
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 your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Evergrande Group, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**(1) RENEWAL OF GENERAL MANDATES
TO ISSUE SHARES AND TO BUY BACK SHARES
(2) RE-ELECTION OF DIRECTORS
(3) RENEWAL OF SHARE OPTION SCHEME OF THE COMPANY
(4) ADOPTION OF SUBSIDIARY SHARE OPTION SCHEMES
AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at 11:00 a.m. on Thursday, 6 June 2019 at Atrium Room, Level 39, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong is set out at pages 41 to 45 of this circular. A form of proxy for use at the annual general meeting is also enclosed.

Whether or not you intend to attend the annual general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the annual general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the said meeting or any adjourned meeting thereof should you so wish.

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DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at 11:00 a.m. on Thursday, 6 June 2019 at Atrium Room, Level 39, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong, for the purpose of considering and if thought fit, approving the resolutions proposed in this circular;
“Articles of Association”	the articles of association of the Company as amended from time to time;
“Board”	the board of Directors;
“close associate(s)”	has the same meaning ascribed to it under the Listing Rules;
“Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Company”	China Evergrande Group (中國恒大集團), a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange;
“connected persons”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Eligible Participants”	(i) any full time or part-time employees, executives, officers or directors (including executive, non-executive and independent non-executive directors) of the Group; and (ii) any advisers, consultants, agents, suppliers or joint venture partners who, in the sole opinion of the Board, will contribute or have contributed to the Group;
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 14 October 2009;
“First Subsidiary”	Evergrande Intelligent Technology Co., Ltd.* (恒大智慧科技有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company as at the Latest Practicable Date;
“First Subsidiary Board”	the board of directors of the First Subsidiary;

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“First Subsidiary Grantees”	selected senior management and other employees of the First Subsidiary that have been granted options under the First Subsidiary Option Scheme;
“First Subsidiary Option(s)”	the options granted by the First Subsidiary to the First Subsidiary Grantees in accordance with the terms of the First Subsidiary Option Scheme;
“First Subsidiary Option Scheme”	the share option scheme to be adopted by the First Subsidiary;
“First Subsidiary Scheme Limit”	5% of the issued share capital of the First Subsidiary;
“First Subsidiary Shares”	shares of the First Subsidiary;
“General Mandate”	a general and unconditional mandate to be granted to the Directors to allot, issue and otherwise deal with new Shares and other securities, representing 20% of the total number of Shares in issue as at the date of passing of the relevant resolution;
“Grantees”	Eligible Participants who have been granted Options under the Share Option Scheme;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	29 April 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Option(s)”	option(s) to subscribe for Shares pursuant to the Share Option Scheme;
“Option Holders”	the holders of the Options;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;

DEFINITIONS

“Second Subsidiary”	Evergrande Intelligent Charging Technology Co., Ltd.* (恒大智慧充電科技有限公司), a company incorporated in the PRC and is a wholly-owned subsidiary of the Company as at the Latest Practicable Date;
“Second Subsidiary Board”	the board of directors of the Second Subsidiary;
“Second Subsidiary Grantees”	selected senior management and other employees of the Second Subsidiary that have been granted options under the Second Subsidiary Option Scheme;
“Second Subsidiary Option(s)”	the options granted by the Second Subsidiary to the Second Subsidiary Grantees in accordance with the terms of the Second Subsidiary Option Scheme;
“Second Subsidiary Option Scheme”	the share option scheme to be adopted by the Second Subsidiary;
“Second Subsidiary Scheme Limit”	5% of the issued share capital of the Second Subsidiary;
“Second Subsidiary Shares”	shares of the Second Subsidiary;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company;
“Share Buy-back Mandate”	a general and unconditional mandate to the Directors to exercise the power of the Company to buy back Shares up to a maximum of 10% of the total number of Shares in issue as at the date of passing of the relevant resolution;
“Share Option Scheme”	the share option scheme of the Company proposed to be renewed at the Annual General Meeting, the principal terms of which are set out in Appendix III to this circular;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary Share Option Schemes”	the First Subsidiary Option Scheme and the Second Subsidiary Option Scheme;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;

DEFINITIONS

“US\$” United States dollar, the lawful currency of the United States;
and

“%” per cent.

* *for identification purposes only.*



中國恒大集團

CHINA EVERGRANDE GROUP

China Evergrande Group

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

Executive Directors:

Mr. Hui Ka Yan (*Chairman*)
Mr. Xia Haijun (*Vice Chairman and President*)
Ms. He Miaoling
Mr. Shi Junping
Mr. Pan Darong
Mr. Huang Xiangui

Independent Non-executive Directors:

Mr. Chau Shing Yim, David
Mr. He Qi
Ms. Xie Hongxi

Registered Office:

P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Head Office:

No. 1126, Haide 3rd Road
Nanshan District
Shenzhen
Guangdong Province
China (Postal Code: 518054)

Principal place of business in Hong Kong:

23rd Floor, China Evergrande Centre
38 Gloucester Road, Wanchai
Hong Kong

6 May 2019

To the Shareholders:

Dear Sir or Madam,

- (1) RENEWAL OF GENERAL MANDATES
TO ISSUE SHARES AND TO BUY BACK SHARES,
(2) RE-ELECTION OF DIRECTORS,
(3) RENEWAL OF SHARE OPTION SCHEME OF THE COMPANY,
(4) ADOPTION OF SUBSIDIARY SHARE OPTION SCHEMES
AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the Annual General Meeting relating to the renewal of the general mandates to allot, issue and deal with the Shares and to buy back Shares, the re-election of Directors, the renewal of the share option scheme of the Company and the adoption of the Subsidiary Share Option Schemes.

LETTER FROM THE BOARD

At the Annual General Meeting, resolutions will be proposed, among others, for the Shareholders to approve (i) the renewal of the General Mandate and the Share Buy-back Mandate; (ii) the extension of the General Mandate to include Shares bought back pursuant to the Share Buy-back Mandate; (iii) the re-election of Directors; (iv) the renewal of the share option scheme of the Company; and (v) the adoption of the Subsidiary Share Option Schemes.

RENEWAL OF GENERAL MANDATES TO ISSUE AND BUY BACK SHARES

General Mandate

At the annual general meeting of the Company held on 8 June 2018, an ordinary resolution was passed giving a general mandate to the Directors to allot and issue up to 2,635,677,780 Shares, representing 20% of the total number of shares of the Company in issue as at the date of passing of the relevant resolution. As at the Latest Practicable Date, no Shares have been issued under such mandate.

Share Buy-back Mandate

At the annual general meeting of the Company held on 8 June 2018, an ordinary resolution was passed giving a general mandate to the Directors to buy back up to 1,317,838,890 Shares, representing 10% of the total number of shares of the Company in issue as at the date of the passing of the relevant resolution. Since the granting of the Share Buy-back Mandate and up to the Latest Practicable Date, the Company has repurchased in aggregate 160,528,000 Shares under such share buy-back mandate.

The general mandates to issue and buy back Shares will expire at the conclusion of the forthcoming Annual General Meeting. At the Annual General Meeting, separate ordinary resolutions will be proposed:

- (a) to grant the General Mandate to the Directors to exercise the powers of the Company to allot and issue Shares representing 20% of the total number of shares of the Company in issue as at the date of passing the resolution. The General Mandate will end on the earliest of the conclusion of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by the Articles of Association or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company;
- (b) to grant the Share Buy-back Mandate to the Directors to exercise all powers of the Company to buy back issued Shares subject to the criteria set out in this circular. Under such Share Buy-back Mandate, the maximum number of Shares that the Company may buy back shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing the resolution. As at the Latest Practicable Date, the number of Shares in issue was 13,125,355,900 Shares. Subject to the passing of the proposed ordinary resolution approving the granting of the Share Buy-back Mandate and assuming there is no change to the number of issued shares of the Company prior to the Annual

LETTER FROM THE BOARD

General Meeting, the Company would be allowed under the Share Buy-back Mandate to buy back a maximum of 1,312,535,590 Shares, being 10% of the total number of shares of the Company in issue as date of the passing of the resolution in relation thereof. The Share Buy-back Mandate will end on the earliest of the conclusion of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by the Articles of Association or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders at a general meeting of the Company; and

- (c) subject to the passing of the aforesaid ordinary resolutions of the General Mandate and the Share Buy-back Mandate, to extend the number of Shares to be issued and allotted under the General Mandate by an additional number representing such number of Shares bought back under the Share Buy-back Mandate.

