

IMPORTANT

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

If you have sold all your shares in GP NanoTechnology Group Limited (the “Company”), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected, for transmission to the purchaser or transferee.

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



GP NanoTechnology Group Limited

廣平納米科技集團有限公司*

(incorporated in Bermuda with limited liability)

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

A letter from the board of directors of the Company is set out on pages 5 to 8 of this circular. A notice convening the annual general meeting of the Company to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 10th May, 2002 at 10:00 a.m. is set out on pages 46 to 48 of the annual report of the Company for the financial year ended 31st December, 2001 (the “Annual Report 2001”).

A form of proxy for the annual general meeting is enclosed with the Annual Report 2001. Whether or not you intend to attend and vote at the annual general meeting, you are requested to complete the enclosed form of proxy and return it in accordance with the instructions printed thereon to the Company’s share registrar in Hong Kong, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meeting should you so wish.

28th March, 2002

This circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements page for at least 7 days from the date of its posting and on the website of the Company at www.gpnano.com.

* for identification purpose only

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, the following expressions have the meanings respectively set opposite them unless the context otherwise requires:

“Adoption Date”	10th May, 2002, the date on which the New Share Option Scheme is adopted by virtue of an ordinary resolution of the shareholders of the Company in Annual General Meeting
“Annual General Meeting”	the forthcoming annual general meeting of the Company to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 10th May, 2002 at 10:00 a.m.
“Annual Report 2001”	the annual report of the Company for the financial year ended 31st December, 2001
“associate(s)”	has the meaning ascribed to it under rule 1.01 of the GEM Listing Rules in relation to any director, chief executive, substantial shareholders or management shareholders (in each case being an individual)
“Board”	the board of Directors of the Company or a duly authorized committee of the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Company”	GP NanoTechnology Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the GEM
“Connected Person”	has the meaning ascribed to it under rule 20.10 of the GEM Listing Rules
“Directors”	the directors of the Company
“Eligible Employee”	any executive, full-time employee, part-time employee who has spent not less than 10 hours per week (determined by averaging out the total number of hours so spent since the relevant employee commenced working for the Group in that capacity and up to the relevant date of grant of Option), executive director and/or non-executive director of any member of the Group or of any Invested Entity who is in employment of the Group or any Invested Entity at the time when an Option is granted to such person
“Eligible Person”	means any of the following classes of participants: <ul style="list-style-type: none">(i) any Eligible Employee;(ii) any supplier of goods or services to (a) any member of the Group or (b) any Invested Entity;(iii) any customer of (a) the Group or (b) any Invested Entity;(iv) any person or entity that provides research, development or other technological support to (a) the Group or (b) any Invested Entity;

DEFINITIONS

(v) any shareholder of (a) any member of the Group or (b) any Invested Entity; and

(vi) any company wholly owned by one or more persons belonging to any of the above classes of participants.

“Existing Share Option Scheme” the existing share option scheme previously adopted by the Shareholders at general meeting on 29th June, 2001

“GEM” the Growth Enterprise Market operated by the Stock Exchange

“GEM Listing Committee” the listing sub-committee of the directors of the Stock Exchange with responsibility for GEM

“GEM Listing Rules” the Rules Governing the Listing of Securities on GEM

“Grantee” any Eligible Person who accepts an Offer in accordance with the terms of the New Share Option Scheme, the GEM Listing Rules and the Offer document

“Group” the Company and its subsidiaries (meaning any company which is for the time being and from time to time a subsidiary falling within the meaning of section 2 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) of the Company whether incorporated in Bermuda, Hong Kong or elsewhere)

“HK\$” Hong Kong Dollars, the lawful currency of Hong Kong

“Hong Kong” the Hong Kong Special Administrative Region of the PRC

“Invested Entity” any entity in which any member of the Group holds any equity interest

“Latest Practicable Date” 20th March, 2002, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

“New Share Option Scheme” the share option scheme 2002 proposed to be adopted by the Shareholders at the AGM

