

**THIS CIRCULAR 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 or transferred all your shares in Hengan International Group Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**恒安國際集團有限公司\***

**HENGAN INTERNATIONAL GROUP COMPANY LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1044)**

*websites: <http://www.hengan.com>*

*<http://www.irasia.com/listco/hk/hengan>*

**ADOPTION OF NEW SHARE OPTION SCHEME;**

**GENERAL MANDATES TO ISSUE AND  
REPURCHASE SHARES;**

**RE-ELECTION OF RETIRING DIRECTORS;  
AND  
NOTICE OF AGM**

A notice convening the AGM of Hengan International Group Company Limited to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 26 May 2011 at 10:00 a.m., is set out on pages 25 to 28 of this document.

Whether or not Shareholders intend to attend the said meeting, they are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not prevent you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

\* *for identification purposes only*

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## DEFINITIONS

*In this circular, the following expressions have the following meanings unless the context otherwise requires:*

“Adoption Date”	the date on which the New Share Option Scheme is adopted by ordinary resolution of the Shareholders at the AGM;
“Articles”	the Articles of Association of the Company;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“AGM”	the annual general meeting of the Company to be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 26 May 2011 at 10:00 a.m.;
“Auditors”	the auditors for the time being of the Company;
“Board”	the board of Directors or a duly authorised committee of the board of Directors;
“Business Day”	any day on which the Stock Exchange is open for business of dealing in securities;
“Companies Law”	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
“Company”	Hengan International Group Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange;
“Connected Person”	has the meaning ascribed to it under the Listing Rules;
“Date of Grant”	the date on which an Offer is offered to an Participant;
“Director(s)”	the directors of the Company;
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 2 May 2003;
“Grantee”	any participant who accepts the Offer in accordance with the terms of the New Share Option Scheme or (where the context so permits) the person(s) or the personal representatives(s) entitled to any such Option in consequence of the death of the original Grantee;
“Group”	the Company and its Subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;

## DEFINITIONS

“Latest Practicable Date”	14 April 2011, being the latest practicable date for ascertaining certain information for inclusion in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Share Option Scheme”	the new share option scheme of the Company to be proposed for adoption by the Company at the AGM, the principal terms of which are set out in the Appendix I;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Shares granted under the New Share Option Scheme;
“Option Period”	for the purpose of any Option, a period to be determined and notified by the Board in which an Option may be exercised by the Grantees in accordance with the terms of the New Share Option Scheme and the Offer. Such period shall commence on the Date of Grant and expire on such date as determined by the Board provided that the Option may not be exercised after the expiration of 10 years from the Date of Grant;
“Participant(s)”	Directors (including executive, non-executive or independent non-executive Director) and any full-time or part-time employees of the Group;
“Scheme Period”	the period commencing on the Adoption Date and expiring at the closing of business on the tenth anniversary thereof;
“Share(s)”	Share(s) of HK\$0.10 each in the capital of the Company or, if there has been any subsequent sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares in the ordinary share capital of the Company resulting from such sub-division, reduction, consolidation, reclassification or reconstruction;
“Shareholder(s)”	holder(s) of issued Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares upon the exercise of an Option;
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Cap.32 of the Laws of Hong Kong)) of our Company, whether incorporated in Hong Kong or elsewhere;
“Substantial Shareholder”	has the meaning ascribed to under the Listing Rules;

## DEFINITIONS

“Supplementary Guidance”	supplementary guidance on Rule 17.03(13) of the Listing Rules issued by the Stock Exchange on 5 September 2005;
“HK\$”	Hong Kong dollars; and
“RMB”	Reminbi, the lawful currency of the People’s Republic of China in the units of yuan.

LETTER FROM THE BOARD



恒安國際集團有限公司\*

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1044)**

websites: <http://www.hengan.com>

<http://www.irasia.com/listco/hk/hengan>

*Executive Directors:*

Mr. Sze Man Bok (*Chairman*)

Mr. Hui Lin Chit

*(Deputy Chairman and Chief Executive Officer)*

Mr. Hung Ching Shan

Mr. Xu Shui Shen

Mr. Xu Da Zuo

Mr. Xu Chun Man

Mr. Sze Wong Kim

Mr. Hui Ching Chi

Mr. Loo Hong Shing Vincent

*Independent Non-Executive Directors:*

Mr. Chan Henry

Mr. Wang Ming Fu

Ms. Ada Ying Kay Wong, *JP*

*Registered Office:*

Ugland House,  
South Church Street,  
P.O. Box 309, George Town,  
Grand Cayman, Cayman Islands,  
British West Indies

*Head Office:*

Hengan Industrial City,  
Anhai Town, Jinjiang City,  
Fujian Province,  
PRC

*Place of Business in Hong Kong:*

Unit 2101D, 21st Floor,  
Admiralty Centre, Tower 1,  
18 Harcourt Road,  
Hong Kong

Hong Kong, 20 April 2010

*To the Shareholders,*

Dear Sir or Madam,

**ADOPTION OF NEW SHARE OPTION SCHEME;  
GENERAL MANDATES TO ISSUE AND  
REPURCHASE SHARES;  
RE-ELECTION OF RETIRING DIRECTORS; AND  
NOTICE OF AGM**

**1. INTRODUCTION**

By ordinary resolutions of the shareholders of Company passed on 24 May 2010, general mandates were granted to the Directors (i) to repurchase, on the Stock Exchange, ordinary shares of HK\$0.10 each in the capital of the Company up to a maximum of 10% of the aggregate nominal amount of the share capital in issue of the Company; (ii) to allot, issue or otherwise deal with Shares up to a maximum of 20% of the total of the aforesaid aggregate nominal amount of share capital in issue of the Company and the number

\* *for identification purposes only*

## LETTER FROM THE BOARD

of Shares repurchased (if any) pursuant to the aforesaid general mandate to repurchase Shares. These general mandates will expire at the conclusion of the AGM if they are not revoked or varied by an ordinary resolution of the Shareholders before the AGM.

The Existing Share Option Scheme will expire on 2 May 2013. Subject to the approval by the Shareholders in the AGM, the Board proposes adoption of the New Share Option Scheme in order to have more flexibility in long term planning of granting the Options to eligible persons in a longer period in the future.

