

KING STONE ENERGY GROUP LIMITED

(incorporated in Hong Kong with limited liability)

SHARE OPTION SCHEME

Adoption Date : [●] 2022

1. **DEFINITIONS**

1.1 In this Scheme, unless the context otherwise requires, the following expressions shall have the following meanings:

“Adoption Date”

[●] 2022, the date on which this Scheme is conditionally adopted by an ordinary resolution of the Shareholders at a general meeting;

“associates”

has the meaning ascribed to it under the Listing Rules;

“Auditors”

the auditors of the Company for the time being;

“Board”

the board of directors of the Company for the time being or a duly authorised committee thereof;

“Business Day”

any day on which the Stock Exchange is open for the business of dealing in securities;

“Company”

King Stone Energy Group Limited, a company incorporated in Hong Kong with limited liability;

“Directors”

the directors of the Company for the time being;

“Eligible Participant”

any person who is (or will be on the date of grant of an Option) an Employee, a director of the Company (excluding independent non-executive Directors) or any of its subsidiaries, or a Service Provider, as may be determined by the Directors or the Remuneration Committee (as the case may be) from time to time;

“Employee”

a person who is in the full-time or part-time employment of the Company or any of its subsidiaries;

“Exercise Date”

the date of the notice given by the Grantee in respect of the exercise of the Option in accordance with sub-paragraph 6.2;

“Grantee”

any Eligible Participant who accepts the Offer in accordance with the terms of this Scheme or (where the context so permits and as referred to in

sub-paragraph 6.3(a)) his Personal Representative(s);

“Group”

the Company and the Subsidiaries

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong;

“Hong Kong”

Hong Kong Special Administrative Region of the People’s Republic of China;

“Listing Rules”

the Rules Governing the Listing of Securities on the Stock Exchange;

“Offer”

an offer for the grant of an Option made in accordance with this Scheme;

“Offer Date”

the date on which an Offer is made to an Eligible Participant;

“Option”

an option to subscribe for Shares granted pursuant to the Scheme and for the time being subsisting;

“Option Period”

in respect of any particular Option, a period (which may not expire later than ten years from the date of grant of the particular Option) to be determined and notified by the Directors to the Grantee thereof;

“Personal Representative(s)”

the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee, is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised);

“Remuneration Committee”

the remuneration committee of the Board;

“Scheme”

this Share Option Scheme in its present form or as may be amended in accordance with paragraph 14;

“Scheme Mandate Limit”

has the meaning ascribed to it in sub-paragraph 8.1(a);

“Service Providers”

consultants, advisers and agents who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are material to the long-term growth of the Group, as may be

determined by the Remuneration Committee from time to time. For the avoidance of doubt, financial advisors or placing agents providing fundraising or M&A services or consultants providing professional services to the Group are excluded;

“Share Registrar”

share registrar of the Company in Hong Kong for the time being;

“Share(s)”

ordinary share(s) of HK\$0.10 each of the Company, or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction;

“Shareholder(s)”

holder(s) of the Share(s) from time to time

“Stock Exchange”

The Stock Exchange of Hong Kong Limited or such other stock exchange which is the principal stock exchange (as determined by the Directors) on which Shares are for the time being listed or traded;

“Subscription Price”

the price per Share (being not less than the nominal value of a Share) at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph 6;

“Subsidiary”

a company which is for the time being and from time to time a subsidiary of the Company (within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)), whether incorporated in Hong Kong or elsewhere;

“Takeovers Code”

the Hong Kong Codes on Takeovers and Mergers; and

“Termination Date”

close of business of the Company on the date which falls ten (10) years after the Adoption Date.

1.2 In this Scheme:

- (a) paragraph headings are for ease of reference only and shall be ignored in construing this Scheme;
- (b) references to paragraphs or sub-paragraphs are references to paragraphs or sub-paragraphs hereof;
- (c) words importing the singular include the plural and vice versa;

- (d) words importing one gender include both genders and the neuter and vice versa;
- (e) references to persons include bodies corporate and unincorporated;
- (f) references to any statutory provisions or rules prescribed by any statutory bodies shall include the same as from time to time amended, consolidated and re-enacted;
- (g) references to any statutory body shall include the successor thereof and any body established to replace or assume the functions of the same; and
- (h) references to “date of grant” shall be construed as the Offer Date.

