

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

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

If you have sold all your shares in Timeless Software Limited, you should at once hand this document and the accompanying forms of proxy to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

ADOPTION OF THE 2003 SHARE OPTION SCHEME, TERMINATION OF THE EXISTING SHARE OPTION SCHEME, AND NOTICE OF EXTRAORDINARY GENERAL MEETING

The Notice of the Extraordinary General Meeting of Timeless Software Limited to be held in Hong Kong on Monday, 28 April, 2003 at 3:30 p.m. or any adjournment thereof to approve the matters referred to in this circular is set out on pages 9 to 10 of this circular. Whether or not you are able to attend the meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company in Hong Kong at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting. Completion of the proxy form and its return will not preclude you from attending, and voting at, the Extraordinary General Meeting if you so wish.

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 posting and on the Company's website at www.timeless.com.hk.

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

GEM has been established as a market designated 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 grater 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.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
1. Adoption of the 2003 Share Option Scheme and termination of the operation of the Existing Share Option Scheme	4
2. Value of the Options	6
3. Conditions precedent of the 2003 Share Option Scheme	6
4. Extraordinary General Meeting	7
5. Responsibility Statement	8
6. Recommendation	8
Notice of Extraordinary General Meeting	9
Appendix — Summary of the principal terms of the 2003 Share Option Scheme	11

DEFINITIONS

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

“Adoption Date”	the date on which the 2003 Share Option Scheme is conditionally adopted by resolution of the Shareholders of the Company at the Extraordinary General Meeting
“Allotment Date”	the date on which Shares are allotted and issued to a Grantee pursuant to the exercise of the rights attaching to an Option granted and exercised under the 2003 Share Option Scheme
“Associate”	shall have the meaning ascribed to it under the GEM Listing Rules
“Auditors”	the auditors for the time being of the Company
“Board”	the board of Directors of the Company or a duly authorised committee thereof
“Business Day”	shall have the meaning ascribed to it under the GEM Listing Rules
“Chief Executive”	shall have the meaning ascribed to it under the GEM Listing Rules
“Commencement Date”	in respect of any particular Option, the Business Day on which that Option was offered to the relevant Eligible Participant
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”	Timeless Software Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance
“Connected Person”	shall have the meaning ascribed to it under the GEM Listing Rules
“Directors”	the director(s) of the Company
“Disability”	shall have the meaning as defined under the long-term disability policy, if any, of the Company or the relevant Subsidiary to which the Grantee provides services regardless of whether the Grantee is covered by such policy. In the event the Company or the relevant Subsidiary to which the Grantee provides service does not have a long-term disability policy in place, “Disability” shall mean that a Grantee is unable to carry out the responsibilities and functions of the position

DEFINITIONS

held by the Grantee by reason of any medically determinable physical or mental impairment for a period of not less than ninety (90) consecutive days. A Grantee will not be considered to have incurred a Disability unless he or she furnishes proof of such impairment sufficient to satisfy the Board in its discretion.

“Eligible Participant”	any person or organisation who/which satisfies the eligibility criteria under the 2003 Share Option Scheme
“Employee”	any employee or officer of any company in the Group who is employed by any company in the Group (whether full time or part time)
“Exercise Period”	in respect of any particular Option, the period to be notified by the Board to each Grantee which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the Commencement Date
“Exercise Price”	the price per Share at which a Grantee may subscribe for Shares upon the exercise of an Option pursuant to the terms and conditions of the 2003 Share Option Scheme
“Existing Share Option Scheme”	the existing share option scheme for the Employees (including executive directors) of the Group adopted by the Company on 21 November 2000
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held in Hong Kong on Monday, 28 April, 2003 at 3:30 p.m. or any adjournment thereof
“GEM Listing Rules”	the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as amended, supplemented or otherwise modified from time to time
“Grantee”	any Eligible Participant who accepts the Offer in accordance with the terms of the 2003 Share Option Scheme, and where the context permits, any person who is entitled to any such Option in consequence of the death of the original Eligible Participant (being an individual)
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong for the time being

