

**CHINA WATER AFFAIRS GROUP LIMITED**

**中國水務集團有限公司\***

*(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)*

(Stock Code 855)

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**SHARE OPTION SCHEME**

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Adopted pursuant to an ordinary resolution passed by the shareholders  
at the annual general meeting on 9 September 2022

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### 1. DEFINITIONS

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

“Adoption Date”	9 September 2022, the date on which this Scheme is adopted by the Shareholders;
“associate”	has the meaning ascribed to it under the Listing Rules;
“associated company”	has the meaning ascribed to it under the Hong Kong Code for Takeovers and Mergers;
“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 (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong;
“chief executive”	has the meaning ascribed to it under the Listing Rules;
“close associate”	has the meaning ascribed to it under the Listing Rules;
“Company”	China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“core connected person”	has the meaning ascribed to it under the Listing Rules;
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer to a Participant, whether or not the Offer is subject to Shareholders' approval on the terms of this Scheme;
“Director(s)”	the director(s) of the Company;
“Grantee”	any Participant who accepts an Offer in accordance with the terms of this Scheme or (where the context so permits) a person entitled to any such Option in

17.03(2)

	consequence of the death of the original Grantee or the legal personal representative of such person;	
“Group”	the Company and its subsidiaries;	
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;	
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;	
“Individual Limit”	the meaning ascribed thereto in paragraph 7.4;	
“inside information”	has the meanings ascribed to it under the Listing Rules;	
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;	
“Offer”	the offer of the grant of an Option made in accordance with paragraph 3;	
“Option”	an option to subscribe for Shares pursuant to this Scheme and for the time being subsisting;	
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;	17.03(5)
“Participants”	(a) any full-time or part-time employee of any member of the Group or associated company; (b) any consultant or adviser of any member of the Group or associated company ; (c) any director (including executive, non-executive or independent non-executive directors) of any member of the Group or associated company; (d) any shareholder of any member of the Group or associated company; or (e) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group or associated company, to be determined absolutely by the Board;	17.03(2)
“Scheme”	this share option scheme in its present form or as amended from time to time in accordance with the provisions hereof;	
“Scheme Limit”	has the meaning ascribed to it in paragraph 7.6;	
“Scheme Mandate Limit”	has the meaning ascribed to it in paragraph 7.1;	
“Shareholder(s)”	holder(s) of the Shares;	

“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company, or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company or such nominal amount as shall result from any such sub-division, reduction, consolidation, reclassification or reconstruction;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph 4;
“subsidiary”	has the meanings ascribed to it under the Listing Rules; and
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;

- 1.2 Paragraph headings are inserted for convenience of reference only and shall be ignored in the interpretation of this Scheme. References herein to "paragraphs" are to paragraphs of this Scheme. Words importing the singular include the plural and vice versa, words importing a gender or the neuter include both genders and the neuter references to persons include bodies corporate or unincorporate.
- 1.3 References in this Scheme to any document are to that document as amended, consolidated, supplemented, novated or replaced from time to time.
- 1.4 References (express or implied) in this Scheme to ordinances and to statutory and regulatory provisions and the Listing Rules shall be construed as references to those ordinances or statutory and regulatory provisions and the Listing Rules as respectively amended or re-enacted or as their application is modified by other provisions (whether before or after the date hereof) from time to time and shall include any provisions of which there are re-enactments (whether with or without modification) and any orders, regulations, instruments, other subordinate legislation or practice notes under the relevant ordinance, statutory or regulatory provision or the Listing Rules.
- 1.5 In construing this Scheme:
- (a) the rule known as the ejusdem generis rule shall not apply and, accordingly, general words introduced by the word “other” shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and
  - (b) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

## 2. PURPOSE, DURATION AND ADMINISTRATION

2.1 The purpose of this Scheme is to reward Participants who have contributed to the Group and to provide incentives to Participants to work towards the success of the Group. 17.03(1)

2.2 This Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to this Scheme or its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties. The Board shall have the right to (a) interpret and construe the provisions of this Scheme; (b) determine the persons (if any) who shall be offered Options under this Scheme, and the number of Shares and Subscription Price, subject to paragraph 4; (c) subject to paragraphs 8 and 11, make such adjustments to the terms of the Options granted under the Scheme to the relevant Grantee as the Board deems necessary, and shall notify the relevant Grantee of such adjustment by written notice; and (d) make such other decisions or determinations as it shall deem appropriate in relation to the Offers and/or the administration of the Scheme provided that the same are not inconsistent with the provisions of this Scheme and the Listing Rules.

