

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 47)

PROPOSALS FOR TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

A notice convening a special general meeting of Hop Hing Holdings Limited to be held at Units E & F, 2nd Floor, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong on Friday, 25 June 2004 at 11:15 a.m. (or as soon thereafter as the Annual General Meeting of the Company convened on the same date and at the same place shall have been concluded or adjourned) is set out on pages 24 to 25 of this circular.

Whether or not you are able to attend the special general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable to the branch share registrar of Hop Hing Holdings Limited in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1901-05, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event not later than 48 hours before the time appointed for the holding of the special general meeting.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting should you so wish.

8 June 2004

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RESPONSIBILITY STATEMENT

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

DEFINITIONS

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

“Board”	the board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Bye-laws”	Bye-laws of the Company, as amended from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended from time to time
“Company”	Hop Hing Holdings Limited, a company duly incorporated with limited liability in Bermuda and whose Shares are listed and traded on the Stock Exchange
“controlling shareholder”	has the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Eligible Employee”	when used in the context of references to the Existing Share Option Scheme, means any executive director of the Company or a Subsidiary or any full-time employee, as the Directors may determine, in the service of the Company or a Subsidiary
“Existing Share Option Scheme”	the existing share option scheme of the Company, which was adopted by the Shareholders at the special general meeting of the Company convened and held on 30 June 2000
“Grantee”	means any Eligible Person (as defined in the Appendix to this circular) who accepts an offer of grant of any Option in accordance with the terms of the New Share Option Scheme or (where the context so permits) a person entitled, in accordance with the laws of succession, to any Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries
“HH Hung”	Hung Hak Hip
“Latest Practicable Date”	4 June 2004, being the latest practicable date prior to the printing of this circular

DEFINITIONS

“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“New Share Option Scheme”	the share option scheme proposed to be adopted by the Shareholders at the SGM, a summary of the principal terms of which is set out in the Appendix to this circular
“Option”	an option to subscribe for the Shares granted pursuant to the Existing Share Option Scheme or the New Share Option Scheme (as the case may be)
“Ordinary Resolutions”	the ordinary resolutions to be proposed and passed at the SGM for the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme, as set out in items 1 and 2 of the notice convening the SGM, respectively, and “Ordinary Resolution” means any one of them
“Proposals”	means the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company (or such other nominal value as shall result from a subdivision, consolidation, reclassification or restructuring of such share(s) from time to time)
“Shareholder”	a holder of Share(s)
“SGM”	the special general meeting of the Company to be held on Friday, 25 June 2004 at 11:15 a.m. (or as soon thereafter as the Annual General Meeting of the Company convened on the same date and at the same place shall have been concluded or adjourned), notice of which is set out on pages 24 to 25 of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	has the meaning as defined in the Appendix to this circular
“Subsidiary”	when used in the context of references to the Existing Share Option Scheme, means a subsidiary within the meaning of the Companies Ordinance of Hong Kong or Section 86(1) of the Companies Act of Bermuda, for the time being of the Company

DEFINITIONS

“Substantial Shareholder”	has the meaning as defined in the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Warrants”	the 81,754,687 warrants issued by the Company and approved by the Shareholders at the special general meeting of the Company convened and held on 22 May 2002, each carrying the right to subscribe for new Shares on the basis of the subscription price of HK\$0.27 per Share (subject to adjustment) at any time from 29 May 2002 to 30 April 2005 (both days inclusive)
“\$” or “HK\$”	Hong Kong dollars

LETTER FROM THE BOARD



HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 47)

Board of Directors:

Hung Hak Hip* (*Chairman*)

Liu Chi Keung, Ricky (*Vice Chairman & CEO*)

Wong Yu Hong, Philip**

Sze Tsai To, Robert**

Cheung Wing Yui, Edward**

Hung Chiu Yee*

Lee Pak Wing*

Chan Sai On, David

Wong Kwok Ying

* *Non-executive director*

** *Independent non-executive director*

Registered Office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Principal Place of Business

in Hong Kong:

Units E and F, 2nd Floor

Hop Hing Building

9 Ping Tong Street East

Tong Yan San Tsuen

Yuen Long

New Territories

Hong Kong

8 June 2004

To the Shareholders and,

for information only, the holders of the Warrants

Dear Sir or Madam,

PROPOSALS FOR TERMINATION OF EXISTING SHARE OPTION SCHEME AND ADOPTION OF NEW SHARE OPTION SCHEME

1. INTRODUCTION

At a special general meeting of the Company convened and held on 30 June 2000, the Shareholders passed an ordinary resolution adopting the Existing Share Option Scheme. Pursuant to such Scheme, the Directors were authorized to grant options to the Eligible Employees to subscribe for Shares.

