

AUSNUTRIA DAIRY CORPORATION LTD
(Incorporated in the Cayman Islands with limited liability)

**Rules
of
SHARE OPTION SCHEME**

Adopted on [26 May], 2022

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AUSNUTRIA DAIRY CORPORATION LTD

(Incorporated in the Cayman Islands with limited liability)

Rules of the SHARE OPTION SCHEME

1. DEFINITIONS

1.1 In this Scheme the following expressions have the following meanings:

"Adoption Date"

[26 May] 2022 (the date on which this Scheme is conditionally adopted by resolution of the Shareholders in general meeting or any adjournment thereof);

"Affiliate"

a company in which the Group holds an interest of 30% or more of the issued share capital or a subsidiary of such company;

"Allotment Date"

the date on which Shares are allotted and issued to a Grantee pursuant to the exercise of the rights attaching to an Option granted and exercised hereunder;

"Associate(s)"

shall have the meaning ascribed to it under the Listing Rules;

"Auditor"

the auditor for the time being of the Company;

"Board"

the board of Directors of the Company or a duly authorised committee thereof;

"Business Day"

shall have the meaning ascribed to it under the Listing Rules;

"Chief Executive"

shall have the meaning ascribed to it under the Listing Rules;

"Close Associate(s)"

shall have the meaning ascribed to it under the Listing Rules;

"Commencement Date"

in respect of any particular Option, the Business Day on which that Option is granted in accordance with clause 6 of this Scheme;

"Companies Law"

the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands;

"Companies Ordinance"

the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

"Company"

Ausnutria Dairy Corporation Ltd, a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1717);

"Connected Person(s)"

shall have the meaning ascribed to it under the Listing Rules;

"Core Connected Person(s)"

shall have the meaning ascribed to it under the Listing Rules;

"Director(s)"

director(s) of the Company (within the meaning of the Companies Ordinance, the Companies Law or the applicable laws of the relevant jurisdiction) for the time being and from time to time;

"Eligible Participant(s)"

any person who satisfies the eligibility criteria in clause 5 of this Scheme;

"Employee"

any employee (whether full-time or part-time) as stipulated in clause 5.1 of this Scheme;

"Grantee"

any Eligible Participant who accepts an offer in accordance with the terms of this Scheme, or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the Eligible Participant (being an individual);

"Group"

the Company and its Subsidiaries;

"Hong Kong"

the 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;

"Option"

a right to subscribe for Shares granted pursuant to this Scheme;

"Option Period"

in respect of any particular Option, the period to be notified by the Board to each Grantee as being the period during which an Option may be exercised as the Board determines at its discretion, save that such period shall not be more than 10 years from the Commencement Date;

R17.03(5)

"Scheme"

this share option scheme in its present or any amended form;

"Shares"

ordinary share(s) of HK\$0.1 each in the issued share capital of the Company;

"Shareholder(s)"

holder(s) of Share(s);

"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 clause 7 of this Scheme;

"Subsidiary" or "Subsidiaries"

a subsidiary or subsidiaries (within the meaning of the Companies Ordinance or the Companies Law) for the time being and from time to time of the Company;

"Substantial Shareholder(s)"

shall have the meaning ascribed to it under the Listing Rules; and

"HK\$"

the lawful currency of Hong Kong for the time being.

1.2 In this Scheme:

- (a) clause headings are inserted for convenience of reference only and shall be ignored in the interpretation of this Scheme;
- (b) references to clauses are to clauses of this Scheme;
- (c) words importing the singular include the plural and vice versa, words importing a gender include every gender and references to persons include bodies corporate or unincorporate; and
- (d) references to any ordinance or law shall include any statutory modification, amendment or re-enactment thereof.

