
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold all your shares in Founder Holdings Limited, you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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FOUNDER HOLDINGS LIMITED

方正控股有限公司*

(Incorporated in Bermuda with limited liability)

**ADOPTION OF SHARE OPTION SCHEME FOR
A SUBSIDIARY OF THE COMPANY**

A notice convening a special general meeting of the shareholders of Founder Holdings Limited to be held at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on 6 December 2000 at 10:30 a.m. is set out in Appendix III 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 head office and 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.

20 November 2000

* For identification purpose only

LETTER FROM THE BOARD



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*)

Mr. Zhang Zhao Dong

Professor Wei Xin

Mr. Lei Hon Sang

Mr. Lo Siu Yu

Independent non-executive directors:

Dr. Hu Hung Lick, Henry

Mr. Li Fat Chung

Registered office:

Cedar House

41 Cedar Avenue

Hamilton HM12

Bermuda

Head office and

principal place of business:

Unit 1408, 14th Floor

Cable TV Tower

9 Hoi Shing Road

Tsuen Wan

New Territories

Hong Kong

20 November 2000

To the Shareholders

Dear Sir or Madam,

ADOPTION OF SHARE OPTION SCHEME FOR A SUBSIDIARY OF THE COMPANY

INTRODUCTION

In recognition of the significant contribution of, and as an attempt to create further incentives to, its employees, Founder Inc., being a subsidiary of the Company (“**Subsidiary**”), intends to establish a share option scheme (“**Scheme**”) under which options to subscribe for shares in the share capital of the Subsidiary may be granted to the qualifying employees from time to time. Pursuant to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the proposed Scheme is required to be approved by the shareholders of the Company in general meeting before it may be implemented. Accordingly, the board of directors of the Company (the “**Directors**”) proposes to convene a special general meeting to be held on 6 December 2000 (the “**SGM**”) to seek shareholders’ approval for the adoption of the Scheme by the Subsidiary.

* For identification purpose only

LETTER FROM THE BOARD

Particulars of the Scheme are summarised in Appendix I to this circular.

Draft rules of the Scheme are contained in Appendix II to this circular.

SPECIAL GENERAL MEETING

A notice convening the SGM for purpose of considering and, if thought fit, passing an ordinary resolution to approve the Scheme is set out in Appendix III to this circular. A form of proxy is enclosed for use by shareholders at the SGM. Shareholders are requested to complete and return the form of proxy to the head office and principal place of business of the Company as soon as possible, but in any event not less than 48 hours before the time of the SGM. The lodging of the form of proxy will not preclude the shareholder from attending the SGM and voting in person should he so wish.

Shareholders, who are the executive directors or full-time employees of the Company eligible to participate in the Scheme, should abstain from voting at the SGM.

RECOMMENDATION

The Directors believe that the adoption of the Scheme is in the interests of the Company and the Subsidiary and will enable the Subsidiary to create more work incentives and benefits for the workforce of the Subsidiary and increase their productivity and contribution to the Subsidiary and the Company as a whole. Accordingly, the Directors recommend you to vote in favour of the ordinary resolution to be proposed at the SGM.

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

APPENDIX I PROPOSED SHARE OPTION SCHEME FOR FOUNDER INC.

PROPOSED SHARE OPTION SCHEME

The following is a summary of the principal terms of the Scheme for Founder Inc.:-

Who may join

- (a) Shareholders of Founder Inc. may in general meeting empower its directors to make an offer to any of its full-time employees and executive directors to take up options to subscribe for any new shares in the capital of Founder Inc. at a price stipulated under sub-paragraph (b) below.

Price of shares

- (b) The subscription price in relation to each option to be offered under the Scheme shall be determined by its shareholders in general meeting. The subscription price should not be lower than par value of the shares to be allotted and issued under the Scheme.

Consideration for acceptance

- (c) The consideration for the grantee to accept the offer for any option shall be Yen 1,000.

