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**FAR EAST CONSORTIUM INTERNATIONAL LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fareastconsortium.com.hk>

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

This document includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Group. The directors collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

31st July, 2002

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The English text of this document shall prevail over the Chinese text.

DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at the Penthouse, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong on 28th August, 2002;
“Board”	the board of Directors;
“Company”	Far East Consortium International Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange;
“Directors”	the directors of the Company;
“Eligible Participant(s)”	any employees (whether full time or part time), executives or officers, directors (including executive and non-executive) of the Company or any of its subsidiaries and any business consultants, agents, financial or legal advisers of the Company or any of its subsidiaries who, in the sole discretion of the Board, will contribute or have contributed to the Company or any of its subsidiaries;
“Existing Scheme”	the share option scheme adopted by the Company on 28th September, 2000 for the granting of share options to executive directors and full-time employees of the Group;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of The Hong Kong Special Administrative Region;
“Independent Non-executive Directors”	Datuk Kee Leong Chee and Mr. David Kwok Kwei Lo;
“Latest Practicable Date”	29th July, 2002, being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“New Scheme”	the share option scheme which is proposed to be adopted by the Company at the Annual General Meeting, further information and summary of the principal terms are set out in Appendix II to this document;

DEFINITIONS

“Shareholders”	holder(s) of the Shares;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary”	a subsidiary within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

LETTER FROM THE BOARD



FAR EAST CONSORTIUM INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.fareastconsortium.com.hk>

Executive Directors:

Mr. Deacon Te Ken Chiu (*Chairman*)
Dato' David Chiu (*Deputy Chairman and
Chief Executive Officer*)
Mr. Steven Ying Wai Kwan (*Managing Director*)
Mr. Craig Grenfell Williams
Mr. Dennis Chiu

Non-executive Directors:

Madam Ching Lan Ju Chiu
Mr. Dick Tat Sang Chiu
Mr. Daniel Tat Jung Chiu
Mr. Kohei Ogawa

Independent Non-executive Directors:

Datuk Kee Leong Chee
Mr. David Kwok Kwei Lo

Registered Office:

P.O. Box 1043, Ground Floor,
Caledonian House, Mary Street,
George Town,
Grand Cayman, Cayman Islands,
British West Indies.

Principal Office:

16/F., Far East Consortium Building,
121 Des Voeux Road Central,
Hong Kong.

31st July, 2002

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

The purpose of this document is to provide you with information regarding the resolutions to be proposed as special business at the annual general meeting of the Company to be held on 28th August, 2002 (the "Annual General Meeting"). These include resolutions relating to general mandates for the repurchase by the Company of its shares and for the issue of shares and adoption of new share option scheme and termination of the existing share option scheme.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES

At the annual general meeting of the Company held on 27th August, 2001, a general mandate was given to the directors (the “Directors”) to exercise the powers of the Company to repurchase shares of the Company up to a maximum of 10% of the Company’s issued share capital at the date of the relevant resolution. Under the terms of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), such mandate will lapse at the conclusion of the forthcoming Annual General Meeting.

An ordinary resolution will therefore be proposed at the Annual General Meeting to give a general mandate to the Directors to exercise the powers of the Company to repurchase at any time until the next annual general meeting of the Company or such earlier period as stated in the ordinary resolution, shares of HK\$0.10 each of the Company (“Shares”) up to a maximum of 10% of the issued share capital of the Company as at the date of the passing of the resolution (the “Repurchase Mandate”).

An explanatory statement as required under the Listing Rules to provide the requisite information is set out in Appendix I hereto.

GENERAL MANDATE TO ISSUE SHARES

At the annual general meeting of the Company held on 27th August, 2001, a general mandate was also given to the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company at the date of the relevant resolution. Under the Listing Rules, such mandate will lapse at the conclusion of the forthcoming Annual General Meeting.

It will therefore be proposed at the Annual General Meeting resolutions granting to the Directors a general mandate to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company at the date of the passing of the resolution and adding to such general mandate so granted to the Directors any Shares representing the aggregate nominal amount of the Shares repurchased by the Company under the Repurchase Mandate.