In accordance with the Listing Rules, an explanatory statement is set out in Appendix I to this circular to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolution to renew the grant of the Share Buy-back Mandate at the Annual General Meeting.

RE-ELECTION OF DIRECTORS

Pursuant to Article 16.18 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being will retire from office by rotation. The retiring Directors will be eligible for re-election. Pursuant to Article 16.18 of the Articles of Association, Mr. Hui Ka Yan, Mr. Xia Haijun and Ms. He Miaoling will retire at the forthcoming Annual General Meeting, and being eligible, will offer themselves for re-election.

The biographical details of such re-electing Directors as required to be disclosed under the Listing Rules are set out in Appendix II to this circular.

TERMINATION OF EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme was adopted by the Company on 14 October 2009 and has a validity of 10 years.

The Company had 749,099,000 options outstanding under the Existing Share Option Scheme as at the Latest Practicable Date. The Existing Share Option Scheme is due to expire soon and the Board proposes to terminate the Existing Share Option Scheme and adopt the Share Option Scheme with terms in compliance with the current provisions of Chapter 17 of the Listing Rules.

Save for the Existing Share Option Scheme, the Company has no other valid option schemes.

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RENEWAL OF SHARE OPTION SCHEME OF THE COMPANY

The Existing Share Option Scheme of the Company is due to expire on 13 October 2019. In order to provide the Company with the flexibility of granting share options to the Directors, employees and other persons as incentives or rewards for their contribution or potential contribution to the Group, the Directors proposed to renew such scheme. The principal terms of the Share Option Scheme are set out in Appendix III.

The renewal of the Share Option Scheme is conditional upon (i) the approval of the Share Option Scheme by the Shareholders at the Annual General Meeting; and (ii) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may be issued upon the exercise of the Options which may be granted under the Share Option Scheme.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolution to be proposed at the Annual General Meeting to approve the renewal of the Share Option Scheme.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued upon the exercise of the options under the Share Option Scheme.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group. The Directors consider that the Share Option Scheme will serve to motivate Eligible Participants to contribute to the Group's development. The Share Option Scheme, which will be in the form of Options to subscribe for Shares, will enable the Group to recruit, incentivize and retain high-calibre staff. The Directors consider that the Share Option Scheme is in line with modern commercial practice that Eligible Participants, which will include full-time or part-time employees, directors, members of the management, advisors, consultants, agents, suppliers and joint venture partners who have contributed to the Group, be given incentives and align their interests and objectives with that of the Group. The Company has never granted any options under any option schemes to any parties other than employees and directors of the Group in the past. The Directors consider that the inclusion of persons other than the employees and directors of the Group as Eligible Participants is appropriate, as the successful development of the Group could not be achieved by the Directors and employees alone and will also depend on the cooperation of the business partners of the Group, including advisors, consultants, agents, suppliers and joint venture partners, which all play an important role in the business of the Group. Given that the success of the Group requires the cooperation and contribution from such parties, it is important that the Group is able to maintain good relationship with them. Having a share option scheme in place is one of the means to attract and retain those persons who contribute to the continuous development of the Group, so that they have an incentive to render improved services and/or patronage to the Group on a long-term basis. The inclusion of advisors, consultants, agents, suppliers and joint venture partners who have contributed to the Group in the list of Eligible Participants would provide the Company with the flexibility of rewarding such persons should the situation arises that such reward and incentive would encourage them to align their interests and objectives with that of

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the Group and work towards enhancing the value of the Company and its Shares for the long-term development of the Group. As such, the Directors are of the view that the renewal of the Share Option Scheme will benefit the Company and the Shareholders as a whole.

Before granting Options to any parties who are not Directors or employees, the Board will carefully assess and evaluate the eligibility of such parties in accordance with their performance and potential and/or actual contribution to the business affairs and benefits of the Group.

The Share Option Scheme does not specify a minimum period for which an option must be held nor a performance target which must be achieved before an option can be exercised. However, the rules of the Share Option Scheme provide that the Board may determine, at its sole discretion, such terms and conditions on the grant of an option. This determination may vary on a case by case basis but no such terms will be imposed the result of which will be to the advantage of the Eligible Participant. The basis for the determination of the subscription price is specified in the rules of the Share Option Scheme.

Based on 13,125,355,900 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company before the Annual General Meeting, the maximum number of Shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 1,312,535,590 Shares, being 10% of the issued share capital of the Company as at the date of the adoption of the Share Option Scheme.

The aggregate number of Shares which may be issued upon the exercise of all share options that may be granted under the Share Option Scheme and all outstanding share options granted and yet to be exercised under the other share option schemes of the Company has not exceeded 30% of the Shares in issue as at the Latest Practicable Date.

As at the Latest Practicable Date, no options under the Share Option Scheme have been granted and thus the Company considers that it would not be appropriate to disclose in this circular the value of the options that may be granted under the proposed Share Option Scheme as if they have been granted as at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably ascertained at this stage. It would not be meaningful and may even be misleading to Shareholders if the value of the options is calculated based on a set of speculative assumptions. However, the Company will disclose the value of any options granted during a financial year or a particular period in its annual report and interim report based on the Binomial Options Pricing Model or a generally accepted comparable methodology.

ADOPTION OF SUBSIDIARY SHARE OPTION SCHEMES

Each of the First Subsidiary and the Second Subsidiary is currently a wholly-owned subsidiary of the Company. The principal activities of these subsidiaries are the research and development of smart charging system, charging stations for new energy vehicles, charging facility design and operation services, charging stations installation and rental services, electric vehicle charging equipment and power monitoring systems.

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Each of the First Subsidiary and the Second Subsidiary does not have in place a share option scheme. As it is common among hi-tech companies to offer their staff and personnel share options in order to attract and retain talents, it is proposed that each of the First Subsidiary and the Second Subsidiary will adopt a share option scheme in compliance with the requirements of Chapter 17 of the Listing Rules to provide such company with the flexibility of granting share options to the grantees as incentives or rewards for their contribution or potential contribution to the company.

The adoption of each of the First Subsidiary Option Scheme and the Second Subsidiary is conditional upon the approval of the adoption of the First Subsidiary Option Scheme and the Second Subsidiary by the Shareholders at the Annual General Meeting, respectively.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the Annual General Meeting to approve the adoption of the Subsidiary Share Option Schemes.

The purpose of the Subsidiary Share Option Schemes is to enable each of the First Subsidiary and the Second Subsidiary to grant options to selected grantees as incentives or rewards for their contribution or potential contribution to the company. The Directors consider that each of the First Subsidiary Option Scheme and the Second Subsidiary Option Scheme will provide the respective First Subsidiary Grantees and the Second Subsidiary Grantees with the opportunity to acquire proprietary interests in the company and will encourage such grantees to work towards enhancing the value of the company and its shares for the benefit of the Company and the Shareholders as a whole.

Subject to the adoption of the First Subsidiary Option Scheme and the Second Subsidiary Option Scheme by the Shareholders at the Annual General Meeting, the Company will set aside 5% of the existing share capital in each of the First Subsidiary and the Second Subsidiary to their respective shareholding platform to be set up. Each of the First Subsidiary Board and the Second Subsidiary Board will be granted the respective authority to grant to the First Subsidiary Grantees and the Second Subsidiary Grantees options to subscribe for shares in the First Subsidiary and the Second Subsidiary up to their respective scheme limit, unless approval from the Shareholders in general meeting has been obtained to renew such limits such that the total number of each of the First Subsidiary Shares or the Second Subsidiary Shares in respect of which options may be granted by the First Subsidiary Board or the Second Subsidiary Board under the respective First Subsidiary Option Scheme or the Second Subsidiary Option Scheme and any other share option schemes of each of the First Subsidiary or the Second Subsidiary in issue shall not exceed 5% of the total equity capital of the First Subsidiary or the Second Subsidiary, respectively, as at the date of approval of the relevant refreshed limit.