Maximum number of shares

- (d) The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme may not (when aggregated with any shares subject to any other schemes) exceed such number of shares as shall represent 10 per cent. of the issued share capital of the Subsidiary from time to time, excluding for this purpose shares issued upon exercise of options granted under the Scheme.
- (e) No option may be granted to any one person, which if exercised in full, would result in the total number of shares already issued and issuable to him under the Scheme exceeding 25 per cent. of the aggregate number of shares for the time being issued and issuable under the Scheme.

Timing for exercise of options

- (f) The period during which an option may be exercised in accordance with the terms of the Scheme shall commence on the date of acceptance of the grant of such option (the “**Commencement Date**”) and expire on the earlier of the 10th anniversary of the Commencement Date or the 10th anniversary of the date on which the Scheme is adopted by the Subsidiary in shareholders meeting.

Rights personal to grantee

- (g) An option may not be transferred or assigned and is personal to the grantee.

Rights on death

- (h) If the grantee of an option ceases to be an employee of the Subsidiary by reason of his/her death, ill-health, disability or retirement in accordance with his/her contract of employment before exercising the option in full, his/her personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of

APPENDIX I PROPOSED SHARE OPTION SCHEME FOR FOUNDER INC.

eighteen (18) months following the date of cessation which date shall be the last day on which the grantee was at work with the Subsidiary whether salary is paid in lieu of notice or not or such longer period as the directors of the Subsidiary may determine, failing which the option will lapse.

Rights on ceasing to be employee

- (i) If the grantee of an option ceases to be an employee of the Subsidiary by reason of voluntary resignation or by termination of his/her employment or service in accordance with the termination provisions of his/her contract of employment or service or by termination of his/her employment by reason that he/she has been guilty of serious misconduct or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty before exercising the option in full, the option (to the extent not already exercised) will lapse on the date of cessation and not be exercisable unless the directors of the Subsidiary otherwise determine.

Effect of reorganization

- (j) In the event of a compromise or arrangement between the Subsidiary and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Subsidiary, the Subsidiary shall give notice thereof to all holders of options on the same day as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement and the options shall become exercisable on such date 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, failing which, an option (to the extent not exercised) shall lapse.

Effect of capital alteration

- (k) In the event of any alteration in the capital structure of the Subsidiary whilst any option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, sub-division or reduction of the share capital of the Subsidiary, such corresponding alterations (if any) certified by the auditors for the time being of the Subsidiary as fair and reasonable either generally or as regards any particular grantee will be made to the number or nominal amount of shares of the Subsidiary, the subject matter of the option so far as unexercised and/or the exercise price of the option, provided that such alteration will be made on the basis that the aggregate subscription price payable by the 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 but so that no alteration shall be made if the effect would be to enable any share to be issued at less than its par value or to increase the proportion of the issued share capital of the Subsidiary for which any grantee is entitled to subscribe pursuant to the option granted to him/her immediately prior to such alteration.

Rights on winding up

- (l) In the event of an effective resolution being passed for the voluntary winding up of the Subsidiary during the option period, the grantee of an option (or his/her legal personal representatives) may

APPENDIX I PROPOSED SHARE OPTION SCHEME FOR FOUNDER INC.

by notice in writing to the Subsidiary 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 the subscription price for the shares in respect of which the notice is given and the grantee will be entitled to receive out of the assets available for distribution in the liquidation *pari passu* with the holders of shares such sum (if any) as he/she would have received had he/she been allotted and issued on the day prior to the date of such resolution the shares in respect of which such election was made. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding up of the Subsidiary.

Ranking of shares

- (m) The shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Incorporation of the Subsidiary 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 thereof 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 Scheme

- (n) The Scheme will remain in force for a period of ten (10) years commencing from the date on which the Scheme is adopted by shareholders of the Subsidiary.

No alterations

- (o) The terms of the Scheme may be altered by the directors of the Subsidiary except that the following matters cannot be altered to the advantage of the grantees and prospective grantees without the prior approval of the shareholders of the Company and the Subsidiary in general meeting :-
 - (i) the employees eligible to participate in the Scheme;
 - (ii) the option period specific to any option; and
 - (iii) the matters referred to under paragraphs (b), (d), (e), (f), (g), (h), (i), (j), (k), (l), (m) and (n) above in this Appendix I.