The Board proposes to seek the approval of the Shareholders at the SGM for the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with information in respect of the Ordinary Resolutions to be proposed at the SGM for the approval of (a) the termination of the Existing Share Option Scheme; and (b) the adoption of the New Share Option Scheme.

2. THE PROPOSALS

(A) Reasons for termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme

On 23 August 2001 and 30 January 2004, the Stock Exchange announced certain amendments to Chapter 17 of the Listing Rules, which came into effect on 1 September 2001 and 31 March 2004, respectively. In compliance with the above amendments to the Listing Rules and for reasons set out in this letter, the Board considers that it is in the interests of the Company to terminate the Existing Share Option Scheme and to adopt the New Share Option Scheme.

Chapter 17 of the Listing Rules regulates the share option schemes of listed companies. The above amendments expand the classes of potential grantees of share options, relax certain requirements relating to the maximum number of shares comprised in share options that can be granted under the share option schemes of listed companies and, at the same time, impose new disclosure and approval requirements on listed companies. In general, these amendments are designed to facilitate the giving of incentives and rewards to employees and other relevant persons through the grant of share options while improving transparency and accountability over the grant of share options by these companies.

In view of the amendments stated above, Options may no longer be granted under the Existing Share Option Scheme by the Company unless such grants have been made in compliance with the amended Listing Rules. In this connection, the Board wishes to propose to the Shareholders that the Company should terminate its Existing Share Option Scheme and adopt the New Share Option Scheme, the terms of which comply with the amended Chapter 17 of the Listing Rules. The Directors consider that the adoption of the New Share Option Scheme is in the interests of the Company and the Shareholders as a whole because it enables the Company to reward and provide incentives to its employees and other relevant persons for their contributions to the Group.

The Directors believe that the minimum period of 12 months for which an Option has to be held before it can be exercised and the mechanism for determination of the Subscription Price, which must be at least the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a Business Day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant; and (iii) the nominal value of a Share, will drive the Grantees to contribute to the growth and expansion of the Company, which will be reflected on the price of the Shares; thus achieving the purpose of the New Share Option Scheme. Subject to the Board's power as regards offer of the grant of Options as set out in paragraph (e) of the Appendix, there is currently no performance target imposed on the Grantee under the New Share Option Scheme.

LETTER FROM THE BOARD

(B) Conditions for the adoption of the New Share Option Scheme

The adoption of the New Share Option Scheme is conditional upon:

- (i) the passing of the Ordinary Resolution at the SGM approving the adoption of the New Share Option Scheme;
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of the Options to be granted under the New Share Option Scheme, not exceeding 10% of the Shares in issue as at the date of approval of the New Share Option Scheme (as per Note 1 to Rule 17.03(3) of the Listing Rules); and
- (iii) the Bermuda Monetary Authority granting its consent to the New Share Option Scheme, if so required.

An 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 be issued pursuant to the exercise of any Options to be granted under the New Share Option Scheme, not exceeding 40,918,093 Shares, being approximately 10% of the Shares expected to be in issue as at the date of approval of the New Share Option Scheme assuming that there is no further issue of Shares between the Latest Practicable Date and the date of the SGM (or any adjournment thereof) (both dates inclusive) (as per Note 1 to Rule 17.03(3) of the Listing Rules).

(C) Values of all Options that can be granted under the New Share Option Scheme

The Directors consider that it is not appropriate to state the value of all the Options that can be granted under the New Share Option Scheme as if they had been granted at the Latest Practicable Date prior to the approval of the New Share Option Scheme given that the variables which are crucial for the calculation of the value of such Option cannot be determined. The variables which are critical for the determination of the value of such Options include, the Subscription Price for the Shares upon the exercise of the subscription rights attaching to the Options, whether or not Options will be granted under the New Share Option Scheme and the timing of the granting of such Options, the period during which the subscription rights may be exercised and any other conditions that the Board imposed on the Options and whether or not such Options if granted will be exercised by the Grantees.

