

GUSHENGTANG HOLDINGS LIMITED
固生堂控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

SHARE OPTION SCHEME

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1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme each of the following words and expressions shall, unless the context requires otherwise, have the following meaning:

“Adoption Date”	means the date of adoption of the Scheme by ordinary resolution of the Shareholders at the EGM;
“associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Auditors”	means the auditors of the Company from time to time;
“Board”	means the board of directors of the Company or a committee thereof duly appointed for the purpose of administering this Scheme;
“business day”	means a day on which the Stock Exchange is open for the business of dealing in securities;
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules;
“Company”	means GUSHENGTANG HOLDINGS LIMITED (國生堂控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 8, 2014, whose shares are listed on the main board of the Stock Exchange with stock code 2273;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules;
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“Director(s)”	means any director (including independent non-executive director) of the Company;
“EGM”	the extraordinary general meeting of the Company for the purpose of, considering and, if thought fit, approving, among other things, the proposed adoption of the Scheme;

“Eligible Participant(s)”	means (i) any Employee Participant; or (ii) any Service Provider who the Board considers, in its sole discretion, has the eligibility ascribed thereto in paragraph 3.5;
“Employee Participant(s)”	means any director or employee of the Company or any other member of the Group (including any person who is granted Options under the Scheme as an inducement to enter into employment contracts with members of the Group);
“Grantee”	means any Eligible Participant who accepts or is deemed to have accepted an Offer in accordance with the terms of the Scheme or (where the context so permits) any person who is entitled to exercise any such Option in consequence of the death of the original Grantee;
“Group”	means the Company, its subsidiaries and its consolidated affiliated entities, and a “member of the Group” shall be construed accordingly;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time;
“Offer”	means an offer of the grant of an Option made in accordance with paragraph 4;
“Offer Date”	means the date on which an Offer is made to an Eligible Participant, which must be a business day;
“Option(s)”	means a right to subscribe for Shares pursuant to the Scheme;
“Option Period”	means a period to be determined and notified by the Board to the Grantee during which the Option may be exercised and in any event shall be not more than 10 years commencing on the Offer Date and expiring on the last day of such 10-year period subject to the provisions for early termination contained in paragraph 7;

“Option Price”	means the amount of HK\$1.00 payable for each acceptance of grant of an Option;
“Remuneration Committee”	means the remuneration committee of the Company
“RMB”	means the lawful currency of the PRC;
“Scheme”	means this share option scheme in its present form or as amended or supplemented from time to time in accordance with the provisions hereof;
“Scheme Mandate Limit”	has the meaning ascribed thereto in paragraph 8.1;
“Service Provider Sublimit”	has the meaning ascribed thereto in paragraph 8.2;
“Service Provider(s)”	means (i) any physician, who is not a director or employee of the Company or any other member of the Group, providing online or offline healthcare services to the Group; or (ii) any consultant providing business consulting services on healthcare products quality control, medical regulations and policies, operation of offline medical institutions and medical research and development, to the Group, excluding (i) placing agent or financial adviser providing services for fundraising mergers or acquisitions or (ii) professional service provider such as auditor or valuer who provides assurance, or is required to perform services with impartiality and objectivity, and such person shall provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group;
“Share Schemes”	means share options schemes and/or share award schemes involving issuance of new Shares adopted and to be adopted by the Company from time to time;
“Share(s)”	means ordinary share(s) in the share capital of the Company with nominal value of US\$0.0001 each (or, if there has been a subsequent sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the equity share capital of the Company of such revised amount as shall result from such sub-division, reduction, consolidation,

reclassification or reconstruction of such ordinary shares from time to time);

“Shareholder(s)”

means the holder(s) of Share(s);

“Specific Circumstance(s)”

means any of the following as determined at the sole discretion of the Board: (i) a Grantee’s material violations of the internal rules and procedures of any member of the Group, or material breach of employment contract, expert collaboration agreement, consulting agreement or other similar agreement or arrangement between such Grantee and the Company; (ii) other than the Grantee who is a part-time physician, a Grantee’s failure to accept and comply with any changes relating to his/her duties requested by the Company (or any affiliate of the Company), including without limitation to any changes to his/her job title or to the place of work in which he/she may be assigned to work; (iii) a Grantee’s breach of any provision in any confidentiality agreement, non-competition agreement or invention assignment agreement between such Grantee and the Company (or any affiliate of the Company), unauthorized use or other misuse of the Company’s trade secrets, intellectual property or proprietary information or violation of any material policy of the Company or its affiliates applicable to such Grantee; (iv) a Grantee accepting or asking for bribes, commission of embezzlement, theft or other similar acts; (v) a Grantee’s conviction of criminal offense; (vi) a Grantee (being an Employee Participant) participating in activities which compete with the business of any member of the Group, or seeking benefits for other companies or entities which compete with any member of the Group; (vii) a Grantee (being an Employee Participant) working as a part-time staff at other companies or entities, the business of which compete with any member of the Group, or engaging in any works not arranged by any member of the Group during the working hours, without permission of such member of the Group; (viii) a Grantee engaging in any acts or omission to perform any of his/her duties that has had or will have an adverse effect on the Company’s or any of its affiliates’ reputation or business as determined by the Board in its sole discretion; (ix) without the prior consent of the Group, a Grantee, who is a part-time physician hired by the Company (or an affiliate of the