**FOUNDER INC.
SHARE OPTION SCHEME**

1. DEFINITIONS

1.1 In this Scheme, except where the context otherwise requires, the following expressions shall have the following meanings:–

“Adoption Date”	means the date on which the Scheme is adopted by resolution of the Shareholders Meeting;
“Auditors”	means the accounting auditors (“kaikeikansanin”) for the time being of the Company;
“Board”	means the board of directors of the Company;
“Commencement Date”	means, in respect of any particular Option, the date upon which the Option is deemed to be accepted in accordance with Clauses 3.3 and 3.4;
“Company”	means FOUNDER INC., a company incorporated in Japan, an indirect subsidiary of the Holding Company;
“Employee”	means full-time employees and executive directors of the Company;
“Grantee”	means any Employee who accepts the offer of the grant of any Option in accordance with the terms of the Scheme or (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 Employee;
“Holding Company”	means Founder Holdings Limited, a company incorporated in Bermuda with limited liability the shares of which are listed on the Stock Exchange;
“Offer Date”	means, in respect of an Option, the date on which the Option is offered to an Employee by the Board in accordance with Clause 3.2 pursuant to a resolution by the Shareholders Meeting as prescribed in Clause 3.1;
“Option”	means an option to subscribe for Shares granted pursuant to the Scheme;

APPENDIX II RULES OF THE PROPOSED SHARE OPTION SCHEME FOR FOUNDER INC.

“Option Period”	means, in respect of an Option, a period of 10 years commencing on the Commencement Date and expiring on the 10th anniversary of the Commencement Date or the 10th anniversary of the Adoption Date whichever is the earlier;
“Scheme”	means this share option scheme in its present or any amended form;
“Shareholders Meeting”	means both ordinary and extraordinary general shareholders meetings of the Company;
“Shares”	means shares of Yen 50,000 each (or such other nominal amount of the shares comprising the ordinary share capital of the Company as shall result from a sub-division, consolidation, re-classification or reduction of the share capital of the Company from time to time) of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscription Price”	means the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option as described in Clause 4;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of Section 2 of the Companies Ordinance of the Laws of Hong Kong as modified from time to time) of the Company; and
“Yen”	means Japanese Yen, the lawful currency of Japan.

- 1.2 Clause headings are inserted for convenience of reference only and shall be ignored in the interpretation of the Scheme. Unless the context otherwise requires, references herein to Clauses are to clauses of this Scheme, references to persons include corporations and vice versa, singular includes the plural and vice versa, and references to a gender shall include all genders.

2. DURATION AND ADMINISTRATION

- 2.1 Subject to Clause 12 the Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date, after which period no further Options will be issued or exercised but the provisions of this Scheme shall remain in full force and effect in all other respects.

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- 2.2 The Scheme shall be subject to the administration of the Board whose decision as to all matters relating to the Scheme or its interpretation or effect (save as otherwise provided herein or by the mandatory provisions of the Commercial Code of Japan, and on condition that such decisions of the Board comply with the resolutions of Shareholders Meetings pertaining to the Scheme) shall be final and binding on all parties affected hereby.