DEFINITIONS

“Independent Director(s)”	the independent non-executive Director(s) for the time being, or a duly authorised committee thereof
“Latest Practicable Date”	9 April, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“2003 Share Option Scheme”	the new share option scheme proposed to be adopted by the Company pursuant to Ordinary Resolution No.2 as set out in the Notice of Extraordinary General Meeting in its present or any amended form
“Notice of Extraordinary General Meeting”	the notice convening the Extraordinary General Meeting as set out on pages 9 to 10 of this circular
“Offer”	an offer by the Company to an Eligible Participant to accept an Option in accordance with the 2003 Share Option Scheme
“Option(s)”	right(s) to subscribe for Share(s) granted pursuant to the 2003 Share Option Scheme
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the Notice of Extraordinary General Meeting
“Relevant Experts”	the Auditors or, in relation to any matter, an independent financial adviser to the Company appointed in relation to that matter by the Board;
“Scheme Mandate Limit”	shall have the meaning given to that term in the 2003 Share Option Scheme
“Share(s)”	fully paid shares of HK\$0.05 each of the Company (or such other nominal amount prevailing from time to time)
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a subsidiary (within the meaning of the Companies Ordinance) for the time being and from time to time of the Company
“Substantial Shareholder”	shall have the meaning ascribed to it under the GEM Listing Rules



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

Executive Directors:

Mr. CHENG Kin Kwan (*Chairman*)
Mr. LAW Kwai Lam
Mr. CHUNG Yiu Fai
Ms. LEUNG Mei Sheung Eliza
Ms. SO Mi Ling Winnie
Ms. WONG Wai Ping Mandy
Mr. ZHANG Min
Ms. ZHENG Ying Yu

Registered Office:

79th Floor
The Center
99 Queen's Road Central
Hong Kong

Independent Non-executive Directors:

Mr. CHONG Siu Pui
Mr. NG Kwok Tung

11 April 2003

To the Shareholders of the Company,

Dear Sir/Madam,

**ADOPTION OF THE 2003 SHARE OPTION SCHEME,
TERMINATION OF THE EXISTING SHARE OPTION SCHEME,
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. ADOPTION OF THE 2003 SHARE OPTION SCHEME AND TERMINATION OF THE
EXISTING SHARE OPTION SCHEME**

The Existing Share Option Scheme was adopted by the Company on 21 November 2000 by way of Shareholders' resolution and will expire on 20 November 2010. As a result of the Stock Exchange amending Chapter 23 (Share Option Scheme) of the GEM Listing Rules on 1 October 2001, certain terms of the Existing Share Option Scheme are no longer in compliance with Chapter 23 of the GEM Listing Rules. Accordingly, the Company proposes to adopt the 2003 Share Option Scheme which complies with Chapter 23 of the GEM Listing Rules and to terminate the operation of the Existing Share Option Scheme. No further options will be granted under the Existing Share Option Scheme upon its termination. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Existing Share Option Scheme.

LETTER FROM THE BOARD

At the Extraordinary General Meeting, an ordinary resolution will be proposed for the Company to terminate the operation of the Existing Share Option Scheme (such that no further options could thereafter be offered under the Existing Share Option Scheme but outstanding options granted under the Existing Share Option Scheme shall remain effective subject to the relevant provisions of the Existing Share Option Scheme) and to approve and adopt the 2003 Share Option Scheme, which will take effect on the date of its adoption at the Extraordinary General Meeting subject to the Stock Exchange granting approval for the listing of and dealing in the shares to be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the 2003 Share Option Scheme. The proposed termination of the operation of the Existing Share Option Scheme is conditional and shall effect upon the adoption of the 2003 Share Option Scheme and the satisfaction of conditions attached to such adoption. Operation of the 2003 Share Option Scheme will commence after all conditions precedent have been fulfilled.

The Directors are of the view that contributions of the Eligible Participants are of paramount importance to the success of the Group 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. By offering the Options to the Eligible Participants upon such terms as may be permitted under the 2003 Share Option Scheme, such Eligible Participants may exercise their Options at any time within the Exercise Period (where applicable, subject to any terms of the grant of such Options) to acquire an ownership interest in the Company which may in turn provide a further incentive to them for advancing their performance. It is therefore proposed that the 2003 Share Option Scheme for the benefit of the Eligible Participants be adopted at the Extraordinary General Meeting. A summary of the principal terms of the 2003 Share Option Scheme is set out in the Appendix hereto.