“Offer(s)” the offer(s) of the grant of Option(s) made in accordance with the terms of the New Share Option Scheme

“Option(s)” option(s) to subscribe for Share(s) granted pursuant to the New Share Option Scheme

“Option Period” period which will entitle a Grantee to subscribe for Shares commencing on the first business day from the date of grant of an Option and expiring on the close of business on the last day of such period as determined by the Directors and notified to such Grantee (in any event such period must not be more than 10 years from the date of grant of Option)

“PRC” the People’s Republic of China

DEFINITIONS

“SDI Ordinance”	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“securities”	Shares and other securities of the Company which the Company may from time to time issue
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	registered holder(s) for the time being of Shares issued
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Substantial Shareholder”	shall have the meaning ascribed to it under rule 1.01 of the GEM Listing Rules
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“%”	per cent.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



GP NanoTechnology Group Limited

廣平納米科技集團有限公司*

(incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Fung Chiu (*Chairman*)
Mr. Ong Hong Hoon
Mr. Chow Chun Kwong
Mr. Lian En Sheng
Mr. Kwong Chun Kau

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Independent Non-executive Directors:

Mr. Fong Shi Sheung, Anthony
Mr. Tsun Kok Chung, Richard

Principal Office:

509–510, Lippo Centre
Tower 2
89 Queensway
Hong Kong

28th March, 2002

To Shareholders of the Company

Dear Sir or Madam,

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

INTRODUCTION

At the Annual General Meeting, ordinary resolutions will be proposed to grant to the Directors general and unconditional mandates to issue and repurchase securities of the Company.

The newly amended Chapter 23 of the GEM Listing Rules requires any existing or new share option schemes implemented by a company to be amended to reflect the requirements set out in the revised GEM Listing Rules. In this connection, the Board proposes that the New Share Option Scheme be adopted by the Company and simultaneously terminate the Existing Share Option Scheme at the Annual General Meeting. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Existing Share Option Scheme.

The purpose of this circular is to provide you with information regarding the proposed general mandates to issue and repurchase Shares, and to provide you with additional information in relation to the proposed New Share Option Scheme.

* The Chinese name appears for the purpose of identification only

LETTER FROM THE BOARD

GENERAL MANDATE TO ISSUE SECURITIES

At the Annual General Meeting, an ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to allot, issue and deal with new securities of the Company up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of such resolution. Another ordinary resolution will also be proposed to increase the limit of this 20% by the amount of any securities of the Company repurchased by the Company up to a maximum of 10% of the aggregate nominal value of the issued share capital of the Company at the date of passing of the relevant resolution (the “**Issue Mandate**”).

GENERAL MANDATE TO REPURCHASE SECURITIES

At the Annual General Meeting, a separate ordinary resolution will be proposed that the Directors be given a general and unconditional mandate to exercise all powers of the Company to repurchase securities not exceeding 10% of the aggregate of the total nominal value of the share capital of the Company in issue at the date of passing of such resolution (the “**Repurchase Mandate**”). The Company’s authority is restricted to purchases made on the Stock Exchange and otherwise in accordance with the GEM Listing Rules.

An explanatory statement containing all relevant information relating to the Repurchase Mandate and pursuant to the GEM Listing Rules, in particular rule 13.08, is set out in Appendix I to this circular. The information in the explanatory statement is intended to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions relating to the Repurchase Mandate.

ADOPTION OF NEW SHARE OPTION SCHEME

At the Annual General Meeting, an ordinary resolution will be proposed to give the Directors the power to implement and administer the New Share Option Scheme with effect from the date of passing of the resolution. The Existing Share Option Scheme will be terminated immediately upon the adoption of the New Share Option Scheme. A summary of the principal terms of the New Share Option Scheme is set out in Appendix II to this circular.

Application will be made to the GEM Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the Options granted under the New Share Option Scheme.

