
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

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



**PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME,
PROPOSED ADOPTION OF A NEW SHARE OPTION SCHEME,
AND THE PROPOSED GRANT OF GENERAL MANDATES
TO REPURCHASE SHARES AND ISSUE NEW SHARES**

A notice convening an annual general meeting of Tongda Group Holdings Limited ("Company") to be held at Room 1201-03, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong on Monday, 10th June, 2002 at 9:30 a.m. is set out on pages 3 to 7 of the 2001 annual report of the Company which was despatched to shareholders of the Company on 30th April, 2002. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time of the meeting to the Company's branch share registrars in Hong Kong, Hong Kong Registrars Limited, at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

30th April, 2002

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RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company and its subsidiaries. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be convened and held on Monday, 10th June, 2002 at 9:30 a.m. at Room 1201-03, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, the notice of which is set out on pages 3 to 7 of the Company’s 2001 annual report which was despatched to Shareholders on 30th April, 2002, and any adjournment thereof
“Articles of Association”	the articles of association in force from time to time of the Company
“associate(s)”	has the meaning described thereto under the Listing Rules
“Board”	the board of Directors
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	Tongda Group Holdings Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning described thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Scheme”	the existing share option scheme of the Company adopted pursuant to a resolution in writing of the then shareholders of the Company passed on 7th December, 2000
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	25th April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“New Scheme”	the new share option scheme proposed to be adopted by the Company at the Annual General Meeting for the benefit of the employees and directors of the Company and its subsidiaries and other eligible participants as prescribed thereunder
“Proposal”	the termination of the Existing Scheme, the adoption of the New Scheme and the grant of a general authorisation to the Directors to grant options under the New Scheme of up to 10 per cent. of the issued share capital of the Company as at the date of the Annual General Meeting
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



Directors:

Mr. Wang Ya Nan (*Chairman*)
Mr. Wang Ya Hua (*Executive*)
Mr. Wong Ah Yu (*Executive*)
Mr. Wong Ah Yeung (*Executive*)
Mr. Shi Bi Xi (*Executive*)
Mr. Choi Wai Sang (*Executive*)
Mr. Ting Leung Huel, Stephen
(*Independent Non-Executive*)
Mr. Wong Kong Hon, JP
(*Independent Non-Executive*)

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands

*Principal place of business
in Hong Kong:*

Room 1201-03, 12th Floor
Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

30th April, 2002

To the Shareholders

Dear Sir or Madam,

**PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME,
PROPOSED ADOPTION OF A NEW SHARE OPTION SCHEME,
AND THE PROPOSED GRANT OF GENERAL MANDATES
TO REPURCHASE SHARES AND ISSUE NEW SHARES**

INTRODUCTION

The purpose of this circular is to give you further information regarding the ordinary resolutions to repurchase Shares, to issue new Shares and pass the Proposal and to seek your approval of the resolutions in relation thereto to be proposed at the Annual General Meeting.

Three respective ordinary resolutions will be proposed at the Annual General Meeting to enable the Directors to exercise the powers of the Company (i) to undertake repurchases on the Stock Exchange of the Company's fully paid up Shares representing up to a maximum of 10% of the existing issued share capital of the Company (ii) to issue new Shares up to 20% of the issued share capital of the Company and (iii) to increase the number of Shares which the Directors may issue under the general mandate by the number of Shares repurchased under the repurchase mandate.

LETTER FROM THE BOARD

By a resolution in writing passed on 7th December, 2000 by all the then shareholders of the Company, the Existing Scheme was adopted and became effective on 22nd December, 2000. Under the Existing Scheme, the Directors were authorised to grant to full-time employees of the Company or its subsidiaries, including executive directors of such companies, options to subscribe for Shares.

Under the Listing Rules, the Company is required to provide you with information reasonably necessary to enable you to make an informed decision as to whether to vote for or against the resolutions to be proposed at the Annual General Meeting. This circular is prepared for such purpose.