2. PURPOSE OF THE SCHEME

R17.03(1)

- 2.1 This Scheme is a share incentive scheme and is established to provide incentive or reward, to recognise and acknowledge the contributions and/or efforts that Eligible Participants had made or may make to the Group.
- 2.2 This Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

- (a) motivate the Eligible Participants to optimise their performance and efficiency for the benefit and/or interest of the Group; and
- (b) attract and retain or otherwise maintain ongoing business relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group.

3. CONDITIONS

- 3.1 This Scheme shall take effect subject to the passing of the necessary resolution to adopt this Scheme by the Shareholders in a general meeting of the Company and is conditional upon the Listing Committee of the Stock Exchange granting the approval for the listing of and permission to deal in the Shares or any part thereof to be issued and allotted pursuant to the exercise of the Options granted under this Scheme.
- 3.2 If any of the above conditions are not satisfied on or before 31 December 2022, this Scheme shall forthwith be terminated and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Scheme.
- 3.3 Reference in clause 3.1 of this Scheme to the Stock Exchange granting the approvals, listing and permission referred to therein shall include where such approvals, listing and permission are granted subject to conditions.

4. DURATION AND ADMINISTRATION

- 4.1 Subject to clauses 3 and 16 of this Scheme, this Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which no further Options will be issued but the provisions of this Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of this Scheme. R17.03(11)
- 4.2 This Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties. Without prejudice to the generality of the foregoing, the Board shall have the absolute discretion to (a) interpret and construe the provisions of this Scheme, (b) subject to clauses 5, 7 and 10 of this Scheme, determine the persons who will be awarded Options under this Scheme, and the number and subscription price of Options awarded thereto, (c) subject to clause 14 of this Scheme, make such appropriate and equitable adjustments to the terms of Options granted under this Scheme as it deems necessary, and (d) make such other decisions or determinations as it shall deem appropriate in the administration of this Scheme.

5. ELIGIBILITY CRITERIA

- 5.1 The Board may at its discretion grant Options to any Director, proposed Director (whether executive or non-executive and whether independent or not), employee of the Group or an Affiliate or the holding company of the Company (if applicable) R17.03(2)

whom the Board in its sole discretion considers will contribute or has contributed to any member of the Group or an Affiliate or the holding company of the Company (if applicable).

In order for a person to satisfy the Board that he is qualified to be (or, where applicable, continues to be qualified to be) an Eligible Participant, such person shall provide all such information as the Board may request for the purpose of assessing his eligibility (or continuing eligibility).

- 5.2 Any person whom the Board has resolved that he/she is qualified to be an Eligible Participant must remain eligible during the period when any Option granted to him/her remains outstanding (including both vested Options which are not exercised and unvested Options). In assessing such Grantee's continuing eligibility under this Scheme, the requirements set out in clause 5.1 and clause 15.1 of this Scheme shall be given due and careful consideration by the Board.
- 5.3 In the event that the Board has resolved that a Grantee fails or otherwise is unable to meet the continuing eligibility criteria under this Scheme as referred to in clause 5.2 of this Scheme, the Company is entitled to cancel any outstanding Option or part thereof granted to such Grantee to the extent not already exercised (but, for the avoidance of doubt, if the Company does not exercise such right, the Grantee may exercise any outstanding Option or part thereof).

6. GRANT OF OPTIONS

- 6.1 On and subject to the terms of this Scheme, the Board shall be entitled at any time on a Business Day within 10 years commencing on the Adoption Date to offer the grant of an Option to any Eligible Participant as the Board may in its absolute discretion select in accordance with clause 5 of this Scheme.
- 6.2 An offer of the grant of an Option shall be made to an Eligible Participant by letter in such form as the Board may from time to time determine. Such offer shall specify the Subscription Price, the Option Period and the other relevant terms and conditions of the Option, and shall require 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 all other conditions attaching to the grant and shall remain open for acceptance by the Eligible Participant concerned for a period of 28 days from the date of offer. An offer cannot be accepted by an Eligible Participant who ceases to be an Eligible Participant after the offer has been made. No offer shall be capable of or open for acceptance after the expiry of 10 years after the Adoption Date.
- 6.3 The letter for granting the offer shall state, in addition to the matters specified in clause 6.2 of this Scheme, the following:
- (a) the name and address of the Eligible Participant;
 - (b) the last date by which the offer must be accepted;