2. CONDITIONS

2.1 This Scheme is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in any Shares which may fall to be issued by the Company pursuant to the exercise of Options in accordance with the terms and conditions of this Scheme; and
- (b) the passing of an ordinary resolution to approve and adopt this Scheme by the Shareholders in general meeting.

2.2 If the conditions referred to in sub-paragraph 2.1 are not satisfied on or before the date falling 60 days after the date of the circular of the Company to be despatched to the Shareholders in connection with the adoption of this Scheme, this Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Scheme.

2.3 Reference in sub-paragraph 2.1(a) to the Listing Committee of Stock Exchange formally granting the approvals, listing and permission referred to therein shall include any such approvals, listing and permission which are granted subject to conditions.

2.4 A certificate of a Director that the conditions set out in sub-paragraph 2.1 have been satisfied and the date on which such conditions were satisfied or that such conditions have not been satisfied as of any particular date and the exact date of the Adoption Date shall be conclusive evidence of the matters certified.

3. PURPOSE, DURATION AND ADMINISTRATION

3.1 The purpose of this Scheme is to provide incentives and/or rewards to the Eligible Participants for their contribution to the growth of the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Participants who are significant to and/or whose

contributions are or will be beneficial to the performance, growth or success of the Group, and continuing efforts to promote the interests of the Group, and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. This Scheme shall be subject to the administration of the Directors whose decision on all matters arising in relation to this Scheme or their interpretation or effect shall (save as otherwise provided herein) be final and binding on all persons who may be affected thereby.

3.2 Subject to paragraphs 2 and 15, this Scheme shall be valid and effective until the Termination Date, after which period no further Options will be issued but the provisions of this Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of this Scheme.

3.3 A Grantee shall ensure that any exercise of his Option under paragraph 6 is valid and complies with all laws, legislations and regulations to which he is subjected. The Directors may, as a condition precedent of allotting shares upon an exercise of an Option, require the relevant Eligible Participant to produce such evidence as it may reasonably require for such purpose.

3.4 There is no specified minimum period under this Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of this Scheme.

4. GRANT OF OPTIONS

4.1 The Board shall, subject to and in accordance with the provisions of this Scheme and the Listing Rules, be entitled (but shall not be bound) at any time and from time to time on any Business Day within a period of ten years commencing on the Adoption Date to make an Offer to such Eligible Participant as it may in its absolute discretion select, and subject to such conditions as the Board may think fit, to subscribe for such number of Shares (being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof) as the Board may, subject to paragraph 10, determine at the Subscription Price provided that no Option shall be granted by the Board:

(1) 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 announced pursuant to the requirements of the Listing Rules; and

(2) during the period commencing one month immediately preceding the earlier of:

(a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the annual results, interim results or quarterly results of the Company; and

(b) the deadline for the Company to publish an announcement of its

annual results, interim results or quarterly results (whether or not required under the Listing Rules),

and ending on the date of the results announcements.

- 4.2 An Offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine either generally or on a case-by-case basis specifying the number of Shares and the Option Period in respect of which the Offer is made and further requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of this Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including his Personal Representative(s)) for a period of twenty-eight (28) days inclusive of, and from the Offer Date provided that no such Offer shall be open for acceptance after the earlier of the Termination Date or the termination of this Scheme.
- 4.3 An Offer shall be deemed to have been accepted by an Eligible Participant in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.
- 4.4 Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the Offer duly signed by such Eligible Participant and received by the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within twenty-eight (28) days from the Offer Date (or such shorter period referred to in sub-paragraph 4.2).
- 4.5 Upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with sub-paragraph 4.3 or 4.4, an Option in respect of the number of Shares in respect of which the Offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the date of such acceptance. To the extent that the Offer is not accepted within twenty-eight (28) days in the manner indicated in sub-paragraph 4.3 or 4.4 it will be deemed to have been irrevocably declined.

5. SUBSCRIPTION PRICE

The Subscription Price shall be determined by the Board at its absolute discretion, provided that it shall be not less than the higher of:

- (1) the closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the Offer Date, which must be a Business Day;

- (2) the average closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five Business Days immediately preceding the Offer Date; and
- (3) the nominal value of the Shares.

