

CHINA STAR ENTERTAINMENT LIMITED
(incorporated in Bermuda with limited liability)

**RULES OF THE
SHARE OPTION SCHEME
ADOPTED BY THE SHAREHOLDERS
AT THE ANNUAL GENERAL MEETING
HELD ON [●]**

DEFINITIONS

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

“Adoption Date”

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

“associates”

has the same meaning as defined in the Listing Rules;

“Auditors”

the auditors for the time being of the Company;

“Board”

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

“Business Day”

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

“Bye-laws”

the bye-laws of the Company as amended from time to time;

“chief executive”

has the same meaning as defined in the Listing Rules;

“close associates”

has the same meaning as defined in the Listing Rules;

“Company”

China Star Entertainment Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange;

“connected person”

has the same meaning as defined in the Listing Rules;

“core connected person”

has the same meaning as defined in the Listing Rules;

“Directors”

the directors of the Company for the time being;

“Eligible Participant(s)”

full time or part time employees of the Group or any Invested Entity (including any directors, whether executive or non-executive and whether independent or not, of the Company or any Subsidiary or any Invested

Rule
17.03(2)

Entity); and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, producers or licensors, licensees (including any sub-licensees) or distributors of the Group or any Invested Entity, as determined by the Board in its absolute discretion;

“Exercise Date”

has the meaning ascribed to it in sub-paragraph 6.4;

“Exercise Price”

the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph 6 and subject to any adjustments made pursuant to paragraph 9;

“Grantee(s)”

Any Eligible Participant(s) who accept(s) an Offer in accordance with the terms of this Scheme or (where the context so permits and as referred to in sub-paragraph 6.3(a)) his Personal Representative(s);

“Group”

the Company and its Subsidiaries;

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong for the time being;

“Hong Kong”

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

“inside information”

has the same meaning as defined in the Listing Rules;

“Invested Entity”

any entity in which the Group holds an equity interest;

“Listing Rules”

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

“Macau”

the Macau Special Administrative Region of the People’s Republic of China;

“Offer”

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

“Offer Date”

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

“Option”

an option to subscribe for Shares granted pursuant to this Scheme;

“Option Period”

in respect of any particular Option, the period to be determined and notified by the Directors to the Grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination thereof contained in paragraph 7;

“Participant Limit”

has the meaning ascribed to it in sub-paragraph 8.4;

“Personal Representative(s)”

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

“Scheme”

this Share Option Scheme in its present form or as may be amended in accordance with paragraph 13;

“Scheme Mandate Limit”

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

“Scheme Period”

means the period commencing on the Adoption Date and expiring on the earlier of the Termination Date or the date on which this Scheme is terminated pursuant to paragraph 14;

“Share Registrar”

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

“Share(s)”

share(s) of HK\$0.01 each of the Company, or, if there has been a sub-division, consolidation, re-classification or re-construction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company of such other nominal amount as shall result from any such sub-division, consolidation, re-classification or re-construction;

“Shareholder(s)”

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

“Stock Exchange”

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

“Subsidiary”

a company which is for the time being and from time to time a subsidiary of the Company (within the meaning of the Companies Act 1981 of

Bermuda), whether incorporated in Hong Kong, Macau, the British Virgin Islands, or elsewhere;

“substantial shareholder”

has the same meaning as defined in the Listing Rules;

“Takeovers Code”

the Hong Kong Codes on Takeovers and Mergers;

“Termination Date”

close of business of the Company on the date immediately preceding the tenth anniversary of the Adoption Date; and

“%”

per cent.

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

- (a) paragraph headings are for ease of reference only and shall be ignored in construing this Scheme;
- (b) references to paragraph or paragraphs are references to paragraph or paragraphs hereof;
- (c) words importing the singular include the plural and vice versa;
- (d) words importing one gender include both genders and the neuter and vice versa;
- (e) references to persons include bodies corporate and unincorporated;
- (f) references to any statutory provisions or rules prescribed by any statutory bodies shall include the same as from time to time amended, consolidated and re-enacted; and
- (g) 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 this Scheme is conditional upon:

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

Rule
17.02(1)(a)

grant Options and to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the exercise of any Options granted under this Scheme.