The New Share Option Scheme and the grant of any Option thereunder is conditional upon the Shareholders passing an ordinary resolution to approve the New Share Option Scheme at the Annual General Meeting and the approval of the listing of and permission to deal in any Shares to be issued pursuant to the exercise of Options under the New Share Option Scheme, being granted by the GEM Listing Committee of the Stock Exchange. As at the Latest Practicable Date, no Option has been granted under the New Share Option Scheme.

CURRENT STATUS OF THE EXISTING SHARE OPTION SCHEME

The Directors confirm that, as at the Latest Practicable Date, no option has been granted under the Existing Share Option Scheme (which is terminable by ordinary resolution at general meeting of the Company), and that they will not exercise further powers therein in granting options and no further option will be granted under the Existing Share Option Scheme prior to its termination pending the adoption of the New Share Option Scheme at the Annual General Meeting.

LETTER FROM THE BOARD

VALUE OF THE OPTIONS

The Directors consider it inappropriate to value all the Options that can be granted under the New Share Option Scheme on the assumption that they were granted on the Latest Practicable Date as a number of factors crucial for the valuation cannot be determined. Such factors include the exercise price of the Options and the conditions, if any, that an Option is subject to. Accordingly, any valuation of the Options based on a large number of speculative assumptions would not be meaningful and may be misleading to the Shareholders.

EXPLANATION OF THE TERMS

The Directors consider that in order to recognize the significant contributions of the Eligible Persons to the growth of the Group and to further motivate and encourage the Eligible Persons to continue and improve their performance and efficiency, it is important for the Group to provide them with opportunities to obtain an ownership interest in the Company and to reward them for keeping contribution to the Group's long term success and prosperity.

The Directors consider that the New Share Option Scheme, with no requirement of any performance targets, nor the minimum period for which an Option must be held by the Eligible Persons before it can be exercised and a fair mechanism for determining the exercise price of the Options (with absolute discretion on the Directors in determining the applicability of the same with regard to the changing circumstance), will provide flexibility to the Eligible Persons to exercise their Options to acquire a monetary gain or ownership interest in the Company which may in turn provide a further incentive to them for continuing and improving their performance. In this connection, the Board proposes to recommend to the Shareholders at the Annual General Meeting to approve the adoption of the New Share Option Scheme.

TERMINATION OF EXISTING SHARE OPTION SCHEME

The Existing Share Option Scheme will be terminated simultaneously with the passing of the resolution approving and adopting the New Share Option Scheme in the Annual General Meeting. In this connection, no further options would then be granted under the Existing Share Option Scheme.

ANNUAL GENERAL MEETING

A notice of the Annual General Meeting to be held at Caine Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 10th May, 2002 at 10:00 a.m. is set out on pages 46 to 48 of the Annual Report 2001. Resolutions 4 to 7 relating to the Issue Mandate, the Repurchase Mandate and the New Share Option Scheme will be proposed as ordinary resolutions at the Annual General Meeting for your consideration and approval.

A form of proxy for the Annual General Meeting is enclosed with the Annual Report 2001. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the branch share registrar of the Company in Hong Kong, Standard Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the meeting. The completion of a form of proxy will not preclude you from attending and voting at the meeting in person.

LETTER FROM THE BOARD

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the New Share Option Scheme will be available for inspection at 2408 Lippo Centre, Tower 2, 89 Queensway, Hong Kong during normal business hours 14 days before the date of the Annual General Meeting.

RECOMMENDATION

The Directors consider that the granting of the Issue Mandate and the Repurchase Mandate and the adoption of the New Share Option Scheme are in the best interests of the Company and the Shareholders as a whole and accordingly recommend you to vote in favour of the relevant resolutions at the Annual General Meeting. The Directors will vote all their shareholdings in favour of the resolutions.