The Subscription Price depends on the price of the Shares as quoted on the Stock Exchange, which in turn depends on when the Board is to grant Options under the New Share Option Scheme. With a scheme life of ten years, the Board is of the view that it is too premature to state whether or not Options will be granted under the New Share Option Scheme, and if so, the number of Options that may be granted. It is also difficult to ascertain with accuracy the Subscription Price given

LETTER FROM THE BOARD

the volatility the Share price may be subject to during the 10-year life span of the New Share Option Scheme.

In the premises, the Directors are of the view that the value of the Options depends on a number of variables which are either difficult to ascertain or can only be ascertained subject to a number of theoretical basis and speculative assumptions. Accordingly, the Directors believed that any calculation of the value of the Options will not be meaningful and may be misleading to Shareholders in the circumstances.

(D) Status of the Existing Share Option Scheme

As at the Latest Practicable Date, the Company has not adopted any share option scheme other than the Existing Share Option Scheme. The Directors confirm that as at the Latest Practicable Date:-

- (1) certain Directors held share options granted to them under the Existing Share Option Scheme entitling them to subscribe for Shares upon the exercise of their subscription rights as follows:

	Number of shares constituting the share options	Exercise period of share options	Exercise price of share options (Note 2) HK\$	Price of the Company's shares at grant date of options (Note 3) HK\$
H H Hung	4,752,105 (Note 1)	17 November 2000 to 16 November 2010	0.1834	0.227
Liu Chi Keung, Ricky	4,091,130	17 November 2000 to 16 November 2010	0.1834	0.227
Wong Yu Hong, Philip	2,045,565	30 November 2000 to 29 November 2005	0.2112	0.280
Sze Tsai To, Robert	2,045,565	22 November 2001 to 21 November 2006	0.1834	0.230
Cheung Wing Yui, Edward	2,045,565	17 November 2000 to 16 November 2005	0.1834	0.227
Hung Chiu Yee	2,045,565	17 November 2000 to 16 November 2010	0.1834	0.227
Lee Pak Wing	2,376,052	17 November 2000 to 16 November 2010	0.1834	0.227
Wong Kwok Ying	4,091,130	17 November 2000 to 16 November 2010	0.1834	0.227

LETTER FROM THE BOARD

Notes:

1. Mr. HH Hung currently holds Options which upon full exercise would have 4,752,105 Shares issued to him. Such number of Shares amounted to approximately 1.16% of the issued share capital of the Company as at the Latest Practicable Date. Such Options were granted to Mr. HH Hung in November 2000 under the Existing Share Option Scheme and were not therefore subject to the 1% individual limit which came into effect on 1 September 2001. Any further grant of Options to Mr. HH Hung or any other persons pursuant to the New Share Option shall be subject to the 1% individual limit.
2. The exercise price of the Options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
3. The price of the Shares disclosed as at the date of the grant of the Options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the Options.

All the above Options were granted pursuant to a board resolution of the Company made on 17 November 2000.

As at the Latest Practicable Date, none of the above Options has been exercised.

As at the Latest Practicable Date, the Company had 23,492,677 Options outstanding under the Existing Share Option Scheme, which represented approximately 5.7% of the Shares in issue as at that date.

The exercise in full of the remaining Options would, under the present capital structure of the Company, result in the issue of 23,492,677 additional Shares and additional share capital of HK\$2,349,268 and share premium of HK\$2,016,000 (before issue expenses);

- (2) the Directors will not further exercise their authorities in granting Options under the Existing Share Option Scheme; and
- (3) no further option will be granted under the Existing Share Option Scheme prior to its termination and the adoption of the New Share Option Scheme at the SGM.