6. EXERCISE OF OPTIONS

- 6.1 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 whatsoever in favour of any third party over or in relation to any Option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option or part thereof granted to such Grantee to the extent not already exercised.
- 6.2 Subject to sub-paragraph 17.8, an Option shall be exercisable in whole or in part during the Option Period in the circumstances and in the manner as set out in this sub-paragraph 6.2 or sub-paragraph 6.3 (as the case may be) by the Grantee (or, as the case may be, his Personal Representative(s)) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the Option remains unexercised is less than one board lot or where the Option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for Shares in respect of which the notice is given. Within twenty-one (21) days (seven (7) days in the case of exercise pursuant to paragraph 6.3(c)) after receipt of the notice and, where appropriate, receipt of the certificate from the Auditors or the independent financial adviser pursuant to paragraph 10, the Company shall accordingly allot the relevant number of Shares to the Grantee (or, in the event of an exercise of Option by a Personal Representative pursuant to paragraph 6.3(a), to the estate of the Grantee) credited as fully paid and issue to the Grantee (or his estate in the event of an exercise by his Personal Representative(s) as aforesaid) a share certificate for the Shares so allotted.
- 6.3 Subject as hereinafter provided, an Option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:
 - (a) in the event of the Grantee, being an employee of a member of the Group, ceasing to be an Eligible Participant by reason of his death and none of the events which would be a ground for termination of his employment under sub-paragraph 7.1(c) arises, his Personal Representative(s) may exercise the vested portion of the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of sub-paragraph 6.2 within a period of twelve (12) months following the date of death, or such longer period as the Directors may determine or, if any of the events referred to in sub-paragraph 6.3(c), 6.3(d) or 6.3(e) occur during such period, exercise the Option pursuant to sub-paragraph 6.3 (c), 6.3 (d) or 6.3(e) respectively;

- (b) in the event of the Grantee, being an employee of a member of the Group, ceasing to be an Eligible Participant for any reason on one or more of the grounds specified in sub-paragraph 7.1(c) before exercising the Option in full, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination and shall not be exercisable. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not;
- (c) if a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the comparable terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the vested portion of the Options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall, notwithstanding any other terms on which his Options were granted, be entitled to exercise the vested portion of the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company in accordance with the provisions of sub-paragraph 6.2 at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;
- (d) in the event 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 date or as soon as after it despatches such notice to each member of the Company give notice thereof to all Grantees (containing an extract of the provisions of this paragraph) and thereupon, each Grantee or his Personal Representative(s) shall be entitled to exercise all or any of his vested portion of the Options (to the extent not already exercised) at any time not later than five Business Days prior to 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 and issue the relevant Shares to the Grantee credited as fully paid;
- (e) in the event of a compromise or arrangement between the Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a

scheme or arrangement and any Grantee (or his Personal Representative(s)) may by notice in writing to the Company accompanied by a remittance of the full amount of the Subscription Price in respect of which the notice is given (such notice to be received by the Company not later than five Business Days prior to the proposed meeting) exercise the vested portion of the Option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and 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 meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise of the Option credited as fully paid and register the Grantee as holder thereof; and

- (f) in the event of the Grantee who is an employee of the Group ceasing to be an Eligible Participant by resignation, retirement, expiry of employment contract or termination of employment for any reason other than any of the events specified in paragraph 6.3(a) or 6.3(b) before exercising the Option in full, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination and shall not be exercisable unless the Board otherwise determines in which event the Grantee may exercise the vested portion of the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 6.2 within such period (which shall not exceed the Option Period as prescribed in the Offer) as the Board may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 6.3(c), 6.3(d) or 6.3(e) occurs during such period, exercise the Option pursuant to paragraph 6.3(c), 6.3(d) or 6.3(e) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee is actually at work with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not.

6.4 Holders of the Options are not entitled to voting, dividend, transfer and other rights of the holders of the Shares, including those arising on a liquidation of the Company, save as otherwise provided herein or under the relevant laws or the memorandum and articles of association of the Company in effect from time to time. Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the Exercise Date or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date 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 Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered onto the register of members of the Company as the holder thereof.

6.5 There is no performance target which must be achieved and no minimum period for an Option to be held before any of the Options can be exercised, unless otherwise specified by the Board at the time of grant.