Yours faithfully,
By Order of the Board
Ong Hong Hoon
Chief Executive

This is an explanatory statement given to all shareholders relating to a resolution to be proposed at the Annual General Meeting authorizing the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to rule 13.08 and other relevant provisions of the GEM Listing Rules which are set out as follows:

1. EXERCISE OF THE REPURCHASE MANDATE

As at the Latest Practicable Date, the issued share capital of the Company was HK\$50,000,000 comprising 500,000,000 ordinary Shares of HK\$0.10 each. Exercise in full of the Repurchase Mandate, on the basis that no further securities are issued or repurchased prior to the date of the Annual General Meeting would result in up to 50,000,000 Shares being repurchased by the Company. The Repurchase Mandate will allow the Company to make or agree to make purchases only during the period ending on the earliest of the date of the next annual general meeting, the expiration of the latest date by which the next annual general meeting of the Company is required to be held by law or under its bye-laws or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

2. REASONS FOR REPURCHASES

The Directors have no present intention to repurchase any securities but consider that the Repurchase Mandate will provide the Company the flexibility to make such repurchases as and when they are appropriate for and beneficial to the Company. Such repurchases may enhance the net asset value of the Company and/or the earnings per Share. As compared with the financial position of the Company as at 31st December, 2001 (being the date to which the latest audited financial statements of the Company have been made up), the Directors consider that there would not be any material adverse impact on the working capital and on the gearing position of the Company in the event that the Repurchase Mandate is exercised in full. No repurchase would be made in circumstances that would have a material adverse impact on the working capital or gearing ratio of the Company.

3. FUNDING AND LEGALITY OF REPURCHASES

The repurchase of securities will be funded entirely from the Company's available cash flow or working capital facilities, and will, in any event, be made out of funds legally available for the repurchase in accordance with the bye-laws of the Company and the applicable laws of Bermuda. Under the laws of Bermuda, the repurchased shares will be cancelled and the company's issued share capital will be accordingly reduced by the nominal value of the shares repurchased. However, the aggregate amount of the company's authorised share capital will not be reduced.

4. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors having made all reasonable enquiries, any of the associates of any of the Directors has any present intention, in the event that the Repurchase Mandate is approved by the Shareholders, to sell Shares to the Company.

No Connected Person of the Company has notified the Company that he has a present intention to sell Shares to the Company nor has he undertaken not to sell any of the Shares held by him to the Company in the event that the Company is authorised to make purchases of Shares.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the GEM Listing Rules and all applicable laws of Bermuda, and in accordance with the regulations set out in the memorandum of association and bye-laws of the Company.

6. EFFECT OF THE TAKEOVER CODE

If, on the exercise of the power to repurchase securities pursuant to the Repurchase 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 Takeover Code. As a result, a shareholder or a group of shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of such increase, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with rule 26 of the Takeover Code.

As at the Latest Practicable Date, the Substantial Shareholders of the Company are as follows:

Substantial Shareholder	Number of Shares held	Approximate percentage of voting power (%)	Approximate percentage of voting power if the Company exercised in full the power to repurchase (%) <i>(Note 5)</i>
Modern World Resources Limited <i>(Note 1)</i>	180,850,000	36.17	40.19
Solidbase Holdings Limited <i>(Note 2)</i>	96,750,000	19.35	21.50
Victory Move Technology Limited <i>(Note 3)</i>	77,400,000	15.48	17.20
Suez Asia Holdings Pte. Limited ("Suez Asia") <i>(Notes 2 and 4)</i>	141,750,000	28.35	31.50

Notes:

- Modern World Resources Limited is beneficially owned by Ms. Wong Yau Ming (68.75%), Mr. Fung Chiu (18.75%) and Mr. Kwong Chun Kau (12.5%). As a result, Ms. Wong Yau Ming, Mr. Fung Chiu and Mr. Kwong Chun Kau are Substantial Shareholders.
- Solidbase Holdings Limited is beneficially owned by Full Joy Management Limited. As a result, Full Joy Management Limited is a Substantial Shareholder. Full Joy Management Limited is a company incorporated in the BVI and owned as to 99.99% by Modern World Resources Limited and 0.01% by Suez Asia. The sole director of Full Joy Management Limited is nominated by Suez Asia.
- Victory Move Technology Limited is a company incorporated in the BVI and is beneficially owned by Mr. Ng Kwok Kuen ("Mr. Ng") and Mr. Chan Tak Shun, Frederick ("Mr. Chan") in equal shares. Both of whom are independent third parties and are not connected with any chief executive, Director, initial management shareholders, or Substantial

Shareholders or any of their respective associates. Neither of them is involved in the management or the operation of the business of the Group. Mr. Ng and Mr. Chan are not otherwise related. As a result of Mr. Ng's board control in Victory Move Technology Limited, he is a Substantial Shareholder of the Company.

