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**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

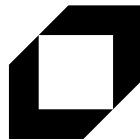
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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Founder Holdings Limited, you should at once hand this circular to the purchaser or transferee 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, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**FOUNDER HOLDINGS LIMITED**  
**方正控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**PROPOSALS FOR GENERAL MANDATES TO REPURCHASE  
AND TO ISSUE SHARES,  
ADOPTION OF THE NEW SHARE OPTION SCHEME AND  
TERMINATION OF THE EXISTING SHARE OPTION SCHEME  
AND  
ADOPTION OF NEW SHARE OPTION SCHEME  
BY A SUBSIDIARY OF THE COMPANY**

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A notice convening an annual general meeting of the shareholders of Founder Holdings Limited to be held at 11:00 a.m. on 24 May 2002 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong is set out in Appendix IV to this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's principal place of business in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting.

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## INDEX

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	<i>Page</i>
<b>Definitions</b> .....	1-2
 <b>Letter from the Board</b>	
I.    Introduction .....	3-4
II.   General Mandates	
1.    General Mandate to Repurchase Shares .....	4
2.    General Mandate to Issue Shares .....	4-5
III.  Share Option Schemes	
A.    The Company	
1.    Existing Holding Share Option Scheme .....	5
2.    New Holding Share Option Scheme .....	5-6
3.    Value of the Options .....	6
4.    Conditions Precedent .....	7
B.    Founder Inc.	
1.    Existing Subsidiary Share Option Scheme .....	7
2.    New Subsidiary Share Option Scheme .....	7-8
3.    Conditions Precedent .....	8
IV.   Annual General Meeting .....	8
V.    Recommendation .....	8
VI.   General .....	9
<b>Appendix I</b> <b>Explanatory Statement</b> .....	10-12
<b>Appendix II</b> <b>Particulars of the New Holding Share Option Scheme</b> .....	13-20
<b>Appendix III</b> <b>Particulars of the New Subsidiary Share Option Scheme</b> .....	21-28
<b>Appendix IV</b> <b>Notice of AGM</b> .....	29-33

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## DEFINITION

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*In this circular, except where the context otherwise requires, the following expressions shall have the following meanings:*

“AGM”	the annual general meeting of the Company to be held at 11:00 a.m. on 24 May 2002 at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong or any adjournment thereof;
“Associated Company”	a company, not being a subsidiary, in which the Company or Founder Inc. (as the case may be) directly or indirectly holds not less than 20% of its issued share capital or the voting power at general meetings or in which an equity interest is held by the Company or Founder Inc. (as the case may be) directly or indirectly for long term purpose and a significant influence is exercised over its management;
“Company”	Founder Holdings Limited (方正控股有限公司*), a company listed on the Stock Exchange and incorporated in Bermuda with limited liability;
“Directors”	the directors of the Company;
“Existing Holding Share Option Scheme”	the existing share option scheme for the employees (including the executive directors) of the Group adopted by the Company on 30 March 2000;
“Existing Subsidiary Share Option Scheme”	the existing share option scheme for the employees (including the executive directors) of Founder Inc. and its subsidiaries adopted by Founder Inc. on 16 December 2000;
“Founder Inc.”	Founder International Inc., being a subsidiary of the Company incorporated in Japan;
“Grantee”	in respect of either the New Holding Share Option Scheme or the New Subsidiary Share Option Scheme, any eligible participant thereof who accepts the offer of the grant of any option in accordance with the terms of the New Holding Share Option Scheme or the New Subsidiary Share Option Scheme (as the case may be) and, where the context so permits, a person or persons who, in accordance with the applicable laws of succession, is or are entitled to any such option (to the extent not already exercised) in consequence of the death of any such eligible participants;

\* *For identification purpose only*

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## DEFINITION

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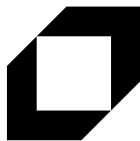
“Group”	collectively, the Company and its subsidiaries from time to time including Founder Inc.;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	23 April 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as modified from time to time;
“New Holding Share Option Scheme”	a new share option scheme to be adopted by the Company pursuant to Ordinary Resolution no. 7 as set out in the Notice of AGM;
“New Subsidiary Share Option Scheme”	a new share option scheme proposed to be adopted by Founder Inc.;
“Notice of AGM”	the notice convening the AGM as set out in Appendix IV to this circular;
“Ordinary Resolutions”	the proposed ordinary resolutions as referred to in the Notice of AGM;
“Share Buy Back Rules”	the applicable provisions under the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange;
“Share(s)”	ordinary shares of HK\$0.10 each of the Company; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.

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## LETTER FROM THE BOARD

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



### **FOUNDER HOLDINGS LIMITED**

### **方正控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

*Executive Directors:*

Professor Wang Xuan (*Chairman*)  
Mr. Cheung Shuen Lung (*President*)  
Professor Wei Xin  
Mr. Zhang Zhao Dong  
Professor Xiao Jianguo  
Mr. Lei Hon Sang  
Mr. Lo Siu Yu

*Registered Office:*

Cedar House  
41 Cedar Avenue  
Hamilton HM12  
Bermuda

*Independent Non-executive Directors:*

Dr. Hu Hung Lick, Henry  
Mr. Li Fat Chung

*Principal place of business  
in Hong Kong:*

Unit 1408  
14th Floor  
Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan  
New Territories  
Hong Kong

30 April 2002

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS FOR GENERAL MANDATES TO REPURCHASE  
AND TO ISSUE SHARES,  
ADOPTION OF THE NEW SHARE OPTION SCHEME AND  
TERMINATION OF THE EXISTING SHARE OPTION SCHEME  
AND  
ADOPTION OF NEW SHARE OPTION SCHEME  
BY A SUBSIDIARY OF THE COMPANY**

#### **I. INTRODUCTION**

At the annual general meeting of the Company held on 31 May 2001, resolutions were passed by the then shareholders of the Company giving general mandates to the Directors to issue and allot Shares and to exercise the powers of the Company to repurchase its own

\* For identification purpose only

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## LETTER FROM THE BOARD

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Shares. Such general mandates will lapse at the conclusion of the forthcoming AGM. Resolutions will therefore be proposed by the Directors to the shareholders of the Company at the AGM to renew the grant of these general mandates.