3. GRANT OF OPTION

- 3.1 On and subject to the terms of the Scheme, the Shareholders Meeting shall be entitled but shall not be bound at any time following the Adoption Date to empower the Board to offer to grant to any Employee as the Shareholders Meeting may in its absolute discretion select and subject to such conditions as the Shareholders Meeting may think fit an Option to subscribe for such number of Shares as the Shareholders Meeting may determine at the Subscription Price in accordance with the Article 280-19 Section 2 of the Commercial Code of Japan.
- 3.2 Pursuant to Clause 3.1, an offer of the grant of an Option shall be made by the Board to an Employee by letter in such form as the Board may from time to time determine specifying the number of Shares, the Subscription Price, the Option Period and other conditions in respect of which the offer is made and further requiring the Employee to undertake to hold the Option upon the terms on which it is to be granted and to be bound by the provisions of this Scheme and shall remain open for acceptance by the Employee concerned (and by no other person including his/her personal representative(s)) for a period of forty (40) days from the date upon which it is made provided that no such offer shall be open for acceptance after the expiry of the effective period of this Scheme stated in Clause 2.1. An offer of the grant of an Option shall be made by the Board no later than one (1) calendar year from the date of the resolution of the Shareholders Meeting empowering the Board to offer to grant to any Employee an Option as prescribed in Clause 3.1.
- 3.3 An Option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the Option duly signed by the Grantee together with a remittance in favour of the Company of Yen 1,000 by way of consideration for the grant thereof shall have been received by the Company on or before the last day for acceptance set out in Clause 3.2. Such remittance shall in no circumstance be refundable.
- 3.4 Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered. To the extent that the offer of the grant of an Option is not accepted within forty (40) days in the manner indicated in Clause 3.3, it will be deemed to have been irrevocably declined.

4. SUBSCRIPTION PRICE

The Subscription Price in relation to each Option offered to an Employee shall, subject to any adjustment pursuant to Clause 8, be a price decided upon by a resolution of the Shareholders Meeting as prescribed in Clause 3.1 and notified to such Employee by the Board in accordance with Clause 3.2. Such price shall, in any event, be not lower than the par value of the Shares.

5. EXERCISE OF OPTIONS

- 5.1 An Option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do. The Company may, after having reasonably satisfied itself that the Grantee shall have committed a breach to this Clause 5.1, revoke any Option granted to such Grantee (to the extent not already exercised) by notice. Such revocation notice shall be final and binding on such Grantee.
- 5.2 An Option may, subject to Clause 5.3, be exercised in whole or in part within the Option Period by the Grantee (or his or her legal personal representatives) by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given. Within forty (40) days after receipt of the notice and remittance and, where appropriate, receipt of the Auditors' certificate pursuant to Clause 8, the Company shall allot and issue the relevant Shares to the Grantee (or his or her legal personal representatives) credited as fully paid.
- 5.3 Subject as hereinafter provided in this Scheme, the Option may be exercised by the Grantee at any time during the Option Period provided that:—
- (a) in the event of the Grantee ceasing to be an Employee by reason of his/her death, ill-health, disability or retirement in accordance with his/her contract of employment before exercising the Option in full, the legal personal representative(s) of the Grantee, or, as appropriate, the Grantee may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of Clause 5.2 within a period of eighteen (18) months following the date of cessation which date shall be the last day on which the Grantee was at work with the Company whether salary is paid in lieu of notice or not or such longer period as the Board may determine or, if the event referred to in paragraph (c) or (d) shall occur during such period, exercise the Option pursuant to paragraph (c) or (d), failing which, the Option (to the extent not already exercised) will lapse;
 - (b) in the event of the Grantee ceasing to be an Employee by reason of voluntary resignation or by termination of his/her employment or service on one or more of the grounds specified in Clause 6(e) or in accordance with the termination provisions of his/her contract of employment or service before exercising the Option in full, the Option (to the extent not already exercised) shall lapse on the date of cessation and not be exercisable unless the Board otherwise determines in which event the Grantee may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of Clause 5.2 within such period as the Board may determine following the date of such cessation or, if the event referred to in paragraph (c) or (d) shall occur during such period exercise the option pursuant to paragraph (c) or (d). The date of cessation as aforesaid shall be the last day on which the Grantee was at work with the Company whether salary is paid in lieu of notice or not;

APPENDIX II RULES OF THE PROPOSED SHARE OPTION SCHEME FOR FOUNDER INC.