4. These represent Shares directly held by Suez Asia (9%) together with (as a result of Suez Asia's right to nominate the sole director of Full Joy Management Limited) Suez Asia's deemed interest in the Shares held by Solidbase Holdings Limited.
5. Based on 450,000,000 Shares in issue prior to the exercise of any share option.

In the event that the Directors shall exercise in full the power to repurchase securities in accordance with the Repurchase Mandate and if there is no other change in the issued share capital of the Company, the interest of the above Substantial Shareholders would be increased to approximately the percentage shown in the last column above. The Directors do not have the intention to exercise the power to repurchase securities to an extent which would make the Substantial Shareholders or any Shareholder whether singly or collectively to be obliged to make a mandatory general offer under rule 26 of the Takeover Code in this respect.

7. SHARE PURCHASES MADE BY THE COMPANY

Neither the Company nor any of its subsidiaries has purchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the date of this circular.

8. PRICES OF SHARES

The highest and lowest prices at which the Shares have traded on the Stock Exchange in each of the eight months from the date the Shares are listed on GEM, are as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2001		
July	1.10	0.63
August	0.75	0.51
September	0.56	0.37
October	0.51	0.395
November	0.69	0.50
December	0.75	0.57
2002		
January	0.67	0.57
February	0.67	0.59

9. PROXY

A form of proxy for use at the Annual General Meeting is enclosed with the Annual Report 2001. Whether or not you intend to attend the meeting, you are requested to complete and return the form of proxy to the branch share registrar of the Company in Hong Kong, Standard Registrars Limited, at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion of the form of proxy will not preclude you from attending and voting in person at the Annual General Meeting should you so desire.

The following is a summary of the principal terms of the New Share Option Scheme proposed to be adopted by the Shareholders in the Annual General Meeting.

1. PURPOSE OF THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to enable the Group to grant Options to selected participants as incentives or rewards for their contribution to the Group.

2. WHO MAY JOIN

The Directors may at their absolute discretion (subject to any conditions as they may think fit) make Offers to any Eligible Person to take up Options at a price calculated in accordance with paragraph 3 below.

The eligibility of any of the Eligible Persons to the grant of any Option shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group.

3. PRICE OF SHARES

Options to be granted pursuant to the New Share Option Scheme will entitle the Grantee to subscribe for Shares during the Option Period at a price as determined by the Directors (“**Subscription Price**”) which shall (subject to adjustments as provided therein) be no less than the higher of:

- (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets on the date of grant of Option, which must be a business day; or
- (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five days immediately preceding the date of grant of Option.

An Offer shall lapse if not accepted on or before the twenty-eighth day from the date such offer is made to an Eligible Person. A nominal consideration of HK\$1 is payable by the Grantee on acceptance of the grant of an Option.

4. MAXIMUM NUMBER OF SHARES

The total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the issued share capital of the Company as at the date on which the New Share Option Scheme is adopted by resolution of the Company in general meeting (“**General Scheme Limit**”), provided that Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the General Scheme Limit.

The Company may seek approval by Shareholders in general meeting to refresh the General Scheme Limit provided that:

- (a) the General Scheme Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit;
- (b) Options previously granted (including those outstanding, cancelled or lapsed in accordance with the provisions of the New Share Option Scheme or exercised Options) will not be counted for the purpose of calculating the refreshed limit; and

- (c) a circular shall be despatched to the Shareholders together with the notice for the relevant general meeting.