- (c) the manner of payment of the Subscription Price for the Shares on and in consequence of the exercise of the Option;
 - (d) the procedure for acceptance;
 - (e) without prejudice to the generality of clause 6.6 of this Scheme, such other terms and conditions of the offer as may be imposed by the Board as are not inconsistent with this Scheme; and
 - (f) a statement 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.
- 6.4 An offer of the grant of an Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Option duly signed by the Grantee 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 within the period specified in the letter containing the offer of the grant of the Option. Such remittance shall in no circumstances be refundable. Once accepted, the Option is granted as from the date on which it was offered to the relevant Eligible Participant. R17.03(8)
- 6.5 Unless otherwise stated in the terms of the grant, any offer of the grant of an Option 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 board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof. To the extent that the offer of the grant of an Option is not accepted within 28 days in the manner indicated in clause 6.4 of this Scheme it shall be deemed to have been irrevocably declined and lapse automatically.
- 6.6 Subject to the provisions of this Scheme, the Listing Rules and other applicable rules and regulations, the Board may, on a case by case basis and at its discretion when offering the grant of an Option, impose any conditions, restrictions or limitations in relation thereto additional to those expressly set forth in this Scheme as it may think fit (which shall be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) conditions, restrictions or limitations relating to the minimum period for which the Options are to be held and/or the achievement of operating or financial targets, the satisfactory performance of certain obligations by the Grantee or the time or period when the right to exercise the Option in respect of all or some of the Shares the subject of the Option will vest. R17.03(6)
R17.03(7)
- 6.7 Without prejudice to the generality of the foregoing and subject to the Listing Rules and clause 7 of this Scheme, the Board may grant Options in respect of which the Subscription Price is fixed at different prices for certain periods during the Option Period.
- 6.8 The Board shall not offer the grant of an Option to any Eligible Participant (i) after inside information has come to its knowledge until the trading day after it has announced the information; or (ii) during the period commencing one month immediately preceding the earlier of (A) the date of the board meeting for the R17.05

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 respectively (whether or not required under the Listing Rules), and ending on the date on which such information has been announced pursuant to the relevant requirements of the Listing Rules.

- 6.9 The Board may not grant any Option to an Eligible Participant who is a Director during the periods or times which Directors are prohibited from dealing in the Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

7. SUBSCRIPTION PRICE

R17.03(9)

The Subscription Price in respect of any particular Option shall, subject to any adjustments made pursuant to the terms of this Scheme, be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option and notified to each Eligible Participant (in the letter containing the offer of the grant of the Option) and shall not be less than the highest of:

- (a) the closing price per Share of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the relevant Option, which must be a Business Day; or
- (b) an amount equivalent to the average closing price per Share of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the date of grant of the relevant Option.

8. EXERCISE OF OPTIONS

- 8.1 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 in favour of any third party over or in relation to any Option. Any breach of the foregoing shall render any outstanding Option or part thereof granted to such Grantee, to the extent not already exercised, as lapsed.

R17.03(17)

- 8.2 An Option shall be exercised in whole or in part by the Grantee 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 for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of the Auditor's or the independent financial adviser's certificate pursuant to clause 11 of this Scheme, the Company shall accordingly allot the relevant number of Shares to the Grantee credited as fully paid and issue to the Grantee a share certificate in respect of the Shares so allotted.