This circular contains all information reasonably necessary to enable Shareholders to make an informed decision on whether to vote for or against the resolutions proposed at the AGM.

## **2. ADOPTION OF NEW SHARE OPTION SCHEME**

### **2.1 Existing Share Option Scheme**

Pursuant to an ordinary resolution passed by the Shareholders at an annual general meeting on 2 May 2003, the Company had adopted the Existing Share Option Scheme. Under the Existing Share Option Scheme, the Board may offer options to the eligible person prescribed in the Existing Share Option Scheme in its absolute discretion. As at the Latest Practicable Date, the Company had granted 13,893,000 options under the Existing Share Option Scheme to subscribe for an aggregate of 13,893,000 Shares, of which 4,905,000 options had been exercised, 1,544,000 options had been cancelled, and 7,444,000 outstanding options shall continue to be valid and exercisable in accordance the rules of the Existing Share Option Scheme. The Directors confirm that no further options will be granted under the Existing Share Option Scheme, provided that the New Share Option Scheme is adopted by the Shareholders at the AGM and the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares which may be issued upon the exercise of the Options granted under the New Share Option Scheme.

### **2.2 New Share Option Scheme**

A summary of the principal terms of the rules of the proposed New Share Option Scheme is set out in Appendix I to this circular.

The purpose of the New Share Option Scheme is to encourage Participants to contribute to our Group through giving them certain equity interest of our Company and to enhance the value of our Company and our Shares, for the ultimate benefit of our Company and our Shareholders as a whole. Subject to the New Share Option Scheme becoming effective, the Board intends to exercise its powers under the New Share Option Scheme during the Scheme Period with the objective of serving the purposes of the New Share Option Scheme as stated above.

The New Share Option Scheme will become effective for a 10-year period ending at the close of business on the tenth anniversary of the date of the AGM subject to:

- (i) the passing of an ordinary resolution by our Shareholders to approve and adopt the New Share Option Scheme and to authorise our Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options; and
- (ii) the Listing Committee of the Stock Exchange granting permission to deal in our Shares, which fall to be issued pursuant to the exercise of Options (subject to an initial limit of 10 per cent. of the aggregate nominal value of the Shares in issue on the date of AGM) on the Stock Exchange;

## LETTER FROM THE BOARD

The Directors consider that it is not appropriate to state the value of all Options that can be granted pursuant to the New Share Option Scheme as if they had been granted at the Latest Practicable Date. The Directors believe that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to Shareholders, taking into account the number of variables which are crucial for the calculation of the option value which have not been determined. Such variables include the exercise price, exercise period, any lock-up period, any performance targets set and other relevant variables.

Subject to the obtaining of Shareholders' approval with respect to the adoption of the New Share Option Scheme, the total number of Shares which may be issued upon exercise of all options which may be granted under the New Share Option Scheme must not in aggregate exceed 10% of the aggregate nominal value of the Shares in issue at the date of approval of the New Share Option Scheme. Assuming no Shares will be issued or repurchased prior to the date of the AGM on which the New Share Option Scheme is expected to be approved by the Shareholders, the total number of the Shares in issue as at the date of the AGM will be 1,224,218,721. Subject to the New Share Option Scheme becoming effective, the Company may grant options entitling holders thereof to subscribe for up to 122,421,872 Shares under the New Share Option Scheme.

A copy of the proposed New Share Option Scheme is available for inspection at the principal place of business of the Company in Hong Kong at Unit 2101D, 21/F., Admiralty Centre, Tower I, 18 Harcourt Road, Hong Kong during normal business hours on any week day (except public holidays) from the date of this circular up to and including the date of AGM (on which date it is also available at the venue of the AGM for inspection.).

No Directors are trustees of the New Share Option Scheme or have a direct or indirect interest in the trustee.

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

No Shareholders has a material interest in the adoption of the New Share Option Scheme, and hence no Shareholders are required to abstain from voting on relevant resolution at the AGM.

### **3. GENERAL MANDATE TO REPURCHASE SHARES**

Under the Companies Law and the Listing Rules, listed companies are allowed to repurchase their own issued securities. The Articles also enable such securities repurchases to be made. The Directors consider that the power to repurchase Shares increases flexibility in the conduct of the Company's affairs and is in the interests of its Shareholders.

At the AGM, an ordinary resolution will be proposed that the Directors be given a general mandate to exercise all powers of the Company to repurchase Shares subject to the Articles, the applicable laws and relevant regulatory requirements. Shareholders should note that the maximum number of Shares that may be repurchased pursuant to the mandate as set out in Resolution No. 6 of the notice of AGM on pages 25 to 28 of this document will be such number of Shares not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of the AGM (the "Share Repurchase Mandate"). A resolution authorizing the extension of the mandate as set out in Resolution No. 5 of the notice of AGM to the Directors to issue additional Shares by the number of Share repurchased (if any) under the repurchase mandate (as set out in Resolution No. 6) will be proposed as Resolution No. 7 at the AGM.



## LETTER FROM THE BOARD

Appendix II to this circular contains the Explanatory Statement required under the Listing Rules that gives all the information reasonably necessary to enable Shareholders to make an informed decision in connection with their approval of the Share Repurchase Mandate.

#### 4. GENERAL MANDATE TO ISSUE SHARES

An ordinary resolution will also be proposed at the AGM for the grant of a general mandate to the Directors to issue, allot or otherwise deal with additional Shares of the Company up to a maximum of 20% of the aggregate nominal amount of the issued capital of the Company as at the date of the passing of the resolution (the “Share Issuance Mandate”).

The Share Issuance Mandate is valid from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles to be held; or
- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the Shareholders in general meeting.

As at the Latest Practicable Date, the number of Shares in issue was 1,224,218,721 shares. Accordingly, the exercise of the Share Issuance Mandate in full would enable the Company to issue, allot or otherwise deal with additional 244,843,744 Shares.

#### 5. RE-ELECTION OF RETIRING DIRECTORS

As at the Latest Practicable Date, the Board comprises Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Hung Ching Shan, Mr. Xu Shui Shen, Mr. Xu Chun Man, Mr. Xu Da Zuo, Mr. Sze Wong Kim, Mr. Hui Ching Chi and Mr. Loo Hong Shing Vincent as executive directors and Mr. Chan Henry, Mr. Wang Ming Fu and Ms. Ada Ying Kay Wong as independent non-executive directors.