The Company may seek separate shareholders' approval in general meeting to grant Options beyond the General Scheme Limit provided that Options in excess of the General Scheme Limit are granted only to participants specified by the Company before such approval is sought and provided further that a circular containing a generic description of the identified Eligible Person, the number and terms of the Options to be granted, the purpose of granting such Options to the identified Eligible Person and how the terms of the Options serve such purpose shall be despatched together with the notice of the relevant general meeting.

Notwithstanding the foregoing the total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company shall not exceed 30% of the Shares in issue from time to time.

5. MAXIMUM ENTITLEMENT OF EACH ELIGIBLE PERSON TO SHARES

The total number of Shares issued and to be issued upon exercise of the Options granted and to be granted to each Eligible Person (including both exercised and outstanding Options) in any 12-month period up to and including the date of grant of Option shall not exceed 1% of the Shares in issue.

Any further grant of Options in excess of this 1% limit shall be subject to the approval of the shareholders of the Company in general meeting and other requirements prescribed under the GEM Listing Rules from time to time with such relevant Eligible Person and his associates abstaining from voting.

6. TIME OF EXERCISE OF OPTION

An Option may be exercised in whole or in part in accordance with the terms of the New Share Option Scheme at any time during the period commencing on the first business day from the date of grant of Option and expiring at the close of business on a date to be determined and notified by the Directors which shall not be more than 10 years from the date of grant of Option.

Unless the Directors otherwise determined and stated in the Offer, there is no minimum period for which an Option must be held before it can be exercised.

7. PERFORMANCE TARGET

Unless the Directors otherwise determined and stated in the Offer, a Grantee is not required to achieve any performance targets before any Options granted under the New Share Option Scheme can be exercised.

8. RIGHTS ARE PERSONAL TO GRANTEE

An Option shall be personal to the Grantee and shall not be sold, transferred, assigned, charged or mortgaged to any third party.

9. RIGHTS UPON CESSATION OF EMPLOYMENT

If, during any relevant Option Period, a Grantee who is an Eligible Employee ceases to be an Eligible Employee for any reason other than ill-health, disability, death or the termination of his or her employment on grounds referred to in paragraph 11 below (all evidence to be determined by the Directors absolutely)

before exercising his or her Option in full, the Grantee may exercise the Option at any time on or before the date which is 3 months after the date of such cessation to the extent not already exercised of his or her entitlement under the Option as at the date of cessation.

10. RIGHTS ON ILL-HEALTH, DISABILITY OR DEATH

If, during any relevant Option Period, a Grantee is an Eligible Employee but ceases to be an Eligible Employee by reason of ill-health, disability or death before exercising the Option in full and none of the grounds for termination referred to in paragraph 11 below arises (all evidence to be determined by the Directors absolutely), the Grantee or his or her personal representative(s), as appropriate, shall be entitled within a period of 12 months from the date of cessation of employment by reason of ill-health, disability or death to exercise the Option up to the entitlement of the Grantee as at the date of such cessation in part or in full (to the extent not already exercised even though the Option Period has not come into effect).

11. RIGHTS ON DISMISSAL

If a Grantee is an Eligible Employee and ceases to be an Eligible Employee by reason that he or she has been guilty of persistent or serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence which in the absolute opinion of the Board involving his or her integrity or honesty or brings the Grantee or the Company into disrepute, the Option shall lapse forthwith on the date upon which the Directors shall at their absolute discretion determine such cessation has occurred and shall not be exercisable (to the extent not already exercised).