- 2.2 If the conditions referred to in sub-paragraph 2.1 are not satisfied on or before the date falling six calendar months after the Adoption Date, this Scheme shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Scheme.
- 2.3 Reference in sub-paragraph 2.1 to the Listing Committee of Stock Exchange formally granting the approvals, listing and permission referred to therein shall include any such approvals, listing and permission which are granted subject to conditions.
- 2.4 A certificate of a Director that the conditions set out in sub-paragraph 2.1 have been satisfied and the date on which such conditions were satisfied or that such conditions have not been satisfied as of any particular date and the exact date of the Adoption Date shall be conclusive evidence of the matters certified.
- 2.5 The Company shall publish an announcement on the outcome of the Shareholders' meeting as referred to in sub-paragraph 2.1(b) for the adoption of this Scheme as soon as possible, but in any event not later than the time that is 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Business Day after such general meeting, in accordance with the requirements under the Listing Rules.

Rule
17.02(1)(a)

3. PURPOSE, DURATION AND ADMINISTRATION

- 3.1 The purpose of the Scheme is to enable the Company to grant Options to selected Eligible Participants as incentives or rewards for their contribution or potential contribution to the Group or any Invested Entity and/or to recruit and retain high caliber Eligible Participants and attract human resources that are valuable to the Group. The Scheme shall be subject to the administration of the Board whose decision on all matters arising from or in relation to this Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.
- 3.2 The basis of eligibility of any Eligible Participant to the grant of any Option shall be determined by the Board (or where necessary, the independent non-executive Directors and/or the remuneration committee of the Board) from time to time at its absolute discretion on the basis of the Eligible Participant's contribution or potential contribution to the Group or any Invested Entity. In determining whether a person has contributed or will contribute to the Group, the Company will take into account, among other things, whether contribution has been made to or will be made to the Group in terms of operation, financial performance, prospects, growth, development, reputation and image of the Group. In assessing the eligibility of any Eligible Participant, the Board will consider all relevant factors as appropriate, including, among others, (i) in respect of employees and directors of the Group or any Invested Entity: (a) his responsibilities and

Rule
17.03(1)

contributions made or to be made to the Group; (b) his ability to further promote the development of the Group; (c) his years of service; and (d) his professional qualifications and knowledge in the industry; and (ii) in respect of all other Eligible Participants (i.e. those who are not employees or directors of the Group or any Invested Entity): (a) the quality of services provided; (b) the scale of their business involvements or dealings with the Group (e.g. in terms of fees payable, where applicable); (c) the length of their respective business relationships with the Group; and (d) the benefits and positive impacts they have brought about to the Group's business development.

- 3.3 Subject to paragraphs 2 and 14, this Scheme shall be valid and effective until the Termination Date, after which period no further Options will be granted but the provisions of this Scheme shall remain in full force and effect in all other respects 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. Options granted during the life of this Scheme shall continue to be valid and exercisable in accordance with their terms of grant and provisions of this Scheme within the Option Period. Rule
17.03(11)
- 3.4 An Eligible Participant shall ensure that any exercise of his Option under paragraph 6 is valid and complies with all laws, legislations and regulations to which he is subject. The Directors may, as a condition precedent of issuing Shares upon an exercise of an Option, require the relevant Grantee to produce such evidence as it may reasonably require for such purpose.
- 3.5 There is no specified minimum period under this Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of this Scheme save as otherwise imposed by the Board as it thinks fit in the relevant Offer. Rules
17.03(6)
17.03(7)
- 3.6 Subject to compliance with the requirements of the Listing Rules and the provisions of this Scheme, the Board shall have the right to (a) interpret and construe the provisions of this Scheme; (b) to determine the persons (if any) who will be offered Options under this Scheme; (c) determine the Exercise Price; (d) make such appropriate and equitable adjustments to the terms of the Options granted under this Scheme to the relevant Grantee as the Board deems necessary, and shall notify the relevant Grantee of such adjustment by written notice; and (e) make such other decisions, determinations or regulations as it shall deem appropriate in the administration of this Scheme.
- 4. GRANT OF OPTIONS**
- 4.1 The Board shall, subject to and in accordance with the provisions of this Scheme and the Listing Rules, be entitled (but shall not be bound) at any time and from time to time on any Business Day within the Scheme Period to make an Offer to such Eligible Participant as it may in its absolute discretion select, and subject to such conditions as the Board may think fit, to subscribe during the Option Period for such number of Shares as the Board may, subject to paragraph 10, determine at the Exercise Price provided that no Option shall be granted by the Board:

- (a) after inside information has come to the knowledge of the Board until the Board has announced the information pursuant to the requirements of the Listing Rules; Rule 17.05
- (b) during the period commencing one month immediately before the earlier of: (i) 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, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement;
- (c) during any period of delay in publishing a results announcement; and
- (d) to any of the Directors during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

4.2 An Offer shall be made to an Eligible Participant on a Business Day in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine either generally or on a case-by-case basis specifying the number of Shares, the Exercise Price, the Option Period (including the minimum period, if any, for which the Option, or any part thereof, must be held before it, or the relevant part, can be exercised), any performance targets that must be achieved any other conditions (including vesting conditions) that must be fulfilled before an Option can be exercised in respect of which the Offer is made and further requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of this Scheme and shall include a statement to the effect that any acceptance thereof shall render the Eligible Participant who is being offered bound by the provisions of this Scheme, and shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including his Personal Representative(s)) for a period of thirty (30) days inclusive of, and from the Offer Date provided that no such Offer shall be open for acceptance after the earlier of the Termination Date or the date on which this Scheme is terminated pursuant to paragraph 14.

4.3 An Offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the Offer duly signed by the Eligible Participant with the number of Shares in respect of which the Offer is accepted stated therein, 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 thirty (30) days inclusive of, and from the Offer Date. Such remittance shall in no circumstances be refundable. Rule 17.03(8)

4.4 Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the Offer duly signed by such Eligible Participant and received by the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within thirty (30) days from the Offer Date (or such shorter period referred to in sub-paragraph 4.2). To the extent that the Offer is not accepted within the stated period, it will be deemed to have been irrevocably declined by the Eligible Participant and the Offer shall lapse and become null and void.

4.5 Upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with sub-paragraphs 4.3 or 4.4, an Option in respect of the number of Shares in respect of which the Offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the date of such acceptance provided that if such date of acceptance shall fall on a non-Business Day, the Business Day immediately following such date of acceptance shall be taken to be the date of acceptance for the grant of such Option. The Company shall, within seven (7) Business Day following the receipt of such acceptance and payment, issue an Option Certificate specifying details of the grant to the Grantee as confirmation of the grant. To the extent that the Offer is not accepted within thirty (30) days from the Offer Date (or such shorter period referred to in sub-paragraph 4.2) in the manner indicated in sub-paragraphs 4.3 or 4.4 it will be deemed to have been irrevocably declined by the Eligible Participant and the Offer shall lapse and become null and void.

4.6 Any grant of Options to any Director, chief executive, or substantial shareholder of the Company (excluding the proposed Director or proposed chief executive of the Company) or any of their respective associates shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an Option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

Rule
17.04(1),
17.04(3)

5. **EXERCISE PRICE**

5.1 The Exercise Price shall, subject to any adjustments made pursuant to paragraph 9, be determined at the absolute discretion of the Board, provided that it shall be not less than the highest of:

Rule
17.03(9)

- (a) the closing price of the Shares on the Stock Exchange as stated in the daily quotations sheet of the Stock Exchange on the Offer Date, which must be a Business Day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and

(c) the nominal value of the Share on the Offer Date.