Pursuant to the Articles 99 and 116, Mr. Hui Lin Chit, Mr. Chan Henry, Ms. Ada Ying Kay Wong, Mr. Xu Chun Man, Mr. Xu Shui Shen, Mr. Sze Wong Kim and Mr. Hui Ching Chi shall retire from office at the AGM and shall be eligible for re-election. Details of the directors proposed to be re-elected at the AGM are set out in Appendix III.

#### 6. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during 23 May 2011 to 26 May 2011, both days inclusive, during which period no transfer of shares can be registered. To qualify for attending the AGM and the proposed final dividend (which will be payable on or around 31 May 2011), shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 20 May 2011.

## LETTER FROM THE BOARD

### 7. ANNUAL GENERAL MEETING

The AGM will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Thursday, 26 May 2011 at 10:00 a.m. The notice of AGM is set out on pages 25 to 28 of this document. Resolutions in respect of the general mandates to repurchase and issue Shares, adoption of New Share Option Scheme and re-election of retiring directors as referred to above will be proposed, amongst others, at the AGM.

### 8. ACTION TO BE TAKEN

A form of proxy for use at the AGM is enclosed. Whether or not you are able to attend the AGM, you are requested to complete and return the form of proxy to the Company's share registrars, Tricor Abacus Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for holding of the meeting. Completion and return of the form of proxy will not prevent you from attending and voting at the AGM should you so wish.

### 9. VOTING BY POLL

According to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll, and hence the Chairman of the meeting will demand for a poll for all resolutions put forward at the forthcoming AGM to be held on 26 May 2011.

### 10. RECOMMENDATION

The Directors believe the general mandates to repurchase and issue Shares, adoption of the New Share Option Scheme and re-election of retiring directors are in the interests of the Company and Shareholders, and accordingly recommend you to vote in favour of all the relevant resolutions to be proposed at the AGM.

### 11. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By order of the Board

**Sze Man Bok**

*Chairman*

## 1. PURPOSE OF THE NEW SHARE OPTION SCHEME

The purpose of the New Share Option Scheme is to encourage Participants to contribute to our Group through giving them certain equity interest of our Company and to enhance the value of our Company and our Shares, for the ultimate benefit of our Company and our Shareholders as a whole.

## 2. WHO MAY JOIN

Our Directors may, at their discretion, grant Participants Offers. To accept an Offer, a proposed Grantee must do so in writing (fax or email is also acceptable) within 30 days from the Date of Grant and remit to our Company RMB1.00 as consideration for the grant of Option (Such remittance is not refundable in any circumstances), provided that no such Option shall be open for acceptance: (a) after the expiry of the Option Period, or (b) the New Share Option Scheme has been terminated in accordance with its terms, or (c) after the proposed Grantee for whom the Offer is made has ceased to be a Participant.

The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include among other things, (a) the Date of Grant, (b) the Subscription Price (subject to paragraph 4 below), (c) the number of such Shares that can be subscribed when the Option is exercised in whole (such number of Shares is determined by the Board), (d) the Option Period (may include the minimum period for which an Option must be held before it can be exercised), (e) (if applicable) a performance target that must be reached before the Option can be exercised in whole or in part, (f) any other terms, which may be imposed (or not imposed) either on a case-by-case basis or generally.

## 3. GRANT OF OPTIONS TO CONNECTED PERSONS OR ANY OF THEIR ASSOCIATES

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of our Company, or any of their respective associates under the New Share Option Scheme or any other share option schemes of our Company or any of its Subsidiaries shall be subject to the prior approval of our independent non-executive Directors (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any proposed grant of Options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in our Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (a) representing in aggregate over 0.1 per cent. of our Shares in issue; and
- (b) having an aggregate value, based on the closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of our Shareholders (voting by way of poll). All such connected persons shall abstain from voting in favour of the resolution, but they may vote against the resolution at such general meeting of our Shareholders (provided that they have indicated such preference in their letters to the Shareholders).

**4. SUBSCRIPTION PRICE**

The Subscription Price shall be determined by our Board in its absolute discretion but in any event shall not be less than the highest of:

- (a) the closing price of each of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;
- (b) the average closing price of each of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (c) the nominal value of each of our Shares.

**5. MAXIMUM NUMBER OF SHARES****(a) Scheme Mandate Limit**

Subject to paragraph 5(f), the maximum number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. of nominal amount of the aggregate of Shares in issue on the date of the AGM (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Share Option Scheme and (as the case may be) such other share option schemes of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

**(b) Renewal of Scheme Mandate Limit**

Subject to paragraph 5(f), the Scheme Mandate Limit may be renewed at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under this Scheme and any other share option schemes of the Company under the limit as refreshed must not exceed 10 per cent. in nominal amount of the aggregate of Shares in issue as at the date of approval of the renewed limit. Options previously granted under the New Share Option Scheme or any other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

**(c) Grant of Options beyond Scheme Mandate Limit**

Subject to paragraph 5(f) and notwithstanding the foregoing, our Company may grant Options beyond the Scheme Mandate Limit to Participants if:

- (i) our Company has first sent a circular to the Shareholders containing the overall introduction of the identified Participant who is granted Options, the number and terms of the Options to be granted, the purpose of granting the Options to the identified Participant and an explanation of how the terms of Options achieve such purpose, and information required to be included in accordance with 17.02(2)(d) of the Listing Rules and the disclaimer required to be included in accordance with 17.02(4) of the Listing Rules and any information as may be required by the Listing Rules then prevailing to be included in such circular; and

- (ii) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate limit to Participants specifically identified by the Company before such Shareholders' approval is sought.

**(d) Maximum number of shares issued under Options**

Subject to paragraph 5(e) and 5(f) below, the maximum number of Shares issued to any one Participant by exercising all the Options (including both exercised and outstanding Options) granted pursuant to the New Share Option Scheme and any other share option scheme(s) of our Company (excluding those options granted pursuant to specific approval by the Shareholders in a general meeting) in any 12-month period shall not exceed 1 per cent. of our Shares in issue at the Date of Grant (the "Individual Limit").