The shareholding platforms of the First Subsidiary or the Second Subsidiary will hold the respective First Subsidiary Shares and the Second Subsidiary Shares under the First Subsidiary Option and the Second Subsidiary Option, respectively. Subject to the satisfaction of the vesting period and other conditions to the relevant First Subsidiary Options or the Second Subsidiary

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Options, the relevant grantee may exercise the relevant First Subsidiary Options or Second Subsidiary Options held and have such number of relevant First Subsidiary Shares or Second Subsidiary Shares held under the relevant shareholding platform transferred to the relevant grantee.

The grant of the options under the First Subsidiary Option Scheme and the Second Subsidiary Option Scheme and the subsequent exercise of the options by the grantees will constitute a deemed disposal of the Company's interests in the First Subsidiary and/or the Second Subsidiary. As the relevant scheme limit under each of the First Subsidiary Option Scheme and the Second Subsidiary Option Scheme is limited to 5% of the equity capital of the relevant subsidiary and that each of the First Subsidiary and the Second Subsidiary is an insignificant subsidiary of the Company, the grant of the options under the Subsidiary Share Options Schemes and the exercise of the options thereof will be within the de minimis threshold under Chapter 14 of the Listing Rules and will not constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, no options under the Subsidiary Share Option Schemes have been granted and thus the Company considers that it would not be appropriate to disclose in this circular the value of the options that may be granted under the proposed Subsidiary Share Option Schemes as if they have been granted as at the Latest Practicable Date, as various determining factors for the calculation of such value cannot be reasonably ascertained at this stage. It would not be meaningful and may even be misleading to Shareholders if the value of the options is calculated based on a set of speculative assumptions. However, the Company will disclose the value of any options granted under the Subsidiary Share Option Schemes during a financial year or a particular period in its annual report and interim report based on the Binomial Options Pricing Model or a generally accepted comparable methodology.

The First Subsidiary Board has approved the adoption of the First Subsidiary Option Scheme, and the Second Subsidiary Board has approved the adoption of the Second Subsidiary Option Scheme. A summary of the principal terms of the First Subsidiary Option Scheme is set out in Appendix IV to this circular, and a summary of the Second Subsidiary Option Scheme is set out in Appendix V to this circular.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of each of the Share Option Scheme, the First Subsidiary Option Scheme and the Second Subsidiary Option Scheme is available for inspection at the principal place of business of the Company in Hong Kong at 23/F, China Evergrande Centre, 38 Gloucester Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the Annual General Meeting.

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ANNUAL GENERAL MEETING

The Company will convene the Annual General Meeting at 11:00 a.m. on Thursday, 6 June 2019 at Atrium Room, Level 39, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong at which resolutions will be proposed for the purpose of considering and if thought fit, approving the resolutions proposed in the notice of the Annual General Meeting as set out on pages 41 to 45 of this circular.

A form of proxy for use in connection with the Annual General Meeting is enclosed herewith. Whether or not you intend to be present and vote at the Annual General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. The completion and delivery of a form of proxy will not preclude you from attending and voting at the Annual General Meeting in person should you so wish. If you attend and vote at the Annual General Meeting, the authority of your proxy will be revoked. Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the Annual General Meeting will be by poll.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 31 May 2019.

RESPONSIBILITY STATEMENT

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

LETTER FROM THE BOARD

RECOMMENDATION

The Directors consider that the renewal of the General Mandate and the Share Buy-back Mandate, the re-election of Directors, the renewal of the Share Option Scheme and the adoption of the Subsidiary Share Option Schemes are in the best interests of the Company as well as its Shareholders. Accordingly, the Directors recommend that the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,
For and on behalf of
CHINA EVERGRANDE GROUP
Hui Ka Yan
Chairman

This is an explanatory statement given to all Shareholders relating to a resolution to be proposed at the Annual General Meeting for approving the Share Buy-back Mandate. This explanatory statement contains all the information required pursuant to Rule 10.06(1)(b) and other relevant provisions of the Listing Rules which is set out as follows:

SHARE CAPITAL

As at the Latest Practicable Date, there was a total of 13,125,355,900 Shares in issue. Subject to the passing of the resolution granting the Share Buy-back Mandate and on the basis that all the repurchased Shares have been cancelled and that there is no change in the number of issued shares of the Company during the period from the Latest Practicable Date to the Annual General Meeting, the Company will be allowed under the Share Buy-back Mandate to buy back a maximum of 1,312,535,590 Shares, being 10% of the total number of shares of the Company in issue as at the date of the passing of the relevant resolution at the Annual General Meeting.

REASONS FOR SHARE BUY BACK

The Directors have no present intention to buy back any Shares but consider that the ability to do so would give the Company additional flexibility that would be beneficial to the Company and the Shareholders as such buy back may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value of the Company and/or its earnings per Share and will only be made when the Directors believe that such a buy back will benefit the Company and the Shareholders as a whole.

FUNDING OF BUY BACK

The Company is empowered by its memorandum and articles of association to buy back its Shares. In buying back Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and laws of the Cayman Islands. The laws of the Cayman Islands and the Articles of Association provide that payment for a share buy back may only be made out of profits or the proceeds of a new issue of Shares made for such purpose or subject to the Companies Law, out of capital of the Company. The amount of premium payable on the buy back of Shares may only be paid out of either the profits or out of the share premium of the Company or subject to the Companies Law, out of capital of the Company.

In addition, under the laws of the Cayman Islands, payment out of capital by a company for the buy back by a company of its own shares is unlawful unless immediately following the date on which the payment is proposed to be made, the Company shall be able to pay its debts as they fall due in the ordinary course of business. In accordance with the laws of the Cayman Islands, the Shares so bought back would be treated as cancelled but the aggregate amount of authorised share capital would not be reduced.

In the event that the proposed share buy back were to be carried out in full at any time during the proposed buy back period, the working capital position and the gearing levels of the Company may be affected. However, the Directors do not propose to exercise the Share Buy-back Mandate to

such extent as would, in the circumstances, have a material adverse effect 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.

DIRECTORS, THEIR CLOSE ASSOCIATES AND CORE CONNECTED PERSONS

None of the Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to the Company in the event that the Share Buy-back Mandate is granted by the Shareholders.

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

UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make the buy back pursuant to the Share Buy-back Mandate and in accordance with the Listing Rules, the Articles of Association and the laws of the Cayman Islands.

EFFECT OF TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Share Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Hui Ka Yan and his associates were interested in approximately 77.42% of the issued shares of the Company. In the event that the Directors exercise in full the power to buy back Shares pursuant to the Share Buy-back Mandate, the aggregate percentage shareholdings of Mr. Hui Ka Yan and his close associates would increase to approximately 86.03%. Accordingly, such increases would not trigger any mandatory offer obligation under Rules 26 of the Takeovers Code.

The Directors do not intend to buy back Shares to the extent that the Company cannot satisfy its minimum requirement for public float.

SHARE BUY BACK BY THE COMPANY

During the six months preceding the Latest Practicable Date, the Company has not repurchased any Shares on the Stock Exchange.