Upon termination of the Existing Share Option Scheme, no further options can be granted thereunder but in all other respects the provisions of the Existing Share Option Scheme shall remain in force and all Options, if any, granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

As at the Latest Practicable Date, the issued share capital of the Company was HK\$40,918,093, comprising 409,180,938 Shares of HK\$0.10 each. The Directors confirm that they have no intention to issue additional Shares between the Latest Practicable Date and the date on which the SGM will be held to approve the Proposals. The number of Shares that are issuable pursuant to the New Share Option Scheme on

LETTER FROM THE BOARD

the date of its adoption will be 40,918,093 Shares, representing 10% of the Shares in issue as at the date of the passing of the Ordinary Resolutions. No Directors are trustees of the New Share Option Scheme or have a direct or indirect interest in such trustees. Set out in the Appendix to this circular is a summary of the principal terms of the New Share Option Scheme.

The Company will comply with the relevant requirements of the Listing Rules.

3. RECOMMENDATION

The Directors consider that the proposed termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme are in the best interests of the Company, the Group and the Shareholders. Accordingly, the Directors recommend Shareholders to vote in favour of the Ordinary Resolutions.

4. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the New Share Option Scheme will be available for inspection at the Company's head office and principal place of business in Hong Kong at Units E & F, 2nd Floor, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong during normal business hours from the date of this circular up to and including 25 June 2004 and at the SGM.

5. ADDITIONAL INFORMATION

Your attention is drawn to the summary of the principal terms of the New Share Option Scheme set out in the Appendix to this circular.

6. POLL PROCEDURE

Set out below is the procedures by which Shareholders and the chairman of any Shareholders' meeting may demand a poll pursuant to the Bye-laws:

"At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. Subject to the Companies Act, a poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least three Members present in person or by proxy and entitled to vote; or
- (c) any Member or Members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Members having the right to attend and vote at the meeting; or

LETTER FROM THE BOARD

- (d) any Member or Members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or not carried by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.”

7. NOTICE OF SGM

Set out on pages 24 to 25 of this circular is a copy of the notice convening the SGM to be held at Units E & F, 2nd Floor, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong at 11:15 a.m. on Friday, 25 June 2004 (or as soon thereafter as the Annual General Meeting of the Company convened on the same date and at the same place shall have been concluded or adjourned).

Ordinary Resolutions will be proposed at the SGM to approve:

- (1) the termination of the Existing Share Option Scheme; and
- (2) the adoption of the New Share Option Scheme.

A form of proxy for use at the SGM is enclosed with this circular. Shareholders who wish to appoint a proxy are requested to complete that form of proxy and return it to the branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the form of proxy will not preclude Shareholders from attending and voting in person should they so wish.

Yours faithfully,
By Order of the Board
Hop Hing Holdings Limited

Hung Hak Hip
Chairman

This Appendix summarizes the principal terms of the New Share Option Scheme but does not form part of nor was it intended to be, part of the New Share Option Scheme nor should it be taken as effecting the interpretation of the rules of the New Share Option Scheme.

For the purpose of this Appendix, unless the context otherwise requires:

- “associate(s)” means the same definition as ascribed to it under Rule 1.01 of the Listing Rules
- “culpable termination” means termination of the employment of an Employee on the grounds that he has been guilty of serious misconduct, or there exists grounds allowing his summary dismissal under his employment contract or under common law, or he is unable or has no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law, or he has become otherwise insolvent or has made any arrangement or composition with his creditors generally, or he has been convicted of any criminal offence involving his integrity or honesty
- “Date of Grant” means the date of grant of the Option, which must be a Business Day
- “Employee” means any executive director of, manager of, or other full-time employee of any member of the Group
- “Option Period” means in respect of any Option, the period within which the Option may be exercised in accordance with the terms of this New Share Option Scheme, such period shall:-
- (a) be determined by the Directors;
 - (b) commence on the expiration of 12 months (or such shorter period as may be determined by the Directors) from the Date of Grant; and
 - (c) in any event not less than three (3) years or more than ten (10) years from the date on which it commences

“Shares” means fully-paid ordinary shares of HK\$0.10 each in the share capital of the Company (or, if there has been a consolidation, reduction, re-classification, sub-division or reconstruction of the share capital of the Company, ordinary shares forming part of the equity share capital of the Company of such revised amount as shall result from such consolidation, reduction, re-classification, sub-division or reconstruction of such ordinary shares from time to time)

“Subsidiary” when used in the context of references to the New Share Option Scheme, means a subsidiary (within the meaning of Rule 1.01 of the Listing Rules as amended from time to time) of the Company

(a) Who may join

The Directors may at their absolute discretion grant options to an Employee (being any executive director of, manager of, or other full-time employee of any member of the Group); a Director (whether executive or non-executive and whether independent or not) of any member of the Group; and any person approved by the Shareholders (“**Eligible Person(s)**”).

