group to continue to benefit from the services of such Participant during such period. This discretion, coupled with the power of the Board to impose any performance target as it considers appropriate before any Option can be exercised, enable the Group to provide incentives to the Participants to use their best endeavours in assisting the growth and development of the Group. Although the Scheme 2002 does not provide for the granting of Options with right to subscribe for Shares at a discount to the trading price of the Shares on the Stock Exchange, the Directors are of the view that the flexibility given to the Board in granting Options to Participants, other than the Eligible Grantees and to impose minimum period for which the Options have to be held and performance targets that have to be achieved before the Options can be exercised, will place the Group in a better position to attract human resources that are valuable to the growth and development of the Group as a whole, than the Scheme 2001.

Pursuant to Rule 17.02(1)(a) of the Listing Rules, an announcement on the outcome of the Annual General Meeting for the adoption of the Scheme 2002 will be published by the Company in the newspapers on the business day following the Annual General Meeting.

7. PROXY

A proxy form for use at the Annual General Meeting is enclosed with the Annual Report for the year ended 31 December 2001. If you intend to appoint a proxy to attend the Annual General Meeting, you are requested to complete the proxy form and return it to the Company's branch share registrars in Hong Kong, Tengis Limited, at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time appointed for holding the Annual General Meeting or adjourned meeting (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting at the Annual General Meeting if you so wish.

8. RECOMMENDATION

The Directors consider that the proposed granting of general mandate on repurchase of shares, the general mandate for Directors to issue new shares and the adoption of the Scheme 2002 are in the interests of the Company and the Group and the Shareholders. Accordingly, the Directors recommend Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

LETTER FROM THE BOARD

9. GENERAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I and Appendix II to this circular.

Yours faithfully,
Liu Ji Yuan
Chairman

APPENDIX I EXPLANATORY STATEMENT ON THE SHARE BUY BACK RULES

This Appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the proposed mandate on repurchase of shares.

1. REASONS FOR SHARE BUY BACK

Although the Directors have no present intention of repurchasing any shares, they believe that the flexibility afforded by the proposal for repurchase of shares would be in the best interest of the Company and its shareholders. Such purchase may, depending on market conditions and funding arrangement at the time, lead to an enhancement of value of the Company and its assets and/or its earnings per share and will only be made when the Directors believe that such a purchase will benefit the Group. Trading conditions on the Stock Exchange have sometimes been volatile in recent years. At any time in the future when shares are trading at a discount to their underlying value, the ability of the Company to repurchase shares will be beneficial to those shareholders who retain their investment in the Company since their percentage interest in the assets of the Company would increase in proportion to the number of shares repurchased by the Company.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 412,720,000 shares of HK\$0.10 each.

Subject to the passing of Ordinary Resolution Number 5 at the Annual General Meeting, the Company would be allowed under the buy back mandate to repurchase a maximum of 41,272,000 shares on the basis that no further shares will be issued or repurchased from the Latest Practicable Date up to the date of the Annual General Meeting.

3. FUNDING OF REPURCHASES

The Directors propose that in repurchasing shares under the buy back mandate, the Company may only apply funds legally available for such purpose in accordance with the memorandum of association and the bye-laws of the Company and the laws of Bermuda.

There might be material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31 December 2001) in the event that the buy back mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the buy back mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

APPENDIX I EXPLANATORY STATEMENT ON THE SHARE BUY BACK RULES

4. MARKET PRICES

The highest and lowest prices for shares of the Company traded on the Stock Exchange during each of the previous twelve months were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
April	3.400	2.875
May	4.600	3.275
June	4.200	3.725
July	3.850	3.300
August	3.550	2.725
September	2.800	2.200
October	2.650	2.375
November	3.800	2.425
December	3.875	3.125
2002		
January	3.600	3.050
February	3.425	3.100
March	3.350	3.000

5. DISCLOSURE OF INTEREST

The Directors have undertaken to the Stock Exchange that they will exercise the buy back mandate in accordance with the Listing Rules and the laws of Bermuda and in accordance with the memorandum of association and the bye-laws of the Company.

If as a result of share repurchase by the Company, a substantial shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Takeovers Code. Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, APT Satellite International Company Limited is deemed to be interested in 51.9% of the issued share capital of the Company.

In the event that the Directors should exercise in full the buy back mandate to be granted pursuant to the ordinary resolution to be proposed at the forthcoming Annual General Meeting, the shareholding of APT Satellite International Company Limited would be increased to approximately 57.67% of the issued share capital of the Company. The Directors consider that such repurchase would not give rise to an obligation for APT Satellite International Company Limited to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors have no intention to exercise the buy back mandate to such extent that the public shareholding in the Company would reduce below 25% of the issued share capital of the Company.

APPENDIX I EXPLANATORY STATEMENT ON THE SHARE BUY BACK RULES

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell shares to the Company under the buy back mandate in the event that the buy back mandate is approved by the shareholders.