12. RIGHTS ON BREACH OF CONTRACT

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

13. ADJUSTMENTS TO SUBSCRIPTION PRICE AND NUMBER OF SHARES

In the event of any alteration in the share capital structure of the Company, whether arising from any capitalization of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company, other than the alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, or in the event of any distribution of the Company's capital assets to its Shareholders on a pro rata basis (whether in cash or in specie) other than dividend paid out of the net profits attributable to the Shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to:

- (a) the number or nominal amount of Shares subject to the Options so far as unexercised; and/or
- (b) the Subscription Price;

as the Company's financial adviser or auditors (acting as experts and not as arbitrators, that in their opinion the adjustments proposed are fair and reasonable) shall certify in writing, either generally or as regard any particular Grantee, to have, in their opinion, satisfied the requirement that:

- (i) such adjustments give the Grantee the same proportion of the equity capital as that to which that person was previously entitled immediately prior to such adjustment; and
- (ii) no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

14. RIGHTS ON A GENERAL OFFER

If a general offer in relation to a takeover is made to all Shareholders and such offer is made unconditional or becomes or is declared unconditional (as defined under the Takeover Code) prior to the expiry of the relevant Option, the Grantee shall be entitled to exercise the Option in full (to the extent not already exercised even though the Option Period has not come into effect) at any time within 14 days after the date of the announcement of an unconditional offer or within 3 days after a conditional offer becomes or is declared unconditional (as the case may be).

If a general offer by way of scheme of arrangement is made to all the Shareholders with the New Share Option Scheme having been approved by the necessary number of Shareholders at the requisite meetings, the Grantee may thereafter (but before such time as shall be notified by the Company) exercise the Option (to the extent not already exercised even though the Option Period has not come into effect) to its fullest extent or to the extent specified in such notice.

15. RIGHTS ON WINDING-UP

If notice is duly given of a general meeting of the Shareholders at which a resolution will be proposed for the voluntary winding-up of the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may by notice in writing to the Company accompanied by the remittance for the Subscription Price (such notice to be received by the Company not later than 4 business days prior to the date of the proposed meeting) exercise the Option (to the extent not already exercised even though the Option Period has not come into effect) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed shareholders' meeting, allot and issue such number of Share to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof.

16. RIGHTS ON RECONSTRUCTION, COMPROMISE OR ARRANGEMENT

In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the New Share Option Scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee may by notice in writing to the Company accompanied by the remittance for the Subscription Price in respect of the relevant Option (such notice to be received by the Company not later than 2 business days prior to the date of the proposed meeting) exercise the Option (to the extent not already exercised even though the Option Period has not come into effect) either to its full extent or to the extent specified in such notice, and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed meeting, allot and issue such number of Share to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder thereof.

In the event of a reorganisation or proposed reorganisation, including any compromise or arrangement, or offer for Shares which if successful would entitle the offeror to acquire all of the Shares or all of one or more particular class(es) of Shares to which the offer relates, the Company, at its option, may do either of the following:

- (a) the Company may irrevocably commute for or into any other security or other property or cash any Option that is still capable of being exercised, upon giving to the Grantee to whom such Option has been granted at least 21 days written notice of its intention to commute the Option, and during such period of notice, the Option, to the extent that it has not been exercised, may be exercised by the Grantee by notice in writing to the Company (to the extent not already exercised even though the Option Period has not come into effect) either to its full extent or to the extent specified in such notice and on the expiry of such period of notice, the unexercised portion of the Option shall lapse and be cancelled without further effect; or
- (b) the Company or any company which is or would be the successor to the Company or which may issue securities in exchange for Shares upon the reorganisation becoming effective, may offer any Grantee the opportunity to obtain a new or replacement option over any securities into which the Shares are changed or are convertible or exchangeable, on a basis proportionate to the number of Shares under option. In such event, the Grantee shall, if the Grantee accepts such offer, be deemed to have released such Grantee's Option over Shares and such Option shall be deemed to have lapsed without further effect.

17. RANKING OF SHARES

A Share issued upon the exercise of an Option shall not carry voting rights until the registration of the Grantee as the holder thereof. If under the terms of a resolution passed or a press announcement made by the Company prior to such registration, a dividend or distribution is to be or is proposed to be paid or made to the Shareholders by reference to a record date prior to the date of such registration, the Shares to be issued upon the exercise will not rank for such dividend or distribution. Subject as aforesaid, Shares allotted upon the exercise of an Option shall rank *pari passu* in all respects with the Shares in issue on the date of due registration of the Grantee as holder of such Shares thereof.