(b) Purpose of the Scheme

The purpose of the New Share Option Scheme (the “**Scheme**”) is to advance the interests of the Company and its Shareholders by enabling the Company to grant Options to attract, retain and reward the Eligible Persons, to provide to the Eligible Persons a performance incentive for continued and improved services with the Company and its subsidiaries, and to enhance such persons’ contribution to increase the profits by encouraging capital accumulation and share ownership.

(c) Conditions

The Scheme shall take effect subject to and is conditional upon:

- (i) the passing of the necessary resolution to approve and adopt the Scheme by the Shareholders of the Company in a general meeting;
- (ii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of Options granted under the Scheme, limited to 10% of the Shares in issue as at the date of approval of the Scheme; and
- (iii) the Bermuda Monetary Authority granting its consent to the New Share Option Scheme, if so required.

(d) Duration and administration

The Scheme shall continue in force for the period commencing from the date on which the Scheme is conditionally approved and adopted by ordinary resolution of the Shareholders in a general meeting (the “**Adoption Date**”) and expiring at the close of business on the tenth anniversary of the Adoption Date (“**Scheme Period**”), after which period no further options shall be granted but the provisions of the Scheme shall remain in full force and effect in all other respects in respect of Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Scheme shall be subject to the administration of the board of Directors of the Company (the “**Board**”) whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

(e) Offer of the grant of Options

An offer of the grant of an Option shall be made to an Eligible Person in writing in such form as the Board may from time to time determine specifying, inter alia, the maximum number of Shares in respect of which such offer is made and requiring the Eligible Person to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance by the Eligible Person to whom the offer is made for a period of twenty-one (21) days (or such other period as the Board may determine) from the date upon which the offer is issued, provided that no such offer shall be open for acceptance after the expiry of the Scheme Period or after the Scheme has been terminated in accordance with the terms of the Scheme.

On and subject to the terms of the Scheme, the Board shall be entitled at any time during the Scheme Period to offer to grant an Option to any Eligible Person as the Board may in its absolute discretion select, and subject to such conditions and restrictions as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by the Company and/or the Grantee, the satisfactory performance or maintenance by the Grantee of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Option Shares shall vest.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option, duly signed by the Eligible Person, together with a remittance of HK\$1.00 in favor of the Company, irrespective of the number of Shares in respect of which the Option is accepted, as consideration for the grant is received by the Company and the Option shall be deemed to have taken effect upon such receipt by the Company. Upon the Eligible Person’s acceptance of an offer to grant an Option, the Company shall, within seven (7) days from such date of acceptance, issue to such Grantee Option certificate under the Common Seal of the Company.

The Date of Grant shall be the date on which the offer relating to such Option is duly approved by the Board in accordance with the Scheme.

(f) Price sensitive information

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published in the newspapers. In particular, during the period commencing one month immediately preceding the earlier of: (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly, or any interim period (whether or not required under the Listing Rules), and (b) the deadline for the 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 Options may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

(g) Grant of Options to connected persons

Each grant of Option(s) to a connected person (as defined in the Listing Rules) of the Company under the Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options).

Where any Options granted to a Substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding but excluding Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares on the Stock Exchange at the date of each grant, in excess of HK\$5 million, such further grant of Options must be approved by the Shareholders by the taking of a poll in a general meeting. Approvals from the Shareholders is required for any change in the terms of options granted to a participant who is a Substantial Shareholder or an independent non-executive Director of the Company, or any of their respective associates. The Company must send a circular to the Shareholders. All connected persons of the Company must abstain from voting (except that any connected person may vote against the relevant resolution at the general

meeting provided that his intention to do so has been stated in the circular) at the general meeting. The circular must contain the following:

- (i) details of the number and terms (including the Subscription Price) of the Options to be granted to each Eligible Person, which must be fixed before the general meeting;
- (ii) a recommendation from the independent non-executive Directors of the Company (excluding any independent non-executive Director of the Company who is the Grantee of the Options) to the independent shareholders as to voting; and
- (iii) the details and information required under the relevant provisions of Chapter 17 of the Listing Rules.