The Company has not been notified by any connected persons of the Company that they have a present intention to sell any shares, or that they have undertaken not to sell any shares held by them to the Company in the event that the buy back mandate is approved by its shareholders.

6. SHARE PURCHASES MADE BY THE COMPANY

During the six months preceding the Latest Practicable Date, the Company had repurchased on the Stock Exchange a total of 80,000 shares of HK\$0.10 each in the share capital of the Company. Details of such repurchases are as follows:

Date of repurchase (2001)	Number of shares	Price per share	
		Highest	Lowest
		<i>HK\$</i>	<i>HK\$</i>
18 September	30,000	2.300	2.300
19 September	50,000	2.425	2.400

The aggregate consideration paid for repurchases of the above shares amounted to HK\$192,000. The above shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium on repurchase was charged against share premium.

This Appendix summaries the principal terms of the Scheme 2002 but does not form part of, nor was it intended to be, part of the Scheme 2002 nor should it be taken as effecting the interpretation of the rules of the Scheme 2002.

(a) Purpose of the scheme

The purpose of the Scheme 2002 is to provide incentives or rewards to Participants thereunder for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

(b) Who may join

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

- (aa) any Eligible Employee; and
- (bb) any non-executive director (including independent non-executive directors) of the Company or any of its Subsidiaries.

For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the above classes of Participants shall not, by itself, unless the Directors otherwise determined, be construed as a grant of Option under the Scheme 2002.

The basis of eligibility of any of the above classes 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.

(c) Maximum number of Shares

- (aa) The maximum number of Shares to be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme 2002 and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.
- (bb) 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 Scheme 2002 and any other share option schemes of the Company) to be granted under the Scheme 2002 and 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 passing of the Ordinary Resolution (the “General Scheme Limit”).

- (cc) Subject to (aa) above and without prejudice to (dd) below, the Company may seek approval of the 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 Scheme 2002 and any other share option schemes of the Company under the limit as “refreshed” must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit as “refreshed”, Options (including those outstanding, cancelled, lapsed or exercised in accordance with the Scheme 2002 and any other share option schemes of the Company) previously granted under the Scheme 2002 and any other share option schemes of the Company will not be counted.
- (dd) Subject to (aa) above and without prejudice to (cc) above, the Company may issue a circular to the Shareholders and seek separate Shareholders’ approval in general meeting to grant Options beyond the General Scheme Limit or, if applicable, the limit referred to in (cc) above to Participants specifically identified by the Company before such approval is sought.

(d) Maximum entitlement of each Participant

The total number of Shares issued and which may fall to be issued upon exercise of the Options granted under the Scheme 2002 and any other share option schemes of the Company (including both exercised and outstanding Options) to each Participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being (the “Individual Limit”). Any further grant of Options to a Participant in excess of the Individual Limit (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of such further grant must be subject to the issue of a circular to the Shareholders and the Shareholders’ approval in general meeting of the Company with such Participant and his associates abstaining from voting.

(e) Grant of Options to connected persons

- (aa) Any grant of Options under the Scheme 2002 to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).
- (bb) 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:
- (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 the date of each grant, in excess of HK\$5,000,000;

such further grant of Options must be approved by the Shareholders. The Company must send a circular to the Shareholders. 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. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll. Any change in the terms of the Options granted to a substantial shareholder or an independent non-executive Director of the Company, or any of their respective associates must be approved by the Shareholders in general meeting.

(f) Time of acceptance and exercise of an Option

An offer of grant of an Option may be accepted by a Participant within 28 days from the date of the offer of grant of the Option. A consideration of HK\$1 is payable on acceptance of the offer of grant of an Option.

An Option may be exercised in accordance with the terms of the Scheme 2002 at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on the day on which the offer for the grant of Options is made but shall end in any event not later than ten (10) years from the date on which the Board makes an offer of the grant of an Option subject to the provisions for early termination thereof.

Unless the Directors otherwise determined and stated in the offer of the grant of Options to a Participant, there is no minimum period for which an Option granted under the Scheme 2002 must be held before it can be exercised.

(g) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of Options to a Participant, a Participant is not required to achieve any performance targets before any Options granted under the Scheme 2002 can be exercised.

(h) Subscription price for Shares

The subscription price for Shares under the Scheme 2002 shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. Without prejudice to the generality of the foregoing, the Directors may grant Options in respect of which the subscription price is fixed at different prices for different periods during the Option period provided that the subscription price for Shares for each of the different periods shall not be less than the subscription price determined in the manner set out herein.

(i) Ranking of Shares

- (aa) Shares allotted upon the exercise of an Option will be subject to all the provisions of the bye-laws of the Company and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of the Company, provided always that when the date of exercise of the Option falls on a day upon which the register of members of the Company is closed then the exercise of the Option shall become effective on the first business day in Hong Kong on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an Option shall not carry voting rights until the completion of the registration of the grantee as the holder thereof.
- (bb) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a sub-division, consolidation, re-classification or reduction of the share capital of the Company from time to time.