Company), has been engaged by another party as a full-time or part-time physician other than his/her original full-time employer; (x) a Grantee with any conduct that has materially adverse effect to the reputation or interests of any member of the Group; (xi) a medical institution of the Group, where a Grantee serves as a regional general manager, a dean of such institution or other responsible person, has been subject to a single administrative penalty exceeding RMB300,000 by the government institution, or being refused to pay or required to refund annual medical insurance by the medical insurance bureaus with the annual amount exceeding 8% of the annual reimbursement amount (which shall be determined by the financial department of the Group); (xii) a Grantee being a physician, has been subject to a single administrative penalty exceeding RMB300,000, or a single compensation to the clients of the Group for medical incidents or medical disputes exceeding RMB300,000 due to medical malpractice of such Grantee;

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Subscription Price”	means the price at which each Share subject to an Option may be subscribed on the exercise of that Option, subject to paragraphs 5 and 9;
“subsidiary(ies)”	has the meaning ascribed to it under Section 15 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong);
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules; and
“%”	means per cent.

1.2 In this Scheme, save where the context otherwise requires:

- 1.2.1 paragraph headings are inserted for convenience only and shall not limit, vary, extend or otherwise affect the construction of any provision of this Scheme;
- 1.2.2 references to paragraphs are references to paragraphs of this Scheme;
- 1.2.3 references to any statute or statutory provision shall be construed as references to such statute or statutory provision as respectively amended, consolidated or re-enacted, or as its operation is modified by any other statute or statutory

provision (whether with or without modification), and shall include any subsidiary legislation enacted under the relevant statute;

- 1.2.4 expressions in the singular shall include the plural and *vice versa*;
- 1.2.5 expressions in any gender or the neuter shall include other genders and the neuter;
- 1.2.6 references to persons shall include bodies corporate, corporations, partnerships, sole proprietorships, organisations, associations, enterprises, branches and entities of any other kind whether or not having separate legal identity; and
- 1.2.7 references to any statutory body shall include the successor thereof and any body established to replace or assume the functions of the same.

2. CONDITIONS

- 2.1 The adoption of the Scheme is conditional upon:
 - 2.1.1 the passing of the ordinary resolution by the Shareholders at the EGM to approve and adopt the Scheme and to authorise the Board to grant Options under the Scheme and to allot and issue Shares pursuant to the exercise of any Option; and
 - 2.1.2 the Stock Exchange granting approval of (subject to such conditions as the Stock Exchange may impose) the listing of, and permission to deal in, any Shares which may fall to be allotted and issued pursuant to the exercise of any Option to be granted under the Scheme.

3. PURPOSE, DURATION, ELIGIBILITY AND ADMINISTRATION

- 3.1 The purpose of the Scheme is to provide incentives and/or rewards to Eligible Participants for their contributions to, and continuing efforts to promote the interests of, the Group and to enable the Group to recruit and retain talents.
- 3.2 Subject to the fulfilment of the conditions in paragraph 2 and subject to paragraph 14, the 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 granted. Subject to the above, in all other respects, in particular, in respect of Options remaining outstanding on the expiration of the 10-year period referred to in this paragraph 3.2, the provisions of the Scheme shall remain in full force and effect.
- 3.3 The Scheme shall be subject to the administration of the Board whose decision as to all matters arising from or in relation to the Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties subject to the prior receipt of a statement in writing from the Auditors or the independent financial adviser if and as required by paragraph 9.