As at the Latest Practicable Date, there were 948,855,503 Shares in issue, and there remain outstanding 28,780,000 options which were granted under the Existing Share Option Scheme. Particulars of such existing options are set out below:

Number of option originally granted	Percentage in issued share capital as at the Latest Practicable Date	Number of options lapsed	Percentage in issued share capital as at the Latest Practicable Date	Number of options outstanding as at the Latest Practicable Date	Percentage in issued share capital as at the Latest Practicable Date	Number of options exercised
51,020,000	5.38%	22,240,000	2.34%	28,780,000	3.03%	Nil

Save as stated above, there are no other options granted and remain outstanding under the Existing Share Option Scheme. The Directors do not presently intend to grant any further option under the Existing Share Option Scheme prior to the holding of the Extraordinary General Meeting. Out of the total of 28,780,000 outstanding options, 7,790,000 options are exercisable at HK\$0.445 between 3 October 2002 and 2 October 2005, 7,440,000 options are exercisable at HK\$0.455 between 22 April 2003 and 21 April 2006, 150,000 options are exercisable at HK\$0.592 between 9 April 2002 and 8 April 2005, 9,400,000 options are exercisable at HK\$0.630 between 6 March 2002 and 5 March 2005, 2,000,000 are exercisable at HK\$0.734 between 16 February 2002 and 15 February 2005 and 2,000,000 options are exercisable at HK\$0.818 between 27 April 2002 and 26 April 2005.

LETTER FROM THE BOARD

Assuming that the resolution as set out in Item 2 of the Notice of the Extraordinary General Meeting have been duly approved, that none of the options outstanding will be exercised, and no further Shares will be issued, prior to the date of approval and adoption of the 2003 Share Option Scheme by the Shareholders, there will be 948,855,503 Shares in issue and the maximum number of option that can initially be granted by the Company under the 2003 Share Option Scheme and any other schemes would be 94,885,550 Shares, representing 10 per cent. of the number of Shares in issue as at the Latest Practicable Date.

In respect of the operation of the 2003 Share Option Scheme, the Company will comply with all relevant requirements under Chapter 23 of the GEM Listing Rules.

None of the Directors are appointed as trustees of the 2003 Share Option Scheme or have a direct or indirect interest in the trustee of the 2003 Share Option Scheme.

A further announcement will be made on the outcome of the Extraordinary General Meeting regarding the adoption of the 2003 Share Option Scheme on the business day following such meeting.

2. VALUE OF THE OPTIONS

The Directors consider it inappropriate to value all the options that can be granted under the 2003 Share Option Scheme on the assumption that they were granted on the Latest Practicable Date. There are a number of factors critical for determining such a valuation which cannot be reasonably determined at this stage as no Options have actually been granted. These factors include, without limitation, the Exercise Period as well as the other terms and conditions of the grant, particularly those conditions which may be contingent in nature, such as performance targets or other continuing eligibility criteria which the Board may prescribe on a case by case basis upon the grant of an Option. The Directors have decided not to provide a valuation of the Options based on a large number of speculated assumptions, as this would not be meaningful and may be misleading to Shareholders. However, Shareholders should note that, in compliance with the GEM Listing Rules, estimated valuations of options granted during any financial period will be provided based on the Black-Scholes option pricing model, the binominal model or a comparable generally accepted methodology as at the end of the relevant financial period for any interim or final results of the Company.

3. CONDITIONS PRECEDENT OF THE 2003 SHARE OPTION SCHEME

The adoption of the 2003 Share Option Scheme is subject to the following conditions:

- (i) the approval of the Shareholders of the Company for the adoption of the 2003 Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Shares in the Company to be issued and allotted pursuant to the exercise of the Options in accordance with the terms and conditions of the 2003 Share Option Scheme.