7. EARLY TERMINATION OF OPTION PERIOD

7.1 The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (a) subject to sub-paragraph 6.3, the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in sub-paragraph 6.3;
- (c) save as otherwise determined by the Board, the date on which the Grantee, being an employee of a member of the Group, ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Company and its Subsidiaries into disrepute) or other grounds on which the Company and its Subsidiaries would be entitled to terminate his or her employment pursuant to any applicable law; and
- (d) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach of sub-paragraph 6.1 by the Grantee in respect of that or any other Option.

7.2 A resolution of the Directors to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in sub-paragraph 7.1(c) shall be conclusive and binding on the Grantee.

8. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- 8.1
- (a) The maximum number of Shares which may be issued upon exercise of all Options may be granted at any time under this Scheme shall not, when aggregated with any Shares subject to any other schemes involving the issue or grant of option over Shares by the Company to, or for the benefit of the Eligible Participants, exceed such number of Shares as shall represent 10 per cent. of the issued share capital of the Company (or the Subsidiaries) as at the Adoption Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of this Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
 - (b) The Company may seek approval by its Shareholders in general meeting for "refreshing" the Scheme Mandate Limit under this Scheme. However, the total number of Shares which may be issued upon exercise of all Options to be granted under this Scheme and any other schemes of the Company under the limit as "refreshed" must not exceed 10 per cent. of the Shares in issue as at the date of passing the relevant resolution.

Options previously granted under this Scheme (including those outstanding, cancelled, lapsed in accordance with this Scheme or exercised Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”. The Company must send a circular to its Shareholders containing the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4) of the Listing Rules.

- (c) The Company may seek separate approval by its Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. The Company must send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose, the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4) of the Listing Rules.
- (d) The limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under this Scheme and any other schemes of the Company must not exceed 30 per cent. of the relevant class of Shares in issue from time to time. No Options may be granted under this Scheme or any other schemes of the Company if this will result in this limit being exceeded.
- (e) Any grant of the Options to Eligible Participant must first be approved by the Remuneration Committee.

8.2 Unless approved by the Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1 per cent. of the Shares in issue. Where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1 per cent. of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting. The Company shall send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted (and Options previously granted to such Eligible Participant), the information required under rule 17.02(2)(d) and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the Subscription Price) of Options to be granted to such Eligible Participant must be fixed before Shareholders’ approval and the date of Board meeting for proposing such further grant will be taken as the Offer Date for the purpose of calculating the Subscription Price.

8.3 Any grant of Option to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates, under this Scheme must be approved by the independent non-executive Directors. Where any grant of Options to a substantial Shareholder (as defined in the Listing Rules) of the Company or an independent non-executive Director or any of their respective associates, would result in the Shares issued or to be issued upon exercise of all Options already granted or to be granted (including Options exercised, cancelled and 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 the relevant class of Shares in issue; and
- (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of Options must be approved by Shareholders of the Company. The Company must send a circular to the Shareholders. All connected persons (as defined in the Listing Rules) of the Company must abstain from voting in favour at such general meeting, but they may vote against the resolution at the general meeting of the Company provided that their intention to do so has been stated in relevant circular to Shareholders. Any vote taken at the meeting to approve the grant of such Options must be taken on a poll and comply with the required under the Listing Rules. The circular must contain:

- (1) details of the number and terms (including, among other things, the Subscription Price) of the Options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant to be taken as the Offer Date for the purpose of calculating the Subscription Price;
- (2) a recommendation from the independent non-executive Directors to the independent Shareholders as to voting; and
- (3) the information required under rules 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules; and
- (4) the information required under rules 2.17 of the Listing Rules.

8.4 Shareholders' approval as required under sub-paragraph 8.3 is also required for any change in the terms of Options granted to an Eligible Participant who is a substantial Shareholder (as defined in the Listing Rules) of the Company, or any of their respective associates.

9. **REDEMPTION OF OPTIONS AFTER EXERCISE**

9.1 Notwithstanding any other provision of the Scheme, the Board shall be entitled at its discretion at any time and from time to time to cancel any Option, either in

whole or in part, which has been validly exercised by a Grantee, by giving notice in writing to the Grantee stating that such Option is thereby cancelled.