SHARE PRICES

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

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2018		
May	25.90	22.00
June	24.65	18.18
July	22.15	18.54
August	30.15	20.00
September	28.50	21.75
October	22.90	17.90
November	25.00	18.10
December	25.85	22.55
2019		
January	25.00	20.85
February	25.35	23.70
March	29.80	23.65
April (up to the Latest Practicable Date)	27.10	24.40

The biographical details of the Directors proposed to be re-elected at the Annual General Meeting are set out as follows:

Hui Ka Yan (許家印), aged 60, is the Chairman of the Board and an executive Director. Professor Hui is responsible for organizing the overall development strategies of the Group. He has over 36 years of experience in real estate investment, property development and corporate management. Professor Hui is a member of the 11th National Committee of the Chinese People's Political Consultative Conference, a member of the standing committee of the 12th and 13th National Committee, vice-chairmen of B20 China Business Council, vice president of APEC China Business Council and also the vice-chairman of the China Enterprise Confederation, China Enterprise Directors Association and China Real Estate Association. He won "Top 100 Private Entrepreneurs in the 40th Anniversary of China's Reform and Opening-up", "China National Award for Fighting against Poverty", "China National Model Worker", "Excellent Builder for the Socialist Cause with Chinese Characteristics", and other national honors. He graduated from Wuhan University of Science and Technology in 1982, and was awarded an honorary doctorate degree in commerce by the University of West Alabama in 2008. Professor Hui has been a professor in management in Wuhan University of Science and Technology since 2003 and was appointed as doctoral tutor of that university in 2010.

Professor Hui has entered into a service contract with the Company for a term of three years, and is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the articles of association of the Company. Professor Hui will receive a director's fee of RMB240,000 per annum, which was determined by the Board with reference to his experience, duties and responsibilities with the Company.

Save as disclosed above, Professor Hui held no other directorships in any listed public companies in the last three years. Professor Hui does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Professor Hui is interested in 10,162,119,735 Shares, representing approximately 77.95% of the issued share capital of the Company. Save as disclosed, Professor Hui does not have any other interests in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Xia Haijun (夏海鈞), aged 54, Vice president of the Board and Chief Executive Officer of the Group. Dr. Xia has over 31 years of experience in property development and corporate management. Dr. Xia takes full charge of our daily operations, including financial and capital operation and management of the Group, comprehensive monitoring and legal affairs management, information construction of the Group and overseas affairs and public affairs management. Dr. Xia graduated from Jinan University with a master's degree in business administration in 1998 and a doctor's degree in industrial economy in 2001, and is a senior economist in China.

Dr. Xia has entered into a service contract with the Company for a term of three years, and is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the articles of association of the Company. Dr. Xia will receive a director's fee of RMB240,000 per annum, which was determined by the Board with reference to his experience, duties and responsibilities with the Company.

Dr. Xia was a non-executive director of E-House (China) Enterprise Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 02048) from 16 March 2018 to 15 April 2019. Save as disclosed, Dr. Xia held no other directorships in any listed public companies in the last three years.

Dr. Xia does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Dr. Xia was interested in 59,749,000 options to subscribe for Shares in the Company, representing approximately 0.46% of the issued share capital of the Company, and US\$38,000,000 in the debenture of the Company. Save as disclosed, Dr. Xia does not have any other interests in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. He Miaoling (何妙玲), aged 53, our executive Director and vice president. Ms. He is responsible for the Group's marketing management and legal supervision for all industry businesses. She has more than 21 years of experience in marketing strategies and brand promotion in the property projects. Ms. He joined the Group in August 1997, and has a bachelor's degree in applied mathematics and a master's degree in engineering management.

Ms. He has entered into a service contract with the Company for a term of three years, and is subject to retirement by rotation and re-election at the general meetings of the Company in accordance with the articles of association of the Company. Ms. He will receive a Director's fee of RMB240,000 per annum, which was determined by the Board with reference to her experience, duties and responsibilities with the Company.

Ms. He is a non-executive director of E-House (China) Enterprise Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 2048). Save as disclosed, Ms. He has not hold any directorship in any listed public companies in the last three years. Ms. He does not have any relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the Latest Practicable Date, Ms. He is interested in 6,600,000 options to subscribe for Shares in the Company, representing approximately 0.05% of the issued share capital of the Company. Save as disclosed, Ms. He does not have any other interests in the securities of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

GENERAL

None of retiring Directors has been involved in any of the events under Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters in relation to their re-election that need to be brought to the attention of the Shareholders.

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

(a) PURPOSE

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions or potential contributions of the Eligible Participants to the Company and/or any of the Subsidiaries. Eligible Participants will have the opportunity to obtain Shares of the Company with a view to incentivize and reward their respective contributions to the Company and/or any of the Subsidiaries.

(b) WHO MAY JOIN

The Board may, at its discretion, offer to grant an Option to (i) any full-time or part-time employees, executives or officers (including executive, non-executive and independent non-executive directors) of the Group; and (ii) any advisors, consultants, agents, suppliers and joint venture partners who, in the sole opinion of the Board, will contribute or have contributed to the Group to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below.

(c) ACCEPTANCE OF OPTION OFFER

Any Option offer will be deemed to have been granted and accepted by the Grantee when the duplicate offer document constituting acceptance of the Option duly signed by the Grantee, and a remittance in favour of the Company of HK\$1.00 as consideration for the grant thereof is received by the Company within 30 days of the offer date.

Any offer to grant an Option may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the Option. To the extent that the offer to grant an Option is not accepted by the relevant prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(d) MAXIMUM NUMBER OF SHARES

The maximum number of Shares in respect of which Options may be granted under the Share Option Scheme and options under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) increase this limit at any time to 10% of the Shares in issue as at the date of the relevant approval by the Shareholders in general meeting; and/or

- (ii) grant options beyond the 10% limit set out above to Eligible Participants specifically identified by the Board;

provided that, the number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the Shares in issue from time to time.

The maximum number of Shares in respect of which Options may be granted shall be adjusted, in such manner as the auditors of the Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of the Company in accordance with paragraph (n) below whether by way of capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of the share capital of the Company but in no event shall exceed the limit prescribed in this paragraph.

(e) MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PARTICIPANT

The maximum number of Shares in respect of which Options may be granted under the Share Option Scheme to any Eligible Participant, shall not, when aggregated with:

- (1) any Shares issued upon the exercise of the Options and options under any other share option schemes of the Company which have been granted to that Eligible Participant;
- (2) any Shares which would be issued upon the exercise of outstanding Options and options under any other share option schemes of the Company granted to that Eligible Participant; and
- (3) any Shares which were the subject of Options or options under any other share option schemes of the Company which have been granted to and accepted by that Eligible Participant but subsequently cancelled),

in any 12-month period up to the offer date of the Option exceed 1% of the Shares in issue as at such offer date.

Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by the Company to the Shareholders in compliance with the relevant requirements of the Listing Rules as prescribed from time to time; and
- (ii) the approval of the Shareholders in general meeting at which such Eligible Participant and his associates shall abstain from voting, and

unless otherwise provided in the Listing Rules, the date of the Board meeting at which the Board resolves to grant the proposed Options to such Eligible Participant shall be taken as the offer date for the purpose of calculating the exercise price of the Shares subject to the relevant Option. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine, which shall set out the terms and conditions of the Option.

(f) EXERCISE PRICE

The exercise price of a Share in relation to each Option granted under the Share Option Scheme shall be, subject to the adjustments referred to in paragraph (n) below, such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the relevant offer date, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the daily quotation sheets of the Stock Exchange for the 5 trading days immediately preceding the relevant offer date; and
- (iii) the nominal value of a Share.

(g) GRANTING OPTIONS TO CONNECTED PERSONS

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates shall be subject to the approval by the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Eligible Participant subject to such grant).

If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates) which will result in the number of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other share option schemes of the Company in the 12-month period up to and including the offer date of such grant:

- (i) representing in aggregate over 0.1%, or such other percentage as may be from time to time provided under the Listing Rules, of the Shares in issue; and
- (ii) having an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the offer date of such grant, in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules,

such grant will be subject to the approval by the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Eligible Participant subject to such grant), the issue of a circular by the Company to the Shareholders and the approval of the Shareholders in general meeting by way of a poll at which all connected persons of the Company shall abstain from voting in favour at the general meeting. Unless otherwise provided in the Listing

Rules, the date of the relevant Board meeting at which the Board proposes to grant the proposed Option to such Eligible Participant shall be taken as the offer date of such grant for the purpose of calculating the exercise price of the Shares subject to the relevant Option.