In view that the Stock Exchange has amended Chapter 17 of the Listing Rules which governs the operation of share option schemes, it is also proposed by the Directors that the Company shall adopt the New Holding Share Option Scheme and the New Subsidiary Share Option Scheme, each of which seeks to comply with the newly amended Listing Rules in replacement and substitution of their respective existing share option scheme. As prescribed by the Listing Rules, each of such proposed schemes is required to be approved by the shareholders of the Company in general meeting before it may be implemented. The Directors accordingly propose to seek your approval for the adoption of the New Holding Share Option Scheme and the New Subsidiary Share Option Scheme.

The purpose of this circular is to provide you with information relating to the proposed renewal of the general mandates to issue and allot Shares and to repurchase Shares, and the summary of particulars of each of the New Holding Share Option Scheme and the New Subsidiary Share Option Scheme, required to be sent to you in compliance with the Share Buy Back Rules and the Listing Rules so as to give you all information reasonably necessary to enable you to make an informed decision on whether to vote for or against the Ordinary Resolutions in relation thereto.

## II. GENERAL MANDATES

### 1. General Mandate to Repurchase Shares

Ordinary Resolution no. 4 will be proposed at the AGM to grant the board of Directors a general and unconditional mandate to exercise all the powers of the Company to purchase an amount of Shares not exceeding 10 per cent. of the Company's issued share capital as at the date of such resolution, for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as state in the resolution) ("**Repurchase Mandate**").

An explanatory statement required under the Share Buy Back Rules providing the requisite information in respect of the Repurchase Mandate is set out in Appendix I to this circular.

### 2. General Mandate to Issue Shares

It will also be proposed at the AGM Ordinary Resolution no. 5 to grant the board of Directors a general and unconditional mandate to allot, issue, grant, distribute and otherwise deal with additional Shares, not exceeding 20 per cent. of the Company's issued share capital as at the date of such resolution (as adjusted in accordance with the resolution), for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution) ("**Issue Mandate**").

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## LETTER FROM THE BOARD

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Conditional upon the passing of Ordinary Resolutions nos. 4 and 5 to grant the Repurchase Mandate and the Issue Mandate, Ordinary Resolution no. 6 will be further proposed at the AGM granting authorization to the board of Directors to exercise all powers to allot, issue, grant, distribute and otherwise deal with additional Shares under the Issue Mandate in respect of the aggregate nominal amount of share capital in the Company repurchased by the Company.

### III. SHARE OPTION SCHEMES

#### A. THE COMPANY

##### 1. Existing Holding Share Option Scheme

The Existing Holding Share Option Scheme was adopted by the Company on 30 March 2000. As a result of the Stock Exchange amending Chapter 17 of the Listing Rules which governs the operation of share option schemes, the Directors propose that a new share option scheme should be adopted in replacement and substitution of the Existing Holding Share Option Scheme. Accordingly, the Directors recommend to shareholders of the Company that the New Holding Share Option Scheme should be adopted in replacement of the Existing Holding Share Option Scheme which shall terminate upon the New Holding Share Option Scheme taking effect in accordance with its terms. As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Existing Holding Share Option Scheme.

The Directors had granted options pursuant to the Existing Holding Share Option Scheme to employees for subscription of a total of 46,060,000 Shares representing approximately 4.1 per cent. of the issued share capital of the Company as at the Latest Practicable Date. Up to the Latest Practicable Date, 15,000,000 Shares have been allotted and issued to employees pursuant to the exercise of options granted under the Existing Holding Share Option Scheme which represent approximately 1.33 per cent. of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, options granted under the Existing Holding Share Option Scheme for the subscription of a total of 31,060,000 Shares remain outstanding.

##### 2. New Holding Share Option Scheme

Under the New Holding Share Option Scheme, it is proposed that the scope of the beneficiaries eligible therefor should be expanded to include supplier, agent, customer, partner or business associate of, or adviser or consultant to, any member of the Group. With a view to maintaining the business relationship with such persons, and allowing the Company an alternative to settle its payment obligation by share options of the Company, the Directors consider that it is beneficial for the Company and its shareholders

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## LETTER FROM THE BOARD

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to include its business partners as some of the potential beneficiaries to the New Holding Share Option Scheme, on top of its employees as currently provided for in the Existing Holding Share Option Scheme. In addition, it is also proposed that the substantial shareholder(s) of the Company or their respective employees or directors together with employees or directors of Associated Companies should be included as the potential beneficiaries under the New Holding Share Option Scheme as part of the effort to allow such persons to participate in the growth of the Group in the form of options for subscription of the shares of the Company.

It is therefore proposed that the New Holding Share Option Scheme for the benefit of the abovementioned persons be adopted at the AGM. A summary of the particulars of the New Holding Share Option Scheme is contained in Appendix II to this circular.

As at the Latest Practicable Date, the number of Shares in issue is 1,123,799,893. Assuming that there is no change in the issued share capital between the period from the Latest Practicable Date and the date of the adoption of the New Holding Share Option Scheme, the number of Shares that may be issued pursuant to the New Holding Share Option Scheme and any other share option schemes will be 112,379,989 Shares, being 10 per cent. of the Shares in issue as at the Latest Practicable Date. The Company may however obtain approval from its shareholders to refresh the said 10 per cent. limit in accordance with the Listing Rules, provided that the maximum number of Shares to be issued upon exercise of all outstanding options under the New Holding Share Option Scheme and any other schemes must not exceed 30 per cent. of the Shares in issue from time to time.

### **3. Value of the Options**

The Directors consider that it is inappropriate to value all the options that can be granted pursuant to the New Holding Share Option Scheme as at the Latest Practicable Date on the ground that certain crucial factors for such valuation are variables which cannot be reasonably determined at this stage. Such factors include without limitation the exercise price, the exercise period and the restrictions, conditions and limitations (if any) imposed by the board of Directors of the Company at its absolute discretion upon the granting of the options. The Directors consider that any valuation of the options based on speculative assumptions in respect of such variables would not be meaningful and the results thereof may be misleading to the shareholders. Shareholders should note that the Stock Exchange recommends that estimated valuations of options should be determined by reference to the Black-Scholes option pricing model, the binomial model or a comparable generally accepted methodology.



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## LETTER FROM THE BOARD

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### **4. Conditions Precedent**

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

- (a) the approval of the shareholders of the Company for the adoption of the New Holding Share Option Scheme; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in any Shares which may fall to be issued and allotted pursuant to the exercise of the options in accordance with the terms and conditions of the New Holding Share Option Scheme.

Application will be made to the Listing Committee of the Stock Exchange for obtaining the approval mentioned in paragraph (b) above.