**(e) Grantee's maximum holding**

Subject to paragraph 5(f) below, where further Options are granted to a Participant, and all such Participant's granted and to-be granted Options (including exercised, cancelled and outstanding Options) when fully exercised result in aggregate over 1% of the Shares in issue in the 12-month period up to and including the date of such further grant, such Offer must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. Our Company must send a circular to our Shareholders containing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant), information required under 17.02(2)(d) of the Listing Rules, the disclaimer under 17.02(4) of the Listing Rules and any other information as may be required by the Listing Rules then prevailing to be included in such circular. The number of Options and terms of the Offer (including Subscription Price) must be fixed before shareholders' approval. For the purpose of determining the Subscription Price according to paragraph 4 above, the Date of Grant shall be the date of the meeting of the Board when the motion to grant further Options is proposed.

**(f) Maximum limit**

At any time, the maximum number of Shares to be issued upon exercise of all Options which then have been granted and have yet to be exercised under the New Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed 30 per cent. of our Shares in issue from time to time.

**6. TIME OF EXERCISE OF OPTION**

Subject to the Listing Rules and the terms of the relevant Option, an Option may be exercised in accordance with the terms of the New Share Option Scheme at any time during the Option Period.

**7. RIGHTS ARE PERSONAL TO GRANTEES**

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

**8. RIGHTS ON TERMINATION OF EMPLOYMENT BY DISMISSAL**

If the Grantee who is a Director or an employee of our Company or another member of our Group ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option (both vested and unvested portion) will lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment. If the Grantee have exercised his Option in full or in part pursuant to the terms of the New Share Option Scheme, but has not yet been allotted the Shares, then the Grantee is deemed as never having exercised such Option and our Company shall refund to the Grantee the amount of Subscription Price received for such Shares intended to be subscribed by the exercise of the relevant Option.

**9. RIGHTS ON ILLNESS INJURY, DISABILITY OR DEATH**

If the Grantee who is an employee or a director of our Company or another member of our Group ceases to be a Participant by reason of his illness, injury, disability or death, the Grantee or its legal personal representative (as the case may be), can within 12 months from the date of occurrence of the abovementioned incident (or other longer periods at the discretion of the Board), exercise the Grantee's Option up to the Grantee's vested entitlement on the date the Grantee is no longer a Participant (to the extent not already exercised).

**10. RIGHTS ON RETIREMENT**

If the Grantee who is an employee or a director of our Company or another member of our Group ceases to be a Participant by reason of retirement at the normal retirement age or (subject to approval by the Board) before reaching normal retirement age, the Grantee or its legal personal representative (as the case may be) can exercise its option up to his vested entitlement on the day the Grantee is no longer a Participant (up to the extent not already exercised) within 12 months (or longer periods at the discretion of the Board) from the date his employment ceases (such date should be the last actual date the Grantee works in our Company or relevant subsidiaries, regardless of whether there is payment in lieu of notice).

**11. RIGHTS ON CEASING OF TO BE A PARTICIPANT BY OTHER REASONS**

If the Grantee who is an employee or a director of our Company or another member of our Group, is not by reasons of paragraphs 8, 9 or 10 ceases to become a Participant, including but not limited to voluntary resignation or termination of service according to the terms of the employment contract, the Grantee cannot exercise any of his Options (both vested and unvested portion) (if not already exercised) on or after the last day of his employment (such date shall be the last actual date the Grantee works in our Company or relevant subsidiaries, regardless of whether is payment in lieu of notice), but the Board may at its discretion re-determine the Option Period of such vested portion of the Option, and if applicable, specify such vested portion of the Option will not lapse on the day of employment termination but at a later date determined by the Board.

**12. EFFECT OF ALTERATIONS TO SHARE CAPITAL**

In the event of an alteration in the capital structure of our Company, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange such corresponding adjustments (if any) shall be made to:

- (a) the number or nominal amount of Shares subject to the Option so far as unexercised; or
- (b) the Subscription Price;
- (c) the maximum number of Shares as described in paragraph 5(f); and/or
- (d) the total amount to be paid to subscribe the relevant number of share when the relevant Option is exercised

or any combination thereof, provided that:

- (i) any such adjustments shall give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled; and
- (ii) notwithstanding paragraph 12(i) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should comply with the acceptable adjustments set out in the Supplementary Guidance and any future guidance/ interpretation of the Listing Rules issued by the Stock Exchange from time to time,

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value, and the circumstances where our Company issues securities as consideration for a transaction or our Company's bondholders exercise their rights of conversion shall not be regarded as requiring such adjustments. In respect of any such adjustments, our auditors or an independent financial adviser must certify in writing that the adjustments made by our Company under this paragraph 12 satisfy the requirements set out in paragraphs 12(i) and 12(ii) above.

**13. RIGHTS ON A GENERAL OFFER BY WAY OF TAKEOVER**

Subject to paragraph 9, in the event of a general offer by way of takeover (other than by way of scheme of arrangement pursuant to paragraph 14 below) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) ("Remaining Shareholders") and such offer becomes or is declared unconditional during the Option Period and the offeror has the right under the Companies Ordinance of the Cayman Islands to send, and has sent notice to purchase all the shares held by the Remaining Shareholders, the Grantee can send written notice to our Company within 21 days from the date of such offeror's notice, exercise the Grantee's option to its full extent (to the extent already vested but not already exercised) or up to the limit specified in the Grantee's notice.

**14. RIGHTS ON A GENERAL OFFER BY WAY OF SCHEME OF ARRANGEMENT**

Subject to paragraph 9, in the event of a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify all the Grantees (or their legal personal representatives) that they may at any time thereafter (but before such time limit as shall be notified by our Company) exercise all their options they are entitled (to the extent not already exercised or the amount limit specified in such notice).

**15. RIGHTS ON WINDING-UP**

In the event an effective resolution has been passed for the voluntary liquidation of the Company, a Grantee may give written notice to our Company within 21 days from the date such resolution is passed, to elect to deem all its entitlement or to the amount specified in the notice (to the extent not already exercised) as having been exercised before the resolution is passed. The Grantee thus enjoys the same rights of a Shareholder, to receive the fund that he is entitled under the relevant Shares from the distributable assets during voluntary liquidation, and subject to such election, less the corresponding Subscription Price that would have to be paid under other circumstances.