2.3 This Scheme shall take effect subject to:

- (a) the passing of the resolution by the Shareholders to approve and adopt this Scheme and to authorise the Board to grant Options under this Scheme and to allot and issue Shares pursuant to the exercise of any Options;
- (b) the Listing Committee (as defined in the Listing Rules) of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares which fall to be issued pursuant to the exercise of any Options (subject to an initial limit of 10 per cent. of the aggregate number of Shares in issue on the Adoption Date); and
- (c) if necessary, the Bermuda Monetary Authority granting consent to the allotment and issue of 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.

A certificate of a Director that the conditions set out in sub-paragraphs (a) to (c) above have been satisfied shall be conclusive evidence of the matters certified.

2.4 Subject to paragraph 13, this Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options shall be offered or granted but the provisions of this Scheme shall remain in full force and effect in all other respects. Options granted during the life of this Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period. 17.03(11)

2.5 No member of the Board shall be personally liable by reason of any contract or other instrument executed by such member or on his behalf in his capacity as a member of the Board nor for any mistake of judgment made in good faith, and the Company shall on demand indemnify and hold harmless each employee, officer or Director of the Company to whom any duty or power relating to the administration or interpretation

of this Scheme may be allocated or delegated, against any cost or expense (including legal fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of omission to act in connection with this Scheme unless arising out of such person's own negligence, fraud or bad faith.

### 3. GRANT OF OPTIONS

- 3.1 On and subject to the terms of this Scheme and the Listing Rules, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at the Subscription Price. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include, among other things, (i) the minimum period for which an Option must be held before it can be exercised; and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally. 17.03(11)  
17.03(6)  
(7)
- 3.2 An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine requiring the 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 Participant concerned for a period of 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after this Scheme has been terminated in accordance with the terms hereof or after the Participant for whom the Offer is made has ceased to be a Participant. 17.03(2)
- 3.3 No Offer shall be made to, nor shall any Offer be capable of acceptance by, any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable rules, regulations or law.
- 3.4 An Offer is deemed to be accepted when the Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted and a remittance to the Company of HK\$1.00 as consideration for the grant of Option. Such remittance is not refundable in any circumstances. 17.03(8)
- 3.5 Any Offer may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of a whole board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within 28 days from the date on which the letter containing the Offer is delivered to that Participant in the manner indicated in paragraph 3.4, it shall be deemed to have been irrevocably declined.
- 3.6 A grant of Options may not be made after inside information has come to the Company's knowledge until (and including) the trading day after it has announced the information. In particular, during the period commencing one month immediately before the earlier of: 17.05

- (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 Company's results for any year, half-year, quarterly or any other 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 Option may be granted. No Option may be granted during any period of delay in publishing a results announcement.

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

17.04

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

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). The Company must send a circular to the Shareholders in accordance with the Listing Rules and the grantee, his associates and all core connected persons of the Company shall abstain from voting in favour of the resolution at such general meeting of the Shareholders. Any change in the terms of an Option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

#### 4. SUBSCRIPTION PRICE

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

R17.03(9)

- (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;



- (ii) 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 of Grant; and
- (iii) the nominal value of the Shares.

## 5. EXERCISE OF OPTIONS

- 5.1 An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any outstanding Option or any part thereof granted to such Grantee to the extent not already exercised without incurring any liability on the part of the Company. 17.03(17)
- 5.2 An Option may, subject to the provisions of paragraph 8, be exercised in whole or in part (but if in part only, in respect of a board lot in which the Shares are traded on the Stock Exchange from time to time or an integral multiple thereof) in the manner set out in paragraph 5.3 by the Grantee (or, as the case may be, his legal personal representative(s)) by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price multiplied by the number of Shares in respect of which the notice is given. Within 10 Business Days after receipt of the notice and the remittance of the full amount of the relevant aggregate Subscription Price and, where appropriate, receipt of the Auditors' certificate or the certificate from the independent financial adviser to the Company pursuant to paragraph 8, the Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, as the case may be, his legal personal representative(s)) credited as fully paid and issue to the Grantee (or, as the case may be, his legal personal representative(s)) share certificates in respect of the Shares so allotted.
- 5.3 Subject to any restrictions applicable under the Listing Rules and notwithstanding the terms of grant thereof, an Option may be exercised by the Grantee at any time during the Option Period, provided that:- 17.03(6)
- (a) in the event of the Grantee ceasing to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as specified in paragraph 6(f) having arisen, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within the period of 6 months following his death provided that where any of the events set out in paragraph 5.3(e), (f), (g) and (h) occurs prior to his death or within such period of 6 months following his death, then his personal representative(s) may so exercise the Option only within such of the various periods respectively set out in such paragraphs provided further that if within a period of 3 years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph 6(f) which would have entitled the Company to terminate his employment prior to his death, the