PROPOSAL FOR ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME

(i) Background

The Existing Scheme

The Company had adopted a share option scheme on 28th September, 2000 (the “Existing Scheme”). As at the Latest Practicable Date, there are no options outstanding under the Existing Scheme.

As a result of the Stock Exchange amending Chapter 17 (Share Option Schemes) of the Listing Rules on 1st September, 2001, certain terms of the Existing Scheme are no longer in compliance with Chapter 17 of the Listing Rules and the Company may not grant any further options under the Existing Scheme without being in breach of Chapter 17 of the Listing Rules.

LETTER FROM THE BOARD

The Company proposes to adopt a new share option scheme (the “New Scheme”) which will comply with Chapter 17 (Share Option Schemes) of the Listing Rules and terminate the Existing Scheme.

Since the Stock Exchange amended Chapter 17 (Share Option Schemes) of the Listing Rules on 1st September, 2001, the Directors have not granted any further options under the Existing Scheme and the Directors have no intention to grant any options under the Existing Scheme during the period from the Latest Practicable Date to the date of approval of the New Scheme. Upon the adoption of the New Scheme, no further option will be granted under the Existing Scheme.

Assuming that no further Shares will be issued prior to the date of approval of the New Scheme by Shareholders, the maximum number of option that can be granted by the Company under the New Scheme and any other schemes would be 96,774,987 Shares, representing 10% of the number of Shares in issue as at the date of approval of the New Scheme.

The NCH Option Plan

The Company’s subsidiary, New China Homes, Ltd (“NCH”) has adopted a 1999 Stock Option and Restricted Stock Purchase Plan (the “Option Plan”). It is intended that options to purchase an aggregate of 600,000 common shares in NCH will be granted under the Option Plan. Each option granted under the Option Plan will have a maximum term of ten years, subject to earlier termination following the optionee’s cessation of service with NCH. No options have been granted under the Option Plan since their adoption.

No change will be proposed to the NCH Option Plan in the meantime. The Company will comply with the requirements of Chapter 17 of the Listing Rules if options under the NCH Option Plan will continue to be granted.

Besides the Existing Scheme and the NCH Option Plan abovementioned, there are no other options schemes existing as at the Latest Practicable Date.

(ii) Conditions to the adoption of the New Scheme

The adoption of the New Scheme will be subject to and conditional upon:

1. the Shareholders passing an ordinary resolution to approve the New Scheme and to terminate the Existing Scheme at the Annual General Meeting; and
2. The Stock Exchange granting the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of any option granted under the New Scheme, the total number of which shall not exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme.

LETTER FROM THE BOARD

(iii) The New Scheme

A Summary of the principal terms of the New Scheme is set out in Appendix II to this document.

The Directors is of the view that contributions of the employees, executives and officers of the Company or any of its subsidiaries (and possibly their business consultants, agents and legal or financial advisers) are of paramount importance to the success of the Company or any of its subsidiaries as a whole and therefore they consider it to be in the interests of the Group as a whole for such persons to be given incentives to participate in the growth of the Group in the form of options to subscribe for Shares.

In addition, the Board will be empowered to determine the exercise price of a Share in respect of any particular option granted under the New Scheme on the basis set out in paragraph 5 of Appendix II so that the Eligible Participants will be encouraged to subscribe for the Shares pursuant to the options granted by the Company as incentive and rewards for their contribution to the Group. The subscription of Shares by the Eligible Participants will further contribute towards the profitability and success of the Group.

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

(iv) Application for listing of the Shares

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the New Scheme, the total number of which shall not exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme.

NOTICE OF ANNUAL GENERAL MEETING

Your attention is drawn to the ordinary resolutions set out in the notice convening the Annual General Meeting contained in the 2002 Annual Report of the Company in respect of the granting to the Directors of the general mandate to repurchase Shares and to issue Shares and the adoption of new share option scheme and termination of existing share option scheme.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the principal place of business of the Company in Hong Kong at 16th floor, Far East Consortium Building, 121 Des Vouex Road Central, Hong Kong during normal business hours (i.e. from 9:00 a.m. to 6:00 p.m) for the period of 14 days before the date of Annual General Meeting and at the Annual General Meeting:

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

LETTER FROM THE BOARD

RECOMMENDATION

The Directors believe that all the above-mentioned resolutions are in the best interests of the Company and its shareholders. Accordingly, the Directors recommend you to vote in favour of the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,

For and on behalf of the Board

David Chiu

Deputy Chairman and Chief Executive Officer

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

1. LISTING RULES

The Listing Rules permit companies whose primary listing are on the Stock Exchange to repurchase their fully paid up shares on the Stock Exchange or on another stock exchange on which the shares of the companies may be listed and recognized by the Securities and Future Commission and the Stock Exchange for this purpose, subject to certain restrictions, the most important of which are summarized below:-

(a) Shareholder's Approval

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

(b) Source of Funds

Repurchases must be made out of funds which are legally available for the purpose and in accordance with the company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

(c) Maximum Number of Securities to be Repurchased

The shares proposed to be repurchased must be fully-paid up. A maximum of 10% of the existing issued share capital of the company at the date of passing the relevant resolution may be repurchased on the Stock Exchange.

2. SHARE CAPITAL

As at 29th July, 2002, being the latest practicable date prior to the printing of this document (the "Latest Practicable Date"), the issued share capital of the Company comprised 967,749,875 Shares.

Subject to the approval of the Repurchase Mandate and on the basis that no further Shares are issued prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 96,774,987 Shares representing not more than 10% of the issued share capital of the Company as at the date of passing the resolution.

3. REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its shareholders. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such a purchase will benefit the Company and its shareholders.

4. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association, the Companies Law of the Cayman Islands, which provide that Shares may be repurchased out of the profits of the Company, and/or out of the proceeds of a fresh issue of Shares made for this purpose and/or even out of the capital paid up on the repurchased Shares, and all other applicable laws.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts contained in the annual report for the year ended 31st March, 2002 in the event that the Repurchase Mandate were to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse 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.

5. SHARE PRICES

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

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2001		
July	0.590	0.495
August	0.530	0.440
September	0.450	0.325
October	0.480	0.375
November	0.510	0.455
December	0.550	0.460
2002		
January	0.500	0.450
February	0.500	0.420
March	0.495	0.440
April	0.480	0.430
May	0.500	0.450
June	0.490	0.420

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to make repurchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and all applicable laws.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates presently intend to sell any Shares to the Company or its subsidiaries in the event that the Repurchase Mandate is approved by Shareholders.

The Company has not been notified by any connected persons (as defined in the Listing Rules) either that they have a present intention to sell any Shares, or that they have undertaken not to sell any Shares held by them to the Company in the event that the Repurchase Mandate is approved by Shareholders.

7. TAKEOVER CODE

If as a result of a repurchase of Shares a shareholder's proportionate interest in the voting rights of the Company increase, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeover Code"). Accordingly, when a shareholder, or a group of shareholders acting in concert, could then obtain or consolidate control of the Company, he/they shall become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code.

As at the Latest Practicable Date, Messrs. Deacon Te Ken Chiu, David Chiu, Dick Tat Sang Chiu, Dennis Chiu, Daniel Tat Jung Chiu and Madam Ching Lan Ju Chiu, ("the said Directors") together with their respective associates held 404,896,708 Shares representing approximately 41.84% of the issued share capital of the Company. In the event that the Directors exercise in full the power to repurchase Shares in accordance with the Repurchase Mandate, the shareholding of the said Directors, together with their respective associates, in the Company would be increased to approximately 46.49% of the issued share capital of the Company. An obligation to make a general offer to shareholders under Rules 26 of the Takeover Code may arise. The Directors have no present intention to exercise the power of repurchase Shares pursuant to the Repurchase Mandate to such an extent as to result in takeover obligations.

To the best of the knowledge and belief of the Company, no other person, together with his/her associates, was beneficially interested in Shares representing 10% or more of the issued share capital of the Company.

8. SHARES REPURCHASE MADE BY THE COMPANY

The Company had not purchased any of its own Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

This Appendix summarises the principal terms of the New Scheme but does not form part of, nor is it intended to be, part of the New Scheme nor should it be taken as affecting the interpretation of the rules of the New Scheme. The Directors reserve the right at any time prior to the Annual General Meeting to make such amendments to the New Scheme as they may consider necessary or appropriate provided that such amendments do not conflict in any material aspects with the summary in this Appendix.