- 3.4 The Eligible Participants include Employee Participants and Service Providers. Service Providers under the Scheme comprise the following:
- 3.4.1 physicians, who are not directors or employees of the Company or any other member of the Group, providing online or offline healthcare services to the Group; and
 - 3.4.2 consultants providing business consulting services on healthcare products quality control, medical regulations and policies, operation of offline medical institutions and medical research and development, to the Group.
- 3.5 The eligibility of the Eligible Participants to the grant of the Options shall be determined by the Board from time to time and on a case-by-case basis subject to the Board's opinion as to his/her/its contribution to the development and growth of the Group. In particular, in assessing the eligibility of Service Providers, including whether the Service Providers provide services to the Group on a continuing or recurring basis in the ordinary and usual course of business of the Group, the Board will consider all relevant factors as appropriate, including but not limited to:
- 3.5.1 in the case of physicians, (i) the historical collaboration relationships between such physician and the Group; (ii) the continuing services intended to be provided onwards by such physician to the Group; (iii) the Group's future business plans in relation to further collaboration with such physician; (iv) the positive impacts such physician has brought and anticipated to be continuously brought to the Group's business development; (v) track record in the quality of online or offline healthcare services provided by such physician; (vi) the capacity, expertise and reputation of such physician; and (vii) the nature of the service (i.e. whether the service provided and anticipated to be continuously provided by such physician is TCM healthcare service); and
 - 3.5.2 in the case of consultants providing business consulting services to the Group, (i) the historical collaboration relationships between such consultant and the Group; (ii) the continuing services intended to be provided onwards by such consultant to the Group; (iii) the Group's future business plans in relation to further collaboration with such consultant; (iv) the positive impacts the consultant has brought and anticipated to be continuously brought to the Group's business development; (v) track record in the quality of consulting services provided by such consultant; (vi) the capacity, expertise and reputation of such consultant; and (vii) the nature of the service (i.e. whether the service provided and anticipated to be continuously provided by such consultant is business consulting service on healthcare products quality control, medical regulations and policies, operation of offline medical institutions or medical research and development).
- 3.6 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 in relation to the administration or interpretation of the Scheme, and the Company shall indemnify on demand and hold harmless each employee or officer of the Company or any Director to whom any duty or power relating to the administration or interpretation of the

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

4. GRANT OF OPTIONS

4.1 Subject to the terms of the Scheme (and in particular paragraphs 4.3 to 4.8 and 8), the Board shall be entitled (but not bound) at any time within the period of 10 years after the Adoption Date to make an Offer to any Eligible Participant, as the Board may in its absolute discretion select, to take up an Option pursuant to which such Eligible Participant may, during the Option Period, subscribe for such number of Shares (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof) as the Board may determine at the Subscription Price. The Board may in its absolute discretion specify such conditions, restrictions or limitations as it thinks fit when making an Offer to an Eligible Participant (including, without limitation, as to the performance targets, clawback mechanism and the vesting period attached to the Option), provided that such conditions shall not be inconsistent with any other terms and conditions of the Scheme. The number of Options and/or vesting conditions attached to such Options will be determined by the Board in its absolute discretion with reference to the job title of the relevant Employee Participants.

4.2 Each Offer shall be in writing and shall:

4.2.1 state the name and address of the Eligible Participant;

4.2.2 state the Offer Date;

4.2.3 specify a date, being a date not later than one month after (i) the Offer Date, or (ii) the date on which the conditions (if any) for the Offer are satisfied, whichever is earlier, by which the Eligible Participant must accept the Offer or be deemed to have declined it;

4.2.4 state the method for accepting the Offer and that an acceptance of the Offer must be accompanied by payment of the Option Price and, if applicable, its payment mechanism;

4.2.5 state that the Option Price is not refundable (except in the case of paragraph 4.9) and shall not in any circumstances be, or be deemed to be, a part payment of the Subscription Price;

4.2.6 specify the maximum number of Shares to which the Offer relates;

4.2.7 specify the Subscription Price and, if applicable, its payment mechanism;

4.2.8 specify the Option Period, including any period by which unvested Options shall become vested and exercisable and, if applicable, the time within which a vested Option must be exercised;

- 4.2.9 specify the vesting period, which shall not be less than 12 months, unless the Board determines, in its sole discretion, that the Option granted to an Employee Participant may be subject to a vesting period of less than 12 months in the following circumstances:
- 4.2.9.1 Options are subject to performance-based vesting conditions, in lieu of time-based vesting criteria to stimulate the Employee Participants to achieve the relevant performance targets in a shorter period; or
 - 4.2.9.2 Options are granted in batches during a year for administrative and compliance reasons, in which case, the vesting period may be shorter to reflect the time from which the Option would have been granted.
- 4.2.10 specify the clawback mechanism as the Board may determine from time to time, including but not limited to in the occurrence of:
- 4.2.10.1 any Specific Circumstances of an Eligible Participant;
 - 4.2.10.2 any violation of a Grantee to obligations of confidentiality or non-competition to the Group, or any leakage by such Grantee of the Group's trade secrets, intellectual property or proprietary information within the period of five years after such Grantee ceasing to be an Eligible Participant; or
 - 4.2.10.3 any conduct of a Grantee that has materially adverse effect to the reputation or interests of any member of the Group within the period of five years after such Grantee ceasing to be an Eligible Participant,
- upon which, the Company may require such Grantee to return the gains from the exercised Option;
- 4.2.11 specify the performance target, as the Board may in its absolute discretion specify as it thinks fit, which will be imposed on a case-by-case basis to ensure the Options exercised would be beneficial to the Group, with general factors to be taken into account include but not limited to (i) at the Company level, the period-to-period growth and development of the Group, the key performance indicators of which will tentatively tie to the phased revenue and profits after taking into account the period-to-period macroeconomic condition and the market and industry condition, as well as the overall strategic planning of the Group (i.e. the business focus of the Group of the upcoming financial year) and (ii) at the individual level, his/her personal position, the overall grade for his/her work performance (i.e. year-end appraisal result), his/her continued contribution to the Group in terms of revenue contribution, customer feedbacks, as well as quality, attitude (i.e. whether the Grantee is disciplined and responsible), capabilities (i.e. work capabilities and independence of the Grantee), teamwork (i.e. the communication skills of the Grantee and whether the Grantee is a team player) and other factors relevant to the Grantee;
- 4.2.12 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 the Scheme;