LETTER FROM THE BOARD

Subject to satisfaction of the above conditions, the total number of Shares which may be issued upon exercise of all Options to be initially granted under the 2003 Share Option Scheme and options to be granted under any other schemes involving the issue or grant of option or similar right over Shares or other securities by the Company shall not, in aggregate, exceed 10 per cent. of the Shares in issue as at the date of approval of the 2003 Share Option Scheme. Pursuant to the GEM Listing Rules, the Company may obtain approval from its Shareholders to refresh the 10 per cent. limit. However, the maximum number of Shares which may be issued upon exercise of all options outstanding and yet to be exercised under the 2003 Share Option Scheme and any aforesaid other schemes shall not exceed 30 per cent. of the Shares in issue from time to time.

An application has been made to the Listing Committee of the Stock Exchange for obtaining the approval mentioned in sub-paragraph (ii) above.

The 2003 Share Option Scheme may be altered in any respect by resolution of the Board except that the terms referred to in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders of the Company in general meeting. Once the 2003 Share Option Scheme is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the Shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the 2003 Share Option Scheme. The amended terms of the 2003 Share Option Scheme and all Options must continue to comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

A copy of the 2003 Share Option Scheme described in this circular, is available for inspection at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours up to and including the date of the Extraordinary General Meeting and will also be available for inspection at the Extraordinary General Meeting.

4. EXTRAORDINARY GENERAL MEETING

A copy of the Notice of Extraordinary General Meeting, to be held in Hong Kong at 7/F, Board Room, The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong at 3:30 p.m. on 28 April, 2003 or any adjournment thereof to approve the matters referred to in this circular is set out on pages 9 to 10 of this circular.

The Ordinary Resolutions to approve the adoption of the 2003 Share Option Scheme and the termination of the Existing Share Option Scheme will be proposed at such meeting.

A form of proxy for use at the Extraordinary General Meeting is enclosed. **Whether or not you are able to attend the meeting, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company in Hong Kong at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong as soon as possible and, in any event, so as to be received not less than 48 hours before the time appointed for the holding of the meeting.** Completion and delivery of the form of proxy will not prevent you from attending and voting at the meeting if you so wish.

LETTER FROM THE BOARD

5. 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 Company. 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 such 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.

6. RECOMMENDATION

The Directors believe that adoption of the 2003 Share Option Scheme and termination of the operation of the Existing Share Option Scheme are in the best interests of the Company and its Shareholders and so recommend you to vote in favour of the Ordinary Resolutions at the Extraordinary General Meeting. Shareholders should note that the Directors will exercise their voting rights in respect of all of their shareholdings (if any) in favour of the Ordinary Resolutions.

Yours faithfully,
CHENG Kin Kwan
Chairman



TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of Timeless Software Limited will be held at 7/F, Board Room, The Dynasty Club, South West Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong on Monday, 28 April 2003, at 3:30 p.m. to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company:

- (1) **“THAT** subject to and conditional upon the passing of Ordinary Resolution No.2 set out in this Notice and the conditions referred to therein being satisfied or fulfilled, the operation of the existing share option scheme adopted by the Company by ordinary resolution of its Shareholders on 21 November, 2000 be and is hereby terminated.”

- (2) **“THAT** conditional upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the approval for the listing of and dealing in the shares to be issued and allotted pursuant to the exercise of options in accordance with the terms and conditions of the 2003 Share Option Scheme referred to in the circular despatched to the shareholders on the same day as this Notice, the terms of which are set out in the printed document marked “A” now produced to the meeting and for the purpose of identification signed by the Chairman hereof (the “Scheme”) and subject to such amendments to the Scheme as the Stock Exchange may request, the Scheme be and is hereby approved and adopted to be the new share option scheme of the Company and that the board of directors of the Company be and is hereby authorised to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give effect to the Scheme, notwithstanding that they or any of them may be interested in the same.”

By Order of the Board
LAW Kwai Lam
Secretary

Hong Kong, 11 April 2003

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

79th Floor
The Center
99 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice may appoint one or more proxies to attend the meeting and vote on a poll instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy and the power of authority (if any) under which it is signed or a notarially certified copy of such power of authority must be deposited at the registered office of the Company in Hong Kong at 79th Floor, The Center, 99 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting.