Board may at any time forthwith terminate his Option (to the extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option;

- (b) in the event of a Grantee who is an employee or a Director of the Company or any member of the Group or associated company ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph 6(f), his Option (to the extent not already exercised) shall lapse on the date of cessation or termination of such employment (which date shall be the Grantee's last actual working day with the Company (or its subsidiary) whether salary is paid in lieu of notice or not) and shall on that day cease to be exercisable;
- (c) in the event of a Grantee who is not an employee or a Director of the Company or any member of the Group or associated company ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which his Option (or such remaining part thereof) shall be exercisable following the date of such cessation;
- (d) in the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph 6(f), his Option shall lapse automatically (to the extent not already exercised) and shall not be exercisable on or after the date of termination of his employment and to the extent the Grantee has exercised his Option in whole or in part pursuant to paragraph 5.2, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares received by the Company in respect of the purported exercise of such Option;
- (e) in the event a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph (f) below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith notify all Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise his Option in full (to the extent not already exercised) or to the extent as notified by the Company at any time within such period as shall be notified by the Company;
- (f) in the event a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number

of Shareholders at the requisite meetings, the Company shall forthwith notify all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise his Option to its full extent or to the extent notified by the Company;

- (g) in the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by the Company) exercise his Option to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise; and
- (h) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 5.3(f) above, between the Company and its members or creditors is proposed 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 compromise or arrangement and the Grantee (or his legal personal representative) may at any time thereafter but before such time as shall be notified by the Company exercise his Option either to its full extent or to the extent notified by the Company, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

5.4 The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the bye-laws of the Company for the time being in force and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date on which those Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the date on which Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted. 17.03(10)  
(15)

5.5 Any Options granted but not exercised may be cancelled if the Participant so agrees and new Options may be granted to the Grantee provided that such new Options fall within the limits prescribed by paragraph 7, excluding the cancelled Options, and are otherwise granted in accordance with the terms of this Scheme. 17.03(14)

6. LAPSE OF OPTIONS 17.03(12)

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

- (a) the expiry of the Option Period (subject to the provisions of this Scheme);
- (b) the expiry of the periods referred to in paragraph 5.3;
- (c) the expiry of the period referred to in paragraph 5.3(e) subject to any court of competent jurisdiction making an order to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the Offer lapses or is withdrawn before that date;
- (d) subject to the scheme of arrangement (referred to in paragraph 5.3(f)) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 5.3(f);
- (e) the date of the commencement of the winding-up of the Company;
- (f) the date on which the Grantee (if an employee or Director of the Company or any member of the Group or associated company) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily. A resolution of the Board or the board of directors of the Company's subsidiary or associated company to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 6(f) shall be conclusive and binding on the Grantee, and where appropriate, his legal representative(s);
- (g) the date on which the Grantee commits a breach of paragraph 5.1; and
- (h) subject to paragraph 5.3(b), the date the Grantee ceases to be a Participant for any other reason.

## 7. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- 7.1 The maximum number of Shares which may be issued upon exercise of all Options to be granted under this Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. of all the Shares in issue on the Adoption Date (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of this Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit. 17.03(3)
- 7.2 The Scheme Mandate Limit referred to in paragraph 7.1 may be renewed at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under this Scheme and any other share option schemes of the Company under the limit as refreshed must

not exceed 10 per cent. of the Shares in issue as at the date of approval of the renewed limit. Options previously granted under this Scheme or any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

- 7.3 Notwithstanding the foregoing, the Company may grant Options beyond the Scheme Mandate Limit to Participants if:-
- (a) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by the Company before such Shareholders' approval is sought; and
  - (b) the Company, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.
- 7.4 Subject to paragraph 7.5, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under this Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1 per cent. of the Shares in issue for the time being (the "Individual Limit"). 17.03(4)
- 7.5 Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (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% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the Participant is a connected person) abstaining from voting. The Company must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules. The number and terms (including the exercise price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price.
- 7.6 At any time, the maximum number of Shares which may be issued upon exercise of all Options which then has been granted and have yet to be exercised under this Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 30 per cent. of the Shares in issue from time to time (the "**Scheme Limit**"). No options may be granted under the New Share Option Scheme or any other share option schemes of the Company (or its subsidiary), if this will result in the Scheme Limit being exceeded. 17.03(3)