### **B. FOUNDER INC.**

#### **1. Existing Subsidiary Share Option Scheme**

The Existing Subsidiary Share Option Scheme was adopted by Founder Inc. on 16 December 2000. The directors of Founder Inc. had granted options pursuant to the Existing Subsidiary Share Option Scheme to employees for subscription of a total of 62 shares in the capital of Founder Inc. representing approximately 4.95 per cent. of the issued share capital of Founder Inc. as at the Latest Practicable Date. Up to the Latest Practicable Date, none of option so granted has been exercised by the relevant grantees.

#### **2. New Subsidiary Share Option Scheme**

As an attempt to comply with the recent amendments to Chapter 17 of the Listing Rules, Founder Inc. intends to adopt the New Subsidiary Share Option Scheme in replacement and substitution of the Existing Subsidiary Share Option Scheme which shall terminate upon the New Subsidiary Share Option Scheme taking effect in accordance with its terms. As prescribed by the Listing Rules, the New Subsidiary Share Option Scheme is required to be approved by the shareholders of the Company in general meeting before it may be implemented by Founder Inc.

Similar to the New Holding Share Option Scheme, the scope of the beneficiaries eligible under the New Subsidiary Share Option Scheme is also proposed to be expanded to include the substantial shareholders of Founder Inc. and their respective employees and directors as well as employees and directors of Founder Inc.'s Associated Companies, supplier, agent, customer, partner or business associate of, or adviser or consultant to, Founder Inc. or its subsidiaries.

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## LETTER FROM THE BOARD

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The Directors believe that the adoption of the New Subsidiary Share Option Scheme by Founder Inc. will not only enable Founder Inc. to create more incentives for its workforce but also attract business relationship beneficial to itself and the Group as a whole. Accordingly, the Directors recommend to shareholders of the Company that the adoption of the New Subsidiary Share Option Scheme by Founder Inc. be approved.

A summary of the particulars of the New Subsidiary Share Option Scheme is contained in Appendix III to this circular.

### **3. Conditions Precedent**

The adoption of the New Subsidiary Share Option Scheme by Founder Inc. is subject to the following conditions:

- (a) the approval of the shareholders of Founder Inc. for the adoption of the New Subsidiary Share Option Scheme; and
- (b) the approval of the shareholders of the Company for the adoption of the New Subsidiary Share Option Scheme by Founder Inc..

### **IV. ANNUAL GENERAL MEETING**

A notice convening the AGM for the purpose of, inter alia, considering and, if thought fit, passing the Ordinary Resolutions is set out in Appendix IV to this circular. A form of proxy is enclosed for use by shareholders at the AGM. Shareholders are requested to complete and return the form of proxy to the Company's principal place of business in Hong Kong as soon as possible, but in any event not less than 48 hours before the scheduled time of the AGM. The lodging of the form of proxy will not preclude the shareholder from attending the AGM and voting in person should he/she so wish.

### **V. RECOMMENDATION**

The Directors believe that the Repurchase Mandate, the Issue Mandate, the proposed adoption of the New Holding Share Option Scheme and the New Subsidiary Share Option Scheme and the termination of the Existing Holding Share Option Scheme and the Existing Subsidiary Share Option Scheme are all in the best interests of the Company and its shareholders. Accordingly, the Directors recommend you to vote in favour of all the Ordinary Resolutions to be proposed at the AGM.

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**LETTER FROM THE BOARD**

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**VI. GENERAL**

Your attention is drawn to the Appendices to this circular.

Yours faithfully,  
For and on behalf of the Board of  
**Founder Holdings Limited**  
**Cheung Shuen Lung**  
*President*

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

**SHARE BUY BACK RULES**

The Share Buy Back Rules provide that all proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of a general mandate or by a specific approval of a particular transaction. A maximum of 10% of the fully paid-up securities of a company as at the date of the passing of the relevant resolution may be repurchased on the Stock Exchange.

**SHARE CAPITAL**

As at the Latest Practicable Date, the authorized share capital of the Company was 2,100,000,000 Shares and number of Shares in issue was 1,123,799,893.

Subject to the passing of the Ordinary Resolution no. 4 at the AGM and on the basis that no further Shares will be issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 112,379,989 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

**SHARE PRICES**

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

	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2001</b>		
April	2.10	1.49
May	2.35	1.82
June	2.40	1.90
July	1.98	1.68
August	1.80	0.86
September	0.94	0.63
October	1.23	0.78
November	1.35	1.10
December	1.42	1.21
<b>2002</b>		
January	1.37	1.22
February	1.25	1.05
March	1.28	1.10

**REASONS FOR REPURCHASE**

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to purchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of the Company and its assets and/or its earnings per Share and will only be made when the board of Directors believes that such repurchases will benefit the Company and its shareholders.

**FUNDING OF REPURCHASE**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association and bye-laws and the laws of Bermuda.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts of the Company for the year ended 31 December 2001) in the event that the Repurchase Mandate was to be exercised in full at any time during the repurchase period. However, the board of Directors does not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing level of the Company.

**GENERAL**

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

If, as a result of a share repurchase by the Company, a shareholder's proportionate interest in the voting rights of the Company increases, such increase may be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers ("**Takeover Code**"). Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with the Takeover Code. The Directors are not aware of any obligations which may arise under the Takeover Code as a result of any repurchase made pursuant to the Repurchase Mandate.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) has any present intention to sell Shares to the Company or its subsidiaries under the Repurchase Mandate, if such is approved by the shareholders.

No connected person (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company or its subsidiaries, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the shareholders.

There have been no repurchases of Shares by the Company made in the six months prior to the date of this circular (whether on the Stock Exchange or otherwise.)

*The following is a summary of the principal terms of the New Holding Share Option Scheme:*

### **Who may join**

- (a) The board of directors of the Company may at its discretion grant options to (i) any part-time or full time employee or officer of any member of the Group or of any substantial shareholder of the Company or of any Associated Company of the Company (collectively, the “**Employee**”); (ii) any substantial shareholder of the Company; (iii) the chief executive or director (executive or non-executive or independent non-executive) of any member of the Group or of any substantial shareholder of the Company or of any Associated Company of the Company; or (iv) any supplier, agent, customer, partner or business associate of, or adviser or consultant to, any member of the Group (collectively, “**Qualified Persons**”).

### **The purpose of the New Holding Share Option Scheme**

- (b) The New Holding Share Option Scheme seeks to recognize and acknowledge the contributions or potential contributions made or to be made by the Qualified Persons to the Group, to motivate the Qualified Persons to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the Qualified Persons whose contributions are or may be beneficial to the growth of the Group.

