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BEIJING DEVELOPMENT (HONG KONG) LIMITED

北京發展（香港）有限公司

(Incorporated in Hong Kong with limited liability)

Directors:

Mr. Xiong Da Xin (*Chairman*)
Mr. Bai Jin Rong (*Managing Director*)
Dr. Mao Xiang Dong, Peter (*Deputy Managing Director*)
Mr. E Meng (*Deputy Managing Director*)
Mr. Ng Kong Fat, Brian (*Deputy Managing Director*)
Mr. Wu Shi Xiong**
Mr. Feng Ching Yeng, Frank**

Registered office:

20th Floor
Hang Lung House
184-192 Queen's Road Central
Sheung Wan
Hong Kong

** *Independent Non-Executive Directors*

17 May 2001

To the Shareholders

Dear Sir / Madam,

ADOPTION OF NEW SHARE OPTION SCHEME

The directors of the Company ("Directors") propose to approve and adopt a share option scheme ("Scheme") for the full-time employees ("Employees") including any executive directors of the Company and its subsidiaries ("Group") at the forthcoming Annual General Meeting to be held on Monday, 18 June 2001 ("AGM"). This circular serves as a summary, as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules"), to provide information regarding the Scheme. A summary of the principal terms of the Scheme is set out in Appendix I hereto.

SHARE OPTION SCHEME

The maximum number of Shares subject to the Scheme (when aggregated with the number of Shares subject to other schemes of the Company) would not exceed ten (10) per cent. of the issued share capital of the Company from time to time (excluding any Shares issued pursuant to the Scheme).

The adoption of the Scheme is conditional upon:

- (a) the passing by the shareholders of the Company (excluding any persons to whom or for the benefit of whom securities may be issued under the Scheme) at the AGM of the ordinary resolution numbered 7 set out in the notice of the AGM dated 19 April 2001 approving the Scheme; and

- (b) the Listing Committee of the Stock Exchange approving the Scheme and the granting of options to subscribe for Shares under the Scheme and granting approval of the listing of and permission to deal in any Shares to be issued pursuant to the exercise of options under the Scheme.

Application will be made to the Listing Committee of the Stock Exchange for the approval of the Scheme and the granting of options to subscribe for Shares under the Scheme and for the listing of and permission to deal in any Shares which may fall to be issued pursuant to the exercise of options that may be granted under the Scheme.

ANNUAL GENERAL MEETING

A notice convening the AGM of the Company to be held on Monday, 18 June 2001, together with a form of proxy for use at the meeting, are set out in the 2000 Annual Report. A proxy form for use at the AGM is enclosed with the 2000 Annual Report. If you intend to appoint proxy to attend the AGM, you are requested to complete the proxy form and return it to the Company's registered office address at 20th Floor, Hang Lung House, 184-192 Queen's Road Central, Sheung Wan, Hong Kong not less than 48 hours before the time appointed for holding the AGM or adjourned meeting (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting at the AGM if you so wish.

Rule 17.02 of the Listing Rules provides that any person to whom or for the benefit of whom shares may be issued under a share option scheme shall abstain from voting at the shareholders' general meeting approving the same. Accordingly, the full-time employees of the Company (including executive directors of the Company and their associates (as defined in the Listing Rules)) to whom or for the benefit of whom securities may be issued under the Scheme will abstain from voting at the AGM.

RECOMMENDATION

The Directors consider the adoption of the Scheme is in the best interests of the Group because, apart from providing the Employees with an opportunity to acquire equity interests in the Company, the Scheme also permits the holders of the options granted thereunder to exercise the subscription rights attaching to the options at any time, thus enabling them to participate in the prosperity of the Company and providing an incentive for them to contribute further to the success of the Company both in the near future and in the long term.

Yours faithfully,
On behalf of the Board
Beijing Development (Hong Kong) Limited
Xiong Da Xin
Chairman

The following is a summary of the principal terms of the Scheme to be conditionally approved and adopted in the AGM of the Company to be held on 18 June 2001:

(a) Who may join

The board of Directors (“Board”) may at any time and from time to time within 10 years after the date on which the Scheme is adopted offer to grant to any Employees in its absolute discretion options to subscribe for Shares at the subscription price calculated in accordance with paragraph (d) below.

(b) Grant of option

The Board shall not offer the grant of an option to any Employee:

- (i) after a price sensitive development in relation to the securities of the Company has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced in accordance with the rules of the Stock Exchange; or
- (ii) within the period of one month preceding the date of publication of the interim results or within the period of one month preceding the preliminary announcement of the results of the Company for any financial year.

(c) Payment on acceptance of option offer

A sum of HK\$1.00 is payable by the Employee on acceptance of the option offered.

(d) Subscription price of Shares

The subscription price of a Share in respect of any particular option granted under the Scheme will be such price as is determined by the Board and will not be less than the nominal value of the Share nor at a discount of more than 20% below the average closing price of the Shares on the Stock Exchange as stated in the Stock Exchange’s daily quotation sheets on the five trading days immediately preceding the date on which the offer of an option is made to an Employee.

(e) Exercise of option

An option may be exercised in whole or in part in the manner provided in the Scheme by the grantee giving notice in writing to the Company.

(f) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel any outstanding option, or any part thereof, in favour of such grantee.

(g) Rights on ceasing employment

If the grantee of an option ceases to be an Employee for any reason other than his death or the termination of his employment on one or more of the grounds specified in the Scheme, the grantee may exercise the option up to his entitlement (or where the Option Period (as defined in the Scheme) has not yet commenced, prospective entitlement under the option) at the date of cessation (to the extent not already exercised) from the later of the date of commencement of the Option Period and the date of such cessation until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of 3 months (or such longer period as the Board may determine) following the date of such cessation, which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

A grantee shall not be regarded as ceasing to be an Employee and shall continue to be an Employee if he ceases to hold a position of employment with the Company or any particular subsidiary but at the same time he takes up a different position of full time employment with the Company or another subsidiary, as the case may be.