**16. RIGHTS ON A COMPROMISE OR ARRANGEMENT**

In the event a compromise or arrangement (other than a scheme of arrangement contemplated in paragraph 14 above) between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice to all the Grantees on the same date as it gives notice of the meeting to its Shareholders or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by our Company) exercise the Option either to its full extent (up to the extent not already exercised) or to the extent notified by our Company and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

**17. RANKING OF SHARES**

Our Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of our Memorandum and Articles of Association for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option (including the right to participate in all dividends or other distributions paid or made after the date on which the Shares are allotted) but excluding any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

**18. PERIOD OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme was adopted for a period of 10 years commencing from the Adoption Date. Our Company may, by ordinary resolution in a general meeting or our Board may, terminate the New Share Option Scheme at any time without prejudice to the Options granted prior to such termination. The Options granted prior to such termination can continue to be exercised according to the New Share Option Scheme and their respective granted terms.



**19. ALTERATIONS TO THE NEW SHARE OPTION SCHEME**

- (i) The specific provisions of the New 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 Participants without the prior approval of Shareholders in general meeting;
- (ii) Changes to the authority of the Board in relation to any alteration of the terms of the New Share Option Scheme shall not be made, without the prior approval of Shareholders in general meeting; and
- (iii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. The New Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

**20. CONDITIONS OF THE NEW SHARE OPTION SCHEME**

The New Share Option Scheme shall take effect subject to:

- (i) the passing of an ordinary resolution by our Shareholders to approve and adopt the New Share Option Scheme and to authorise our Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options; and
- (ii) the Listing Committee granting permission to deal in our Shares, which fall to be issued pursuant to the exercise of Options (subject to an initial limit of 10 per cent. of the aggregate nominal value of the Shares in issue on the date of AGM) on the Stock Exchange;

**21. LAPSE OF OPTION**

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

- (i) the expiry of the Option Period (subject to terms of the New Share Option Scheme);
- (ii) the expiry of the periods referred to in paragraphs 8 to 11 and 15 to 16 above respectively;
- (iii) the expiry of the period referred to in paragraph 13, provided that no court of competent jurisdiction makes an order to prohibit the offeror from acquiring the remaining Shares;
- (iv) subject to the scheme of arrangement (referred to in paragraph 14 above) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 14 above;
- (v) the date of commencement of the winding-up of our Company;
- (vi) the date on which the Grantee, who is an employee or a director of our Company or another member of our Group, ceases to be a Participant as referred to in paragraph 8 above;

- (vii) the date on which the Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any Option;

**22. RESTRICTION ON GRANT OF OPTION**

In addition, the Board may not grant Options after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers, on the internet website or otherwise in accordance with the relevant provisions of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the board meeting of our Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or, not required under the Listing Rules),

and ending on the date of the results announcement, no Option may be granted.

**23. CANCELLATION**

Any Options granted but not exercised may be cancelled if the Participant so agrees. New Options can be granted to the same Grantee, provided that such new Options is subject to the limits prescribed in paragraph 5 (excluding options already cancelled), and granted in accordance with the New Share Option Scheme.

**24. PRESENT STATUS OF THE NEW SHARE OPTION SCHEME**

As at the date of this circular, no Option has been granted or agreed to be granted by our Company under the New Share Option Scheme.

**(A) PROPOSED SHARE REPURCHASE MANDATE**

It is proposed that the Directors may exercise the powers of the Company to repurchase up to 10% of the Shares in issue as at the date of the passing of the resolution to approve the granting to the Directors the Shares Repurchase Mandate. As at the Latest Practicable Date, the number of Shares in issue was 1,224,218,721 shares. Accordingly, the exercise of the Share Repurchase Mandate in full (being the repurchase of 10% of the Shares in issue as at the date of the passing of the resolution to approve the Share Repurchase Mandate) would enable the Company to repurchase 122,421,872 shares.

**(B) REASONS FOR REPURCHASES**

Repurchases of Shares will only be made if the Directors believe that such repurchases will benefit the Company and its shareholders. 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.

**(C) FUNDING OF REPURCHASES**

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in its most recent published accounts) in the event that the Share Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Share Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

**(D) UNDERTAKING**

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates has any present intention to sell Shares to the Company or its subsidiaries if the Share Repurchase Mandate is granted.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

No connected person (as defined in the Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Share Repurchase Mandate is granted.

**(E) IMPLICATION UNDER TAKEOVERS CODE AND THE PUBLIC FLOAT REQUIREMENT**

If on the exercise of the power to repurchase Shares pursuant to the Share Repurchase Mandate, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Code on Takeovers and Mergers ("Takeovers Code"). As a result, a shareholder or a group of shareholders acting in concert, depending on the level of increase of the shareholders' interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code. As at the Latest Practicable Date, the substantial shareholders of the Company, Mr. Sze Man Bok and Mr. Hui Lin Chit, were beneficially interested in an aggregate of 452,898,750 Shares, representing approximately 36.99% of the total issued share capital of the Company, which were held by Credit Suisse Trust Limited as trustee of The Sze's Family Trust and The Hui Family Trust, being discretionary trusts established by Mr. Sze and Mr. Hui respectively.

In the event the Directors exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the Share Repurchase Mandate, the aggregate interests of the abovesaid shareholders would be increased to approximately 41.11% of the total issued share capital of the Company after the repurchase. The Directors believe that such increase may give rise to such Shareholders an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. However, the Directors do not intend to exercise the power to repurchase Shares to such extent at present. The Directors are not aware of any other consequences which may arise under the Takeovers Code as a result of any repurchase made under the Share Repurchase Mandate.

Any repurchase of the Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue could not be implemented unless waiver is granted by the Stock Exchange from strict compliance requirements regarding the public float under Rule 8.08 of the Listing Rules. However, in the event that the Share Repurchase Mandate is exercised in full, the number of Shares held by the public would not fall below 25% of the total number of Shares in issue.

**(F) SHARE PRICES**

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

	Share Price	
	Highest (HK\$)	Lowest (HK\$)
<b>2010</b>		
April	60.70	55.50
May	60.95	50.10
June	65.15	54.60
July	68.00	60.20
August	71.00	66.60
September	79.00	69.25
October	78.80	70.50
November	72.55	65.80
December	72.10	66.00
<b>2011</b>		
January	71.90	55.75
February	61.00	54.10
March	62.10	55.10
April (up to the Latest Practicable Date)	65.00	56.05

**(G) SHARE REPURCHASE MADE BY THE COMPANY**

During the six months prior to the Latest Practicable Date, the Company had not purchased any of its Shares.