### **Price of Shares**

- (c) The subscription price (“**Subscription Price**”) in relation to each option under the New Holding Share Option Scheme shall be a price notified by the board of directors of the Company to the respective Qualified Person. Such price shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotation sheets on the date on which the option is offered to a Qualified Person (“**Offer Date**”); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotation sheets for the 5 trading days immediately preceding the Offer Date; or (iii) the nominal value of the Shares.

### **Grant of option**

- (d) An offer of the grant of an option shall be made to a Qualified Person by letter (“**Offer Letter**”) in such form as the board of directors of the Company may from time to time determine specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to the vesting or exercise of options.

- (e) An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof shall have been received by the Company on or before the last day for acceptance as set out in the Offer Letter.

#### Maximum number of Shares

- (f) The maximum number of Shares in respect of which options may be granted under the New Holding Share Option Scheme and any other share option schemes of the Company shall not exceed such number of Shares as shall represent 10 per cent. (“**General Mandate**”) of the total number of Shares in issue as at the date when the New Holding Share Option Scheme is approved by the shareholders of the Company in general meeting. For the purpose of calculating the General Mandate, options which have been lapsed in accordance with the terms of the New Holding Share Option Scheme and any other share option schemes of the Company shall not be counted.
- (g) The Company may seek approval by its shareholders in general meeting for refreshing the General Mandate as referred to in paragraph (f) above provided that the total number of Shares in respect of which options may be granted under the New Holding Share Option Scheme and any other share option schemes of the Company under the General Mandate as being refreshed must not exceed 10 per cent. of the total number of Shares in issue as at the date when such General Mandate is approved by shareholders of the Company. For the foregoing purpose, options previously granted under the New Holding Share Option Scheme and any other share option schemes of the Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted.
- (h) The Company may seek separate approval by its shareholders in general meeting for granting options beyond the General Mandate provided the options in excess of the General Mandate are granted only to Qualified Persons specifically identified before such approval is sought. A circular shall be sent by the Company to its shareholders in accordance with the Listing Rules.
- (i) Notwithstanding any provisions to the contrary, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Holding Share Option Scheme and any other share option schemes of the Company must not exceed such number of Shares as shall represent 30 per cent. of the Shares in issue from time to time.
- (j) Unless separately approved by shareholders in general meeting in the manner as prescribed in the Listing Rules, the total number of Shares issued and to be issued upon exercise of options granted to each Qualified Person (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the Shares then in issue.



**Timing for exercise options**

- (k) The period during which an option may be exercised in accordance with the terms of the New Holding Share Option Scheme (“**Option Period**”) shall be the period set out in the Offer Letter provided that such period must expire no later than the tenth anniversary of the Offer Date.

**Rights personal to Grantee**

- (l) An option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest (legal or beneficial) in favour of any third party or assigned and shall be personal to the Grantee (save that the Qualified Person may nominate a nominee to hold the Shares to be issued pursuant to the exercise of options granted under the New Holding Share Option Scheme on trust for the sole benefit of such Grantee provided that evidence of such trust arrangement between the Grantee and the nominee shall be provided to the satisfaction of the Company).

**Rights on death/ceasing employment**

- (m) If the Grantee being an Employee ceases to be a Qualified Person for any reason other than his or her death or termination of his or her employment on one or more of the grounds specified in sub-paragraph (v) of paragraph (u) below or retirement in accordance with the terms of his or her contract of employment or by virtue of any statutory requirement, such Grantee may exercise the option up to his or her entitlement at the date of cessation (to the extent not already exercised) within the period of 1 month following the date of such cessation, which date shall be the last actual working day with the Company or its relevant subsidiary or its relevant substantial shareholder or its relevant Associated Company (as the case may be) whether salary is paid in lieu of notice or not.
- (n) If the Grantee (being an individual) ceases to be a Qualified Person by reason of his or her death and, in the case of such Grantee is an Employee, none of the events which would be a ground for termination of his or her employment as specified in sub-paragraph (v) of paragraph (u) below has arisen, the legal personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death (or such other period as the board of directors of the Company may determine) to exercise the option in full (to the extent not already exercised).
- (o) If the Grantee being an Employee ceases to be a Qualified Person by reason of retirement in accordance with the terms of his or her contract of employment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his or her employment as specified in sub-paragraph (v) of paragraph (u) below has

arisen, the Grantee shall be entitled within a period of 12 months from the date of retirement (or such other period as the board of directors of the Company may determine) to exercise the option up to his or her entitlement (to the extent not already exercised).

- (p) If the Grantee being a non-Employee in the absolute opinion of the board of directors of the Company ceases to be qualified as a Qualified Person by reason of termination of its business relation with the relevant member of the Group or otherwise, such Grantee shall be entitled within a period of 1 month from the date of termination (or such other period as the board of directors of the Company may determine) to exercise the option up to its entitlement (to the extent not already exercised).

#### **Rights on a compromise or arrangement**

- (q) In the event of a compromise or arrangement between the Company and its shareholders or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to the Grantee (or his or her legal representative(s)) on the same day as it gives notice of the meeting to its shareholders or creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable on such date and the Grantee may at any time thereafter until the earlier of (i) two calendar months after that date or (ii) the date on which such compromise or arrangement is sanctioned by court, exercise any of the option whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the New Holding Share Option Scheme. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

#### **Effect of capital alteration**

- (r) In the event of a capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), the board of directors of the Company shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:
- (i) the number or amount of Shares subject to any option so far as such option remains unexercised; and/or
  - (ii) the Subscription Price; and/or

(iii) the method of exercise of the option,

as the auditors shall certify in writing to the board of directors of the Company to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value.

#### **Rights on voluntary winding up**

(s) In the event of an effective resolution being passed for the voluntary winding-up of the Company, the Grantee (or his or her legal personal representative(s)) may by notice in writing to the Company within twenty-one (21) days after the date of such resolution elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given, whereupon the Grantee will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election.

#### **Rights on general offer**

(t) If a general offer is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional during the Option Period, the Grantee (or his or her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which the offer becomes or is declared unconditional.