SUMMARY OF THE 2003 SHARE OPTION SCHEME

The following is a summary of the principal terms of the 2003 Share Option Scheme to be submitted to the Shareholders of the Company for adoption at the Extraordinary General Meeting:

(1) Purpose of the 2003 Share Option Scheme

- (a) The 2003 Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Participants had made or may make to the Group.
- (b) The 2003 Share Option Scheme will provide the Eligible Participants with an opportunity to have a stake in the Company with the view to achieving the following objectives:
 - (i) recognise and acknowledge the contributions that Eligible Participants have (or may have) made or may make to the Group (whether directly or indirectly);
 - (ii) motivate the Eligible Participants to optimise their performance and efficiency for the benefit of the Group;
 - (iii) attract, retain and appropriately remunerate the best possible quality of Employees and other Eligible Participants;
 - (iv) enhance its business, employee and other relations; and/or
 - (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to Eligible Participants.

(2) Who may join and basis for determining eligibility

- (a) The Board may at its discretion grant Options to: (i) any director, Employee, consultant, customer, supplier, agent, partner, provider of financial assistance, Shareholder or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company (“Affiliate”); or (ii) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which comprise only of any director, Employee, consultant, customer, supplier, agent, partner, provider of financial assistance, Shareholder or adviser of or contractor to the Group or an Affiliate; or (iii) a company beneficially owned by any director, Employee, consultant, customer, supplier, agent, partner, provider of financial assistance, Shareholder or adviser of or contractor to the Group or an Affiliate, in each case, having contributed or expected to contribute towards the benefit of the Group as the Board may determine.

- (b) In order for a person to satisfy the Board that he/she/it is qualified to be (or, where applicable, continues to qualify to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his/her/its eligibility (or continuing eligibility). The Board shall (subject to the provisions of this Scheme) have absolute discretion as to whether or not to grant Options to any particular Eligible Participant.
- (c) Each grant of Options to a Director, Chief Executive or Substantial Shareholder or any of their respective Associates must be approved in accordance with the requirements of Rule 23.04 of the GEM Listing Rules from time to time in force.

(3) Grant of Options

- (a) On and subject to the terms of the 2003 Share Option Scheme, the Board shall be entitled on any Business Day within 10 years commencing on the Adoption Date to offer the grant of an Option to any Eligible Participant as the Board may in its absolute discretion select in accordance with paragraph (2).
- (b) The Board shall fully comply with the relevant provisions of the GEM Listing Rules from time to time in force when granting Options, and in particular, when granting Options to Connected Persons.
- (c) The Board shall not offer the grant of an Option to any Eligible Participant (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the GEM Listing Rules; or (ii) within such period (as the GEM Listing Rules may require from time to time) immediately preceding the earlier of the date of the board meeting for the approval of the Company's results and the deadline for the Company to publish its results announcement under the GEM Listing Rules, until such information has been announced pursuant to the relevant requirements of the GEM Listing Rules.
- (d) Subject to the provisions of the 2003 Share Option Scheme, the GEM Listing Rules and other applicable rules and regulations, the Board may, on a case by case basis and at its discretion when offering the grant of an Option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the 2003 Share Option Scheme as it may think fit (which shall be stated in the letter containing the Offer of the grant of the Option) including (without prejudice to the generality of the foregoing):
 - (i) the continuing eligibility of the Grantee under this 2003 Share Option Scheme, and in particular, where the Board resolves that the Grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria, the Option (to the extent it has not already been exercised) shall lapse;

- (ii) the continuing compliance of any such terms and conditions that may be attached to the grant of the Option, failing which the Option (to the extent it has not already been exercised) will lapse unless otherwise resolved to the contrary by the Board;
- (iii) in the event that the Eligible Participant is a corporation, that any material change of the management and/or shareholding of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the 2003 Share Option Scheme;
- (iv) in the event that the Eligible Participant is a trust, that any material change of the beneficiaries of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the 2003 Share Option Scheme;
- (v) in the event that the Eligible Participant is a discretionary trust, that any material change of the discretionary objects of the Eligible Participant shall constitute a failure to meet the continuing eligibility criteria under the 2003 Share Option Scheme;
- (vi) conditions, restrictions or limitations relating to the achievement of operating or financial targets; and
- (vii) the satisfactory performance of certain obligations by the Grantee.

(4) Payment on acceptance of option offer

HK\$1.00 is payable by each Eligible Participant to the Company on acceptance of the Offer of an Option, which shall in any event be paid no later than 28 days after the date of the Offer.