6. EXERCISE OF OPTIONS

- 6.1 An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement to do so. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option or part thereof granted to such Grantee to the extent not already exercised. Rule 17.03(17)
- 6.2 Subject to sub-paragraph 15.8, an Option shall be exercisable in whole or in part in the circumstances and in the manner as set out in this sub-paragraph 6.2 or sub-paragraph 6.3 (as the case may be) by the Grantee (or, as the case may be, his Personal Representative(s)) giving notice in writing to the Company in such form as the Board may from time to time determine stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price for Shares in respect of which the notice is given. Within thirty (30) days (seven (7) days in the case of exercise pursuant to sub-paragraph 6.3(e)) after receipt of the notice and, where appropriate, receipt of the Auditors' or independent financial adviser's certificate pursuant to paragraph 9, the Company shall accordingly allot the relevant number of Shares to the Grantee (or, in the event of an exercise of Option by a Personal Representative pursuant to sub-paragraph 6.3(a), to the estate of the Grantee) credited as fully paid and instruct the Share Registrar to issue to the Grantee (or his estate in the event of an exercise by his Personal Representative(s) as aforesaid) a share certificate for the Shares so allotted.
- 6.3 Subject as hereinafter provided, an Option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that: Rule 17.03(5)
- (a) in the event of the Grantee ceasing to be an Eligible Participant by reason of his death before exercising the Option in full and where the Grantee is an employee or a director of a member of the Group or any Invested Entity none of the events which would be a ground for termination of his employment or directorship under sub-paragraph 7.1(c) arises, his Personal Representative(s) may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of sub-paragraph 6.2 within a period of six (6) months following the date of death, or up to the expiration of the Option Period, whichever is earlier, and such Option to the extent not so exercised shall lapse and determine at the end of the period of six (6) months or at the expiration of the Option Period, whichever is earlier, or if any of the events referred to in sub-paragraphs 6.3(e), 6.3(f) or 6.3(g) occur during such period, exercise the Option pursuant to sub-paragraphs 6.3(e), 6.3(f) or 6.3(g) respectively; Rule 17.03(12)
- (b) in the event of the Grantee who is an employee or a director of a member of the Group or any Invested Entity ceasing to be an Eligible Participant by

reason of ill-health or retirement as an employee or director in accordance with his contract of employment or service contract before exercising the Option in full, he may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of sub-paragraph 6.2 within a period of six (6) months following the date of such cessation or, if any of the events referred to in sub-paragraphs 6.3(e), 6.3(f) or 6.3(g) occurs during such period, exercise the Option pursuant to sub-paragraphs 6.3(e), 6.3(f) or 6.3(g) respectively. The date of cessation as aforesaid shall be the last day on which the Grantee is actually at work with the Company or the relevant Subsidiary or the relevant Invested Entity whether salary is paid in lieu of notice or not;

- (c) in the event of the Grantee who is an employee or a director of a member of the Group ceasing to be an Eligible Participant for any reason other than the reasons specified in sub-paragraph 6.3(a) and 6.3(b) or where the Grantee is an employee or a director of a member of the Group or any Invested Entity by reason of the termination of his employment or directorship on one or more of the grounds specified in sub-paragraph 7.1(c) before exercising the Option in full, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable, and to the extent that the Grantee has exercised the Option in whole or in part pursuant to sub-paragraph 6.2, but Shares have not been allotted to him on the date of cessation or termination of his employment or directorship, the Company shall have the absolute discretion to determine whether or not such Grantee is deemed to have exercised such Option, and where the Company has determined that the Grantee shall be deemed not to have so exercised such Option, the Company shall return to the Grantee the aggregate amount of the Exercise Price for the Shares (without interest) in respect of the purported exercise of such Option;
- (d) in the event of the Grantee who is a business or joint venture partner, contractor, agent or representative, consultant, adviser, producer or licensor, licensee (including any sub-licensee) or distributor of the Group or the relevant Invested Entity ceasing to be an Eligible Participant by reason of breach of contract entered into between such Eligible Participant and the relevant member of the Group or the relevant Invested Entity, in the absolute determination of the Board, the Option (to the extent not already exercised) shall lapse on the date of the Board's determination and not be exercisable;
- (e) if a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (as defined in the Takeovers Code) with the offeror, the Company shall use all its reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options

granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall, notwithstanding any other terms on which his Options were granted, be entitled to exercise the Option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to the Company in accordance with the provisions of sub-paragraph 6.2 at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under the scheme of arrangement, as the case may be. To the extent that any Option has not been so exercised, it shall upon the expiry of such period lapse and determine;

- (f) in the event a notice is given by the Company to its members to convene a special general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as it despatches such notice to each member of the Company give notice thereof to all Grantees (containing an extract of the provisions of this sub-paragraph) and thereupon, each Grantee or his Personal Representative(s) shall be entitled to exercise all or any of his Options (to the extent not already exercised) by giving notice in writing to the Company (such notice shall be received by the Company no later than five (5) Business Days prior to the proposed special general meeting), accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid. Subject thereto, all Options then outstanding shall lapse and determine on the date of commencement of the winding-up of the Company; and
- (g) in the event of a compromise or arrangement between the Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to its members or creditors to summon a meeting to consider such a scheme or arrangement and any Grantee or his Personal Representative(s) may by notice in writing to the Company (such notice shall be received by the Company no later than five (5) Business Days prior to the proposed meeting), accompanied by a remittance of the full amount of the aggregate Exercise Price in respect of which the notice is given 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 Business Day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee or his Personal Representative(s) which falls to be issued on such exercise of the Option credited as fully paid and register the Grantee as holder thereof. Subject thereto, all Options then outstanding shall lapse and determine upon such compromise or

Rule
17.03(10)

arrangement becoming effective.