The circular to be issued by the Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the Options to be granted to each selected Eligible Participant which must be fixed before the meeting of the Shareholders and the offer date of such grant (which shall be the date of the Board meeting at which the Board proposes to grant the proposed Options to that Eligible Participant);
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Eligible Participant) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) RESTRICTIONS ON GRANT OF OPTIONS

For so long as the Shares are listed on the Stock Exchange, the Board shall not grant any Option after an inside information event has come to the knowledge of the Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the SFO. In particular, no Options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for the Company to publish an announcement of its results for (i) any year or half-year period in accordance with the Listing Rules, and (ii) where the Company elected to publish them, any quarterly or any other interim period,

and ending on the date of actual publication of the results for such year, half-year, quarterly or interim period (as the case may be).

(i) RIGHTS ARE PERSONAL TO GRANTEE

An Option shall be personal to the Grantee and shall not be assignable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do, save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered. Any breach of the foregoing will entitle the Company to cancel any outstanding Options or any part thereof granted to such Grantee.

(j) OPTION EXERCISE PERIOD AND DURATION OF THE SHARE OPTION SCHEME

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the relevant option period, which shall be determined by the Board in its absolute discretion and notified to the relevant Grantee, provided that such period of time shall not exceed a period of 10 years commencing the date upon which such Option is deemed to be granted to and accepted by such Grantee in accordance with the Share Option Scheme.

No Option may be offered after the 10th anniversary of the Approval Date. Subject to earlier termination of the Share Option Scheme by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date, and no Option may be offered after the 10th anniversary of the Approval Date.

(k) PERFORMANCE TARGET

A Grantee may be required, at the absolute discretion of the Board, to achieve any performance targets before an Option can be exercised. Any such performance targets will be specified in the offer document provided by the Board to the relevant Eligible Participant upon the Board's determination to offer an Option to such Eligible Participant in accordance with the Share Option Scheme.

(l) RESTRICTIONS ON EXERCISE OF OPTIONS

An Option may be exercised by a Grantee at any time during the relevant option period; provided that:

- (i) if the Grantee ceases to be an Eligible Participant for any reason other than on his death, ill-health, injury, disability or the termination of his relation with the Company and/or any of the Subsidiaries on any one or more of the grounds specified in paragraph (o)(v), the Grantee may exercise the Option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the one month period (or such longer period as the Board may determine) following the date of such cessation;
- (ii) if the Grantee ceases to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of

the Subsidiaries under paragraph (o)(v) has occurred, the Grantee or the Personal Representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the Option in full (to the extent not already exercised);

- (iii) if a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares and the Grantees (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), and the same having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the Grantee (or his Personal Representative(s)) shall be entitled to exercise his Option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;
- (iv) if, pursuant to the Companies Law, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the Grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his Options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the Grantees to exercise their respective Options shall with effect from the date of the making of the order by the relevant court be restored in full) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension; and in the event a notice is given by the Company to its shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the

Company shall on the same date as or soon after it despatches such notice to each Shareholder give notice thereof to all Grantees and thereupon, each Grantee (or in the case of the death of the Grantee, his Personal Representative(s)) shall be entitled to exercise all or any of his Options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(m) RANKING OF SHARES

The Shares to be allotted upon the exercise of an Option will not carry voting rights until completion of the registration of the Grantee (or such other person nominated by the Grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued upon the exercise of an Option will rank *pari passu* in all respects with, and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue.

(n) EFFECT OF CAPITAL RESTRUCTURING

In the event of capitalisation issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) (i) in the number of Shares subject to any outstanding Options; and/or (ii) the exercise price per Share of each outstanding Option, as the auditors of the Company or an independent financial adviser shall, at the request of the Company or any Grantee, certify in writing either generally or as regards any particular Grantee, to be in their opinion fair and reasonable; provided that any such alterations shall be made on the basis that a Grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustments and the aggregate exercise price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event and that no such alterations shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value.

(o) LAPSE OF OPTION

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

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l)(i), (l)(ii), (l)(iii) or (l)(iv);
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (l)(iii) becomes effective;
- (iv) the date of commencement of the winding-up of the Company;
- (v) the date on which the Grantee ceases to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of the Subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee of the Company and/or any of the Subsidiaries (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant Subsidiary. A resolution of the Board or the board of directors of the relevant Subsidiary to the effect that the relationship of a Grantee has been terminated on one or more of the grounds specified in this sub-paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise the Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph (i) above or the Options are cancelled in accordance with paragraph (q) below.

(p) ALTERATION OF THE SHARE OPTION SCHEME

The Share Option Scheme may be altered in any respect by resolution of the Board (provided that the same is not inconsistent with the Share Option Scheme and the Listing Rules) except that:

- (i) any alteration to the advantage of the Grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of Options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme); or
- (iii) any alteration in respect of the authority of the Board as administrators of this Scheme pursuant to paragraph (s) below;

shall first be approved by the Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Share Option Scheme and their respective associates shall abstain from voting; provided that, the amended terms of the Share Option Scheme or the Options shall remain in compliance with Chapter 17 of the Listing Rules and if the proposed alteration shall adversely affect any Option granted or agreed to be granted prior to such alteration or reduce the proportion of the equity capital to which any person was entitled pursuant to such Option prior to such alteration, such alteration shall be further subject to:

- (a) the consent of the Grantees holding in aggregate Options which if exercised in full on the date immediately preceding that on which such consent is obtained would entitle them to the issue of three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all Options outstanding on that date; or
- (b) the sanction of a resolution passed at a meeting of the Grantees (being only those Grantees holding Options, all or any part of which is unexercised as at the time of the meeting at which the resolution is proposed) duly convened and held and carried by a majority consisting of not less than three-fourths of the votes cast upon a show of hands or if a poll is duly demanded, by a majority consisting of not less than three-fourths of the votes cast on a poll.

(q) CANCELLATION OF OPTIONS

Subject to paragraph (o) above, any cancellation of Options granted but not exercised must be approved by the Grantees of the relevant Options in writing. Where the Company cancels any Options, the grant of new Options to the same Grantee under the Share Option Scheme may only be made within the limits set out in paragraphs (d) and (e) above.

(r) TERMINATION OF THE SHARE OPTION SCHEME

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

(s) ADMINISTRATION OF THE BOARD

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided therein) shall be final and binding on all parties.

(t) CONDITIONS OF THE SHARE OPTION SCHEME

The Share Option Scheme is conditional on:

- (i) the passing of the necessary resolutions of the Shareholders to approve and adopt the rules of the Share Option Scheme at the general meeting; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of the Options to be granted under the Share Option Scheme.

(u) DISCLOSURE IN ANNUAL AND INTERIM REPORTS

The Board will procure the details of the Share Option Scheme and any other share option schemes of the Company and its Subsidiaries to be disclosed in the annual and interim reports of the in accordance with the Listing Rules in force from time to time.

The following is a summary of the principal terms of the First Subsidiary Option Scheme proposed to be approved at the Annual General Meeting.

(a) PURPOSE

The First Subsidiary Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the core management and other personnel of the First Subsidiary had or may have made to the First Subsidiary. The First Subsidiary Option Scheme will provide the eligible participants an opportunity to have a personal stake in the First Subsidiary with the view to motivate the First Subsidiary Grantees to optimise their performance efficiency for the benefit of the First Subsidiary.

(b) WHO MAY JOIN

The First Subsidiary Board may, at its discretion, offer to grant an option to the core management and other personnel of the First Subsidiary to subscribe for such number of First Subsidiary Shares as the First Subsidiary Board may determine at an exercise price determined in accordance with paragraph (e) below.