8.3 Subject as hereinafter provided, an Option may be exercised at any time during the Option Period, provided that:-

- (a) in the event of the death of the Grantee (being an individual) before exercising the Option in full, his legal personal representatives may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within the period of 12 months from the date of his death or such longer period as the Board may determine failing which the Option will lapse;
- (b) in the event of the Grantee who is an Employee ceasing to be an Employee for any reason other than his death or the termination of his employment on one or more of the grounds specified in clause 9(e) of this Scheme, the Option (including both unvested Options and vested Options to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable provided that the Board may within 1 month from the date of such cessation otherwise determine that the Option shall become exercisable within such period as the Board may determine following the date of such cessation ;
- (c) if a general offer (whether by way of takeover offer, share repurchase 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 association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all Grantees (on the same terms, mutatis mutandis, and assuming that they shall become, by the exercise in full of the Options granted to them, shareholders of the Company). If such offer, having been approved in accordance with applicable laws and regulatory requirements becomes, or is declared unconditional, the Grantee (or his/her/its legal personal representative(s)) shall be entitled to exercise his/her/its Options in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional;
- (d) 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 upon such notice of meeting being given, give notice thereof to the Grantee and the Grantee may by notice in writing to the Company (such notice to be received by the Company not later than 4 Business Days prior to the proposed Shareholders' meeting) exercise 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 day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise; and
- (e) in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, 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 of compromise or arrangement, and thereupon the Grantee (or his or her personal representative(s)) may, until the expiry of the period commencing on such date and ending on the earlier of the date 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court, exercise any of his or her Options (to the extent which it has become exercisable and has not already been exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse unless previously exercised under this Scheme. The Company may require the Grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Option in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

- 8.4 The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the articles of association of the Company in force as at the Allotment Date and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the Allotment Date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the Allotment 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 on or before the Allotment 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 into the register of members of the Company as the holder thereof. For the avoidance of doubt, the Options shall not confer any voting, dividend, transfer and other rights (including those arising on a liquidation of the Company) save to the extent expressly provided for in this Scheme. R17.03(10)
- 8.5 For the purpose of clause 8.3(b), a Grantee shall not be regarded as ceasing to be an employee (including any executive director) or officer (including any non-executive director and independent non-executive director) of the Company or any Subsidiary or the Company's Affiliate or the Company's holding company if he ceases to hold a position of employment or office with the Company or any particular Subsidiary or the Company's Affiliate or the Company's holding company but at the same time he takes up a different position of employment or office with the Company or another Subsidiary or the Company's Affiliate or the Company's holding company, as the case may be.

9. LAPSE OF OPTION

An Option shall lapse and not be exercisable (to the extent not already exercised) on the earliest of: R17.03(12)

- (a) the expiry of the Option Period;
- (b) the expiry of any of the periods referred to in clause 8.3 of this Scheme;

- (c) the date of the commencement of the winding-up of the Company;
- (d) subject to the proposed compromise or arrangement becoming effective, the expiry of the period referred to in clause 8.3(e) of this Scheme;
- (e) the date on which the Grantee who is an Employee ceases to be an Employee by reason of the termination of his/her employment on the grounds that he/she 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 debts or has committed any act of bankruptcy or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his/her integrity or honesty. A resolution of the Board 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 clause 9(e) shall be conclusive;
- (f) 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 debts within the meaning of the Bankruptcy Ordinance (Chapter 6 of the laws of Hong Kong);
- (g) 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 clause 9(f) of this scheme;
- (g) the date on which the Grantee commits a breach of any condition attached to the grant of his/her/its Option, if the Board shall exercise the Company's right to deem the Option as lapsed;
- (h) the date on which the Board considers that the Grantee fails to meet the continuing eligibility criteria as set out in clause 5 of this Scheme, if the Board shall exercise the Company's right to deem the Option as lapsed; or
- (i) the date on which the Grantee of an Option sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to any Option in breach of the rules of this Scheme.