## 8. REORGANISATION OF CAPITAL STRUCTURE

8.1 In the event of an alteration in the capital structure of the Company whilst any Option remains exercisable by way of capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:- 17.03(13)

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; or
- (ii) the Subscription Price;

or any combination thereof, provided that:-

- (a) any such adjustments give a Grantee the same proportion of the equity capital of the Company as that to which that Grantee was previously entitled; and
- (b) no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value.

8.2 The Company shall engage the Auditors or an independent financial advisor to certify in writing, either generally or as regards any particular Grantee, that the adjustments made by the Company under paragraph 8.1 (other than any made on a capitalisation issue) satisfy the requirements set out in paragraphs 8.1 above. The capacity of the Auditors or independent financial advisor (as the case may be) in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or independent financial advisor (as the case may be) shall be borne by the Company.

## 9. SHARE CAPITAL

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

9.2 The Options do not carry any right to vote in general meeting of the Company, or any right, dividend, transfer or any other rights, including those arising on the liquidation of the Company. 17.03(10)

## 10. DISPUTES

Any dispute arising in connection with this Scheme (whether as to the number of Shares, the subject of an Option, the amount of the Subscription Price or otherwise) shall be referred to the decision of the Auditors or the independent financial adviser to

the Company who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the independent financial adviser to the Company shall be shared equally between the Company and the relevant Grantee.

11. ALTERATION OF THIS SCHEME

Those specific provisions of this Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of this Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. 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, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of this Scheme. The Scheme so altered must comply with Chapter 17 of the Listing Rules. 17.03(18)

12. CANCELLATION

Any Options granted but not exercised may be cancelled if the Participant so agrees. Where the Company cancels Options and issues new ones to the same Option holder, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the limit approved by Shareholders as mentioned in note (1) to Rule 17.03(3) of the Listing Rules.

13. TERMINATION

The Company by ordinary resolution in general meeting or the Board may at any time terminate this Scheme and in such event no further Options may be granted but in all other respects the provisions of this Scheme shall remain in full force and effect in respect of Options which are granted during the life of this Scheme and which remain unexpired immediately prior to the termination of the operation of this Scheme. 17.03(16)

14. MISCELLANEOUS

14.1 The Company shall bear the costs of establishing and administering this Scheme.

14.2 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 principal place of business in Hong Kong for the time being and, in the case of the Grantee, his address in Hong Kong as notified to the Company from time to time.

14.3 Any notice or other communication served by post:-

- (a) by the Company shall be deemed to have been served 24 hours after the same was put in the post; and
- (b) by the Grantee shall not be deemed to have been received until the same shall have been received by the Company.

Any notice or other communication served by either party by hand shall be deemed to be served when delivered.

- 14.4 A Grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of his Option. A Grantee shall pay all tax and discharge all other liabilities to which he may become subject to as a result of the participation in this Scheme or the exercise of any Option. The Company shall not be responsible for any failure by a Grantee to obtain any such consent or for any tax or other liability to which a Grantee may become subject as a result of his participation in this Scheme. A Grantee shall, on demand, indemnify the Company fully against all claims and demands which may be made against the Company (whether alone or jointly with other party or parties) for or in respect of or in connection with any failure on the part of the Grantee to obtain any necessary consent referred to hereinabove or to pay tax or other liabilities referred to hereinabove and against all incidental costs and expenses which may be incurred or spent by the Company.
- 14.5 The Board shall have the power from time to time to make or vary regulations for the administration and operation of this Scheme, provided that the same are not inconsistent with the other provisions of this Scheme. The Board shall also have the power to delegate its powers to grant Options to Participants and to determine the Subscription Price, to any of the Company's Directors from time to time.
- 14.6 This Scheme shall not form part of any contract of employment between the Company or its subsidiary and any employee and the rights and obligations of any employee 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. This Scheme shall afford such an employee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 14.7 No Grantee shall enjoy any of the rights of a shareholder by virtue of the grant of an Option pursuant to this Scheme, unless and until Shares are actually issued to the Grantee pursuant to exercise of such Option.
- 14.8 The 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.
- 14.9 This Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.

- End of Scheme-