(h) Rights on death

In the event of the grantee ceasing to be an Employee by reason of death and none of the events which would be a ground for termination of his employment specified in the Scheme has occurred, the legal personal representative(s) of the grantee shall be entitled until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of 12 months from the date of death (or such longer period as the Board may determine) to exercise the option (to the extent not already exercised) in full or to the extent specified in the notice to exercise such option.

(i) Rights on take-over

If a general offer to acquire shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between the Company and its members or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the grantee (or his legal personal

representatives) shall, even though the Option Period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the Option Period or the last day of the period of 14 days after the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

(j) Rights on voluntary winding-up

In the event of an effective resolution being passed during the Option Period for the voluntary winding-up of the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the grantee (or his legal personal representatives) may by notice in writing to the Company, which is received by the Company within 21 days after the date of such resolution, elect to be treated, save as provided herein, as if the option (to the extent not already exercised) had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given, whereupon no Shares will be allotted to the grantee but the grantee will be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares the subject of such election had the grantee been a member of the Company in respect of those Shares at the time of the resolution.

(k) Ranking of shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the articles of association of the Company (“Articles”) and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment, or, if later, before the date of registration of the allotment in the register of members of the Company.

(l) Lapse of option

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

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the other periods referred to in paragraphs (g), (h) or (i);

- (iii) subject to paragraph (j), the date of the commencement of the winding-up of the Company;
- (iv) save as otherwise provided in paragraph (i) or by the Court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Ordinance by the High Court of Hong Kong of a compromise or arrangement between the Company and its members or creditors for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- (v) the date on which the grantee ceases to be an Employee by reason of the termination of his employment on any one or more of the grounds that he 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 creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary; or
- (vi) where the Grantee commits a breach of paragraph (f), the date on which the Board shall exercise the Company's right to cancel the option.

(m) Maximum number of shares

The maximum number of Shares in respect of which options may be granted under the Scheme shall not, when aggregated with any Shares subject to any other schemes involving the issue or grant of options over Shares or other securities by the Company to or for the benefit of directors, executives and/or employees of the Company or its subsidiaries, exceed 10% of the issued share capital of the Company from time to time, excluding for this purpose those Shares which have been issued pursuant to the exercise of options granted under the Scheme.

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 which have been exercised and issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25 per cent. (25%) of the aggregate number of Shares for the time being issued and issuable under the Scheme.

(n) Reorganisation of capital structure

In the event of any capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction involving the acquisition of assets by the Company and to which the Company is a party), such corresponding alterations (if any) shall be made in:

- (i) the number of Shares subject to the Scheme;
- (ii) the Shares to which options relate;
- (iii) the number of Shares subject to outstanding options;
- (iv) the subscription price in relation to each outstanding option;
- (v) the method of exercise of the options,

As the auditors of the Company (“Auditors”) shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which an option entitles the grantee to subscribe after such alteration shall remain the same as that to which the option carried entitlement immediately before such alteration, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than its nominal value.

(o) Alteration of the Scheme

No alteration of the Scheme shall operate to affect adversely the terms of issue of any option granted or offered to any Employee for acceptance prior to such alteration, except:

- (i) in the case of the cancellation of any option, with the consent of the holder of the option concerned;
- (ii) in the case of an alteration affecting some but not all outstanding options, with the written consent or sanction of such number of grantees as shall together hold options of the class affected in respect of not less than three fourths in nominal value of all Shares then the subject of such options or with the sanction, given by resolution at a meeting of the relevant grantees, passed by such majority of grantees in respect of the nominal value of all Shares then the subject of the outstanding options of the class affected as would be required at a meeting of the shareholders of the Company under the Articles for a variation of rights attached to the Shares; or

- (iii) in the case of an alteration affecting all options, with the written consent or sanction of such number of grantees as shall together hold options in respect of not less than three fourths in nominal value of all Shares then the subject of such options or with the sanction, given by resolution at a meeting of the grantees passed by such majority of the grantees in respect of the nominal value of all Shares then the subject of the outstanding options as would be required at a meeting of the Shareholders of the Company under the Articles for a variation of rights attached to the Shares.

Any alterations to the terms and conditions of the Scheme which are of a material nature shall first be approved by the Stock Exchange, except where such alterations take effect automatically under the existing terms of the Scheme. Provisions of the Scheme relating to the matters contained in Rules 17.02 and 17.04(2) of the Listing Rules shall not be altered to the advantage of grantees or prospective grantees under the Scheme unless with the prior sanction of a resolution of the shareholders of the Company in general meeting, with any person who are grantees under the Scheme abstaining from the voting.

(p) Duration and administration

The Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption of the Scheme, after which period no further options will be issued or exercised but the provisions of the Scheme shall remain in full force and effect in all other respects.

The Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties.

(q) Termination

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Scheme and in such event no further options will be offered but the provisions of the Scheme shall remain in force in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Scheme.

(r) Conditions of the Scheme

The Scheme shall take effect subject to the passing of the necessary resolution to adopt the Scheme by the shareholders of the Company in general meeting and is conditional upon the Listing Committee of the Stock Exchange granting approval of the Scheme, any options which may be granted under the Scheme and the listing of and permission to deal in any Shares to be issued pursuant to the exercise of options under the Scheme.