10. **MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION**

R17.03(3)

- 10.1 Subject to clauses 10.2, 10.3 and 10.4 of this Scheme, the maximum number of Shares in respect of which Options may be granted under this Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company shall not, in aggregate, exceed 10% of the issued share capital of the Company as at the date of approval of this Scheme (the “**Scheme Mandate Limit**”), being 180,854,584 Shares (assuming that no new Shares will be allotted, issued or repurchased prior to the general meeting) unless approved by the Shareholders pursuant to clause 10.3 of this Scheme. Options which have lapsed in accordance with the terms of this Scheme and any other schemes shall not be counted for the purpose of calculating the Scheme Mandate Limit.

- 10.2 Subject to clauses 10.3 and 10.4 of this Scheme, the Scheme Mandate Limit may be refreshed by the Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so refreshed must not exceed 10% of the Shares in issue as at the date of approval of such refreshment by Shareholders in general meeting. Upon such refreshment, all Options granted under this Scheme and any other share options schemes of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of this Scheme or any other share option schemes of the Company) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to the Shareholders containing such information from time to time as required by the Stock Exchange.
- 10.3 Subject to clause 10.4 of this Scheme, the Board may seek separate Shareholders' approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Participants specified by the Company before such approval is sought and the Company must issue a circular to the Shareholders containing such information from time to time required by the Stock Exchange in relation to any such proposed grant to such Eligible Participants.
- 10.4 The maximum number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under this Scheme and any other schemes involving the issue or grant of options or similar rights over Shares or other securities by the Company must not, in aggregate, exceed 30% of the Shares in issue from time to time. Notwithstanding anything contrary to the terms of this Scheme, no Options may be granted under any schemes of the Company (including this Scheme) if this will result in the said 30% limited being exceeded.
- 10.5 No Option may be granted to any Eligible Participants which if exercised in full would result in the total number of Shares issued and to be issued upon exercise of the share Options already granted or to be granted to such Eligible Participant under this Scheme (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1 % of the issued share capital of the Company as at the date of such new grant. Any grant of further share options above this limit shall be subject to the following requirements: R17.03(4)
- (a) approval of the Shareholders at general meeting, with such Eligible Participant and his/her Close Associates (or his/her Associate if the Eligible Participant is a connected person) abstaining from voting;
 - (b) a circular in relation to the proposal for such further grant having been sent by the Company to its Shareholders with such information from time to time required by the Listing Rules;
 - (c) the number and terms (including the exercise price) of the Options to be granted to such proposed Grantee shall be fixed before the Shareholders' approval mentioned in sub-clause (a) above; and
 - (d) for the purpose of calculating the minimum subscription price for the Shares in respect of the further Options proposed to be so granted as described under clause 7 of this Scheme, the date of the Board's meeting for proposing such

grant of further Options shall be taken as the date of grant of the Options.

- 10.6 The maximum number of Shares referred to in clause 10 of this Scheme shall be adjusted, in such manner as the Auditor or the independent financial adviser shall certify as fair and reasonable in accordance with clause 11 of this Scheme.

11. REORGANISATION OF CAPITAL STRUCTURE

R17.03(13)

- 11.1 In the event of any alteration in the capital structure of the Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves or rights issue made by the Company to the Shareholders, consolidation, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made in:

- (a) the number of Shares subject to the Option so far as unexercised; and/or
- (b) the Subscription Price per Share of each Option so far as unexercised; and/or
- (c) the maximum number of Shares referred to in clause 10 of this Scheme,

Any such alteration shall require the certification of the Auditor or the independent financial adviser as to its fairness and reasonableness, either generally or as regards any particular Grantee (except in the case of a capitalisation issue where no such certification shall be required), and shall satisfy the requirement that such alterations give the Grantee the same proportion of the equity capital as that to which that the Grantee was previously entitled, provided that:

- (i) any such alterations 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) it was before such event;
- (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and
- (iii) no such alterations 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 is entitled to subscribe pursuant to the Options held by him.

For the avoidance of doubt only, the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

The costs of the Auditor or the independent financial adviser shall be borne by the Company.

- 11.2 In giving any certificate under this clause 11 of this Scheme the Auditor or 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.