- (c) in the event that an effective resolution has been passed for the voluntary winding-up of the Company during the Option Period, the Grantee 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 such notice in accordance with the provisions of Clause 5.2 accompanied by the remittance for the full amount of the Subscription Price and shall accordingly be entitled to receive out of the assets available for distribution in the liquidation of the Company *pari passu* with the holders of Shares such sum (if any) as he/she would have received had he/she been allotted and issued on the day prior to the date of such resolution the Shares in respect of which such election was made. Subject to the foregoing, an Option will lapse automatically (to the extent not exercised) on the date of commencement of the winding up of the Company; and
 - (d) in the event of a compromise or arrangement between the Company and its members 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 on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Option (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 the Court, by notice in writing to the Company elect to be treated as if the Option (to the extent not already exercised) had been exercised either to its full extent or to the extent specified in such notice in accordance with the provisions of Clause 5.2 accompanied by the remittance for the full amount of the Subscription Price immediately before the date on which such compromise or arrangement is sanctioned by the Court, failing which the Option (to the extent not already exercised) shall lapse.
- 5.4 The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Incorporation of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the 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 dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment. Holders of Shares allotted upon the exercise of an Option shall not have the right to claim voting rights against the Company until they have been registered on the shareholders ledger of the Company as holders thereof.
- 5.5 A Grantee shall ensure that any exercise of his/her Option is valid and comply with all legislation and regulations to which he/she is subject. The Company may, as a condition precedent of allotting any Shares upon an exercise of an Option, require the production by the exercising Grantee of such evidence as it may reasonably require for such purpose.

6. LAPSE OF OPTION

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

- (a) the expiry of the Option Period;
- (b) the expiry of the periods referred to in Clause 5.3(a) or (b);
- (c) subject to Clause 5.3(c), the date of the commencement of the winding-up of the Company;
- (d) subject to the scheme of arrangement or compromise becoming effective, the expiry of the periods referred to in Clause 5.3(d);
- (e) the date on which the Grantee ceases to be an Employee 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 pursuant to the applicable laws or under the Grantee's service contract with the Company. A resolution of the Board to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this Clause 6(e) shall be conclusive with respect to those grounds hereinbefore mentioned in this Clause 6(e); and
- (f) the date on which the Board shall exercise the Company's right to revoke the Option by notice at any time after the Grantee commits a breach of Clause 5.1.

7. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- 7.1 The maximum number of Shares in respect of which Options may be granted (together with Options exercised and Options then outstanding) under the Scheme will not, when aggregated with any Shares subject to any other schemes, exceed such number of Shares as shall represent 10 per cent. of the issued share capital of the Company from time to time excluding any Shares issued pursuant to the Scheme.
- 7.2 No Employee shall be granted an Option which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of Shares as when aggregated with the total number of Shares already issued under all the Options previously granted to him/her which have been exercised, and, issuable under all the Options previously granted to him/her which are for the time being subsisting and unexercised, would exceed 25 per cent. of the aggregate number of Shares for the time being issued and issuable under the Scheme.

7.3 Subject to Clauses 7.1 and 7.2, the number of Shares subject to Options and to the Scheme will be adjusted, in such manner as the Auditors shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made which would result in the maximum number of Shares referred to in Clauses 7.1 and 7.2 exceeding the percentage prescribed respectively in the said provisions.

8. REORGANISATION OF CAPITAL STRUCTURE

8.1 In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, sub-division or reduction of the share capital of the Company, then, in any such case the Company shall instruct the Auditors to and the Auditors shall, at the request of the Company certify in writing the adjustments either generally or as regards any particular Grantee to be in their opinion fair and reasonable that ought to be made to the number or nominal amount of Shares comprised in the Option, the subject matter of the Option (to the extent not exercised) and/or the Option Price provided that:—

- (a) any such adjustments shall be made on the basis that the aggregate Subscription 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;
- (b) no such adjustments shall be made so that a Share would be issued at less than its nominal value;
- (c) no such adjustments shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he/she exercised all the Options held by him/her immediately prior to such adjustments; and
- (d) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

8.2 If there has been any alteration in the capital structure of the Company as referred to in Clause 8.1, the Company shall, upon receipt of a notice from a Grantee in accordance with Clause 5.2, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made pursuant to the certificate of the Auditors obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors as soon as practicable to issue a certificate in that regard in accordance with Clause 8.1.

APPENDIX II RULES OF THE PROPOSED SHARE OPTION SCHEME FOR FOUNDER INC.