- 6.4 Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Bye-laws for the time being in force and will rank pari passu in all respects with the existing fully paid Shares in issue on the date on which the Option is duly exercised or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered onto the register of members of the Company as the holder thereof.
- Rules
17.03(10)
17.03(15)

7. EARLY TERMINATION OF OPTION PERIOD

- 7.1 The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall automatically lapse on the earliest of:
- Rule
17.03(12)
- (a) subject to sub-paragraph 6.3, the expiry of the Option Period;
 - (b) the expiry of any of the periods referred to in sub-paragraph 6.3;
 - (c) the date on which the Grantee, being an employee or a director of a member of the Group or any Invested Entity, ceases to be an Eligible Participant by reason of voluntary resignation or dismissal or upon expiration of his term of directorship (unless immediately renewed upon expiration), or by termination of his employment or directorship on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Company and any member of the Group or the relevant Invested Entity into disrepute or otherwise does not compromise the integrity or involve dishonesty of the Grantee) or any other ground(s) on which the relevant member of the Group or the relevant Invested Entity would be entitled to terminate the Grantee’s employment or directorship pursuant to any applicable law; and
 - (d) the date on which the Directors shall exercise the Company’s right to cancel the Option by reason of a breach of sub-paragraph 6.1 by the Grantee in respect of that or any other Option.
- 7.2 A resolution of the Directors to the effect that the employment or directorship of a Grantee has or has not been terminated on one or more of the grounds specified in sub-paragraph 7.1(c) shall be conclusive and binding on the Grantee.

8. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

8.1 Subject to sub-paragraphs 8.2 and 8.3 and paragraph 9:

Rule
17.03(3)

- (a) The total number of Shares which may be issued upon exercise of all Options which may be granted at any time under this Scheme together with options which may be granted under any other share option schemes for the time being of the Company shall not exceed 10% of the total number of Shares in issue as at Adoption Date (the “**Scheme Mandate Limit**”), unless the Company obtains approval from the Shareholders pursuant to sub-paragraphs 8.1(b) or 8.1(c). Options lapsed in accordance with the terms of this Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (b) The Company may seek approval by the Shareholders in general meeting to refresh the Scheme Mandate Limit under this Scheme. However, the total number of Shares which may be issued upon exercise of all Options to be granted under this Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of passing the relevant resolution. Options previously granted under this Scheme (including those outstanding, cancelled, lapsed in accordance with this Scheme or exercised Options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. The Company shall send a circular to its Shareholders containing the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.
- (c) The Company may seek separate approval by the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit provided the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought and that the proposed Grantee and his/her close associates (or his/her associates if the proposed Grantee is a connected person of the Company) shall abstain from voting in the general meeting. The Company shall send a circular to the Shareholders containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose, the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules.

8.2 Notwithstanding anything contained in sub-paragraph 8.1 and subject to sub-paragraphs 8.4 and 8.5, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under this Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No Options may be granted under this Scheme or any other share option schemes of the Company if

this will result in such limit being exceeded.

- 8.3 If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit has been approved by the Shareholders in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under all of the share option schemes of the Company under the Scheme Mandate Limit 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.
- 8.4 Unless approved by the Shareholders in the manner set out in sub-paragraph 8.5, the total number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participants (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue from time to time (the “**Participant Limit**”). Rule 17.03(4)
- 8.5 Where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue from time to time, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person of the Company) abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the Options to be granted (and Options previously granted to such Eligible Participant), the information required under rule 17.02(2)(d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of Options to be granted to such Eligible Participant must be fixed before Shareholders’ approval and the date of the Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Exercise Price under paragraph 5.
- 8.6 Where any grant of Options to an Eligible Participant who is a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the Offer Date: Rule 17.04(1)
- (a) representing in aggregate over 0.1% of the total number of Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the Offer Date, in excess of HK\$5 million,
- such further grant of Options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. The Grantee, Rule 17.04(2)

his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting, except that any such person(s) may vote against the relevant resolution(s) at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the general meeting to approve the grant of such Options must be taken on a poll and comply with the requirements under the Listing Rules.