(5) Exercise Price of Shares

The Exercise Price for any particular Option under the 2003 Share Option Scheme will be a price determined by the Board at the time of grant of the relevant Option and notified to each Grantee and will be not less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a Business Day, (ii) an amount equivalent to the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant of the relevant Option and (iii) the nominal value of a Share. The Exercise Price shall also be subject to any adjustments made in a situation contemplated under paragraph (11).

(6) Maximum number of Shares

- (a) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2003 Share Option Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company must not, in aggregate, exceed 30 per cent. of the Shares in issue from time to time. No options may be granted under any scheme of the Company (including the 2003 Share Option Scheme) if this will result in the said 30 per cent. limit being exceeded.
- (b) The total number of Shares available for issue under options which may be granted under the 2003 Share Option Scheme and any other share option schemes (excluding those options that have already been granted by the Company prior to the date of approval of the 2003 Share Option Scheme) must not, in aggregate, exceed 10 per cent. of the Shares in issue as at the date of approval of the 2003 Share Option Scheme by the Shareholders of the Company (the “Scheme Mandate Limit”) unless Shareholders’ approval has been obtained pursuant to sub-paragraphs (c) or (d) below.
- (c) The Scheme Mandate Limit may be refreshed by Shareholders of the Company in general meeting from time to time provided always that the Scheme Mandate Limit so refreshed must not exceed 10 per cent. of the Shares in issue at the date of the approval of the refreshment by the Shareholders of the Company. Upon any such refreshment, all options granted under the 2003 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the 2003 Share Option Scheme or any other share option scheme of the Company and exercised options) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to the Shareholders of the Company containing such information from time to time required by the Stock Exchange.
- (d) The Board may seek separate Shareholders’ approval in general meeting to grant Options beyond the Scheme Mandate Limit (whether or not refreshed) provided that the Options in excess of the Scheme Mandate Limit (whether or not refreshed) are granted only to those Eligible Participants specified by the Company and approved by the Shareholders, and that the Company must issue a circular to the Shareholders of the Company containing such information from time to time required by the GEM Listing Rules in relation to any such proposed grant to such Eligible Participants.
- (e) No Option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options already granted or to be granted to such Eligible Participant under the 2003 Share Option Scheme (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such new grant exceeding 1 per

cent. of the issued share capital of the Company as at the date of such new grant. Any grant of further Options above this limit shall be subject to certain requirements provided under the GEM Listing Rules, including the approval of Shareholders at general meeting.

- (f) Subject to the provisions of the 2003 Share Option Scheme, the maximum number of Shares referred to in this paragraph (6) shall be adjusted, in such manner as the Relevant Experts shall certify as fair and reasonable in accordance with paragraph (11).

(7) Time of exercise of Option

- (a) Subject to certain restrictions contained in the 2003 Share Option Scheme, an Option may be exercised in accordance with the terms of the 2003 Share Option Scheme and the terms of grant thereof at any time during the applicable Exercise Period.
- (b) There is no general requirement on the minimum period for which an Option must be held or the performance targets which must be achieved before an Option can be exercised under the terms of the 2003 Share Option Scheme. However, at the time of granting any Option, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations in relation to the minimum period of the Options to be held and/or the performance targets to be achieved as the Board may determine in its absolute discretion. The exercise of any Option would also be subject to any restrictions as may be reasonably imposed by the Board from time to time with a view to ensure or facilitate compliance with any relevant law, mandatory rules and/or regulations binding the Company, particularly those relating to insider dealing and other prohibitions under the GEM Listing Rules.

(8) Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option, failing which the Option (to the extent it has not already been exercised) shall lapse.

(9) Rights on ceasing to be an Eligible Participant

Where an Option was granted subject to certain continuing conditions, restrictions or limitations on the Grantee's eligibility and the Board resolves that the Grantee has failed or otherwise is or has been unable to meet such continuing eligibility criteria, the Option (to the extent it has not already been exercised) shall lapse.