#### **Lapse of options**

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

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (m), (n), (o), (p), (s) and (t);
- (iii) subject to paragraph (s), the date of the commencement of the winding-up of the Company;
- (iv) subject to the scheme of arrangement or compromise becoming effective, the expiry of the periods referred to in paragraph (q);

- (v) the date on which the Grantee being an Employee ceases to be a Qualified Person by reason of the termination of his or her employment on any one or more of the grounds that he or she has been guilty of misconduct, or has committed an act of bankruptcy 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 involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or its relevant subsidiary or its relevant substantial shareholder or its relevant Associated Company (as the case may be);
- (vi) the date on which the Grantee commits a breach of paragraph (1);
- (vii) if an option was granted subject to certain conditions, restrictions or limitations, the date on which the board of directors of the Company resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitations;
- (viii) in respect of the Grantee being a consultant or adviser (whether individual or corporation), the date on which the board of directors of the Company resolves that the consultant or adviser fails to comply with any provisions of the relevant contract, or breaches its fiduciary duty under the common law; or
- (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

### **Ranking of Shares**

- (v) The Shares to be allotted upon the exercise of an option will be subject to all provisions of the memorandum of association and bye-laws of the Company and the Companies Act 1981 of Bermuda (as amended) for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

### **Life of the New Holding Share Option Scheme**

- (w) The New Holding Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the New Holding Share Option Scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the New Holding Share Option Scheme shall remain in full force and effect in all other respects.

**Alterations of the New Holding Share Option Scheme**

- (x) The New Holding Share Option Scheme may be altered by the board of directors of the Company except that any material alteration to its terms and conditions or any change to the terms of options granted (except where such alterations take effect automatically under the existing terms of the New Holding Share Option Scheme) shall first be approved by the shareholders of the Company in general meeting and the provisions of the New Holding Share option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Grantees except with the prior sanction of a resolution of the Company in general meeting.

**Administration**

- (y) The New Holding Share Option Scheme shall be subject to the administration of the board of directors of the Company or a duly authorized committee thereof whose decision as to all matters relating to the New Holding Share Option Scheme or its interpretation or effect (save as otherwise provided) shall be final and binding on all parties affected thereby.
- (z) Without prejudice to any of the provisions of the New Holding Share Option Scheme, the board of directors of the Company may from time to time adopt such operational rules as it may deem fit for the purpose of giving effect to or implementing the New Holding Share Option Scheme including without limitation rules which may restrict the exercise of the options granted or to be granted in any way or otherwise impose restrictions whatsoever on the part of the Grantee provided always that such operational rules shall not contravene the applicable provisions of the Listing Rules.
- (aa) Any change to the authority of the board of directors of the Company or the administrators of the New Holding Share Option Scheme in relation to any alteration of the terms of the New Holding Share Option Scheme shall be approved by the shareholders of the Company in general meeting.

**Options to Related Persons**

- (bb) Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (“**Related Person**”) must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the Grantee of such options).

- (cc) Any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates shall comply with paragraph (dd) if such proposed grant of options, when aggregated with all options (whether exercised, cancelled or outstanding) already granted to that Related Person during the 12-month period up to and including the date of such grant of options, would (i) entitle him or her to receive more than 0.1 per cent. of the total issued Shares for the time being; and (ii) represent an aggregate value in excess of HK\$5,000,000 (or such higher amount as shall be permissible under the Listing Rules from time to time) based on the closing price of the Shares on the Stock Exchange at the date of each grant.
- (dd) Any grant of options referred to in paragraph (cc) must, in addition to obtaining the approval of the independent non-executive directors of the Company pursuant to paragraph (bb), be approved by the shareholders of the Company in general meeting where all connected persons of the Company must abstain from voting save and except any connected person may vote against the proposed grant in the general meeting provided that his or her intention so to do has been stated in a circular to be despatched to the shareholders of the Company in accordance with the Listing Rules. Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

#### **Cancellation of options**

- (ee) Subject to the consent from the relevant Grantee, the board of directors of the Company may in its discretion cancel options previously granted to, and yet to be exercised by, such Grantee for the purpose of re-issuing new options to such Grantee provided that there are sufficient available unissued options (excluding such cancelled options) for such re-issuance under the General Mandate.

#### **Termination**

- (ff) The Company by resolution in general meeting or the board of directors of the Company may at any time terminate the operation of the New Holding Share Option Scheme and in such event no further options will be offered but the provisions of the New Holding Share Option Scheme shall remain in force in all other respects.

*The following is a summary of the principal terms of the New Subsidiary Share Option Scheme:*

**Who may join**

- (a) The shareholders of Founder Inc. may in general meeting empower its directors to make offer to (i) any part-time or full time employee or officer of Founder Inc. or its subsidiaries or of its substantial shareholder or of its Associated Companies (“**Employee**”); (ii) any substantial shareholder of Founder Inc.; (iii) the chief executive or director (executive or non-executive or independent non-executive) of Founder Inc. or its subsidiaries or of its substantial shareholder or of its Associated Companies; or (iv) any supplier, agent, customer, partner or business associate of, or adviser or consultant to, Founder Inc. or its subsidiaries (“**Qualified Persons**”).

**The purpose of the New Subsidiary Share Option Scheme**

- (b) The New Subsidiary Share Option Scheme seeks to recognize and acknowledge the contributions or potential contributions made or to be made by the Qualified Persons to Founder Inc. and its subsidiaries, to motivate the Qualified Persons to optimise their performance and efficiency for the benefit of Founder Inc. and its subsidiaries, and to maintain or attract business relationship with the Qualified Persons whose contributions are or may be beneficial to the growth of Founder Inc. and its subsidiaries.

**Price of shares**

- (c) The subscription price (the “**Subscription Price**”) in relation to each option under the New Subsidiary Share Option Scheme shall be a price determined by the shareholders of Founder Inc. in general meeting or the board of directors of Founder Inc. (as the case may be). The Subscription Price shall, for such option as may be granted during the six-month period preceding the date of Founder Inc. lodging its formal application to the relevant authority for listing of any of its shares, not be less than the new issue price (if any) in relation to such listing, and in any other events, not be lower than the nominal value of the shares of Founder Inc.

**Grant of option**

- (d) Pursuant to paragraph (a) above, an offer of the grant of an option shall be made to a Qualified Person by letter (the “**Offer Letter**”) in such form as the board of directors of Founder Inc. may from time to time determine, pursuant to the statutory requirements stipulated in Article 280-28 of the Commercial Code of Japan, specifying the terms and subject to the conditions on which the option is to be granted. Subject to the terms of the Offer Letter, there shall be no general performance target to the vesting or exercise of options.

- (e) An option shall be deemed to have been granted and accepted and to have taken effect when the duplicate Offer Letter comprising acceptance of the option duly signed by the Grantee together with a remittance in favour of Founder Inc. of Yen 1,000 by way of consideration for the grant thereof shall have been received by Founder Inc. on or before the last day for acceptance as set out in the Offer Letter.