- 9.2 If any Option shall be cancelled pursuant to paragraph 9.1, the Grantee shall, subject as hereinafter provided, be entitled to receive a refund of the Subscription Price paid on exercise of such Option together with a payment in cash to compensate him for such cancellation, such refund and payment to be made within 14 Business Days of the Company giving notice of such cancellation. Once such refund and payment has been made by the Company, the Grantee shall have no other claim against the Company and shall waive any such claims in connection with any Option so cancelled. The amount of payment shall be calculated by reference to the following formula:

$$(A \times B) - C$$

where

- A is the number of Shares that would have been issued on exercise of the Option (the "Applicable Shares");
- B is the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date the Company receives notice of exercise of the Option; and
- C is the aggregate Subscription Price for the Applicable Shares,

provided that (i) if the same shall result in a negative figure there shall be no entitlement to any such payment and (ii) if the Subscription Price shall not be the same for all the Applicable Shares, separate calculations shall be made in respect of each portion of the Applicable Shares for which the Subscription Price shall be the same, as if such rights of cancellation had been exercise separately in respect of each such portion of Applicable Shares.

10. **REORGANISATION OF CAPITAL STRUCTURE**

- 10.1 In the event of capitalisation of profits or reserves, rights issue or other offer of securities to Shareholders (including any securities convertible into share capital or warrants or options to subscribe for any share capital of the Company, but excluding Options under this Scheme and options under any other similar employee share option schemes of the Company), consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever whilst any Option remains exercisable or this Scheme remains in effect, then, in any such case the Company shall instruct the Auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, having regard to any applicable guidelines issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005), to:

- (a) the number or nominal amount of Shares to which this Scheme or any Option(s) relates (insofar as it is/they are unexercised); and/or
- (b) the Subscription Price of any Option; and/or
- (c) the method of exercise of any Option; and/or
- (d) the maximum number of Shares referred to in paragraph 8

and an adjustment as so certified by the Auditors or the independent financial adviser shall be made, provided that:

- (i) any such adjustment shall be made on the basis that the aggregate Subscription Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustment; and
- (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment.

In respect of any such adjustments, other than any made on a capitalisation issue, the Auditors or the independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements set out in the above, the requirements of Rule 17.03(13) of the Listing Rules, the supplementary guidance issued by the Stock Exchange on 5 September 2005, any relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange and the note thereto from time to time..

10.2 If there has been any alteration in the capital structure of the Company as referred to in sub-paragraph 10.1, the Company shall, upon receipt of a notice from a Grantee in accordance with sub-paragraph 6.2, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the Auditors or the independent financial adviser obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors or an independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with sub-paragraph 10.1.

10.3 In giving any certificate under this paragraph 10 the Auditors and the independent financial adviser shall be deemed to be acting as experts and not as arbitrators and

their certificate shall, in the absence of manifest error, be final, conclusive and binding on the Company and all persons who may be affected thereby. The costs of the Auditors or independent financial adviser (as the case may be) engaged for the purpose of certifying and making any adjustments under this Clause 10 shall be borne by the Company.

11. SHARE CAPITAL

The exercise of any Option shall be subject to the members of the Company in general meeting approving any necessary increase in the share capital of the Company. Subject thereto, the Directors shall make available sufficient of the then authorised but unissued share capital of the Company to allot the Shares on the exercise of any Option.

12. DISCLOSURE

The Company shall disclose in its annual report and interim report the following information in relation to: (i) each of its Directors, chief executive or Substantial Shareholders (as defined in the Listing Rules), or their respective associates; (ii) each Eligible Participant with Options granted in excess of the individual limit; (iii) aggregate figures for employees working under employment contracts that are regarded as “continuous contracts” for the purposes of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong); (iv) aggregate figures for suppliers of goods or services; and (v) all other Eligible Participants as an aggregate whole:

- (1) particulars of outstanding Options at the beginning and at the end of the financial year/period, including number of Options, date of grant, vesting period, Option Period and Subscription Price;
- (2) particulars of Options granted during the financial year/period, including number of Options, date of grant, vesting period, Option Period, Subscription Price and the closing price of the Shares immediately before the date on which the Options were granted;
- (3) the number of Options exercised during the financial year/period with the Subscription Price and (for Options over the Shares) the weighted average closing price of the Shares immediately before the dates on which the Options were exercised;
- (4) the number of Options cancelled during the financial year/period together with the Subscription Price of the cancelled Options; and
- (5) the number of Options which lapsed in accordance with the terms of this Scheme during the financial year/period.