- 8.7 The circular to be issued by the Company to the Shareholders pursuant to sub-paragraph 8.6 shall contain the following information: Rule 17.04(3)
- (a) details of the number and terms (including, inter alia, the Exercise Price and other information required under rules 17.03(5) to 17.03(10) of the Listing Rules) of the Options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Exercise Price under paragraph 5;
 - (b) a recommendation from the independent non-executive Directors (excluding an independent non-executive Directors who is the proposed Grantee) to the independent Shareholders as to voting;
 - (c) the information required under rule 17.02(2)(c) and (d) of the Listing Rules and the disclaimer required under rule 17.02(4) of the Listing Rules; and
 - (d) the information required under rule 2.17 of the Listing Rules.

8.8 Any change in the terms of Options granted to an Eligible Participant who is a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting.

9. REORGANISATION OF CAPITAL STRUCTURE

- 9.1 In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or this Scheme remains in effect, whether by way of capitalisation issue, rights issue, consolidation or sub-division of shares or reduction of the share capital of the Company, the Company shall (if applicable) make the corresponding adjustments (if any) to: Rule 17.03(13)
- (a) the number or nominal value of Shares comprised in each Option for the time being outstanding;
 - (b) the Exercise Price; and/or
 - (c) the number of Shares in respect of which any further Options may be granted within the Participant Limit and/or the Scheme Mandate Limit,

as the Auditors or the independent financial adviser to the Company shall certify or confirm in writing to the Board to be in their opinion fair and reasonable, provided that:

- (i) any such adjustment shall be made on the basis that the aggregate Exercise Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) no such adjustment shall be made to the effect of which would be to increase the proportion of the issued share capital of the Company for which any Grantee would have been entitled to subscribe had he exercised all the Options held by him immediately prior to such adjustment;
- (iv) the issue of securities of the Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (v) in respect of any such adjustments, other than any made on a capitalisation issue, the Auditors or the independent financial adviser of the Company must confirm to the Directors in writing that the adjustments satisfy the requirements set out in the above, the requirements of rule 17.03(13) of the Listing Rules and the note thereto, the supplementary guidance issued by the Stock Exchange attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to the share option schemes, any relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange and the note thereto from time to time.

9.2 If there has been any alteration in the capital structure of the Company as referred to in sub-paragraph 9.1, the Company shall, upon receipt of a notice from a Grantee in accordance with sub-paragraph 6.2, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the Auditors or the independent financial adviser obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors or an independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with sub-paragraph 9.1.

9.3 In giving any certificate under this paragraph 9 the Auditors and independent financial adviser to the Company shall be deemed to be acting as experts and not as arbitrators and their certification shall, in the absence of manifest error, be final, conclusive and binding on the Company, the Grantees and all persons who may be affected thereby.

10. CANCELLATION OF OPTIONS

Subject to sub-paragraph 6.1, any Option granted but not exercised may not be cancelled except with the written consent of the relevant Grantee and the prior approval of the Directors. Where the Company cancels Options and issues new Options to the same Grantee, the issue of such new Options may only be made under this Scheme with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit. Rule 17.03(14)

11. SHARE CAPITAL

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

12. DISPUTES

Any dispute arising in connection with this Scheme (whether as to the number of Shares of an Option, the Exercise Price or any adjustment under sub-paragraph 9.1) shall be referred to the decision of the Auditors or independent financial adviser to the Company who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