The grantee shall not be required to pay the First Subsidiary any consideration for the acceptance of the option. Any offer to grant an option to subscribe for First Subsidiary Shares may be accepted in respect of less than the number of First Subsidiary Shares for which it is offered. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) MAXIMUM NUMBER OF SHARES

The maximum number of First Subsidiary Shares in respect of which options may be granted under the First Subsidiary Option Scheme and under any other share option schemes of the First Subsidiary must not in aggregate exceed 5% of the total number of First Subsidiary Shares in issue at the time the First Subsidiary Option Scheme is adopted by the Shareholders.

Notwithstanding the foregoing, the First Subsidiary Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the First Subsidiary Option Scheme and any other share option schemes of the First Subsidiary at any time shall not exceed 30% of the First Subsidiary Shares in issue from time to time.

(d) MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL

The total number of First Subsidiary Shares issued and which may fall to be issued upon exercise of the options granted under the First Subsidiary Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each First Subsidiary Grantee in any 12-month period up to the date of grant shall not exceed 1% of the First Subsidiary Shares in issue as at the date of grant.

(e) PRICE OF SHARES

Subject to the compliance with the requirements of the Listing Rules, the subscription price of a First Subsidiary Share in respect of any particular option granted under the First Subsidiary Option Scheme shall be such price as the First Subsidiary Board in its absolute discretion shall determine.

(f) GRANTING OPTIONS TO CONNECTED PERSONS OF THE COMPANY

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the First Subsidiary Board or the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of First Subsidiary Shares issued and to be issued upon exercise of options 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% or such other percentage as may be from time to time provided under the Listing Rules of the First Subsidiary Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the First Subsidiary Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

(g) RIGHTS ARE PERSONAL TO GRANTEE

An option is personal to the First Subsidiary Grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No First Subsidiary Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(h) QUALIFICATION OF FIRST SUBSIDIARY GRANTEE

Any core management and other employee of the First Subsidiary will no longer be qualified as a grantee under the First Subsidiary Option Scheme in the occurrence of any of the following events:

- (i) serious dereliction of duty, malfeasance;

- (ii) breach of relevant law, administrative regulations or provisions of the articles of association of the First Subsidiary which resulted in material economic loss by the First Subsidiary;
- (iii) accept or solicit bribe, involved in bribery or theft or offences that causes damages to the interest and reputation of the First Subsidiary;
- (iv) subject to administrative penalty as a result of a breach of law or regulation;
- (v) subject to criminal liability for any criminal act;
- (vi) being disqualified to become a director, supervisor or senior management of the First Subsidiary under the Company Law of the PRC or the articles or association of the First Subsidiary;
- (vii) being restricted by law to hold shares in the First Subsidiary; or
- (viii) being considered by the First Subsidiary Board or the Board as not being qualified to be a First Subsidiary Grantee.

If the disqualifying event occurs before the grant of the First Subsidiary Option, the relevant core management and other employee will not be eligible to become a First Subsidiary Grantee to participate in the First Subsidiary Option Scheme.

If the disqualifying event occurs after the First Subsidiary Options have been granted, the First Subsidiary Options shall be terminated and any restricted First Subsidiary Shares that have been transferred to the grantee may be repurchased by the First Subsidiary at the actual price paid by the First Subsidiary Grantee.

(i) TIME OF EXERCISE OF THE FIRST SUBSIDIARY OPTION AND DURATION OF THE FIRST SUBSIDIARY OPTION SCHEME

Subject to any vesting period as stipulated in the scheme, an option may be exercised in accordance with the terms of the First Subsidiary Option Scheme at any time after the date upon which the First Subsidiary Option is deemed to be granted and accepted and prior to the expiry of 5 years from that date. The period during which an option may be exercised will be determined by the First Subsidiary Board in its absolute discretion, save that no First Subsidiary Option may be exercised more than 5 years after it has been granted. Subject to earlier termination by the Company in general meeting or by the First Subsidiary Board, the First Subsidiary Option Scheme shall be valid and effective for a period of 5 years from the date of its adoption.

(j) PERFORMANCE TARGET

A First Subsidiary Grantee may be required to achieve any performance targets as the First Subsidiary Board may then specify in the grant before any First Subsidiary Options granted under the First Subsidiary Option Scheme can be exercised.

(k) VESTING PERIOD

Subject to any other vesting period that may be determined by the First Subsidiary Board at the time of grant of the First Subsidiary Option, the First Subsidiary Option granted will normally be subject to a vesting period of 2 years, and may thereafter be exercised on the basis of 30%, 30% and 40% of the outstanding First Subsidiary Options for the three years following the expiry of the vesting period.

(l) VOTING RIGHTS

Prior to the satisfaction of any vesting period for any First Subsidiary Options and the transfer and registration of the First Subsidiary Shares to the First Subsidiary Grantee, such First Subsidiary Shares will not carry voting rights in respect of the First Subsidiary Grantee. Subject to the aforesaid, the First Subsidiary Grantee shall enjoy all the rights as a shareholder of the First Subsidiary upon the exercise of the First Subsidiary Option and the transfer and registration of the First Subsidiary Shares to the First Subsidiary Grantee.

(m) CHANGE TO THE STATUS OF THE FIRST SUBSIDIARY GRANTEE

- (i) If the relevant First Subsidiary Grantee has changed his job position but remains employed by the First Subsidiary or any of the First Subsidiary's subsidiaries, the granted First Subsidiary Options will remain effective and capable of being exercised in accordance with its terms.
- (ii) If there is an occurrence of any of the following events, the First Subsidiary Board may determine (aa) not to transfer any further First Subsidiary Shares to the First Subsidiary Grantee under the First Subsidiary Option Scheme; and (bb) repurchase the granted First Subsidiary Option or any First Subsidiary Shares that had already been transferred to the First Subsidiary Grantee free of consideration:
 - (1) the relevant grantee is no longer capable of carrying out his duties which led to his transfer from his original job position;
 - (2) the relevant grantee has been in breach of relevant laws or regulations;
 - (3) the relevant grantee has been in breach of work ethics;
 - (4) the relevant grantee has disclosed confidential information of the First Subsidiary to others;
 - (5) the relevant grantee had been in breach of his employment contract or any of his obligations under the rules of the First Subsidiary Option Scheme;
 - (6) there had been a serious dereliction of duty or malfeasance which damage the interest or reputation of the First Subsidiary;

- (7) the relevant employee has ceased to be employed by the First Subsidiary for any of the above reasons;
 - (8) the relevant employee has resigned from his position upon the expiry of his term of employment; and
 - (9) any other event determined by the First Subsidiary Board to be inappropriate or the fault of the relevant employee.
- (iii) If there is an occurrence of any of the following events, the First Subsidiary Board may determine (aa) not to transfer any further First Subsidiary Shares to the First Subsidiary Grantee under the First Subsidiary Option Scheme; and (bb) repurchase the granted First Subsidiary Option or any First Subsidiary Shares that had already been transferred to the First Subsidiary Grantee free of consideration, and repurchase the restricted First Subsidiary Shares already transferred to the First Subsidiary Grantee at the original price paid by the First Subsidiary Grantee:
- (1) the relevant employee is no longer able to discharge his duties and has suspended his employment or resigned;
 - (2) the death or disappearance of the relevant employee;
 - (3) the term of the employment contract of the relevant employee has expired;
 - (4) the employee has resigned on his own accord because of his faults or due to retrenchment;
 - (5) any other event as may be determined by the First Subsidiary Board.

(n) EFFECT OF ALTERATIONS TO CAPITAL

In the event of any alteration in the capital structure of the First Subsidiary whilst any First Subsidiary Option may become or remains exercisable, whether by way of capitalisation issue, bonus issue, sub-division or reduction, placement or dividend payment, such corresponding alterations (if any) shall be made in the number or nominal amount of First Subsidiary Shares.

(o) EXPIRY OF OPTION

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date which falls on the fifth anniversary of its grant.

(p) REPURCHASE OF FIRST SUBSIDIARY SHARES

Prior to the First Subsidiary Shares can be publicly traded, the First Subsidiary Board may determine at any time to repurchase the First Subsidiary Shares of the First Subsidiary Grantees at a price to be fixed by the First Subsidiary Board, provided that the repurchase price shall not be lower than the price paid by the First Subsidiary Grantee for such First Subsidiary Shares.