- 4.2.13 if applicable, specify any other conditions attached to the Offer or Option as the Board may determine from time to time; and
- 4.2.14 subject to the above, be made in such form as the Board may from time to time prescribe.
- 4.3 No Offer shall be made to, and no Option shall be capable of acceptance by, any Eligible Participant after inside information has come to the knowledge of the Company until (and including) the trading day after it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of: (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (2) 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 announcements, no Option may be granted. Such period will cover any period of delay in the publication of a results announcement. Unless a method has been specified according to paragraph 4.2.4, an Offer shall be deemed to have been accepted by the Grantee when the Company receives the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein, together with a remittance of the Option Price to the Company. Any Offer may be accepted in respect of all or 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 dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter duly completed by the Grantee. To the extent that an Offer is not accepted within the time stated in the Offer for that purpose, it shall be deemed to have been irrevocably declined and shall immediately lapse.
- 4.4 The provisions of paragraphs 4.5 to 4.8 and 5.1 shall be subject to any waiver or ruling granted by the Stock Exchange, and may be amended by the Board to reflect any amendments made by the Stock Exchange after the Adoption Date to the relevant provisions of the Listing Rules which these paragraphs have been drafted to reflect as at the Adoption Date. For the purpose of calculating the limit in paragraphs 4.5 and 4.7, options and awards that have already lapsed shall not be counted. For the purposes of paragraphs 4.5 and 4.7, "**Relevant Shares**" means Shares issued and to be issued in respect of all options and awards granted to an Eligible Participant under Relevant Schemes (as defined in paragraph 8.1 below) in the 12-month period up to and including the Offer Date of the relevant Option referred to in paragraph 4.5 or 4.7 (as the case may be).
- 4.5 Subject to paragraph 4.6, no Option shall be granted to any Eligible Participant ("**Relevant Eligible Participant**") if, at the time of grant, the number of Relevant Shares would exceed 1% of the total number of Shares in issue as at the Offer Date, unless:
- 4.5.1 such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by the Shareholders in general

- meeting, at which the Relevant Eligible Participant and his close associates (or his associates if the Relevant Eligible Participant is a connected person) abstained from voting;
- 4.5.2 a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in the relevant provisions of Chapter 17 of the Listing Rules; and
- 4.5.3 the number and terms of such Option are fixed before the general meeting of the Company at which the same are approved.
- 4.6 Where an Option is to be granted to any Director, the chief executive or any substantial shareholder of the Company (or any of their respective associates), the grant shall not be valid unless it has been approved by the independent non-executive Directors, excluding any independent non-executive Director who is the proposed Grantee of the Option.
- 4.7 Where an Option is to be granted to an independent non-executive Director or a substantial shareholder of the Company (or any of their respective associates), and the grant will result in the number of the Relevant Shares exceeding 0.1% of the total number of Shares in issue as at the Offer Date, such grant shall not be valid unless:
- 4.7.1 the grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by the Shareholders in general meeting, at which the proposed Grantee, his associates and all core connected persons of the Company abstained from voting in favour of the relevant resolution granting the approval;
- 4.7.2 a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including but not limited to, the views of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the Option) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and Shareholders as a whole, and their recommendation to the independent Shareholders as to voting); and
- 4.7.3 the number and terms of such Option are fixed before the general meeting of the Company at which the same are approved.
- 4.8 Where any change is to be made to the terms of any Option granted to an independent non-executive Director or a substantial shareholder of the Company (or any of their respective associates) and:
- 4.8.1 such grant has been approved in accordance with paragraph 4.7; or
- 4.8.2 (where the grant was not subject to paragraph 4.7) as a result of such proposed change, the grant would come to be subject to paragraph 4.7,

such change shall not be valid unless:

- 4.8.3 the change has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by the Shareholders in general meeting, at which such Grantee, his associates and all core connected persons of the Company abstained from voting in favour of the relevant resolution granting the approval; and
 - 4.8.4 a circular regarding the change has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including but not limited to, the views of the independent non-executive Directors (excluding the independent non-executive Director who is the Grantee of the Option) as to whether the change is fair and reasonable and whether such change is in the interests of the Company and Shareholders as a whole, and their recommendation to the independent Shareholders as to voting).
- 4.9 In the cases referred to in paragraphs 4.5 to 4.8, where an Option has not been approved by the Shareholders in general meeting or by the independent non-executive Directors (as the case may be), the Option Price paid by the Eligible Participant relating to such Option shall be refunded (without interest) by the Company.