THE PROPOSAL

Termination of the Existing Scheme and adoption of the New Scheme

Since the adoption of the Existing Scheme, certain options to subscribe for 2,000,000 Shares were granted under the Existing Scheme. As at the Latest Practicable Date, such options were fully exercised by the grantees and there is no outstanding option which was granted under the Existing Scheme.

The Directors confirm that they will not further exercise their authority to grant options under the Existing Scheme and, accordingly, no further option will be granted under the Existing Scheme prior to its termination and the adoption of the New Scheme at the Annual General Meeting.

Reasons for the Proposal

Major amendments have recently been introduced to Chapter 17 of the Listing Rules. These amendments came into effect on 1st September, 2001.

Chapter 17 of the Listing Rules deals with the share option schemes of the listed companies. The amendments introduced expanded the classes of potential grantees of share options, relaxed certain requirements relating to the maximum number of shares comprised in share options that can be granted under the share option schemes of listed companies and, at the same time, imposed new disclosure and approval requirements on listed companies.

Options may no longer be granted under the Existing Scheme by the Company unless such grants have been made in compliance with the amended rules. In this connection, the Board intends to propose to the Shareholders that the Company should terminate its Existing Scheme (under which no options are outstanding) and adopt the New Scheme, the terms of which comply with the amended Chapter 17 of the Listing Rules. The Directors consider that the adoption of the New Scheme is in the interests of the Company and Shareholders as a whole because it enables the Company to reward and provide incentives to, and to strengthen the Group's business relationship with, the prescribed classes of participants who may contribute to the growth and development of the Group.

LETTER FORM THE BOARD

The New Scheme

Set out in the Appendix to this circular are the principal terms of the New Scheme, under which the maximum number of Shares which might be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme could represent up to 10 per cent. of the issued share capital of the Company on the date of approval of the New Scheme by the Shareholders at the Annual General Meeting, which maximum number may however be refreshed as detailed in paragraph (iii) of the Appendix to this circular.

Conditions of the adoption of the New Scheme

The adoption of the New Scheme is conditional upon, among other matters, (i) the termination of the Existing Scheme by an ordinary resolution at the Annual General Meeting; (ii) the approval of the New Scheme by Shareholders at the Annual General Meeting and the allotment and issue of the Shares which fall to be allotted and issued upon the exercise of the option granted under the New Scheme; and (iii) the Stock Exchange granting the listing of, and permission to deal in, the Shares which fall to be allotted and issued upon the exercise of the option granted under the New Scheme.

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

Values of all options that can be granted under the New Scheme

The Directors consider that it is not possible to state the value of all options that may be granted pursuant to the New Scheme as if they had been granted on Latest Practicable Date, because the calculation of the value of the options is based on a number of variables such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables. As options (other than the employee option, details of which are set out below in this letter) have not been granted, certain variables are not available for calculating the value of the options. The Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

The value of the options will be stated by the Directors in the letter(s) offering the options to the eligible participant(s) when options are to be granted under the New Scheme. The Company will either use the Black-Scholes option pricing model or the binomial model or a comparable generally accepted methodology as accepted by the Stock Exchange to calculate the value of the options.

LETTER FROM THE BOARD

EXPLANATORY STATEMENT ON REPURCHASE MANDATE

The explanatory statement as required under the Listing Rules to provide the requisite information to you for consideration of the proposed grant of the repurchase mandate is set out below:

LISTING RULES RELATING TO THE REPURCHASE OF SHARES

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their Shares on the Stock Exchange subject to certain restrictions, the most important of which are summaries below. The Company is empowered by its Memorandum and the Articles of Association to repurchase its own Shares.

(a) Shareholders' approval

The Listing Rules provide that all on-market shares repurchases by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a general mandate or by specific approval with reference to a specific transaction.

(b) Source of funds

Repurchases must be funded out of funds which are legally available for the purpose in accordance with the Company's Memorandum and Articles of Association and the Companies Law. Any repurchases by the Company may only be made out of the profits of the Company or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of the Company out of the share premium account of the Company or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

(c) Maximum number of shares to be purchased and subsequent issues

A maximum of 10% of fully-paid issued share capital of the Company at the date of passing the relevant resolution at the Annual General Meeting may be repurchased on the Stock Exchange.