**MR. HUI LIN CHIT**

Mr. Hui Lin Chit, aged 57, is an Executive Director, the Deputy Chairman and Chief Executive Officer of the Group. He is responsible for strategic planning, human resources and the overall management of the Group. Mr. Hui is one of the founding shareholders of the Company. He is also a member of Remuneration Committee. Mr. Hui has the title of senior economist in the People's Republic of China and is a member of the National Committee of the Chinese People's Political Consultative Conference and a deputy chairman of All-China Federation Of Industry and Commerce and Political Consultative Conference in Quanzhou City respectively. He is also the deputy chairman of Fujian Province Industry and Trade Association and the chairman of Quanzhou City Trade Association.

Mr. Hui has entered into a service agreement with the Company for an initial term of three years and continuing thereafter on an annual basis. His directorship subject to retirement by rotation and re-election in accordance with the Articles. Mr. Hui received remuneration of approximately HK\$2,238,000 for the year ended 31 December 2010 (out of which approximately HK\$550,000 were covered by a service contract), which was determined with reference to his experience, responsibilities, performance and the Group's financial results.

Mr. Hui is the father of Mr. Hui Ching Chi, an Executive Director of the Company. Save as disclosed above, he does not have any relationship with any directors, senior management, substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Hui was interested in 224,669,751 Shares and held 90,000 shares options granted under the Share Option Scheme adopted by the Company on 2 May 2003 to subscribe for 90,000 Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") ("Part XV of the SFO"). The 224,669,751 Shares were held by Credit Suisse Trust Limited, as trustee of The Hui Family Trust, being a discretionary trust established by Mr. Hui. He has not held any directorship in other listed companies in the last three years.

No public sanctions have been made against Mr. Hui by statutory or regulatory authorities, saved as disclosed below. Reference was made to the Stock Exchange announcement on 11 October 2001. During the period from September to December 1999, the Group had made temporary advances of HK\$46,425,000 to United Wealth International (Holdings) Limited ("United Wealth") and Changde Hengan Paper Products Co., ("Changde Paper"). These temporary advances, representing approximately 3.02% of the Group's consolidated net tangible assets as at 31 December 1999, were fully received with interest and handling fee between early January 2000 and February 2000. United Wealth was wholly owned by Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Yeung Wing Chun and Mr. Hung Ching Shan, the Executive Directors of the Company for the time being, while Changde Paper was a 94% owned subsidiary of United Wealth. As such, the temporary advances constituted connected transactions of the Company. Mr. Hui and other relevant Executive Directors were publicly criticised for breaching the Listing Rules and Directors' Undertaking as they failed to disclose these connected transactions by way of a press notice, seek independent shareholders' approval in advance and notify the Stock Exchange on a timely basis. Mr. Hui considers that he is appropriate to continue to act as a Director of the Company as the above infringement was unintentional and did not arise by reason of any bad faith or deliberate conduct. In addition, he has gained relevant experience and knowledge from the above event to prevent any similar infringement in the future. The Board of Directors also considers that Mr. Hui, who has over 20 years of experience in the consumer product industry, is appropriate to be an Executive Director of the Company.

Save as disclosed above, Mr. Hui has confirmed that there are no other matters that need to be brought to the attention of the Shareholders or to be disclosed pursuant to Rule 13.51(2)(h) to (v) in connection with his re-election.

**MR. CHAN HENRY**

Mr. CHAN Henry, aged 45, is an Independent Non-Executive Director of the Company. Mr. Chan is also a member of the Audit Committee and Remuneration Committee.

Mr. Chan has over 24 years of experience in the financial market and is the Managing Director of Sanfull Securities Limited. He was a Director of the Stock Exchange. Mr. Chan is currently a member of the Advisory Committee of the Securities and Futures Commission, the Permanent Honorary President of Hong Kong Stockbrokers Association Limited, a supervisory committee member of The Chinese Gold & Silver Exchange Society, an independent non-executive director of Luen Thai Holdings Limited, a company listed on the Main Board of the Stock Exchange which engages in the manufacture and trading of garment and textile products. Mr. Chan is also a committee member of the Chinese People's Political Consultative Conference in Xiamen, Fujian Province, China. Mr. Chan holds a Master's degree in Business Administration. He joined the Group in October 1998.

Mr. Chan has entered into a service agreement with the Company for a 3-year term expiring on 16 December 2011 subject to re-newal and extension. His directorship is subject to retirement by rotation and re-election in accordance with the Articles. Mr. Chan received remuneration of HK\$120,000 for the year ended 31 December 2010, which was covered by a service contract and was determined with reference to his experience and responsibilities.

Mr. Chan does not have any relationship with any directors, senior management, substantial or controlling shareholder of the Company. As at the Latest Practicable Date, he did not have any interests in the Company pursuant to Part XV of the SFO.

Save as disclosed above, Mr. Chan has confirmed that there are no other matters that need to be brought to the attention of the Shareholders or to be disclosed pursuant to Rule 13.51(2)(h) to (v) in connection with his re-election.

**MS. ADA YING KAY WONG**

Ms. Ada Ying Kay Wong, JP, aged 51, is an Independent Non-executive Director of the Company appointed in 1998, a member of the Audit Committee and Remuneration Committee.

Ms. Wong, a practicing solicitor, is a partner of Philip K. H. Wong, Kennedy Y. H. Wong & Co., Solicitors & Notaries. She is also a culture and creative education advocate. She is the supervisor of HKICC Lee Shau Kee School of Creativity and the council member of Hong Kong Shue Yan University. She was Chair of the Wanchai District Council (2004–2007), and is currently a member of the Consultation Panel of the West Kowloon Cultural District Authority, the Art Museum Advisory Panel, Vetting Committee of CreateSmart Initiative and Board of the Hong Kong Design Centre. Currently, she is an independent non-executive director of Pak Fah Yeow International Limited.