13. DISPUTES

Any dispute arising in connection with this Scheme (whether as to the number of Shares of an Option, the Subscription Price or any adjustment under sub-paragraph 10.1) shall be referred to the decision of the Auditors or an

independent financial adviser who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

14. ALTERATION OF THIS SCHEME

This Scheme may be altered in any respect by a resolution of the Board except:

- (a) any alteration to the advantage of the Eligible Participants in relation to any matter contained in rule 17.03 of the Listing Rules;
- (b) any alterations to the terms and conditions of this Scheme which are of a material nature or any change to the terms of Options granted, except alterations which take effect automatically under the existing terms of this Scheme;
- (c) any change to the authority of the Directors in relation to any alteration to the terms of this Scheme;
- (d) the provisions of this Scheme as to the definitions of “Eligible Participant”, “Grantee”, “Option Period” and “Termination Date” in sub-paragraph 1.1; and
- (e) the provisions of sub-paragraphs 3.1, 4.1, 4.3, 4.4 (other than the time period referred to), 4.5 (other than the time period referred to) and 7.1 and paragraphs 5, 6, 8, 10 and 11 and this paragraph 14,

which shall only be altered with the prior sanction of a resolution of the Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the holders of the Shares under the memorandum and articles of association for the time being of the Company for a variation of the rights attached to Shares. Any alterations to the terms and conditions of this Scheme shall comply with the relevant requirements of chapter 17 of the Listing Rules.

15. TERMINATION

The Company by ordinary resolution in general meeting may at any time terminate the operation of this Scheme and in such event no further Options will be offered but in all other respects the provisions of this Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted but not yet exercised prior thereto or otherwise as may be required in accordance with the provisions of this Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with this scheme. Details of the Options granted, including Options exercised or outstanding under this Scheme, shall be disclosed in a circular to the Shareholders seeking approval of the first new scheme to be established after such termination.

16. CANCELLATION OF OPTIONS GRANTED BUT NOT EXERCISED

Any cancellation of Options granted but not exercised and the issuance of new Options to the same Grantee may only be made under this Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

17. MISCELLANEOUS

17.1 This Scheme shall not form part of any contract of employment between the Company or any Subsidiary and any Eligible Participant and the rights and obligations of any Eligible Participant under the terms of his office or employment shall not be affected by his participation in this Scheme or any right which he may have to participate in it and this Scheme shall afford such an Eligible Participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

17.2 This Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

17.3 The Company shall bear the costs of establishing and administering this Scheme, including any costs of the Auditors and the independent financial advisers in relation to the preparation of any certificate by them or providing any other service in relation to this Scheme.

17.4 A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to Shareholders at the same time or within a reasonable time of any such notices or documents being sent to the Shareholders.

17.5 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its registered office and principal place of business in Hong Kong and, in the case of the Grantee, his address in Hong Kong as notified to the Company from time to time or, if none or incorrect or out of date, his last place of employment with the Company or the Company's principal place of business in Hong Kong from time to time.

17.6 Any notice or other communication if sent by the Grantee shall be irrevocable and shall not be effective until actually received by the Company.

17.7 Any notice or other communication if sent to the Grantee shall be deemed to be given or made:

- (a) one (1) day after the date of posting, if sent by mail; and
- (b) when delivered, if delivered by hand.

- 17.8 A Grantee shall, before accepting an Offer or exercising his Option, obtain all necessary consents that may be required to enable him to accept the Offer or to exercise the Option and the Company to allot and issue to him in accordance with the provisions of this Scheme the Shares falling to be allotted and issued upon the exercise of his Option. By accepting an Offer or exercising his Option, the Grantee thereof is deemed to have represented to the Company that he has obtained all such consents. Compliance with this sub-paragraph shall be a condition precedent to an acceptance of an Offer by a Grantee and an exercise by a Grantee of his Options.
- 17.9 A Grantee shall pay all tax and discharge all other liabilities to which he may become subject as a result of his participation in this Scheme or the exercise of any Option.
- 17.10 By accepting an Offer an Eligible Participant shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate him for loss of any rights under this Scheme.
- 17.11 This Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.