(10) Rights on death/ceasing employment

- (a) If the Grantee (being an individual) dies before exercising the Option in full, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within a period of 12 months following his death or such longer period as the Board may determine.
- (b) Subject to sub-paragraphs (c), (d) and (e), if the Grantee who is an Employee ceases to be an Employee for any reason other than his death, Disability or the termination of his employment on one or more of the following grounds that:
 - (i) he/she has been guilty of serious misconduct; or
 - (ii) he/she becomes insolvent or is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally; or
 - (iii) he/she has been convicted of any criminal offence involving his/her integrity or honesty,

the Option (to the extent not exercised) shall lapse upon such cessation.

- (c) Where the Grantee is an Employee, director, consultant, customer, supplier, agent, partner, provider of financial assistance, Shareholder or adviser of or contractor to the Group or an Affiliate (as defined in paragraph (2)) at the time of the grant of the relevant Option(s) and his employment or service to the Company is terminated on the ground of Disability, the Grantee may exercise the Option (to the extent exercisable as at the date on which such Grantee ceases to be an Employee, director, consultant, customer, supplier, agent, partner, provider of financial assistance, Shareholder or adviser of or contractor to the Group or an Affiliate and not exercised) within 6 months following such cessation or such longer period as the Board may determine.
- (d) If the Grantee who is an Employee at the time of the grant of the relevant Option(s) ceases to be an Employee but becomes or, where the Grantee continues to be, a consultant, customer, supplier, agent, partner, provider of financial assistance, Shareholder or adviser of or contractor to the Group or an Affiliate (as defined in paragraph (2)), then the Option (to the extent exercisable as at the date on which such Grantee ceases to be an Employee and not exercised) shall be exercised within 3 months following the date of such cessation or such longer period as the Board may determine.
- (e) Where the Grantee is an Employee at the time of the grant of the relevant Option(s), in the event that such Grantee shall cease to be an Employee but becomes, or continues to be, a director of the Group or an Affiliate (as defined in paragraph (2)),

then the Option(s) (to the extent exercisable as at the date on which such Grantee ceases to be an Employee and not exercised) granted prior to the date of his becoming a director of the Group or an Affiliate shall remain exercisable until its expiry in accordance with the provisions of the 2003 Share Option Scheme and the terms and conditions upon which such Option(s) is granted unless the Board shall determine to the contrary.

- (f) If the Grantee, who is a director, consultant, customer, supplier, agent, partner, provider of financial assistance, Shareholder or adviser of or contractor of the Group or an Affiliate (as defined in paragraph (2)) but not an Employee, ceases to be director, consultant, customer, supplier, agent, partner, provider of financial assistance, Shareholder or adviser of or contractor of the Group or an Affiliate (as the case may be) for any reason other than his/her death (in the case of a Grantee being an individual) or Disability, the Option (to the extent exercisable as at the date of such cessation and not exercised) shall be exercised within 30 days following the date of such cessation or such longer period as the Board may determine.

(11) Effects of alterations to capital

In the event of a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of capital of the Company, excluding any alteration in the capital structure of the Company as a result of an issue of securities as consideration in a transaction to which the Company is a party, and to the extent that the Option is unexercised, corresponding alterations will be made to the number or nominal amount of Shares which are the subject of the Options insofar as unexercised, the Exercise Price or the maximum number of Shares subject to the 2003 Share Option Scheme or in respect of which any Eligible Participant shall be entitled. Any such alteration (except where an adjustment arises by way of a capitalisation of profits or reserves unless otherwise expressly required by the Board) shall be certified by the Relevant Experts (i) as being fair and reasonable; (ii) as giving Eligible Participants the same proportion of equity capital as that to which they were previously entitled; (iii) as being made on the basis that the relevant total Exercise Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; and (iv) as not requiring any Share to be issued following such adjustment at less than its nominal value as a result thereof.

(12) Rights on a Takeover

If a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Hong Kong Code on Takeovers and Mergers) prior to the expiry date of the relevant Option, the Grantee shall be entitled to exercise the Option (to the extent exercisable as at the date on which the general offer becomes or is declared unconditional and not exercised) in full or in part at any time within such period as shall be notified by the Company.