GENERAL MANDATES TO BE GRANTED TO DIRECTORS TO MAKE ON-MARKET REPURCHASES OF SHARES AND TO ISSUE NEW SHARES

At the 2000 annual general meeting of the Company held on 28th May, 2001, the Directors were granted a general mandate to allot, issue and deal with Shares in the capital of the Company and a general mandate to repurchase Shares on the Stock Exchange. These mandates will expire at the conclusion of the forthcoming Annual General Meeting. To facilitate future allotment and issue of Shares by the Directors on behalf of the Company, the Director will seek the approval of the Shareholders for the grant of the general mandate and the repurchase mandate as provided under resolutions 4(A) to 4(C) in the notice of the Annual General Meeting.

LETTER FORM THE BOARD

Ordinary resolution 4(A) contained in the notice of the Annual General Meeting relates to the granting of a general mandate to the Directors to issue new Shares up to a maximum of 20% of the issued share capital of the Company at the date of passing of the resolution. The authority conferred on the Directors by this mandate will continue in force until the conclusion of the next annual general meeting of the Company, or any earlier date as referred to in paragraph (d) of the ordinary resolution 4(A). In addition, subject to the approval by the Shareholders of the ordinary resolution 4(C) contained in the notice of the Annual General Meeting, the number of Shares purchased by the Company under the repurchase mandate will also be added to the 20% general mandate as mentioned above. The Directors have no immediate plans to allot and issue any new Shares other than such Shares which may fall to be issued upon the exercise of any options granted under the New Scheme.

Ordinary resolution 4(B) contained in the notice of the Annual General Meeting relates to the granting of a buy back mandate to the Directors to repurchase, on the Stock Exchange, Shares of the company up to a maximum of 10% of the issued share capital of the Company as at the date of the passing of the resolution (the repurchase mandate). The authority conferred on the Directors by this mandate will continue in force until the conclusion of the next annual general meeting of the Company, or any earlier date as referred to in paragraph (c) of ordinary resolution 4(B).

Ordinary resolution 4(C) contained in the notice of the Annual General Meeting relates to the extension of the general mandate to be granted to the Directors to issue new Shares during the relevant period by adding to it the aggregate nominal amount of Shares (if any) purchased under the repurchase mandate. The authority conferred on the Directors by this mandate will continue in force until the conclusion of the next Annual General Meeting of the Company, or any earlier date as referred to in paragraph (d) of ordinary resolution 4(A).

REASONS FOR SHARE REPURCHASES

Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the repurchase mandate would be in the best interests of the Company and its Shareholders. 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 attributable percentage interest in the Shares of the Company would increase in proportion to the number of Shares repurchased by the Company. The Directors will only make such repurchases in circumstances where they consider them to be beneficial to the Company and its Shareholders.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 3,020,000,000 Shares.

Subject to the passing of ordinary resolution 4(B), the Company would be allowed under the repurchase mandate to repurchase a maximum of 302,000,000 Shares, on the basis that no Shares will be issued or repurchased prior to the date of the Annual General Meeting.

LETTER FROM THE BOARD

Subject to the passing of ordinary resolution 4(A), the Company would be allowed under the mandate to issue a maximum of 604,000,000 Shares on the basis that no Shares issued or repurchased prior to the date of the Annual General Meeting.

FUNDING OF REPURCHASES

The Directors propose that repurchases of Shares under the repurchase mandate in these circumstances would be financed from the Company's internal resources or working capital facilities.

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association of the Company and the applicable laws of the Cayman Islands.

Taking into account the current working capital position of the Company, there might be a material adverse impact on the working capital or gearing position of the Company in the event that the repurchase 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 repurchase 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.