(q) ALTERATION OF THE FIRST SUBSIDIARY OPTION SCHEME

Subject to compliance with the requirements of the Listing Rules and applicable laws, the First Subsidiary Option Scheme may be altered in any respect by resolution of the First Subsidiary Board.

(r) CANCELLATION OF OPTIONS

Subject to the terms of the scheme, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(s) TERMINATION OF THE FIRST SUBSIDIARY OPTION SCHEME

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

(t) CONDITION OF THE FIRST SUBSIDIARY OPTION SCHEME

The First Subsidiary Option Scheme is conditional on the approval of the rules of the First Subsidiary Option Scheme by Shareholders in the Annual General Meeting.

The following is a summary of the principal terms of the Second Subsidiary Option Scheme proposed to be approved at the Annual General Meeting.

(a) PURPOSE

The Second Subsidiary Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the core management and other personnel of the Second Subsidiary had or may have made to the Second Subsidiary. The Second Subsidiary Option Scheme will provide the eligible participants an opportunity to have a personal stake in the Second Subsidiary with the view to motivate the Second Subsidiary Grantees to optimise their performance efficiency for the benefit of the Second Subsidiary.

(b) WHO MAY JOIN

The Second Subsidiary Board may, at its discretion, offer to grant an option to the core management and other personnel of the Second Subsidiary to subscribe for such number of Second Subsidiary Shares as the Second Subsidiary Board may determine at an exercise price determined in accordance with paragraph (e) below.

The grantee shall not be required to pay the Second Subsidiary any consideration for the acceptance of the option. Any offer to grant an option to subscribe for Second Subsidiary Shares may be accepted in respect of less than the number of Second Subsidiary Shares for which it is offered. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(c) MAXIMUM NUMBER OF SHARES

The maximum number of Second Subsidiary Shares in respect of which options may be granted under the Second Subsidiary Option Scheme and under any other share option schemes of the Second Subsidiary must not in aggregate exceed 5% of the total number of Second Subsidiary Shares in issue at the time the Second Subsidiary Option Scheme is adopted by the Shareholders.

Notwithstanding the foregoing, the Second Subsidiary Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Second Subsidiary Option Scheme and any other share option schemes of the Second Subsidiary at any time shall not exceed 30% of the Second Subsidiary Shares in issue from time to time.

(d) MAXIMUM NUMBER OF OPTIONS TO ANY ONE INDIVIDUAL

The total number of Second Subsidiary Shares issued and which may fall to be issued upon exercise of the options granted under the Second Subsidiary Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Second Subsidiary Grantee in any 12-month period up to the date of grant shall not exceed 1% of the Second Subsidiary Shares in issue as at the date of grant.

(e) PRICE OF SHARES

Subject to the compliance with the requirements of the Listing Rules, the subscription price of a Second Subsidiary Share in respect of any particular option granted under the Second Subsidiary Option Scheme shall be such price as the Second Subsidiary Board in its absolute discretion shall determine.

(f) GRANTING OPTIONS TO CONNECTED PERSONS OF THE COMPANY

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Second Subsidiary Board or the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Second Subsidiary Shares issued and to be issued upon exercise of options 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% or such other percentage as may be from time to time provided under the Listing Rules of the Second Subsidiary Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Second Subsidiary Shares at the date of each grant,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

(g) RIGHTS ARE PERSONAL TO GRANTEE

An option is personal to the Second Subsidiary Grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No Second Subsidiary Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

(h) QUALIFICATION OF SECOND SUBSIDIARY GRANTEE

Any core management and other employee of the Second Subsidiary will no longer be qualified as a grantee under the Second Subsidiary Option Scheme in the occurrence of any of the following events:

- (i) serious dereliction of duty, malfeasance;
- (ii) breach of relevant law, administrative regulations or provisions of the articles of association of the Second Subsidiary which resulted in material economic loss by the Second Subsidiary;
- (iii) accept or solicit bribe, involved in bribery or theft or offences that causes damages to the interest and reputation of the Second Subsidiary;
- (iv) subject to administrative penalty as a result of a breach of law or regulation;
- (v) subject to criminal liability for any criminal act;
- (vi) being disqualified to become a director, supervisor or senior management of the Second Subsidiary under the Company Law of the PRC or the articles or association of the Second Subsidiary;
- (vii) being restricted by law to hold shares in the Second Subsidiary; or
- (viii) being considered by the Second Subsidiary Board or the Board as not being qualified to be a Second Subsidiary Grantee.

If the disqualifying event occurs before the grant of the Second Subsidiary Option, the relevant core management and other employee will not be eligible to become a Second Subsidiary Grantee to participate in the Second Subsidiary Option Scheme.

If the disqualifying event occurs after the Second Subsidiary Options have been granted, the Second Subsidiary Options shall be terminated and any restricted Second Subsidiary Shares that have been transferred to the grantee may be repurchased by the Second Subsidiary at the actual price paid by the Second Subsidiary Grantee.

(i) TIME OF EXERCISE OF THE SECOND SUBSIDIARY OPTION AND DURATION OF THE SECOND SUBSIDIARY OPTION SCHEME

Subject to any vesting period as stipulated in the scheme, an option may be exercised in accordance with the terms of the Second Subsidiary Option Scheme at any time after the date upon which the Second Subsidiary Option is deemed to be granted and accepted and prior to the expiry of 5 years from that date. The period during which an option may be exercised will be determined by the Second Subsidiary Board in its absolute discretion, save that no Second Subsidiary Option

may be exercised more than 5 years after it has been granted. Subject to earlier termination by the Company in general meeting or by the Second Subsidiary Board, the Second Subsidiary Option Scheme shall be valid and effective for a period of 5 years from the date of its adoption.

(j) PERFORMANCE TARGET

A Second Subsidiary Grantee may be required to achieve any performance targets as the Second Subsidiary Board may then specify in the grant before any Second Subsidiary Options granted under the Second Subsidiary Option Scheme can be exercised.

(k) VESTING PERIOD

Subject to any other vesting period that may be determined by the Second Subsidiary Board at the time of grant of the Second Subsidiary Option, the Second Subsidiary Option granted will normally be subject to a vesting period of 2 years, and may thereafter be exercised on the basis of 30%, 30% and 40% of the outstanding Second Subsidiary Options for the three years following the expiry of the vesting period.

(l) VOTING RIGHTS

Prior to the satisfaction of any vesting period for any Second Subsidiary Options and the transfer and registration of the Second Subsidiary Shares to the Second Subsidiary Grantee, such Second Subsidiary Shares will not carry voting rights in respect of the Second Subsidiary Grantee. Subject to the aforesaid, the Second Subsidiary Grantee shall enjoy all the rights as a shareholder of the Second Subsidiary upon the exercise of the Second Subsidiary Option and the transfer and registration of the Second Subsidiary Shares to the Second Subsidiary Grantee.