(13) Rights on a Scheme of Arrangement

If a compromise or arrangement between the Company and its Shareholders or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), the Company shall give notice to the Grantee on the same date as it gives notice to each Shareholder or creditor of the Company summoning the meeting to consider such a scheme of arrangement, and thereupon the Grantee may, by notice in writing to the Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Option (such notice to be received by the Company not later than three (3) Business Days (excluding any period(s) of closure of the Company's share registers) prior to the proposed meeting), exercise the Option (to the extent exercisable as at the date of notice to the Grantee and not exercised) either in full or in part.

(14) Rights on a Voluntary Winding up

In the event that the Company gives notice of a Shareholders' meeting being convened to consider a resolution for the voluntary winding up of the Company, the Company shall forthwith upon such notice being given, give notice to Grantees of the convening of such meeting and thereupon the Grantee may, by notice in writing to the Company accompanied by the remittance for the total Exercise Price payable in respect of the exercise of the relevant Option (such notice to be received by the Company not later than three (3) Business Days (excluding any period(s) of closure of the Company's share registers) immediately prior to the date of the proposed meeting), exercise the Option (to the extent exercisable as at the date of notice to the Grantee and not exercised) either in full or in part.

(15) Rights attaching to Shares upon exercise of an Option

Shares issued and allotted upon the valid exercise of an Option will rank *pari passu* in all respects with the other Shares of the same class in issue at the date of allotment.

(16) Lapse of Options

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

- (a) the expiry of the Exercise Period;
- (b) the expiry of the periods referred to in paragraph (10);
- (c) the expiry of the period referred to paragraph (12);
- (d) the date of commencement of the winding-up of the Company in respect of the situation contemplated in paragraph (14);

- (e) the date on which the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (13);
- (f) the date of which the Grantee who is an Employee ceases to be an Employee by reason of the termination of his/her employment on the grounds that he/she has been guilty of serious misconduct, or has become insolvent or is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the Laws of Hong Kong) or has made any arrangements or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty;
- (g) the date on which a situation as contemplated under paragraph (8) arises;
- (h) the date on which the Grantee commits a breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by the Board; or
- (i) the date on which the Board resolves that the Grantee has failed or otherwise is or has been unable to meet the continuing eligibility criteria as may be prescribed pursuant to paragraph (9).

(17) Cancellation of Options granted

The Board shall have the absolute discretion to cancel any Options granted at any time at the request of the Grantee provided that where an Option is cancelled, a new Option could only be proposed to be granted to the same Grantee if there are available Shares in the authorised but unissued share capital of the Company, and available and ungranted Options within the limits referred to in paragraph (6) (and for the purpose of calculating such limits, the cancelled Options shall be treated as granted Options).

(18) Period of the 2003 Share Option Scheme

Options may be granted to Eligible Participants under the 2003 Share Option Scheme during the period of 10 years commencing on the date of adoption of the 2003 Share Option Scheme.

(19) Alteration to 2003 Share Option Scheme and Termination

- (a) The 2003 Share Option Scheme may be altered in any respect by a resolution of the Board except that the provisions of the 2003 Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders of the Company in general meeting.
- (b) Any alteration to the terms and conditions of the 2003 Share Option Scheme which is of a material nature, must be approved by the Shareholders of the Company in general meeting, except where the alterations take effect automatically under the existing terms of the 2003 Share Option Scheme.

- (c) Any change to the authority of the Directors in relation to any alteration to the terms of the Scheme shall require Shareholders' approval at general meeting.
- (d) The Company by resolution in general meeting or the Board may at any time terminate the operation of the 2003 Share Option Scheme and in such event no further options will be offered but the provisions of the 2003 Share Option Scheme shall remain in force in all other respects.

(20) Conditions of the 2003 Share Option Scheme

The 2003 Share Option Scheme shall take effect subject to the passing of Ordinary Resolutions No. 1 and 2 by the Shareholders of the Company at the Extraordinary General Meeting and is conditional upon the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may be issued and allotted pursuant to the exercise of Options in accordance with the terms and conditions of the 2003 Share Option Scheme. An application has been made to the Stock Exchange for obtaining the approvals aforementioned.

(21) Administration of the 2003 Share Option Scheme

The 2003 Share Option Scheme shall be administered by the Board whose decision (save otherwise provided in the 2003 Share Option Scheme) shall be final and binding on all parties.

As at the Latest Practicable Date, no Options have been granted by the Company under the 2003 Share Option Scheme.