**Maximum number of shares**

- (f) The maximum number of shares in respect of which options may be granted under the New Subsidiary Share Option Scheme and any other share option schemes of Founder Inc. shall not exceed such number of shares as shall represent 10 per cent. (“**General Mandate**”) of the total number of shares in issue as at the date when the New Subsidiary Share Option Scheme is approved by the shareholders of Founder Inc. in general meeting. For the purpose of calculating the General Mandate, options which have been lapsed in accordance with the terms of the New Subsidiary Share Option Scheme and any other share option schemes of Founder Inc. shall not be counted.
- (g) Subject to the approval by shareholders of the Company, Founder Inc. may seek approval by its shareholders in general meeting for refreshing the General Mandate as referred to in paragraph (f) above provided that the total number of shares in respect of which options may be granted under the New Subsidiary Share Option Scheme and any other share option schemes of Founder Inc. under the General Mandate as being refreshed must not exceed 10 per cent. of the total number of shares in issue as at the date when such General Mandate is approved by shareholders of Founder Inc. For the foregoing purpose, options previously granted under the New Subsidiary Share Option Scheme and any other share option schemes of Founder Inc., whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted.
- (h) Subject to the approval by shareholders of the Company, Founder Inc. may seek separate approval by its shareholders in general meeting for granting options beyond the General Mandate provided the options in excess of the General Mandate are granted only to Qualified Persons specifically identified before such approval is sought. A circular shall be sent by the Company to its shareholders in accordance with the Listing Rules.
- (i) Notwithstanding any provisions to the contrary, the limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Subsidiary Share Option Scheme and any other share option schemes of Founder Inc. must not exceed such number of shares as shall represent 30 per cent. of the shares in issue from time to time.



- (j) Unless separately approved by the respective shareholders of the Company and Founder Inc. in general meeting as prescribed in the Listing Rules, the total number of shares issued and to be issued upon exercise of options granted to each Qualified Person (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the shares then in issue.

**Timing for exercise options**

- (k) The period during which an option may be exercised in accordance with the terms of the New Subsidiary Share Option Scheme shall be the period set out in the Offer Letter provided that such period must expire no later than the tenth anniversary of the date on which the option is offered to the relevant Qualified Person.

**Rights personal to Grantee**

- (l) An option shall not be sold, transferred, charged, mortgaged, encumbered or created with any interest (legal or beneficial) in favour of any third party or assigned and shall be personal to the Grantee (save that the Qualified Person may nominate a nominee to hold the shares to be issued pursuant to the exercise of options granted under the New Subsidiary Share Option Scheme on trust for the sole benefit of such Grantee provided that evidence of such trust arrangement between the Grantee and the nominee shall be provided to the satisfaction of Founder Inc.).

**Rights on death/ceasing employment**

- (m) If the Grantee being an Employee ceases to be a Qualified Person for any reason other than his or her death or termination of his or her employment on one or more of the grounds specified in sub-paragraph (v) of paragraph (u) below or retirement in accordance with the terms of his or her contract of employment or by virtue of any statutory requirement, such Grantee may exercise the option up to his or her entitlement at the date of cessation (to the extent not already exercised) within the period of 1 month following the date of such cessation, which date shall be the last actual working day with Founder Inc. or its relevant subsidiary or its relevant substantial shareholder or its relevant Associated Company (as the case may be) whether salary is paid in lieu of notice or not.
- (n) If the Grantee (being an individual) ceases to be a Qualified Person by reason of his or her death and, in the case of such Grantee is an Employee, none of the events which would be a ground for termination of his or her employment as specified in sub-paragraph (v) of paragraph (u) below has arisen, the legal personal representative(s) of the Grantee shall be entitled within a period 12 months from the date of death (or such longer period as the board of directors of Founder Inc. may determine) to exercise the option in full (to the extent not already exercised).

- (o) If the Grantee being an Employee ceases to be a Qualified Person by reason of retirement in accordance with the terms of his or her contract of employment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his or her employment as specified in sub-paragraph (v) of paragraph (u) below has arisen, the Grantee shall be entitled within a period of 12 months from the date of retirement (or such longer period as the board of directors of Founder Inc. may determine) to exercise the option up to his or her entitlement (to the extent not already exercised).
- (p) If the Grantee being a non-Employee in the absolute opinion of the board of directors of Founder Inc. ceases to be qualified as a Qualified Person by reason of termination of its business relation with Founder Inc. or its subsidiaries or otherwise, such Grantee shall be entitled within a period of 1 month from the date of termination (or such other period as the board of directors of Founder Inc. may determine) to exercise the option up to its entitlement (to the extent not already exercised).

**Rights on a compromise or arrangement**

- (q) In the event of a compromise or arrangement between Founder Inc. and its shareholders or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of Founder Inc., Founder Inc. shall give notice thereof to the Grantee (or his or her legal representative(s)) on the same day as it gives notice of the meeting to its shareholders or creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable on such date and the Grantee may at any time thereafter until the earlier of (i) two calendar months after that date or (ii) the date on which such compromise or arrangement is sanctioned by court, exercise any of the option whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the New Subsidiary Share Option Scheme. Founder Inc. may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the shares issued as a result of the exercise of options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such shares been subject to such compromise or arrangement.

**Effect of capital alteration**

- (r) In the event of a capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of Founder Inc. (other than an issue of shares as consideration in respect of a transaction to which Founder Inc. is a party), the board of directors of Founder Inc. shall make (and shall notify to the Grantee) such corresponding alterations (if any) in:
  - (i) the number or amount of shares subject to any option so far as such option remains unexercised; and/or

- (ii) the Subscription Price; and/or
- (iii) the method of exercise of the option,

as the auditors shall certify in writing to the board of directors of Founder Inc. to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of Founder Inc. to which a Grantee is entitled after such alteration shall remain the same as that to which he or she was entitled before such alteration, but so that no such alteration shall be made the effect of which would be to enable any share to be issued at less than its nominal value.

#### **Rights on voluntary winding up**

- (s) In the event of an effective resolution being passed for the voluntary winding-up of Founder Inc., the Grantee (or his or her legal personal representative(s)) may by notice in writing to Founder Inc. within twenty-one (21) days after the date of such resolution elect to be treated as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the Subscription Price for the shares in respect of which the notice is given, whereupon the Grantee will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of shares such sum as would have been received in respect of the shares the subject of such election.