MARKET PRICES

The highest and lowest market prices at which Shares traded on the Stock Exchange during each of the previous 12 months on the Stock Exchange were as follows:

	Highest		Lowest	
	<i>HK\$</i>		<i>HK\$</i>	
	<i>(Note 2)</i>		<i>(Note 2)</i>	
2001				
April	0.890	0.089	0.520	0.052
May	0.980	0.098	0.800	0.080
June	2.350	0.235	0.980	0.098
July	2.550	0.255	2.000	0.200
August	2.900	0.290	1.650	0.165
September	1.650	0.165	1.650	0.165
October (<i>Note 1</i>)	1.680	0.168	0.160	0.160
November	0.160		0.160	
December	0.160		0.138	
2002				
January	0.138		0.105	
February	0.101		0.062	
March	0.100		0.063	

Note 1: On 30th October, 2001, the Company underwent a capital reorganisation whereby every one issued and unissued share of HK\$0.1 each in the capital of the Company was subdivided into ten issued and unissued Shares of HK\$0.01 each in the capital of the Company.

Note 2: The highest and lowest prices of Shares under these columns are stated for comparison purpose only and on the assumption that the subdivision of shares had become effective since April 2001.

LETTER FORM THE BOARD

DISCLOSURE OF INTERESTS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make purchases under the repurchase mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a share repurchase, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers ("Code") and if such increase results in a change of control, may in certain circumstances give rise to an obligation to make a mandatory offer for Shares under Rule 26 of the Code. Should the Directors exercise the power of the Company under the repurchase mandate, based on the current shareholding's structure of the Company, the Directors are not aware of any obligation that would arise under the Code.

As at the Latest Practicable Date, only the following persons were interested in 10% or more of the issued share capital of the Company as recorded in the register of interests kept by the Company under the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) and held the following number of Shares:

Name	Number of Shares	Percentage of total number of Shares	Percentage of total number of Shares (assuming the repurchase mandate is exercised in full)
Landmark Worldwide Holdings Limited	16,987,500,000	56.3%	62.5%
Jetwise Universal Limited	472,500,000	15.7%	17.4%

Note:

1. The entire issued share capital of Landmark Worldwide Holdings Limited is held and beneficially owned as to 25% by each of Messrs Wang Ya Nan, Wang Ya Hua, Wong Ah Yu and Wong Ah Yeung.
2. The entire issued share capital of Jetwise Universal Limited is held and beneficially owned by Mr. Shi Bi Xi, a director of the Company.

The Directors have no intention to exercise the repurchase mandate to such an extent that will result in the number of Shares in the hands of public falling below the prescribed minimum public float percentage of 25 per cent..

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective associates, presently intends to sell Shares to the Company in the event that the repurchase 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, nor they have undertaken not to sell any Shares held by them to the Company in the event that the repurchase mandate is approved by the Shareholders.

LETTER FORM THE BOARD

SHARE PURCHASES MADE BY THE COMPANY

No purchases of Shares have been made by the Company whether on the Stock Exchange or otherwise since the Company's listing on the Stock Exchange on 22nd December, 2000.

ACTIONS TO BE TAKEN

A form of proxy for use at the Annual General Meeting is enclosed with the annual report for the year ended 31st December, 2001. To be valid, the form of proxy must be completed in accordance with the instructions printed thereon and deposited, together with power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, at the Company's branch share registrars in Hong Kong, Hong Kong Registrars Limited, at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not later than 9:00 a.m. on 8th June, 2002. Completion and delivery of the form of proxy will not prevent you from attending and voting at the Annual General Meeting.

RECOMMENDATION

The Directors believe that the Proposal, the general mandate to issue Shares and the repurchase mandate are beneficial to the Company and the Shareholders as a whole.

In particular, the performance targets (if any) and the subscription price set in accordance with the New Scheme will act as incentive to the eligible participants of the New Scheme to contribute more efforts for the benefits of the Company.

The Directors believe that an exercise of the general mandate will enable the Company to take advantage of market conditions to raise additional capital for the Company.

The repurchase mandate may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such repurchases of Shares will benefit the Company and the Shareholders.