12. SHARE CAPITAL

The exercise of any Option shall be subject to the Shareholders in a 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.

13. 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 Auditor or the independent financial adviser of the Company who shall act as experts and not as arbitrators and whose decision shall be final and binding on the Grantee.

14. ALTERATION OF THE SCHEME

R17.03(18)

- 14.1 This Scheme may be altered in any respect by resolution of the Board except that the provisions of this Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders in general meeting.
- 14.2 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 be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of this Scheme.
- 14.3 Any change to the authority of the Board in relation to any alterations to the terms of this Scheme must be approved by Shareholders in general meeting.
- 14.4 The amended terms of this Scheme or the Options must continue to comply with Chapter 17 of the Listing Rules from time to time.
- 14.5 Subject to this clause 14 of this Scheme, the Board may at any time alter, amend or modify the terms and conditions of this Scheme such that the provisions of this Scheme would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of this Scheme.

15. GRANT OF OPTIONS TO CONNECTED PERSONS OR ANY OF THEIR ASSOCIATES

R17.04(1)

- 15.1 Without prejudice to clause 6 of this Scheme, any grant of Options to a Connected Person or their respective Associates must be approved by all of the independent non-

executive Directors of the Company (excluding any independent non-executive Director of the Company who is a proposed Grantee).

15.2 Where any grant of Options to a Substantial Shareholder or an independent non-executive Director of the Company or their respective Associates will result in the total number of the Shares issued and to be issued upon exercise of the Options proposed to be granted and all other options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under this Scheme and any other share option scheme(s) of the Company in the 12-month period up to and including the date of the grant of Options to such person:

- (a) representing in aggregate over 0.1% of the Shares in issue at the date of such grant; and
- (b) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on each relevant date on which the grant of such Option is made to (and subject to the acceptance by) such person under the relevant scheme, in excess of HK\$5 million,

then such further grant of Options must be first approved by the Shareholders at general meeting at which meeting the grantee(s), any of their respective Associates and all the Core Connected Persons shall abstain from voting in favour at the general meeting. The Company shall send a circular to the Shareholders.

15.3 For the avoidance of doubt, the requirements for the granting of Options to a Director or Chief Executive of the Company set out in this clause 15 of this Scheme do not apply where the Eligible Participant is only a proposed Director or Chief Executive of the Company.

16. TERMINATION

R17.03(16)

The Company, by resolution in general meeting of the Company, or the Board may at any time terminate the operation of this Scheme and in such event no further Options will be offered but the provisions of this Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of any Option granted prior thereto or otherwise as may be required in accordance with the provisions of this Scheme.

17. CANCELLATION

R17.03(14)

The Board shall have the absolute discretion to cancel any Options granted. Cancelled Options may be re-issued after such cancellation has been approved, provided that re-issued Options shall only be granted in compliance with the terms of this Scheme. For the avoidance of doubt, new Options may be issued to an option holder in place of his cancelled Options only if there are available unissued options (excluding the cancelled Options) within the Scheme Mandate Limit.

18. PERFORMANCE TARGET

R17.03(7)

There is no performance target stipulated under the terms of the Scheme which a Grantee is required to achieve before any Option granted under the Scheme can be exercised. The terms of the Scheme, however, do provide that the Board has the discretion to require at the time of grant of an Option any particular Grantee to achieve such performance targets as the Board may then specify in the grant before any Option granted under the Scheme to such Grantee can be exercised.

19. MISCELLANEOUS

- 19.1 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.
- 19.2 The Company shall bear the costs of establishing and administering this Scheme.
- 19.3 A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to the Shareholders.
- 19.4 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 from time to time and, in the case of the Grantee, his address in Hong Kong as notified in writing to the Company from time to time.
- 19.5 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.
- 19.6 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. 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.
- 19.7 By accepting an Option, a Grantee shall be deemed irrevocably to have accepted the grant subject to the provisions of this Scheme and 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.
- 19.8 This Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.