(j) Restrictions on the time of grant of Options

No offer for grant of Options shall 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 newspapers. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Directors (as such date is first notified to the Stock Exchange in accordance with the terms of the Company’s listing agreement) for the approval of the Company’s interim or annual results, and (ii) the last date on which the Company must publish its interim or annual results announcement under its listing agreement with the Stock Exchange, and ending on the date of the announcement of the results, no Option may be granted.

The Directors may not grant any Option to a Participant who is a Director during the periods or times in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Companies prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(k) Period of the Scheme 2002

The Scheme 2002 will remain in force for a period of 10 years commencing on the date on which the Scheme 2002 becomes unconditional.

(l) Rights on ceasing employment

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death or serious misconduct or other grounds referred to in sub-paragraph (n) below before exercising his Option in full, the Option (to the extent which has become exercisable and not already exercised) will lapse after a period of fourteen (14) days (or such longer period as the Board may in its absolute discretion determine) from the date of such cessation and will not be exercisable unless the Directors otherwise determine in which event the grantee may exercise the Option (to the extent not already exercised) in whole or in part within such period as the Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was at work with the Group whether salary is paid in lieu of notice or not.

(m) Rights on death

If the grantee of an Option ceases to be a Participant by reason of death before exercising the Option in full (provided that none of the events which would be a ground for termination of his or her employment under sub-paragraph (n) below arises prior to his or her death), the legal personal representative of this grantee shall be entitled within a period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the Option (to the extent which has become exercisable and not already exercised), failing which it will lapse.

(n) Rights on dismissal

If the grantee of an Option is an Eligible Employee and ceases to be an Eligible Employee by reason that he has been guilty of misconduct or has committed an 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 or (if so determined by the Board) on any ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Eligible Employee's service contract with the Company or the relevant Subsidiary, his or her Option will lapse automatically on the date the grantee ceases to be an Eligible Employee.

(o) Rights on breach of contract

If the Directors at their absolute discretion determine that the grantee of any Option (other than an Eligible Employee) or his or her associate has committed any breach of any contract entered into between the grantee or his or her associate on the one part and the Group on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her creditors generally, the Directors shall determine that the outstanding Options granted to the grantee shall lapse. In such event, his or her Options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(p) Rights on a general offer

If a general or partial offer, whether by way of take-over offer, share re-purchase 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 concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, Shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his or her Option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his or her Option at any time before the close of such offer (or any revised offer). Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding up

In the event of an effective resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time no later than two business days prior to the date on which such resolution is passed, exercise his or her Option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Scheme 2002 and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his or her Option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the Shares in issue on the date prior to the date of the passing of the resolution to wind-up the Company. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date of the commencement of the winding-up of the Company.

(r) Rights on compromise or arrangement between the Company and its creditors

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his or her legal 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 be entitled to exercise his or her Option (to the extent which has become exercisable and not already exercised), but the exercise of the Option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her Option so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement. Subject to the above, an Option will lapse automatically (to the extent not exercised) on the date the proposed compromise or arrangement becomes effective.

(s) Adjustments of the subscription price or other terms

In the event of a capitalisation issue of profits or reserves, rights issue, sub-division or consolidation of Shares or reduction of capital of the Company whilst an Option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of or an independent financial adviser to the Company as fair and reasonable will be made to the number or nominal amount of Shares the subject matter of the Scheme 2002 and the Option so far as unexercised and/or the subscription price for Shares and/or the method of exercise of the Option concerned, provided that (i) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such adjustments; (ii) no such adjustment will be required in circumstances where there is an issue of Shares or other securities of the Group as consideration in a transaction; and (iii) no adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, the Company's auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provision of the Listing Rules.

(t) Cancellation of Options

Any cancellation of Options granted but not exercised must be approved by Shareholders in general meeting, with the relevant grantees and their associates abstaining from voting.

Where the Company cancels Options and issues new ones to the same grantee, the issue of such new options may only be made under the Scheme 2002 and any other share option schemes of the Company with available unissued options (excluding the cancelled Options) within the limit approved by Shareholders as mentioned in note (1) to Rule 17.03(3) of the Listing Rules.

(u) Termination of the Scheme 2002

The Company may by resolution in general meeting at any time terminate the Scheme 2002 and in such event no further Options shall be offered but in all other respects the provisions of the Scheme 2002 shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Scheme 2002. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Scheme 2002.

(v) Rights are personal to the grantee

An Option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such grantee.

(w) Lapse of Option

An Option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (aa) the expiry of the period referred to in paragraph (f);
- (bb) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r); and
- (cc) the date on which a breach of the provision of restriction on transfer and assignment of an Option referred to in paragraph (v) is committed.

(x) Others

- (aa) The terms and conditions of the Scheme 2002 relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the Options except with the prior approval of the Shareholders in general meeting.
- (bb) Any alterations to the terms and conditions of the Scheme 2002 which are of a material nature or any change to the terms of Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Scheme 2002.
- (cc) The amended terms of the Scheme 2002 or the Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (dd) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Scheme 2002 must be approved by the Shareholders in general meeting.