5. SUBSCRIPTION PRICE

- 5.1 Subject to paragraphs 5.2 and 9, the Subscription Price shall be a price determined by the Board and notified to an Eligible Participant and shall be at least the highest of:
- 5.1.1 the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day;
 - 5.1.2 the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and
 - 5.1.3 the nominal value of a Share.
- 5.2 Where an Option is to be granted under paragraphs 4.5, 4.7 or 8.6 or where a change is to be made under paragraph 4.8, for the purposes of paragraphs 5.1.1 and 5.1.2 the date of the Board meeting at which the grant or the change was proposed shall be taken to be the Offer Date for such Option, and the provisions of paragraph 5.1 shall apply *mutatis mutandis*.

6. EXERCISE OF OPTION

- 6.1 An Option shall be personal to the Grantee and shall not be assignable nor transferable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so.

- 6.2 Subject to the terms of grant of any Option and the provisions of paragraph 6.3, an Option may be exercised in whole or in part by the Grantee before its expiry giving notice in writing to the Company stating that the Option is to be exercised and the number of Shares in respect of which it is exercised. Any partial exercise of the Option shall be in respect of such number of Shares as from time to time constitute a board lot or integral multiple thereof for the purpose of trading the Shares on the Stock Exchange. 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. Unless otherwise specified in the Offer, the aggregate Subscription Price may be paid in cash, by cheque or any other means deemed acceptable by the Board. Within 30 days after receipt of the notice and (where appropriate) receipt of the independent financial adviser's or the Auditors' certificate under paragraph 9, the Company shall allot and issue the relevant Shares to the Grantee credited as fully paid and issue to the Grantee a share certificate in respect of the Shares so allotted.
- 6.3 Subject to the terms of grant of any Option as specified in the offer of the Option, including the vesting period and the performance targets and clawback mechanism, if any, attached to the Option, an Option may be exercised by the Grantee at any time during the Option Period provided that:
- 6.3.1 subject to paragraphs 6.3.2, 6.3.3, 6.3.4, 6.3.5, 6.3.6 and 7.1.6, where the Grantee of an outstanding Option ceases to be an Eligible Participant for any reason, any part of the Option which has been vested and is exercisable prior thereto shall remain exercisable within three months (or such other period as the Board may determine) following the date of cessation, after which date any outstanding Option shall lapse and not be exercisable, and any part of the Option which has yet to be vested prior to the date of cessation shall lapse on the date of cessation and not be exercisable. The date of such cessation shall be (i) if he is an employee of the Group, his last actual working day at his workplace with the Group whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of the Group, the date on which the contract or arrangement constituting him an Eligible Participant ceases;
- 6.3.2 where the Grantee of an outstanding Option dies or loses working capability due to performance of duties before exercising the Option in full or at all, any part of the Option which has been vested and is exercisable prior to the date of death or the date of occurrence of relevant event shall remain exercisable by such Grantee or his lawful successor(s) within twelve months (or such other period as the Board may determine) following the date of death or the date of occurrence of relevant event, after which date any outstanding Option shall lapse and not be exercisable, and any part of the Option which has yet to be vested prior thereto shall lapse on the date of death or the date of occurrence of relevant event and not be exercisable;
- 6.3.3 where the Grantee (being an Employee Participant) of an outstanding Option ceases to be an Eligible Participant by reason of termination of employment due to his permanent physical or mental disablement, or retirement before exercising the Option in full or at all, any part of the Option which has been vested and is exercisable prior thereto shall remain exercisable within twelve months (or such

other period as the Board may determine) following the date of termination or retirement, after which date any outstanding Option shall lapse and not be exercisable, and any part of the Option which has yet to be vested prior thereto shall lapse on the date of termination or retirement and not be exercisable;

- 6.3.4 where the Grantee (being an Employee Participant) of an outstanding Option ceases to be an Eligible Participant by reason of termination of employment due to redundancy by the Group before exercising the Option in full or at all, any part of the Option which has been vested and is exercisable prior to the date of termination shall remain exercisable by such Grantee within three months following the date of termination, after which date any outstanding Option shall lapse and not be exercisable, and any part of the Option which has yet to be vested prior thereto shall lapse on the date of termination and not be exercisable;
- 6.3.5 where the Grantee (being an Employee Participant) of an outstanding Option ceases to be an Eligible Participant by resignation, expiry of employment contract, termination of employment by suggestion of the Group, or dismissal by the Group due to his failure to meet the standards in appraisal or his inability to perform the job, other than termination of employment on one or more of the grounds specified in paragraph 7.1.6, before exercising the Option in full or at all, any part of the Option which has been vested and is exercisable prior to the date of termination shall remain exercisable by such Grantee within three months following the date of such cessation or termination, after which date any outstanding Option shall lapse and not be exercisable, and any part of the Option which has yet to be vested prior thereto shall lapse on the date of such cessation or termination and not be exercisable. The date of such cessation or termination shall be his last actual working day at his workplace with the Group whether salary is paid in lieu of notice or not;
- 6.3.6 where the Grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his creditors generally, before exercising the Option in full or at all, any part of the Option which has been vested and is exercisable prior to the date of such event shall remain exercisable by such Grantee within three months following the date of such event, after which date any outstanding Option shall lapse and not be exercisable, and any part of the Option which has yet to be vested prior thereto shall lapse on the date of such event and not be exercisable;
- 6.3.7 if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 6.3.8) is made to all the Shareholders (or all the 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 give notice thereof to the Grantee and the Grantee (or his personal representatives) may by notice in writing to the Company within 14 days after such offer becoming or being declared unconditional exercise the Option to its full extent or to the extent specified in such notice;