18. CANCELLATION OF OPTIONS

Any cancellation of Options granted but not exercised must be approved by Shareholders in general meeting and the relevant Grantees and their associates shall abstain from voting.

Any cancelled Option may be re-issued to any Eligible Person after such cancellation has been approved, provided that the re-issued Options shall only be granted out of available unissued Options (excluding the cancelled Options) in compliance with the terms of the New Share Option Scheme subject to the General Scheme Limit.

19. DURATION OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme will remain in force for a period commencing on the Adoption Date and expiring at the close of business on the business day preceding the tenth anniversary thereof, after which no further Options will be offered or granted but the provisions of the New Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto or as otherwise provided therein.

20. ALTERATION OF THE SHARE OPTION SCHEME

The Directors may from time to time in their absolute discretion waive or amend any terms of the New Share Option Scheme as they deem desirable, provided that, except with the prior sanction of the Company in general meeting with the Eligible Persons and their associates abstaining from voting, no alteration shall be made to provisions in the New Share Option Scheme insofar as they relate to the following:

- (a) the definition of “Eligible Person”;
- (b) the provisions of paragraphs 3, 4, 5, 13, 21, 22 and this paragraph; and
- (c) any matters set out in rule 23.03 of the GEM Listing Rules as amended from time to time.

No amendments to the New Share Option Scheme shall be made which would have the effect of abrogating or altering adversely any of the subsisting rights of the Grantees except with any consent on their part as would be required under the provisions of the Company’s bye-laws if the Options constituted a separate class of share capital and if the provisions applied mutatis mutandis thereto.

Any alteration to the terms and conditions of the New Share Option Scheme, which are of a material nature or any change to the terms of Options granted, must be first approved by the Stock Exchange save that this provision shall not apply where the alterations take effect automatically under the existing terms of the New Share Option Scheme.

Any alterations to the authority of the Directors in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders of the Company in general meeting.

21. GRANT OF OPTIONS TO CONNECTED PERSON OR ANY OF THEIR ASSOCIATES

Any grant of Options to a Director, chief executive or Substantial Shareholder of the Company or any of their respective associates must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is a Grantee).

If the Company 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 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:

- (a) representing in aggregate over 0.1% of the Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of such grant in each case, in excess of HK\$5 million;

such grant or any change in the terms of Options granted shall be subject to the issue of a circular by the Company to the Shareholders and the approval of the Shareholders of the Company in general meeting on a poll at which all Connected Persons of the Company shall abstain from voting except that a Connected Person of the Company may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in that circular in compliance with Rules 23.04 and 23.06 of the GEM Listing Rules and such other requirements as prescribed under the GEM Listing Rules as amended from time to time.

22. LAPSE OF OPTION

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

- (a) the expiry of the relevant Option Period; and
- (b) the expiry of the Period referred to in paragraphs 9 to 12 and 14 to 16 above.

The Directors shall notify the Grantee in writing of such lapse and the Grantee shall be bound to surrender to the Company forthwith the certificate evidencing such Option with any compensation.

23. TERMINATION

The Company by an ordinary resolution in general meeting may at any time terminate the operation of the New Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the New Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the New Share Option Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the New Share Option Scheme.

24. CONDITIONS OF THE NEW SHARE OPTION SCHEME

The New Share Option Scheme and the grant of any Option is conditional upon the Shareholders passing an ordinary resolution to approve the New Share Option Scheme at a general meeting of Shareholders convened for such purpose and the approval of the listing of and permission to deal in any Shares to be issued pursuant to the exercise of Options under the New Share Option Scheme, being granted by the GEM Listing Committee of the Stock Exchange. If such conditions are not fulfilled, then

- (a) the New Share Option Scheme shall forthwith determine; and
- (b) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the New Share Option Scheme or any Option.