#### **Rights on general offer**

- (t) If a general offer is made to all the holders of shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional during the Option Period, the Grantee (or his or her legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within fourteen (14) days after the date on which the offer becomes or is declared unconditional.

#### **Lapse of options**

- (u) An option shall lapse automatically (to the extent not already exercised) on the earliest of:
  - (i) the expiry of the Option Period;
  - (ii) the expiry of the periods referred to in paragraphs (m), (n), (o), (p), (s) and (t);

- (iii) subject to paragraph (s), the date of the commencement of the winding-up of Founder Inc.;
- (iv) subject to the scheme of arrangement or compromise becoming effective, the expiry of the periods referred to in paragraph (q);
- (v) the date on which the Grantee being an Employee ceases to be a Qualified Person by reason of the termination of his or her employment on any one or more of the grounds that he or she has been guilty of misconduct, or has committed an act of bankruptcy 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 involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment at common law or pursuant to any applicable laws or under the Grantee's service contract with Founder Inc. or its relevant subsidiary or its relevant substantial shareholder or its relevant Associated Company (as the case may be);
- (vi) the date on which the Grantee commits a breach of paragraph (l);
- (vii) if an option was granted subject to certain conditions, restrictions or limitations, the date on which the board of directors of Founder Inc. resolves that the Grantee has failed to satisfy or comply with such conditions, restrictions or limitations;
- (viii) in respect of the Grantee being a consultant or adviser (whether individual or corporation), the date on which the board of directors of Founder Inc. resolves that the consultant or adviser fails to comply with any provisions of the relevant contract, or breaches its fiduciary duty under the common law; or
- (ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Letter, if any.

**Ranking of shares**

- (v) The shares to be allotted upon the exercise of an option will be subject to all provisions of the Articles of Incorporation of Founder Inc. for the time being in force and will rank pari passu in all respects with the fully paid shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions

paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

#### **Life of the New Subsidiary Share Option Scheme**

- (w) The New Subsidiary Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from the date on which the New Subsidiary Share Option Scheme is deemed to take effect in accordance with its terms, after which period no further options will be granted but the provisions of the New Subsidiary Share Option Scheme shall remain in full force and effect in all other respects.

#### **Alterations of the New Subsidiary Share Option Scheme**

- (x) The New Subsidiary Share Option Scheme may be altered by the board of directors of Founder Inc. except that any material alteration to its terms and conditions or any change to the terms of options granted (except where such alterations take effect automatically under the existing terms of the New Subsidiary Share Option Scheme) shall first be approved by the shareholders of Founder Inc. in general meeting and the provisions of the New Subsidiary Share option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Grantees except with the prior sanction of a resolution of the Company in general meeting.

#### **Administration**

- (y) The New Subsidiary Share Option Scheme shall be subject to the administration of the board of directors of Founder Inc. whose decision as to all matters relating to the New Subsidiary Share Option Scheme or its interpretation or effect (save as otherwise provided or by the mandatory provisions of the Commercial Code of Japan, and on condition that such decisions of the board of directors of Founder Inc. comply with the resolutions of the shareholders in general meeting pertaining to the New Subsidiary Share Option Scheme) shall be final and binding on all parties affected thereby.
- (z) Without prejudice to any of the provisions of the New Subsidiary Share Option Scheme, the board of directors of Founder Inc. may from time to time adopt such operational rules as it may deem fit for the purpose of giving effect to or implementing the New Subsidiary Share Option Scheme including without limitation rules which may restrict the exercise of the options granted or to be granted in any way or otherwise impose restrictions whatsoever on the part of the Grantee provided always that such operational rules shall not contravene the applicable provisions of the Listing Rules.

- (aa) Any change to the authority of the board of directors of Founder Inc. or the administrators of the New Subsidiary Share Option Scheme in relation to any alteration to the terms of the New Subsidiary Share Option Scheme shall be approved by the shareholders of Founder Inc. in general meeting.

### **Options to Related Persons**

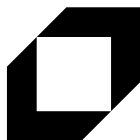
- (bb) Any grant of options to a director, chief executive or substantial shareholder of the Company or any of their respective associates (“**Related Person**”) must be approved by the independent non-executive directors of the Company (excluding independent non-executive director who is the Grantee of such options).
- (cc) Any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates shall comply with paragraph (dd) if such proposed grant of options, when aggregated with all options (whether exercised, cancelled or outstanding) already granted to that Related Person during the 12-month period up to and including the date of such grant of options, would entitle him or her to receive more than 0.1 per cent. of the total issued shares of Founder Inc. for the time being.
- (dd) Any grant of options referred to in paragraph (cc) must, in addition to obtaining the approval of the independent non-executive directors of the Company pursuant to paragraph (bb), be approved by the shareholders of the Company in general meeting where all connected persons of the Company must abstain from voting save and except any connected person may vote against the proposed grant in the general meeting provided that his or her intention so to do has been stated in a circular to be despatched to the shareholders of the Company in accordance with the Listing Rules. Any vote taken at such general meeting to approve the grant of such options must be taken on a poll.

### **Cancellation of options**

- (ee) Subject to the consent from the relevant Grantee, the board of directors of Founder Inc. may in its discretion cancel options previously granted to, and yet to be exercised by, such Grantee for the purpose of re-issuing new options to such Grantee provided that there are sufficient available unissued options (excluding such cancelled options) for such re-issuance under the General Mandate.

### **Termination**

- (ff) Founder Inc. by resolution in general meeting may at any time terminate the operation of the New Subsidiary Share Option Scheme and in such event no further options will be offered but the provisions of the New Subsidiary Share Option Scheme shall remain in force in all other respects.

**FOUNDER HOLDINGS LIMITED****方正控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**NOTICE IS HEREBY GIVEN THAT** the annual general meeting of Founder Holdings Limited (the “**Company**”) will be held at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on 24 May 2002 at 11:00 a.m., for the following purposes:

1. To receive and consider the audited financial statements and the directors’ and auditors’ reports of the Company for the year ended 31 December 2001.
2. To re-elect the retiring directors and to fix the remuneration of directors.
3. To re-appoint auditors and to authorize the board of directors to fix their remuneration.