- 6.3.8 if a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and the scheme has been approved by the Shareholders at the requisite meetings, the Company shall give notice thereof to the Grantee and the Grantee (or his personal representatives) may thereafter (but before such time as shall be notified by the Company) by notice in writing to the Company within 14 days after the date of such approval exercise the Option to its full extent or to the extent specified in such notice;
- 6.3.9 in the event a notice is given by the Company to its Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all Grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each Grantee (or his or her personal representatives) shall be entitled to exercise all or any of his Options 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 three business days immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant Shares to the Grantee credited as fully paid;
- 6.3.10 in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 6.3.8 above, between the Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company (which may cause the Option no longer exercisable), the Company shall give notice thereof to all the Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and any Grantee may at any time thereafter but before such time as shall be notified by the Company exercise the Option 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 meeting, allot, issue and register in the name of the Grantee such number of fully-paid Shares which fall to be issued on exercise of such Option.
- 6.4 The Shares to be allotted and issued upon the exercise of an Option shall be subject to the amended and restated memorandum and articles of association of the Company and shall rank *pari passu* in all respects with the fully-paid Shares in issue of the Company as at the date of allotment and will entitle the holders to participate in all dividends or other distributions declared or recommended or resolved to be paid or made in respect of a record date falling on or after the date of allotment. Prior to the Grantee being registered as a Shareholder on the register of members of the Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions or any rights arising on a liquidation of the Company, in respect of the Shares to be issued upon the exercise of the Option.

7. LAPSE OF OPTION

- 7.1 The right to exercise an Option (to the extent not already exercised) shall automatically terminate immediately upon the earliest of:
- 7.1.1 the expiry of the Option Period or any period within which an Option may be exercised as stipulated in the Offer;
 - 7.1.2 the expiry of any of the periods referred to in paragraphs 6.3.1, 6.3.2, 6.3.3, 6.3.4, 6.3.5, 6.3.6 or 6.3.7;
 - 7.1.3 subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph 6.3.8;
 - 7.1.4 subject to paragraph 6.3.9, the date of the commencement of the winding-up of the Company;
 - 7.1.5 subject to paragraph 6.3.10, the proposed compromise or arrangement becoming effective;
 - 7.1.6 the date on which the Grantee ceases to be an Eligible Participant due to any Specific Circumstances. For the avoidance of doubt, any Option which has yet to be exercised prior to the date of such Specific Circumstance shall lapse in such situation and not be exercisable. A resolution of the Board to the effect that the employment or other relevant contract or arrangement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 7.1.6 shall be final and conclusive;
 - 7.1.7 if an Option was granted subject to certain conditions, restrictions or limitation, the date on which such conditions, restrictions or limitation is not satisfied or capable of being satisfied; or
 - 7.1.8 the date on which the Grantee commits a breach of paragraph 6.1.

8. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- 8.1 Subject to paragraphs 8.4 and 8.6, the total number of Shares which may be issued in respect of all options and awards to be granted under the Scheme and any other Share Schemes (the “**Relevant Scheme(s)**”) must not in aggregate exceed 10% of the total number of Shares in issue as at the Adoption Date (the “**Scheme Mandate Limit**”).
- 8.2 Subject to paragraphs 8.1, 8.5 and 8.6, the total number of Shares which may be issued in respect of all options and awards to be granted to all service providers (as defined therein) under the Relevant Scheme(s) must not in aggregate exceed 6% of the total number of Shares in issue as at the Adoption Date (the “**Service Provider Sublimit**”).
- 8.3 Subject to paragraph 13.2, for the purposes of calculating the Scheme Mandate Limit and the Service Provider Sublimit under paragraphs 8.1 and 8.2, options and awards that have already lapsed in accordance with the terms of the Relevant Scheme(s) shall not be regarded as utilised.