13. ALTERATION OF THIS SCHEME

- 13.1 This Scheme may be altered in any respect by a resolution of the Board except for: Rule 17.03(18)
- (a) any alteration to the advantage of the Eligible Participants in relation to any matter contained in rule 17.03 of the Listing Rules;
 - (b) any alterations to the terms and conditions of this Scheme which are of a material nature or any change to the terms of Options granted, except alterations which take effect automatically under the existing terms of this Scheme;
 - (c) any change to the authority of the Directors in relation to any alteration to the terms of this Scheme;
 - (d) the provisions of this Scheme as to the definitions of “Eligible Participant”, “Grantee”, “Option Period”, “Scheme Period” and “Termination Date” in sub-paragraph 1.1; and
 - (e) the provisions of sub-paragraphs 3.1, 3.2, 3.3, 3.5, 3.6, 4.1, 4.3 (other than the time period referred thereto), 4.4 (other than the time period referred thereto), 4.5 (other than the time period referred thereto), 4.6 and 7.1 and paragraphs 5, 6, 8, 9, 10, 11, 14 and this paragraph 13,

which shall only be altered with the prior sanction of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Bye-laws for a variation of the rights attached to the Shares.

- 13.2 Notwithstanding anything to the contrary contained in sub-paragraph 13.1, the Board may at any time alter or modify this Scheme in any way to the extent necessary to cause this Scheme to comply with any statutory provisions or the regulations of any regulatory or other relevant authority. Any alterations to the terms and conditions of this Scheme or the Options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

14. TERMINATION

- 14.1 The Company by an ordinary resolution of the Shareholders in general meeting may at any time terminate the operation of this Scheme and in such event no further Options will be granted but the provisions of this Scheme shall remain in full force and effect in all other respects 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 and Options granted prior to such termination shall continue to be valid and exercisable in accordance with their terms of grant and provisions of this Scheme within the Option Period. Rule
17.03(16)
- 14.2 Details of the Options granted, including Options exercised or outstanding, under this Scheme and (if applicable) Options that become void or non-exercisable as a result of the termination must be disclosed in the circular to the Shareholders seeking approval of the first new share option scheme to be established after such termination.

15. MISCELLANEOUS

- 15.1 This Scheme shall not form part of any contract of employment between the Company or any Subsidiary, or any Invested Entity and any Eligible Participant who is the employee of the Group and the rights and obligations of any such Eligible Participant under the terms of his office or employment shall not be affected by his participation in this Scheme or any right which he may have to participate in it and this Scheme shall afford such an Eligible Participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 15.2 This Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.
- 15.3 The Company shall bear the costs of establishing and administering this Scheme,

including any costs of the Auditors and the independent financial advisers in relation to the preparation of any certificate by them or providing any other service in relation to this Scheme.

- 15.4 A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to Shareholders at the same time or within a reasonable time of any such notices or documents being sent to Shareholders.
- 15.5 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in Hong Kong and, in the case of the Grantee, his address in Hong Kong as notified to the Company from time to time or, if none or incorrect or out of date, his last known address in Hong Kong.
- 15.6 Any notice or other communication if sent by the Grantee shall be irrevocable and shall not be effective until actually received by the Company.
- 15.7 Any notice or other communication if sent to the Grantee shall be deemed to be given or made:
- (a) one (1) day after the date of posting, if sent by mail;
 - (b) seven (7) days after the date of posting to an address in a different territory;
 - (c) upon completion of transmission if sent by facsimile or other form of electric transmissions; and
 - (b) when delivered, if delivered by hand.
- 15.8 A Grantee shall, before accepting an Offer or exercising his Option, obtain all necessary consents and approvals that may be required to enable him to accept the Offer or to exercise the Option and the Company to allot and issue to him in accordance with the provisions of this Scheme the Shares falling to be allotted and issued upon the exercise of his Option. By accepting an Offer or exercising his Option, the Grantee thereof is deemed to have represented to the Company that he has obtained all such consents and approvals. Compliance with this sub-paragraph shall be a condition precedent to an acceptance of an Offer by a Grantee and an exercise by a Grantee of his Options.
- 15.9 A Grantee shall pay all tax and discharge all other liabilities to which he may become subject as a result of his participation in this Scheme, accepting an Offer or the exercise of any Option. A Grantee shall indemnify the Company fully against all claims, demands, liabilities, actions, proceedings, fees, costs, and expenses which the Company may suffer or incur (whether alone or jointly with other party or parties) for or in respect of any failure on the part of the Grantee to obtain any necessary consent or to pay tax or other liability to which he may become subject as a result of his participation in this Scheme, accepting an Offer or the exercise of any Option.

- 15.10 By accepting an Offer a Grantee shall be deemed irrevocably to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever to any sum or other benefit to compensate him for loss of any rights under this Scheme.
- 15.11 This Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.