(m) CHANGE TO THE STATUS OF THE SECOND SUBSIDIARY GRANTEE

- (i) If the relevant Second Subsidiary Grantee has changed his job position but remains employed by the Second Subsidiary or any of the Second Subsidiary's subsidiaries, the granted Second Subsidiary Options will remain effective and capable of being exercised in accordance with its terms.
- (ii) If there is an occurrence of any of the following events, the Second Subsidiary Board may determine (aa) not to transfer any further Second Subsidiary Shares to the Second Subsidiary Grantee under the Second Subsidiary Option Scheme; and (bb) repurchase the granted Second Subsidiary Option or any Second Subsidiary Shares that had already been transferred to the Second Subsidiary Grantee free of consideration:
 - (1) the relevant grantee is no longer capable of carrying out his duties which led to his transfer from his original job position;
 - (2) the relevant grantee has been in breach of relevant laws or regulations;
 - (3) the relevant grantee has been in breach of work ethics;

- (4) the relevant grantee has disclosed confidential information of the Second Subsidiary to others;
 - (5) the relevant grantee had been in breach of his employment contract or any of his obligations under the rules of the Second Subsidiary Option Scheme;
 - (6) there had been a serious dereliction of duty or malfeasance which damage the interest or reputation of the Second Subsidiary;
 - (7) the relevant employee has ceased to be employed by the Second Subsidiary for any of the above reasons;
 - (8) the relevant employee has resigned from his position upon the expiry of his term of employment; and
 - (9) any other event determined by the Second Subsidiary Board to be inappropriate or the fault of the relevant employee.
- (iii) If there is an occurrence of any of the following events, the Second Subsidiary Board may determine (aa) not to transfer any further Second Subsidiary Shares to the Second Subsidiary Grantee under the Second Subsidiary Option Scheme; and (bb) repurchase the granted Second Subsidiary Option or any Second Subsidiary Shares that had already been transferred to the Second Subsidiary Grantee free of consideration, and repurchase the restricted Second Subsidiary Shares already transferred to the Second Subsidiary Grantee at the original price paid by the Second Subsidiary Grantee:
- (1) the relevant employee is no longer able to discharge his duties and has suspended his employment or resigned;
 - (2) the death or disappearance of the relevant employee;
 - (3) the term of the employment contract of the relevant employee has expired;
 - (4) the employee has resigned on his own accord because of his faults or due to retrenchment;
 - (5) any other event as may be determined by the Second Subsidiary Board.

(n) EFFECT OF ALTERATIONS TO CAPITAL

In the event of any alteration in the capital structure of the Second Subsidiary whilst any Second Subsidiary Option may become or remains exercisable, whether by way of capitalisation issue, bonus issue, sub-division or reduction, placement or dividend payment, such corresponding alterations (if any) shall be made in the number or nominal amount of Second Subsidiary Shares.

(o) EXPIRY OF OPTION

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the date which falls on the fifth anniversary of its grant.

(p) REPURCHASE OF SECOND SUBSIDIARY SHARES

Prior to the Second Subsidiary Shares can be publicly traded, the Second Subsidiary Board may determine at any time to repurchase the Second Subsidiary Shares of the Second Subsidiary Grantees at a price to be fixed by the Second Subsidiary Board, provided that the repurchase price shall not be lower than the price paid by the Second Subsidiary Grantee for such Second Subsidiary Shares.

(q) ALTERATION OF THE SECOND SUBSIDIARY OPTION SCHEME

Subject to compliance with the requirements of the Listing Rules and applicable laws, the Second Subsidiary Option Scheme may be altered in any respect by resolution of the Second Subsidiary Board.

(r) CANCELLATION OF OPTIONS

Subject to the terms of the scheme, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(s) TERMINATION OF THE SECOND SUBSIDIARY OPTION SCHEME

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

(t) CONDITION OF THE SECOND SUBSIDIARY OPTION SCHEME

The Second Subsidiary Option Scheme is conditional on the approval of the rules of the Second Subsidiary Option Scheme by Shareholders in the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING



China Evergrande Group

中國恒大集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3333)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Evergrande Group (the “**Company**”) will be held at 11:00 a.m. on Thursday, 6 June 2019 at Atrium Room, Level 39, Island Shangri-La, Pacific Place, Supreme Court Road, Central, Hong Kong for the following purposes:

ORDINARY BUSINESS

1. To receive, consider and adopt the audited consolidated financial statements and the reports of the directors of the Company (the “**Directors**”) and the auditors of the Company (the “**Auditors**”) for the year ended 31 December 2018;
2. To re-elect Mr. Hui Ka Yan as an executive Director;
3. To re-elect Mr. Xia Haijun as an executive Director;
4. To re-elect Ms. He Miaoling as an executive Director;
5. To authorise the board of Directors to fix the Directors’ remuneration;
6. To re-appoint PricewaterhouseCoopers as the auditors of the Company and authorise the board of Directors to fix their remuneration;

SPECIAL BUSINESS

7. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“**THAT:**

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) shall be in addition to any other authorisation gives to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements, options and rights of exchange or conversion which might require the exercise of such powers after the end of the Relevant Period;
- (c) the total number of shares of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (a), otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); (ii) the share option scheme of the Company approved by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”); or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20% of the total number of shares of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date upon which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting; and

“**Rights Issue**” means an offer of shares open for a period fixed by the Directors to holders of ordinary shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory outside Hong Kong).”;

NOTICE OF ANNUAL GENERAL MEETING

8. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

“THAT:

- (a) subject to paragraph (c) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back the issued shares of the Company, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;
- (c) the total number of shares of the Company which are authorised to be purchased by the Directors pursuant to the approval in paragraph (a) above shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by way of ordinary resolution of the Company in general meeting.”; and

NOTICE OF ANNUAL GENERAL MEETING

9. To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:
- “**THAT** conditional upon the passing of resolutions nos. 7 and 8 above, the general mandate to the Directors pursuant to resolution no. 7 be and is hereby extended by the addition thereto of such number of shares of the Company bought back by the Company under the authority granted pursuant to the resolution no. 8, provided that such number of shares shall not exceed 10% of the total number of shares of the Company in issue as at the date of passing this resolution.”
10. “**THAT** conditional upon The Stock Exchange of Hong Kong Limited granting approval of the listing of, and permission to deal in, the ordinary shares of the Company falling to be issued pursuant to the exercise of any options granted under the share option scheme referred to in the circular dispatched to the shareholders on the same day as this notice, the terms of which are set out in the printed document marked “**A**” now produced to the meeting and for the purpose of identification signed by the Chairman hereof (the “**Share Option Scheme**”), the Share Option Scheme be and is hereby approved and adopted as at the date of passing this resolution and that the directors of the Company be and are hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Share Option Scheme, including granting options under the Share Option Scheme and to allot and issue shares pursuant to the Share Option Scheme and take all such steps as may be necessary or desirable to implement such Share Option Scheme.”
11. “**THAT** conditional upon the passing of resolution 10 set out in the notice convening the meeting of which this resolution forms part, the existing share option scheme of the Company adopted on 14 October 2009 be and is hereby terminated with immediate effect and that the Directors of the Company be authorised to take all such steps as may be necessary or desirable to implement this resolution.”
12. “**THAT** the rules of the proposed share option scheme of Evergrande Intelligent Technology Co., Ltd.* (恒大智慧科技有限公司) (a copy of which has been produced to the meeting and marked “**B**” for the purpose of identification by the Chairman hereof) be and are hereby approved and the directors of the Company be and are hereby authorised to execute such documents and take such action as they deem appropriate to implement and give effect to the scheme.”

NOTICE OF ANNUAL GENERAL MEETING

13. “**THAT** the rules of the proposed share option scheme of Evergrande Intelligent Charging Technology Co., Ltd.* (恒大智慧充電科技有限公司) (a copy of which has been produced to the meeting and marked “C” for the purpose of identification by the Chairman hereof) be and are hereby approved and the directors of the Company be and are hereby authorised to execute such documents and take such action as they deem appropriate to implement and give effect to the scheme.”

By Order of the Board
Hui Ka Yan
Chairman

Hong Kong, 6 May 2019

Notes:

1. A member entitled to attend and vote at the above meeting may appoint one or, if he holds two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
3. In order to be valid, a form of proxy together with the power of attorney (if any) or other authority (if any) under which it is signed or a certified copy thereof shall be deposited at the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. The proxy form will be published on the website of the Stock Exchange.
4. The register of members of the Company will be closed from Monday, 3 June 2019 to Thursday, 6 June 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the entitlement to attend and vote at the forthcoming Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2019.

* *for identification purposes only*

As at the date of this notice, the board of Directors comprises nine members, of which Mr. Hui Ka Yan, Mr. Xia Haijun, Ms. He Miaoling, Mr. Shi Junping, Mr. Pan Darong and Mr. Huang Xiangui are the executive Directors; and Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi are the independent non-executive Directors.