(h) Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of the grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option (the “**Subscription Price**”), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the Date of Grant, which must be a Business Day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) Business Days immediately preceding the Date of Grant; and (iii) the nominal value of a Share.

(i) Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be transferrable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so.

(j) Exercise of Options

Subject to any condition or restriction in connection with the exercise of the Option which may be imposed by the Board when granting the Option and other provisions of the Scheme, the Option may be exercised by the Grantee at any time during the Option Period.

(k) Rights on ceasing employment

- (i) in the event of the Grantee ceasing to be an Employee for any reason (including his employing company ceasing to be a member of the Group) other than his death, permanent disability, or the termination of his employment with the relevant member of the Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;
- (ii) in the event of the Grantee ceasing to be an Employee by reason of the termination of his employment by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date on which the notice of termination is served (in the case of resignation) or the date on which the Grantee is notified of the termination of his employment (in the case of culpable termination) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such service or notification;
- (iii) if:
 - (aa) the Board in its absolute discretion at any time determines that a Grantee has ceased to be an Eligible Person; or
 - (bb) a Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions that may be attached to the grant of the Option or which were the basis on which the Option was granted,

the Option (to the extent not already exercised) shall lapse on the date on which the Grantee is notified thereof (in the case of (aa)) or on the date on which the Grantee has failed to or no longer satisfies or complies with such criteria or terms and conditions as aforesaid (in the case of (bb)) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such notification or the date of such failure, non-satisfaction or non-compliance. In the case of (aa), a resolution of the Board resolving that the Grantee's Option has lapsed pursuant to this paragraph shall be final and conclusive;

(l) Rights on death or disability

In the event of the Grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full), he (or his legal representative(s)) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within a period of 12 months following his death or permanent disability or such longer period as the Board may determine.

(m) Rights on a general offer

If a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of shareholders of the Company (in the case of a scheme of arrangement), then the Directors shall as soon as practicable thereafter notify every Grantee accordingly and each Grantee shall be entitled at any time within the period of 21 days of the notice given by the Company to exercise all of his outstanding Options, and such Options shall, to the extent not having been exercised, lapse and determine upon the expiry of such period.

(n) Rights on voluntary winding-up

In the event that a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall, on the same day or soon after it has despatched such notice to each member of the Company, give notice thereof to all Grantees and thereupon each Grantee (or his or her legal personal representatives) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time but not later than two (2) Business Days prior to the date of the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid and register the Grantee as holder thereof.

(o) Rights on a compromise or arrangement

In the event of a compromise or arrangement, between the Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company, the Company shall give notice thereof to the Grantees who have Options unexercised at the same time as it gives notice to all members or creditors of the Company summoning the meeting to consider such a compromise or arrangement and thereupon each Grantee (or his legal representatives or receiver) may until the expiry of the earlier of (i) the Option Period; (ii)

the period of two months from the date of such notice; or (iii) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his Option. Except insofar as exercised in accordance with this paragraph, all Options outstanding at the expiry of the relevant period referred to in this paragraph shall lapse. The Company may thereafter require each Grantee to transfer or otherwise deal with the Shares issued on exercise of the Option to place the Grantee in the same position as would have been the case had such Shares been the subject of such compromise or arrangement;

(p) Rights of the Grantee in becoming insolvent

In case any of the events mentioned in this paragraph (as the case may be) occurs on the part of the Grantee (being a corporation), the Option (to the extent not already exercised) shall lapse on the date of appointment of the liquidator or receiver or on the date of suspension or cessation of business or on the date when the Grantee is deemed to be unable to pay its debts or on the date of notification by the Company that the change in constitution, management, directors or shareholding is material or on the date of the breach of contract entered into between the Grantee or his associate and any member of the Group (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence.