The following is a summary of the principal terms of the New Scheme proposed to be adopted by the Company at the Annual General Meeting:

1. Purpose

The purpose of the New Scheme is to enable the Company to grant options to Eligible Participants as incentives and rewards for their contribution to the Company or such subsidiaries.

2. Who may join

The Board may at its discretion, offer eligible participants, being employees (whether full time or part time) or executive or officers of the Company or any of its subsidiaries (including executives and non-executive directors of the Company or any of its subsidiaries) and business consultants, agents and legal or financial advisers (“Eligible Participants”) who the Board of Directors (the “Board”) considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries, options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company by way of consideration for the grant.

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the New Scheme and any other share option scheme(s) of the Company (which for this purpose, excludes the Existing Scheme) must not exceed 10% of the Shares in issue on the date of the approval and adoption of the New Scheme by the shareholders of the Company (“Shareholders”). Options lapsed in accordance with the terms of such option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in the general meeting and/or such other requirement prescribed under the Listing Rules from time to time, the Board may:

- (a) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in the general meeting (options previously granted under any share option scheme of the Company (including those outstanding, cancelled, lapsed in accordance with such scheme or exercise options) will not be counted for the purpose of calculating the limit as refreshed); and/or

- (b) grant option beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, among others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

4. Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the option granted under the New Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in the general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

5. Price of Shares

The subscription price for a Share in respect of any particular option granted under the New Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price must not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange' daily quotations sheet on the date of grant, which must be a business day; (b) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

6. Granting option to connection persons

Any grant of options to a Director, chief executive or substantial shareholder 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 the independent non-executive director who is the grantee of the options.)

If the Company proposes to grant to a substantial shareholders (as defined in the Listing Rules) of the Company or any independent non-executive director or their respective associates (as defined in the Listing Rules) 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 in the 12-month period up to and including the date of the offer of such grant:

- (a) representing in aggregate over 0.1% of the Shares in issue on the date of the offer; and
- (b) having an aggregate value in excess of HK\$5 million, based on the closing price of the Shares at the date of each offer, such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in the general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting, and/or such other requirements prescribed under the Listing Rules from time to time. A connected person (as defined in the Listing Rules) of the Company will be permitted to vote against the grant only if his intention to do so has been stated in the circular.

7. Restrictions on the time of grant of options

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

8. Rights are personal to grantee

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt to do so.

9. Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The Board is currently unable to determine such minimum period. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration is received by the Company, such date must be on or before the 30 days after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the New Scheme.

Subject to earlier termination by the Company in general meeting, the New Scheme shall be valid and effective for a period of 10 years from the date of adoption of the New Scheme by Shareholders by resolution at a general meeting.

10. Performance target

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option grant under the New Scheme can be exercised. There are no specific performance targets stipulated under the terms of the New Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the New Scheme.

11. Rights on ceasing to be an Eligible Participant and death

In the event of the grantee ceasing to be an Eligible Participant for any reason (including his or her death) other than (i) the termination of his or her relationship with the Company and/or any of its subsidiaries on one or more of the grounds specified in paragraph 12 below; or (ii) the termination of the same for any reason during the 12 month period following the date upon which the relevant option is deemed to be granted and accepted in accordance with the New Scheme, the grantee may exercise the option up to his or her entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) with the period of six months following the date of such cessation, which date shall be the last actual working day on which the grantee was at work with the Company, or its relevant subsidiary on which salary is paid whether in lieu or notice or not, or such longer period as the Board may in its absolute discretion determine.

12. Lapse of option on misconduct, bankruptcy or dismissal etc.

If a grantee cease to be an Eligible Participant by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or in relation to an employee of the Company and/or any of its subsidiaries (if so determined by the Board) on any other ground on which an employee 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 subsidiaries, his or her option will lapse and not be exercisable on the date of termination of his or her relationship with the Company and/or any of its subsidiaries.

13. Rights of takeover

If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional (with the meaning of the Takeover Code), the grantee shall be entitled to exercise the option in full or in part (to the extent not already exercised) at any time when 1 month after the date on which the offer becomes or is declared unconditional.