**ORDINARY RESOLUTIONS**

As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

4. **“THAT:—**
  - (A) subject to paragraph (B) of this Resolution no. 4 below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (C) of this Resolution no. 4 below) of all the powers of the Company to purchase Shares (as defined in paragraph (C) of this Resolution no. 4 below) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and which is recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange, subject to and in accordance with all applicable laws, including the Hong Kong Code on Share Repurchases and the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange (as amended from time to time), be and is hereby generally and unconditionally approved;

\* For identification purpose only

- (B) the aggregate nominal amount of Shares which may be purchased or agreed conditionally or unconditionally to be purchased pursuant to the approval in paragraph (A) of this Resolution no. 4 above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution no. 4, and the said approval be limited accordingly; and
- (C) for the purposes of this Resolution no. 4:—
- (i) “Relevant Period” means the period from (and including) the passing of this Resolution no. 4 until whichever is the earliest of:—
- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; or
- (c) the revocation or variation of this Resolution no. 4 by an ordinary resolution of the shareholders of the Company in general meeting; and
- (ii) “Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares in the Company.”
5. **“THAT:—**
- (A) subject to paragraph (B) of this Resolution no. 5 below, the exercise by the directors of the Company during the Relevant Period (as defined in paragraph (C) of this Resolution no. 5 below) of all the powers of the Company to allot, issue, grant, distribute and otherwise deal with additional Shares (as defined in paragraph (C) of this Resolution no. 5 below) and to make, issue or grant offers, agreements, options, warrants and other securities which might require Shares to be allotted, issued, granted, or distributed or otherwise dealt with during or after the end of the Relevant Period, be and is hereby generally and unconditionally approved;
- (B) the aggregate nominal amount of share capital allotted, issued, granted, distributed or otherwise dealt with or agreed conditionally or unconditionally to be allotted,



issued, granted, distributed or otherwise dealt with (whether pursuant to an option, conversion or otherwise) by the directors of the Company pursuant to the approval in paragraph (A) of this Resolution no. 5 above, otherwise than pursuant to:—

- (i) a Rights Issue (as defined in paragraph (C) of this Resolution no. 5 below);
- (ii) the grant of options under the share option scheme of the Company or the exercise of any of the subscription rights attaching to any options that have been or may be granted thereunder;
- (iii) the exercise of rights of subscription or conversion under the terms of any warrant issued by the Company or any securities which are convertible into Shares; or
- (iv) any scrip dividend scheme or similar arrangement providing for allotment of Shares in lieu of the whole or part of any dividend on Shares in accordance with the bye-laws of the Company

shall not exceed the aggregate of:

- (a) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution no.5; and
- (b) (if the directors of the Company is so authorised by a separate resolution of the shareholders of the Company) the aggregate nominal amount of the share capital of the Company purchased by the Company subsequent to the passing of this Resolution no. 5 (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing this Resolution no. 5),

and the said approval shall be limited accordingly; and

(C) for the purposes of this Resolution no. 5:—

- (i) “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:—
  - (a) the conclusion of the next annual general meeting of the Company;
  - (b) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

- (c) the revocation or variation of this Resolution no. 5 by an ordinary resolution of the shareholders of the Company in general meeting;
  - (ii) “Shares” means shares of all classes in the capital of the Company and warrants and other securities which carry a right to subscribe or purchase shares in the Company; and
  - (iii) “Rights Issue” means an offer of Shares open for a period fixed by the directors of the Company to holders of Shares on the register of members (and, if appropriate, to the holders of warrants and other securities which carry a right to subscribe or purchase shares in the Company on the relevant register) on a fixed record date in proportion to their then holdings of such Shares (and, if appropriate, such warrants and other securities), (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any legal or practical restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any jurisdiction or territory applicable to the Company).”
6. “**THAT** subject to the passing of Resolutions nos. 4 and 5 set out in this Notice, the exercise by the directors of the Company of the powers referred to in paragraph (A) of Resolution no. 5 in respect of the share capital of the Company referred to in subparagraph (b) of paragraph (B) of Resolution no. 5, be and is hereby approved and authorised.”
7. “**THAT** subject to and conditional upon the Stock Exchange granting approval for the listing of and permission to deal in the shares which may fall to be issued by the Company pursuant to the exercise of options granted under the New Holding Share Option Scheme (as defined in the circular to be despatched to the shareholders of the Company), the New Holding Share Option Scheme (the rules of which are set out in the printed document marked “A” produced to this meeting and for the purpose of identification signed by the Chairman) be and is hereby approved and adopted in replacement of the existing share option scheme adopted by the Company on 30 March 2000 (the “**Existing Holding Share Option Scheme**”) and that the board of directors of the Company be and is hereby authorised to do all such acts and to take all such steps and actions and to execute all such documents on behalf of the Company as may be necessary or expedient in order to give effect to the New Holding Share Option Scheme, including without limitation, to issue and allot shares in the capital of the Company on terms therein mentioned.”
8. “**THAT** subject to and conditional upon the passing of Resolution no. 7 set out in this Notice and the New Holding Share Option Scheme taking effect in accordance with its terms, the Existing Holding Share Option Scheme be hereby terminated.”

9. “**THAT** subject to and condition upon the shareholders of Founder International Inc., being a subsidiary of the Company, (“**Subsidiary**”) having approved the New Subsidiary Share Option Scheme (as defined in the circular to be despatched to the shareholders of the Company), the New Subsidiary Share Option Scheme (the rules of which are set out in the printed document marked “B” produced to this meeting and for the purpose of identification signed by the Chairman) be and is hereby approved and adopted in replacement of the existing share option scheme adopted by the Subsidiary on 16 December 2000 (the “**Existing Subsidiary Share Option Scheme**”) and that the directors of the Subsidiary be and are hereby authorised to do all such acts and to take all such steps and actions and to execute all such documents on behalf of the Subsidiary as may be necessary or expedient in order to implement the same, including without limitation, to issue and allot shares in the capital of the Subsidiary on terms therein mentioned.”
10. “**THAT** subject to and conditional upon the passing of Resolution no. 9 set out in this Notice and the New Subsidiary Share Option Scheme taking effect in accordance with its terms, the Existing Subsidiary Share Option Scheme be hereby terminated.”

By Order of the Board  
**Tang Yuk Bo, Yvonne**  
*Company Secretary*

Hong Kong, 23 April 2002

*Notes:*

1. Any member entitled to attend and vote at the annual general meeting is entitled to appoint another person as his proxy to attend and, on a poll, vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
2. Where there are joint holders of any share, any one of such joint holders may vote at the annual general meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto but if more than one of such joint holders is present at the annual general meeting, then one of the said persons so present whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
3. To be valid, the instrument appointing a proxy, together with a power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the Company’s principal place of business in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be). Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or at any adjourned meeting.