An exercise of the repurchase mandate in full could have a material adverse impact on the working capital and gearing position of the Company compared with that as at 31st December, 2001, being the date of its latest audited consolidated accounts. The Directors do not, however, intend to make any repurchase in circumstances that would have a material adverse impact on the working capital or gearing position of the Company.

The Directors consider that the Proposal, the repurchase mandate and the general mandate are in the best interests of the Company and its Shareholders and accordingly recommend that all Shareholders should vote in favour of ordinary resolutions 4(A), 4(B), 4(C), 5, 6 and 7 to be proposed at the Annual General Meeting.

LETTER FORM THE BOARD

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Room 1201-03, 12th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day up to and including Monday, 10th June, 2002 and at the Annual General Meeting:

- (i) the Memorandum and Articles of Association of the Company; and
- (ii) the draft rules of the New Scheme.

Yours faithfully,
For and on behalf of
the board of Directors of
Tongda Group Holdings Limited
WANG YA NAN
Chairman

Set out below is a summary of the principal terms and conditions of the New Scheme to provide sufficient information to the Shareholders for their consideration of the New Scheme proposed to be adopted at the Annual General Meeting.

(i) Purpose of the scheme

The purpose of the New Scheme is to enable the Group to grant options to the Eligible Participants as incentives or rewards for their contribution to the Group. The Directors consider that the New Scheme, with its broadened basis of participation, absence of performance target to be achieved and minimum period for which an option must be held unless otherwise determined by the Directors, will enable the Group to reward the employees, the Directors and other selected participants for their contribution to the Group and will also assist the Group in its recruitment and retention of high calibre professionals, executive and employees who are instrumental to the growth of the Group.

(ii) Who may join

The Directors may at their absolute discretion, invite any person belonging to any of the following classes of participants (the “Eligible Participants”) to take up options to subscribe for Shares:

- (a) any employee, executive (including any executive director but excluding any non-executive director), manager, consultant (as to functional areas of finance, business, engineering, design, personnel administration and information technology) or proposed employee, executive, manager, consultant (as to the said area) (provided that the grant is conditional on their becoming employee, executive, manager or consultant respectively of the Group) of the Company, any of its subsidiaries, or any entity (the “Invested Entity”) in which any member of the Group holds any equity interest;
- (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier or potential supplier of goods or services to any member of the Group or any Invested Entity, provided that the grant is conditional on the potential supplier becoming supplier of the Group;
- (d) any customer or potential customer of the Group or any Invested Entity, provided that the grant is conditional on the potential customer becoming customer of the Group;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- (f) any shareholder of any member of the Group other than the Company or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

- (g) any professional adviser; and
- (h) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development,

and, for the purposes of the New Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. 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 falls 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 New Scheme.

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

(iii) Maximum number of Shares

- (a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes adopted by the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or the subsidiary) in issue from time to time.
- (b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the New Scheme and any other share option scheme of the Group) to be granted under the New Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue as at the date of passing the relevant resolution adopting the New Scheme (the “General Scheme Limit”).
- (c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of the Shareholders at general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the New Scheme and any other share option scheme of the Group 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, options (including those outstanding, cancelled, lapsed or exercised in accordance with the New Scheme and any other share option scheme of the Group) previously granted under the New Scheme and any other share option scheme of the Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate Shareholders’ approval at general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

(iv) 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 New Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the “Individual Limit”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the Shareholders’ approval at general meeting of the Company with such participant and his associates abstaining from voting.

(v) Grant of options to connected persons

- (a) Any grant of options under the New Scheme to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is also the grantee of the options).
- (b) 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 allotted and 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:
 - (aa) representing in aggregate over 0.1% of the Shares in issue; and
 - (bb) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders at general meeting. 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 options granted to a substantial Shareholder or an independent non-executive Director, or any of their respective associates must be approved by the Shareholders at general meeting.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within twenty-one (21) days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the New Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence from the date of acceptance of the offer for the grant of options but shall end in any event not later than ten (10) years from the date on which the offer for grant of the option is made

subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the New Scheme for the holding of an option before it can be exercised.