14. Rights on compromise or arrangement between the Company and its members or creditors

If a compromise or arrangement between the Company and its members and/or creditors is proposed for the purpose 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 grantee (together with a notice of the existence 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 /her options in whole or in part at any time prior to 12:00 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 become effective, all options shall, to the extent that they have not been exercised, lapsed and determined. 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 the 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.

15. Right of winding-up

In the event a notice is given by the Company to its members 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 soon after it despatches such notice to each member of the Company give notice thereof to all grantees (together with a notice of the existence of the provision of this paragraph) and thereupon, each grantee shall be entitled to exercise all or any of his or her options (to the extent not already exercised) at any time not later than two business days prior to the date of 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, not later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant number of Shares to the grantee credited as fully paid.

16. Lapse of the options

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

- (a) the expiry date relevant to that option;
- (b) the expiry of any of the periods referred to in paragraph 11, 13 or 14 above;
- (c) the date of commencement of the winding-up of the Company (as determined in accordance with the applicable law) as referred to in paragraph 15 above;
- (d) the date on which the scheme for the reconstruction of the Company or its amalgamation with any other company or companies, becomes effective as referred to in paragraph 14 above;
- (e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her relationship with the Company and/or any of its subsidiaries on any one or more of the grounds specified in paragraph 12 above. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive;
- (f) 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 the prohibitions specified in paragraph 8 above or the options are cancelled in accordance with paragraph 20 below;
- (g) the date on which the grantee ceases to be so employed by the Company and/or any of its subsidiaries during the 12-month period following the date on which the option is deemed to be granted and accepted in accordance with the New Scheme; and
- (h) the date on which the grantee ceases to be an Eligible Participant on or after committing any act of bankruptcy or become insolvent or making any arrangement or composition with his creditors generally.

17. 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 and will be subject to all the provisions of the Memorandum and Articles of Association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the relevant date of allotment. In particular, such Shares will rank *pari passu* in respect of voting, transfer and other rights, including those arising on liquidation of the Company and rights in respect of any dividend or other distribution paid or made after the relevant date of allotment other than any dividend or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant date of allotment as attached to the other fully-paid Shares in issue on the date of issue.

18. Effect of alterations to capital

In the event of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company, the Company shall instruct the auditors to and the auditors shall, at the request of the Company, certify in writing such corresponding alterations (if any) made in (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as circumstances requiring alteration or adjustment) the number or nominal amount of Shares subject to any option so far as such option or any part thereof remains unexercised, 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 that to which he or she was entitled to subscribe had he or she exercised all the options held by him or her 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 the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the auditors in this paragraph is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and conclusive and binding on the Company and the grantees. The costs and expenses in connection with the issue of such certificate by the auditors shall be borne by the Company.

19. Alteration of New Scheme

The New Scheme may be altered in any respect by resolution of the Board except that:

- (a) any alteration to the advantage of the grantees or the Eligible Participant (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;
- (b) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New Scheme; and
- (c) any material alteration to the terms and conditions of the New Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the New Scheme), must be made with the prior approval of the Shareholders of the Company in general meeting provided that no alteration shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to the date of alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to the alteration except with the sanction obtained' in accordance with the terms of the New Scheme.

20. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the New Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

21. Termination of the New Scheme

The Company may by resolution in general meeting or the Board may at any time terminate the New Scheme and in such event no further option shall be offered but the provisions of New 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 New Scheme. Options granted prior to such termination at the time of termination shall continue to be valid and exercisable in accordance with the New Scheme.

22. Condition of the New Scheme

The New Scheme is conditional on (a) the Shareholders' approval of the adoption of the New Scheme and termination of the Existing Scheme at the Annual General Meeting; and (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options granted pursuant thereto, the total number of which shall not exceed 10% of the total number of Shares in issue as at the date of approval of the New Scheme.

23. Disclosure in annual and interim reports

The Company will disclose details of the New Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

24. Present status of the New Scheme

Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the New Scheme, the total number of which shall not exceed 10 % of the total number of Shares in issue as at the date of approval of the New Scheme.

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

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

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