(q) Rights of the Grantee in becoming bankrupt

In case any of the events mentioned in this paragraph (as the case may be) occurs on the part of the Grantee (being an individual), the Option (to the extent not already exercised) shall lapse on the date on which he is deemed unable or to have no reasonable prospects of being able to pay his debts within the meaning of the Bankruptcy Ordinance or any other applicable law or has otherwise become insolvent or on the date on which a petition for bankruptcy has been presented in any jurisdiction or on the date on which he enters into the arrangement or composition with his creditors or on the date of his conviction of any criminal offence involving his integrity or honesty or on the date of the breach of contract entered into between the Grantee or his associate and any member of the Group (as the case may be) and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such occurrence.

(r) Ranking of shares

The Shares to be allotted and issued upon the exercise of an Option will be subject to the Bye-laws of the Company and the laws of Bermuda from time to time including with respect to voting and transfer rights and rights arising on a liquidation of the Company and will rank *pari passu* in all respects with the fully paid Shares in issue as at the date of

allotment and thereafter the holders thereof will be entitled to participate in all dividends or other distributions paid or made on or after the date of allotment, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the day of allotment.

(s) Performance target

The Grantee will not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Option(s) granted, except those otherwise imposed by the Board pursuant to paragraph (e) and/or stated in the offer of grant of the Option.

(t) Lapse of options

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 periods referred to in paragraphs (k), (l), (m), (n), (o), (p) and (q) above;
- (iii) subject to paragraph (n) above, the date of commencement of the winding-up of the Company;
- (iv) there is an unsatisfied judgment, order or award outstanding against the Grantee or the Board has reason to believe that the Grantee is unable to pay or to have no reasonable prospect of being able to pay his/its debts;
- (v) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in paragraph (p) or (iv) above; or
- (vi) a bankruptcy order has been made against any director or shareholder of the Grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the Grantee in such manner as it may consider appropriate in any particular case.

(u) Maximum number of Shares available for subscription

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed in aggregate 10% of the Shares in issue from time to time ("**Overall Scheme Limit**") (being 40,918,093 Shares as at the Latest Practicable Date). No Options may be granted under any scheme of the Company if such grant will result in the Overall Scheme Limit being exceeded.

The total number of Shares which may be issued upon exercise of all Options to be granted under the Scheme and any other scheme must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the Scheme ("**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, the Company may seek approval from its Shareholders in general meeting for "refreshing" the "Scheme Mandate Limit". However, the total number of Shares which may be issued upon exercise of all Options to be granted under the "refreshed" limit must not exceed 10% of the Shares in issue as at the date of approval of the Shareholders of the refreshing of the Scheme Mandate Limit (the "**Refreshed Scheme Mandate Limit**"). Options previously granted under any existing schemes (including those outstanding, cancelled or lapsed or exercised in accordance with the Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. The Company must send a circular to its shareholders containing the details and information required under the relevant provisions of Chapter 17 of the Listing Rules.

Subject to the Overall Scheme Limit, the Company may seek separate approval from its Shareholders in general meeting for granting Options to subscribe for Shares beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided that the Options in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought. The Company must send a circular to its shareholders containing the details and information specified in the relevant provisions of the Listing Rules.

Unless approved by Shareholders in general meeting at which the relevant Eligible Person and his/her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, the total number of Shares issued and to be issued upon exercise of the Options granted to such Eligible Person (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares of the Company in issue (the "**Individual Limit**") at such time. With respect to any further grant of Options to an Eligible Person exceeding in aggregate the Individual Limit, the Company must send a circular to its shareholders and the circular must disclose the

identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted to such Eligible Person), and the details and information required under the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Eligible Person must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Date of Grant for the purpose of calculating the Subscription Price.

(v) Cancellation of Options

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the Grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the “**Cancellation Date**”):

- (i) the Grantee commits or permits or attempts to commit or permit a breach of paragraph (i) above or any terms or conditions attached to the grant of the Option;
- (ii) the Grantee makes a written request to the Board for the Option to be cancelled;
or
- (iii) if the Grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of the Company or any Subsidiary.