8.3 In giving any certificate under this Clause 8, the Auditors shall act as experts and not as arbitrators and their certification shall, in the absence of manifest error, be final, conclusive and binding on the Company and the Grantees.

9. SHARE CAPITAL

The exercise of any Option shall be subject to the Shareholders Meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto the Board shall make available sufficient authorised but unissued share capital of the Company to meet subsisting requirements on the exercise of Options.

10. DISPUTES

Any dispute arising in connection with the Scheme (whether as to the number of Shares the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and binding on all parties who may be affected thereby.

11. ALTERATION OF THE SCHEME

The Scheme may be altered in any respect by resolution of the Board except that the provisions of the Scheme as to:—

- (a) the definitions of “Employee” and “Grantee” and “Option Period” in Clause 1.1; and
- (b) the provisions of Clauses 2.1, 3.1, 3.2, 3.3, 4, 5, 6, 7, 8 and this Clause 11;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of both a resolution of the Shareholders Meeting and a resolution of the Holding Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the shareholders of the Company under the Articles of Incorporation for the time being of the Company for a variation of the rights attached to the Shares and provided further that any alterations to the terms and conditions of the Scheme which are of a material nature shall first be approved by the Stock Exchange (if required), except where such alterations take effect automatically under the existing terms of the Scheme.

12. TERMINATION

The Company may at any time by resolution of the Shareholders Meeting terminate the operation of the Scheme but the provisions of the Scheme shall remain in force in all other respects.

13. MISCELLANEOUS

- 13.1 The Company shall bear the costs of establishing and administering the Scheme, including the fees of the Auditors in relation to the preparation of any certificate or the provision of any other service in relation to the Scheme.
- 13.2 A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to holders of Shares.
- 13.3 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its registered office or principal place of business (as applicable) in Japan or as notified to the Grantees from time to time and, in the case of the Grantee, his or her address in Japan as notified to the Company from time to time.
- 13.4 Any notice or other communication served by post:—
- (a) by the Company shall be deemed to have been served 24 hours after the same was put in the post; and
 - (b) by the Grantee shall not be deemed to have been received until the same shall have been received by the Company.
- 13.5 A Grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of the Option. The Company shall not be responsible for any failure by a Grantee to obtain any such consent or for any tax or other liability to which a Grantee may become subject as a result of his or her participation in the Scheme.
- 13.6 The Scheme shall not confer on any person any legal rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law against the Company.
- 13.7 The Scheme shall not form part of any contract of employment between the Company and any Employee and the rights and obligations of any Employee under the terms of his/her office or employment shall not be affected by his/her participation in it and the Scheme shall afford such an Employee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 13.8 The Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Japan.

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

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN THAT a special general meeting of the shareholders 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 Wednesday, 6 December 2000 at 10:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the share option scheme of Founder Inc. (“**Subsidiary**”), being a subsidiary of the Company, in the form which has been submitted to this meeting and signed by the Chairman of this meeting for the purpose of identification, be and is hereby approved and adopted as share option scheme of the Subsidiary and that the directors of the Subsidiary, be and are hereby authorised to implement the same and to issue and allot shares of the Subsidiary on terms therein mentioned.”

By Order of the Board
Founder Holdings Limited
Yvonne Yuk Bo Tang
Company Secretary

Hong Kong, 20 November 2000

Notes:

- (a) Any member entitled to attend and vote at the special general meeting is entitled to appoint another person as his proxy to attend and 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.
- (b) Where there are joint holders of any share, any one of such joint holders may vote at the special 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 special 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.
- (c) In order to be valid, the form of proxy and any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company’s head office and principal place of business in Hong Kong at Unit 1408, 14th Floor, Cable TV Tower, 9 Hoi Shing Road, New Territories, Hong Kong not less than 48 hours before the time appointed for holding the special general meeting or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a member from attending and voting in person at the special general meeting or at any adjourned meeting should he so wish.
- (d) Members who are also executive directors or full-time employees of the Company eligible to participate in the share option scheme should abstain from voting.

* *For identification purpose only*