(vii) Performance targets

Unless the Directors otherwise determined and stated in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the New Scheme can be exercised. No performance targets are specifically stipulated under the New Scheme.

(viii) Subscription price for Shares

The subscription price for Shares under the New Scheme 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 for trade in one or more board lots of Shares on the date of the offer of grant which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of Shares for the five business days immediately preceding the date of the offer of grant which must be a business day; and (iii) the nominal value of the Shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

(ix) Ranking of Shares

- (a) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of Articles of Association of the Company and will rank *pari passu* in all respects with the fully paid Shares in issue on the date on which the option is duly exercised (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until completion of the registration of the grantee as the holder thereof.
- (b) 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, reclassification or reduction of the share capital of the Company from time to time.

(x) Restrictions on the time of grant of options

- (a) No offer for the 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 (aa) the date of the meeting of the Directors for the approval of the Company's interim or annual results, and (bb) the last date on which the Company must publish its interim or annual results announcement under its listing agreement and ending on the date of the announcement of such results, no option may be granted.
- (b) The Directors may not grant any option to a participant who is a Director during the periods or times in which the 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.

(xi) Period of the New Scheme

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

(xii) 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 his death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (xiv) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of 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.

Eligible Employee means any full-time employee or proposed employee (including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any Invested Entity.

(xiii) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part a period of twelve (12) months following the date of cessation which date shall be the last day on which the grantee was at work with the Group or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Directors may determine.

(xiv) 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 persistent or serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the grantee or the Group or the Invested Entity into disrepute), his option will lapse automatically and will not in any event be exercisable on or after the date of cessation to be an Eligible Employee.

(xv) Rights on breach of contract

If the Directors shall at their absolute discretion determine that (a) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his 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 creditors generally; and (b) the option granted to the grantee under the New Scheme shall lapse, his option will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(xvi) Rights on a general offer, a compromise or arrangement

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. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his 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 option at any time before the close of such offer (or any revised offer). Subject to the above, an option (to the extent not already exercised) will lapse automatically on the date on which such offer (or, as the case may be, revised offer) closes.

(xvii) 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 prior to the date on which such resolution is passed exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the New Scheme and shall accordingly be entitled, in respect of the Shares falling to be allotted and issued upon the exercise of his option, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution.

(xviii) Adjustments to the subscription price

In the event of a capitalisation issue, 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 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 New Scheme and the option so far as unexercised or the option price, provided that (a) any adjustments shall give a grantee the same proportion of the issued share capital to which he would have been entitled prior to such alteration; (b) no adjustment shall be made the effect of which would be to enable a Share to be allotted and issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such 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; and (c) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment.

(xix) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the consent of the relevant grantee and approved by the Directors. Where the Company cancels options and issues new ones to the same participant, the issue of such new options may only be made under a scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders at general meeting as referred to in paragraph (iii) above.

(xx) Termination of the New Scheme

The Company may by resolution at general meeting at any time terminate the operation of the New Scheme and in such event no further options shall be offered but in all other respects the provisions of the New Scheme 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 New Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the New Scheme.

(xxi) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable. The grantee shall not sell, transfer, mortgage, encumber or in any way create any interest in any option granted. Any breach of the foregoing will entitle the Company to cancel any outstanding option or any part thereof granted to the grantee in breach without incurring any liability on the part of the Company.

(xxii) Lapse of option

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

- (a) the expiry of the period referred to in paragraph (vi); and
- (b) the expiry of the periods or dates referred to in paragraph (xii), (xiii), (xiv), (xv), (xvi) and (xvii).

(xxiii) Miscellaneous

- (a) The New Scheme is conditional on the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the New Scheme.
- (b) The terms and conditions of the New Scheme 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 approval of the Shareholders at general meeting.
- (c) Any alterations to the terms and conditions of the New Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders at general meeting, except where the alterations take effect automatically under the existing terms of the New Scheme.
- (d) Amended terms of the New Scheme or the options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (e) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the New Scheme shall be approved by the Shareholders at general meeting.
- (f) Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the New Scheme.