Ms. Wong has entered into a service agreement with the Company for a 3-year term expiring on 16 December 2011 subject to re-newal and extension. Her directorship is subject to retirement by rotation and re-election in accordance with the Articles. Ms. Wong received remuneration of approximately HK\$120,000 for the year ended 31 December 2010, which was covered by a service contract and was determined with reference to her experience and responsibilities.

Ms. Wong does not have any relationship with any directors, senior management, substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Ms. Wong did not have any interests in the Company within the meaning of Part XV of SFO.

Save as disclosed above, Ms. Wong has confirmed that there are no other matters that need to be brought to the attention of the Shareholders or to be disclosed pursuant to Rule 13.51(2)(h) to (v) in connection with her re-election.

#### **MR. XU SHUI SHEN**

Mr. Xu Shui Shen, aged 42, is an Executive Directors of the Company, the Chief Operating Officer and the Director of Business Development Department of the Group. He is responsible for the development and implementation of the Group's sales strategy, operation and business management. He joined the Group in 1985 and has over 26 years of experience in quality control management and business development. He graduated from business administration department in the HuaQiao University and holds the title of economist in the PRC. Mr. Xu is a younger brother of Mr. Xu Da Zuo and Mr. Xu Lian Pi.

Save as disclosed above, he is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. As at the Latest Practicable Date Mr. Xu has personal and family interests of 33,030 shares and 75,000 share options granted under the Share Option Scheme adopted by the Company on 2 May 2003 to subscribe for 75,000 Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He has not held any directorship in other listed companies in the last three years. Mr. Xu has entered into a service contract with the Company for an initial term of three years and continuing thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party. His directorship is subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company. Mr. Xu received remuneration of HK\$1,828,000 for the year ended 31 December 2010 (out of which approximately HK\$638,000 were covered by a service contract), which was determined with reference to his experience, responsibilities, performance and the Group's financial results.

Save as disclosed above, Mr. Xu has confirmed that there are no other matters that need to be brought to the attention of the Shareholders or to be disclosed pursuant to Rule 13.51(2)(h) to (v) in connection with his re-election.

#### **MR. XU CHUN MAN**

Mr. Xu Chun Man, aged 36, is the General Manager of Hengan (Shaanxi) Hygiene Products Co. Ltd and Hengan (Shannxi) Paper Products Co. Ltd., subsidiaries in Shaanxi Province. He is responsible for the overall management, business development and operations of the said subsidiaries. He joined the Group after graduating from Fujian Jinjiang Vocational Institute in 1991. Mr. Xu has over 18 years of experience in business development and customer service management.

Mr. Xu has entered into a service agreement with the Company for an initial term of three years and continuing thereafter on an annual basis. His directorship is subject to retirement by rotation and re-election in accordance with the Articles. Mr. Xu received remuneration of approximately HK\$203,000 for the year ended 31 December 2010 (out of which approximately HK\$74,000 were covered by a service contract), which was determined with reference to his experience, responsibilities, performance and the Group's financial results.



Mr. Xu does not have any relationship with any directors, senior management, substantial or controlling shareholder of the Company. As at the Latest Practicable Date, Mr. Xu was interested in 16,167,445 Shares and held 10,000 shares options granted under the Share Option Scheme adopted by the Company on 2 May 2003 to subscribe for 10,000 Shares of the Company within the meaning of Part XV of the SFO. He has not held any directorship in other listed companies in the last three years.

No public sanctions have been made against Mr. Xu by statutory or regulatory authorities, saved as disclosed below. Reference was made to the Stock Exchange announcement on 11 October 2001. During the period from September to December 1999, the Group had made temporary advances of HK\$46,425,000 to United Wealth International (Holdings) Limited (“United Wealth”) and Changde Hengan Paper Products Co., (“Changde Paper”). These temporary advances, representing approximately 3.02% of the Group’s consolidated net tangible assets as at 31 December 1999, were fully received with interest and handling fee between early January 2000 and February 2000. United Wealth was wholly owned by Mr. Sze Man Bok, Mr. Hui Lin Chit, Mr. Yeung Wing Chun and Mr. Hung Ching Shan, the Executive Directors of the Company for the time being, while Changde Paper was a 94% owned subsidiary of United Wealth. As such, the temporary advances constituted connected transactions of the Company. Mr. Hui and other relevant Executive Directors were publicly criticised for breaching the Listing Rules and Directors’ Undertaking as they failed to disclose these connected transactions by way of a press notice, seek independent shareholders’ approval in advance and notify the Stock Exchange on a timely basis. Mr. Xu considers that he is appropriate to continue to act as a Director of the Company as the above infringement was unintentional and did not arise by reason of any bad faith or deliberate conduct. In addition, he has gained relevant experience and knowledge from the above event to prevent any similar infringement in the future. The Board of Directors also considers that Mr. Xu, who has over 18 years of experience in the consumer product industry, is appropriate to be an Executive Director of the Company.

Save as disclosed above, Mr. Xu has confirmed that there are no other matters that need to be brought to the attention of the Shareholders or to be disclosed pursuant to Rule 13.51(2)(h) to (v) in connection with his re-election.

#### **MR. SZE WONG KIM**

Mr. Sze Wong Kim, aged 35, is an Executive Director and responsible for overall strategy of the Group. Before joining the Group, Mr. Sze worked in two accountancy firms in Australia and gained extensive experience in assurance and business advisory work. He started his own business in 2005 on wholesale and distribution of branded electronic components and computer accessories products in Hong Kong and overseas markets. Mr. Sze graduated from the University of Technology, Sydney with a Bachelor Degree of Business majoring in accounting and obtained a Master Degree of Commerce in finance from the University of New South Wales, Australia. He is a member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

He is the son of Mr. Sze Man Bok, the Chairman and a substantial shareholder of the Company. Save as disclosed above, he is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. As at the Latest Practicable Date, Mr. Sze has personal interests of 151,700 shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance. He has not held any directorship in other listed companies in the last three years.

Mr. Sze has entered into a service contract with the Company for an initial term of three years and continuing thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party. His directorship is subject to retirement by rotation and re-election in accordance with the Articles. Mr. Sze received remuneration of HK\$32,000 for the year ended 31 December 2010, which was determined with reference to his experience, responsibilities, performance and the Group's financial results and no emoluments were covered by a service contract.

Save as disclosed above, Mr. Sze has confirmed that there are no other matters that need to be brought to the attention of the Shareholders or to be disclosed pursuant to Rule 13.51(2)(h) to (v) in connection with his re-election.