- 8.4 If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit or the Service Provider Sublimit has been approved by the Shareholders in general meeting, the maximum number of Shares that may be issued in respect of all options and awards to be granted under all Relevant Scheme(s) under the Scheme Mandate Limit or the Service Provider Sublimit as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.
- 8.5 The Scheme Mandate Limit and the Service Provider Sublimit may be refreshed by the Shareholders in general meeting after three years from the date of Shareholders' approval for the last refreshment (or the adoption of the Scheme), provided that:
- 8.5.1 the total number of Shares which may be issued in respect of all options and awards to be granted under all Relevant Scheme(s) under the Scheme Mandate Limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval of the refreshing of the Scheme Mandate Limit by the Shareholders;
 - 8.5.2 the total number of Shares which may be issued in respect of all options and awards to be granted under all Relevant Scheme(s) under the Service Provider Sublimit as refreshed shall not exceed 6% of the total number of Shares in issue as at the date of approval of the refreshing of the Service Provider Sublimit by the Shareholders; and
 - 8.5.3 a circular regarding the proposed refreshing of the Scheme Mandate Limit and the Service Provider Sublimit has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules.

Within three years from the date of Shareholders' approval for the last refreshment (or the adoption of the Scheme), the Scheme Mandate Limit and Service Provider Sublimit may be refreshed by the Shareholders in general meeting subject to the requirements under paragraphs 8.5.1, 8.5.2 and 8.5.3 and the following provisions:

- 8.5.4 any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
- 8.5.5 the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements under paragraphs 8.5.4 and 8.5.5 do not apply if such refreshment is made immediately after an issue of securities by the Company to Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit and the Service Provider Sublimit (as a percentage of the total number of issued Shares) upon refreshment is the same as the unused part of the Scheme Mandate Limit and the Service Provider Sublimit immediately before the issue of securities, rounded to the nearest whole Share.

- 8.6 The Company may seek separate approval from the Shareholders in general meeting for granting Options which will result in the Scheme Mandate Limit being exceeded, provided that:
- 8.6.1 the grant is only to Eligible Participants specifically identified by the Company before the approval is sought;
 - 8.6.2 a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and
 - 8.6.3 the number and terms of the Options to be granted to such Eligible Participants are fixed before the general meeting of the Company at which the same are approved.

9. REORGANISATION OF CAPITAL STRUCTURE

- 9.1 In the event of any alteration in the capital structure of the Company whilst any Option remains outstanding, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company, the Company shall make corresponding adjustments (if any) to:
- 9.1.1 the maximum number of Shares subject to the Scheme; and/or
 - 9.1.2 the number or nominal amount of Shares subject to the Options already granted so far as they remain exercisable; and/or
 - 9.1.3 the Subscription Price,
- provided that:
- 9.1.4 no such adjustments shall be made in respect of an issue of securities by the Company as consideration in a transaction;
 - 9.1.5 any such adjustments must be made so that each Grantee is given the same proportion of the share capital of the Company, rounded to the nearest whole Share, as that to which he was previously entitled;
 - 9.1.6 no such adjustments shall be made which would result in the Subscription Price for a Share being less than its nominal value, provided that in such circumstances the Subscription Price shall be reduced to the nominal value;
 - 9.1.7 any such adjustments, save those made on a capitalisation issue, shall be confirmed by an independent financial adviser or the Auditors in writing to the Directors as satisfying the requirements of paragraph 9.1.5 above, the requirements of the relevant provisions of the Listing Rules and the supplementary guidance on Rule 17.03(13) of the Listing Rules set out in the letter issued by the Stock Exchange on September 5, 2005 (the “**Supplementary Guidance**”) and any further guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time, and that in the

opinion of the Auditors or an independent financial adviser that the adjustments made by the Board under this paragraph 9.1 are fair and reasonable;

9.1.8 any such adjustments to be made pursuant to a subdivision or consolidation of share capital 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; and

9.1.9 any adjustments to be made will comply with the Listing Rules, the Supplementary Guidance and any further guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

9.2 If there has been any alteration in the capital structure of the Company as referred to in paragraph 9.1, the Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 6.2, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made pursuant to the certificate of the independent financial adviser or the Auditors (as the case may be) 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 independent financial adviser or the Auditors (as the case may be) as soon as practicable to issue a certificate in that regard in accordance with paragraph 9.1.

9.3 For the purposes of paragraph 9, the independent financial adviser or the Auditors shall act as experts and not as arbitrators and their certification shall be final and binding on the Company and the Grantees. Their costs shall be borne by the Company.

10. SHARE CAPITAL

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

11. DISPUTES

Any dispute arising in connection with the Scheme (whether as to the number of Shares which is the subject of an Option, the amount of the Subscription Price, or otherwise) shall be referred to the decision of the Board and whose decision shall be final and binding.

12. ALTERATION OF THE SCHEME

12.1 The Scheme may be altered in any respect by resolution of the Board, except that any alterations to the terms and conditions of the Scheme that are of a material nature or any alterations to the specific terms of this Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Grantees or proposed Grantees must be approved by the Shareholders in general meeting (with the Grantees and their associates abstaining from voting). The Board's determination as to whether any

proposed alteration to the terms and conditions of the Scheme is material shall be conclusive.