(w) Alteration of capital structure

In the event of any alteration in the capital structure of the Company whilst any Option has been granted and remains exercisable, whether by way of capitalisation of profits or reserves or rights issue, consolidation, reclassification, reconstruction, subdivision, or reduction of the share capital of the Company, the Company shall make corresponding adjustment (if any) to:

- (i) the maximum number of Shares subject to the Scheme; and/or
- (ii) the number of the Shares subject to the Option already granted so far as they remain exercisable; and/or
- (iii) the Subscription Price.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the Auditors appointed by the Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

- (i) any such adjustments shall be made on the basis that the aggregate Subscription Price payable by the Grantee on the full exercise of any Option shall remain as nearly as practicable the same as (but shall not be greater than) as it was before such event;
 - (ii) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
 - (iii) any such adjustments shall, as nearly as practicable, be made on the basis that the proportion of the issued share capital of the Company for which any Grantee is entitled to subscribe pursuant to the Options held by him shall remain the same as (but shall not be greater than) it was before such grant; and
 - (iv) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.
- (x) **Alteration of Scheme**

Subject to the following, the Board may by resolution alter any of the provisions of the Scheme:

- (a) the provisions of the Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Option holders or prospective Option holders without the prior approval of the Shareholders in general meeting of the Company, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Option holders as would be required of the Shareholders under the Bye-laws for the time being of the Company for a variation of the rights attached to the Shares;
- (b) any alterations to the terms and conditions of the Scheme, which are of a material nature or any change to the terms of the Options granted, must be approved by the Shareholders, except where the alterations take effect automatically under the terms of the Scheme;
- (c) the amended terms of the Scheme must comply with the relevant requirements of Chapter 17 of the Listing Rules; and

- (d) any change to the authority of the Board in relation to any alteration to the terms of the Scheme must be approved by the Shareholders in general meeting of the Company.

(y) Termination of Scheme

The Company may by resolution in general meeting at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the Scheme Period and which remain unexpired immediately prior to the termination of the operation of the Scheme shall, subject to the terms of the Scheme, continue to be valid and exercisable thereafter.

NOTICE OF SPECIAL GENERAL MEETING



HOP HING HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 47)

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Hop Hing Holdings Limited (the “Company”) will be held at Units E & F, 2nd Floor, Hop Hing Building, 9 Ping Tong Street East, Tong Yan San Tsuen, Yuen Long, New Territories, Hong Kong on Friday, 25 June 2004 at 11:15 a.m. (or as soon thereafter as the Annual General Meeting of the Company convened on the same date and at the same place shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT** the existing share option scheme (the “Existing Share Option Scheme”) of the Company adopted pursuant to a resolution of the Company passed on 30 June 2000 be and is hereby terminated provided that any options granted under the Existing Share Option Scheme prior to the passing of this Resolution shall not, in any way, be affected or prejudiced and all such options shall continue to be valid and exercisable in accordance with the Existing Share Option Scheme.”
2. **“THAT** conditional upon (a) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and permission to deal in, any shares of the Company (the “Shares”) which may be issued pursuant to the exercise of the options to be granted under the new share option scheme (the “New Share Option Scheme”), and (b) the Bermuda Monetary Authority granting its consent to the New Share Option Scheme, if so required, the New Share Option Scheme be and is hereby approved and adopted in substitution for the Existing Share Option Scheme, and the directors of the Company (the “Directors”) be and are hereby authorized to grant options to subscribe for the Shares thereunder and to allot and issue Shares pursuant to the exercise of any options which may be granted under the New Share Option Scheme, and that the Directors be and are hereby authorized to do such things and acts as the Directors consider necessary and appropriate to effect the same.”

Yours faithfully,
By Order of the Board
Hop Hing Holdings Limited

Wong Kwok Ying
Company Secretary

Hong Kong, 7 June 2004

NOTICE OF SPECIAL GENERAL MEETING

Head office and principal place of business:

Units E & F, 2nd Floor,
Hop Hing Building,
9 Ping Tong Street East,
Tong Yan San Tsuen,
Yuen Long,
New Territories,
Hong Kong

Registered office:

Canon's Court,
22 Victoria Street,
Hamilton HM12,
Bermuda

Notes:

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at the SGM. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be deposited at the Company's branch share registrars, Computershare Hong Kong Investor Services Limited, located at Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, together with the power or attorney or other authority (if any) under which it is signed or certified copy of such power of attorney or authority, not later than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
3. Where there are joint holders of any Share, any one of such persons may vote at the SGM either personally or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of such joint holding.
4. A form of proxy for use in connection with the SGM is enclosed.