#### **MR. HUI CHING CHI**

Mr. Hui Ching Chi, aged 26, is an Executive Director and the General Manager of Hengan (Hong Kong) Trading Company Limited, and is responsible for sales in Hong Kong and merger and acquisition projects of the Group. Mr. Hui worked in a major international bank in London prior to joining the Group in February 2008. Mr. Hui holds a Law Degree from the London University.

He is a son of Mr. Hui Lin Chit, the Chief Executive Officer and a substantial Shareholder of the Company. Save as disclosed above, he is not connected with any other directors, senior management, substantial or controlling shareholders of the Company. As at the date of this announcement, Mr. Hui has personal interests of 40,000 shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance. He has not held any directorship in other listed companies in the last three years.

Mr. Hui has entered into a service contract with the Company for an initial term of three years and continuing thereafter on an annual basis until terminated by not less than three months' notice in writing served by either party. His directorship is subject to retirement by rotation and re-election in accordance with the Articles. Mr. Hui received remuneration of HK\$380,000 for the year ended 31 December 2010 (out of which approximately HK\$336,000 were covered by a service contract), which was determined with reference to his experience, responsibilities, performance and the Group's financial results.

Save as disclosed above, Mr. Hui has confirmed that there are no other matters that need to be brought to the attention of the Shareholders or to be disclosed pursuant to Rule 13.51(2)(h) to (v) in connection with his re-election.

## NOTICE OF ANNUAL GENERAL MEETING



恒安國際集團有限公司\*

HENGAN INTERNATIONAL GROUP COMPANY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1044)**

websites: <http://www.hengan.com>

<http://www.irasia.com/listco/hk/hengan>

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of shareholders of the Company will be held at Harcourt Room, Lower Lobby, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on 26 May 2011 (Thursday) at 10:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated accounts and the reports of the directors and auditors for the year ended 31 December 2010;
2. To declare a final dividend for the year ended 31 December 2010;
3. To re-elect directors and authorise the board of directors to fix their remuneration;
4. To re-appoint auditors and authorise the board of directors to fix their remuneration; and
5. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**“THAT:**

- (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue or otherwise deal with additional shares in the capital of the Company, and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to (aa) Rights Issue; or (bb) the exercise of rights of subscription or conversion under the terms of any warrants or other securities issued by the Company carrying a right to subscribe for or purchase shares of the Company; or (cc) the exercise of any option under any share option scheme of the Company adopted by its shareholders for the grant or issue to participants of the Company and/or any of its

\* for identification purposes only

## NOTICE OF ANNUAL GENERAL MEETING

subsidiaries of options to subscribe for or rights to acquire shares of the Company; or (dd) any scrip dividend or other similar scheme implemented in accordance with the Articles of Association of the Company, shall not exceed 20% of the total aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this Resolution and the said approval be limited accordingly; and

- (d) for the purpose of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company; or
  - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held; or
  - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”

“Rights Issue” means an offer of shares or other securities open for a period fixed by the directors of the Company to holders of shares on the Register of Members of the Company on a fixed recorded date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements the directors of the Company may deem necessary or expedient in relation to fractional entitlements of having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

6. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

**“THAT:**

- (a) subject to sub-paragraph (b) of this Resolution, the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to repurchase issued shares in the capital of the Company or any other rights to subscribe shares in the capital of the Company in each case on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall be in addition to any other authorization given to the directors of the Company and shall authorize the directors of the Company on behalf of the Company during the Relevant Period to procure the Company to purchase its securities at a price determined by the Directors;

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- (c) the aggregate nominal amount of the ordinary share capital of the Company or any other rights to subscribe shares in the capital of the Company in each case which the directors of the Company are authorised to repurchase pursuant to the approvals in sub-paragraphs (a) and (b) of this Resolution shall not exceed 10% of the aggregate nominal amount of the ordinary share capital of the Company in issue on the date of the passing of this Resolution and the said approval shall be limited accordingly; and
  - (d) for the purpose of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:
    - (i) the conclusion of the next annual general meeting of the Company; or
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the Articles to be held; or
    - (iii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the shareholders in general meeting.”
7. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“**THAT** the general mandate referred to in Resolution No. 5 above be and is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal amount of share capital of the Company purchased by the Company since the granting of the general mandate referred to in Resolution No. 6 above and pursuant to the exercise by the directors of the powers of the Company to purchase such shares provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution.”

8. To consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

“**THAT**

- (a) subject to and conditional upon the granting by the Listing Committee of The Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the shares in the capital of the Company with a par value of HK\$0.1 each to be issued and allotted by the Company under the new share option scheme of the Company (the “New Share Option Scheme”), the rules of which are set out in a document submitted to the meeting marked “A” and signed for the purpose of identification by the chairman of the meeting, the New Share Option Scheme be and is hereby approved and adopted as the Company’s share option scheme and the directors of the Company (“Directors”) be and are hereby authorised to take all such steps as they may deem necessary, desirable or expedient to carry into effect, vary or amend the New Share Option Scheme subject to the terms of the New Share Option Scheme and Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time); and

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- (b) the Directors be and are hereby authorised to grant options to subscribe for Shares in accordance with the rules of the New Share Option Scheme up to a maximum of 10% of the Shares in issue as at the date of passing of this resolution, to issue and allot Shares pursuant to the exercise of the options so granted, to administer the New Share Option Scheme in accordance with its terms and to take all necessary actions incidental thereto as the Directors deem fit.

By order of the Board  
**Loo Hong Shing Vincent**  
*Company Secretary*

Hong Kong, 20 April 2011

*Notes:*

- (i) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies (who must be an individual or individuals) to attend and vote instead of him. A proxy does not need to be a member of the Company.
- (ii) The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney of authority, must be lodged with the Company's share registrar, Tricor Abacus Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not less than 48 hours before the time appointed for holding the meeting and any adjourned meeting.
- (iii) The Register of Members of the Company will be closed from 23 May 2011 to 26 May 2011, both days inclusive, during which no transfer of shares can be registered. To qualify for the final dividend (which will be payable on or around 31 May 2011) to be approved at the forthcoming Annual General Meeting, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Abacus Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on 20 May 2011.