- 12.2 Any change to the authority of the Board to alter the terms of the Scheme shall not be valid unless approved by Shareholders in general meeting.
- 12.3 Any change to the terms of Options granted to a Grantee must be approved by the Board, the Remuneration Committee, the independent non-executive Directors of the Company and/or the Shareholders (as the case may be) if the initial grant of such Options under the Scheme was approved by the Board, the Remuneration Committee, the independent non-executive Directors of the Company and/or the Shareholders (as the case may be) except where the alterations take effect automatically under the existing terms of the Scheme.
- 12.4 The amended terms of the Scheme or the Options must comply with the relevant requirements of Chapter 17 of the Listing Rules.
- 12.5 The Company must provide to all Grantees all details relating to changes in the terms of the Scheme during the life of the Scheme immediately upon such changes taking effect.

13. CANCELLATION OF OPTIONS GRANTED

- 13.1 The Company may cancel an Option granted with the approval of the Grantee of such Option.
- 13.2 No options or awards may be granted to an Eligible Participant in place of his cancelled Options unless there are available Scheme Mandate Limit and Service Provider Sublimit (if applicable) from time to time. For the purpose of this paragraph 13.2, the Options cancelled will be regarded as utilised in calculating the Scheme Mandate Limit and the Service Provider Sublimit.

14. TERMINATION

- 14.1 The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered but in all other respects the provisions of the Scheme shall remain in full force and effect and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Scheme.

15. GENERAL

- 15.1 Notwithstanding any provision of any other paragraph of the Scheme:

15.1.1 the Scheme shall not form part of any contract of employment between the Company or any subsidiary (as appropriate) and any Eligible Participant; where an Eligible Participant is an employee of the Company or any subsidiary, the rights and obligations under the terms of his office or employment shall not be affected by his participation in the Scheme or any right which he may have to participate in it and the 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; and

- 15.1.2 the Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company or any subsidiary (as appropriate) directly or indirectly or give rise to any cause of action at law or in equity against the Company or any subsidiary (as appropriate).
- 15.2 The Company shall bear the costs of establishing and administering the Scheme.
- 15.3 A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to the Shareholders. Further, the Company shall provide a copy of the rules of the Scheme to any Grantee who requests such a copy.
- 15.4 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or personal delivery to the address as notified to the Grantee from time to time and, in the case of the Grantee, his/her address as notified to the Company from time to time. Notices may also be sent electronically to Grantees by sending it to the e-mail address notified by the Grantee to the Company from time to time.
- 15.5 Except as otherwise expressly provided under this Scheme,
- 15.1.1 any notice or other communication served by post:
- (i) by the Company shall be deemed to have been served 24 hours after the same was put in the post; and
 - (ii) by the Grantee shall not be deemed to have been received until the same shall have been received by the Company;
- 15.1.2 any notice or other communication served by hand shall be deemed to have been served at the time of delivery; or
- 15.1.3 any notice or other communication served by electronic means by the Company or the Grantee shall be deemed to have been served if the sender did not receive a failure of receipt notification.
- 15.6 Any notice or other communication shall not be withdrawn once it is delivered by the Grantee, except for those which shall only become effective upon a confirmation of the receipt by the Company.
- 15.7 A Grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction other than Hong Kong (or the country of incorporation of the Company if the Company is incorporated outside of Hong Kong) in order to permit the grant or exercise of an Option. A Grantee shall pay all tax and discharge all other liabilities to which he may become subject to as a result of his or her participation in the Scheme, the exercise of any Option or the disposal of any Share to be issued pursuant to the exercise of the Options. The Company or any subsidiary (as appropriate) 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 or her participation in the Scheme, the exercise of any Option or the disposal of any Share to be issued pursuant to the exercise of the Options. A Grantee shall, on demand, indemnify the Company or any subsidiary (as appropriate) in full against all claims and demands which may be made against the Company or any subsidiary (as appropriate) (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 above or to pay any tax or other liability referred to above and against all incidental costs and expenses which may be incurred by the Company or any subsidiary (as appropriate) in connection therewith.

- 15.8 The Company shall not be responsible for the lapse or cancellation of any Options granted to any Eligible Participant by reason of the operation of the rules of the Scheme.
- 15.9 Subject to paragraph 12.1, the Board shall have the power from time to time to make or vary regulations for the administration and operation of the Scheme, provided that the same are not inconsistent with the provisions of the Scheme and the Listing Rules.
- 15.10 The Scheme and all Options granted under the Scheme shall be governed by and construed in accordance with the laws of Hong Kong. The courts of Hong Kong are to have non-exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Scheme and all Options granted under it and accordingly any legal action or proceedings arising out of or in connection with the Scheme and all Options granted under it may be brought in such courts.

- End of the Scheme -