

EFFECTIVE DATE: 18 May 2023

EVA Precision Industrial Holdings Limited
億和精密工業控股有限公司

SHARE OPTION SCHEME

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EVA Precision Industrial Holdings Limited
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SHARE OPTION SCHEME

1. PURPOSE OF THIS SCHEME

The purpose of this Scheme is to provide the Eligible Participants with an opportunity to obtain equity interest in the Company, thus linking their interest with the interests of the Group and thereby providing them with an incentive to work better for the interests of the Group by granting Options to them as incentives or rewards.

2. DEFINITIONS AND INTERPRETATION

2.1 In these rules, unless the context otherwise requires, the following words and expressions shall have the following meanings:

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| “associates” | shall have the meaning ascribed to it under 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; |
| “chief executive” | shall have the meaning ascribed to it under the Listing Rules; |
| “close associates” | shall have the meaning ascribed to it under the Listing Rules; |
| “Company” | EVA Precision Industrial Holdings Limited 億和精密工業控股有限公司, an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law and the Shares of which are listed on the Stock Exchange; |
| “Companies Law” | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, and includes any amendment, consolidation or re-enactment thereof from time to time; |

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| “Companies Ordinance” | the Companies Ordinance, Cap. 622 of the Laws of Hong Kong, and includes any amendment, consolidation or re-enactment thereof from time to time; |
| “connected person” | shall have the meaning ascribed to it under the Listing Rules; |
| “core connected person” | shall have the meaning ascribed to it under the Listing Rules; |
| “Date of Grant” | the date on which the Option to which the Offer relates shall be deemed to have been granted as referred to in rule 6.2; |
| “Directors” | the directors of the Company from time to time; |
| “Effective Date” | 18 May 2023, the date on which this Scheme is adopted by a resolution of the Shareholders in general meeting; |
| “Electronic Communication” | a communication sent by electronic transmission in any form through any medium; |
| “Eligible Participant(s)” | Employee Participants and Service Providers; |
| “Employee Participant(s)” | directors, chief executive, and employees (whether full-time ”or part-time) of any member of the Group (including persons who are granted Options under this Scheme as an inducement to enter into employment contracts with any member of the Group); |
| “Group” | the Company and its Subsidiaries at the relevant time, and a “member of the Group” means any of the foregoing; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules from time to time; |
| “Offer” | an offer to grant an Option in accordance with rule 4; |

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| “Offer Letter” | the letter by which an Offer is made to an Eligible Participant as referred to in rule 4.4; |
| “Option” | an option or right to subscribe for Shares pursuant to this Scheme; |
| “Option Holder” | any Eligible Participant who accepts an Offer in accordance with the terms of this Scheme or (where the context so permits) a person who is entitled to any such Option by operation of law or otherwise in consequence of the death of the original Option Holder; |
| “Option Period” | the period commencing from the Date of Grant and ending on such date as the Board may determine in granting the Option, but in any event not exceeding ten (10) years from the Date of Grant; |
| “Option Price” | <p>the price per Share payable on the exercise of an Option as the Board may determine and shall at least be the higher of:</p> <ul style="list-style-type: none"> (i) the nominal value of the Shares; (ii) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the Offer, which must be a Business Day; and (iii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five (5) Business Days immediately preceding the date of the Offer, <p>or (where applicable) such price as from time to time adjusted upon the occurrence of any Relevant Event pursuant to the terms of this Scheme, as referred to in rule 11.1;</p> |

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| “Relevant Event” | any variation in the share capital of the Company arising from any reduction, sub-division or consolidation of share capital of the Company, any rights issue or the issue of any share capital of the Company by way of capitalisation of profits or reserves (except where Shares are issued as consideration or part consideration for any transaction of the Group); |
| “Scheme” | this share option scheme, and as amended from time to time in accordance with the provisions hereof; |
| “Scheme Period” | the period commencing from the Effective Date and expiring at 5:00 p.m. on the Business Day immediately preceding the tenth (10th) anniversary of the Effective Date; |
| “Service Provider(s)” | <p>any persons who provide services to a member of the Group relating to the Group’s business of precision manufacturing services and production of moulds and components and automated assembly services for its office automation equipment business and automotive components business 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, including:</p> <ul style="list-style-type: none"> <li data-bbox="715 1212 1489 1385">(i) any persons who have stepped down from a directorship or employment position within the Group, but continues to provide advisory or consultancy services to the Group; and <li data-bbox="715 1427 1489 1770">(ii) any advisors, consultants and/or independent contractors providing advisory services, consultancy and or other professional services to the Group (such as specific-industry advice on the Group’s business and technical, financial or corporate management and strategic advice) where the continuity and frequency of their services are akin to those of employees, |

but for the avoidance of doubt, excluding (a) any placing agents and/or financial advisers providing advisory services for fundraising, mergers or acquisition, and (b) auditors, valuers and/or other professional service providers of the Group who provide assurance or are required to perform their services with impartiality and objectivity;

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| “Share” | a share of HK\$0.1 each (or such other amount as such share may be divided or consolidated or converted into) in the capital of the Company; |
| “Shareholder” | a holder of a Share; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Subscription Price” | an amount equal to the Option Price multiplied by the relevant number of Shares in respect of which the Option is exercised; |
| “Subsidiary” | a company which is for the time being and from time to time a subsidiary of the Company within the meaning of the Companies Ordinance but so that for the purposes thereof a “company” shall be construed as meaning any body corporate whether incorporated in Hong Kong or elsewhere; |
| “substantial shareholder” | shall have the meaning ascribed to it under the Listing Rules; |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong; and |
| “%” | per cent. |

2.2 References to the singular include the plural, references to any one gender include every gender, references to persons include bodies corporate and unincorporated; and (in each case) vice versa.

2.3 References to a person includes a natural person and each person referred to under section 3 of the Interpretation and General Clauses Ordinance, Cap.1 of the Laws of Hong Kong, including any amendment, consolidation or re-enactment thereof from time to time.

- 2.4 References to the rules are to the rules under this Scheme unless the context otherwise requires.
- 2.5 References to the Rules are to the Listing Rules unless the context otherwise requires.
- 2.6 Headings used in these rules are for convenience only and shall not affect their interpretation.
- 2.7 References to any statute or statutory provision or the Listing Rules shall be construed as references to such statute or statutory provision or the Listing Rules 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) or regulatory bodies, and shall include any subsidiary legislation enacted under the relevant statute.

3. CONDITIONS, DURATION AND ADMINISTRATION

- 3.1 This Scheme is conditional upon the approval of this Scheme by the Shareholders in general meeting and the listing of, and permission to deal in any Shares to be issued pursuant to the exercise of Options under this Scheme, being granted by the Listing Committee of the Stock Exchange. If the aforesaid conditions are not fulfilled, then:
- (a) this Scheme shall forthwith terminate;
 - (b) any Option granted or agreed to be granted pursuant to these rules and any Offer shall forthwith lapse and be of no effect; and
 - (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of this Scheme, or any outstanding Offer or Option.
- 3.2 Subject to rule 14.8, this Scheme shall be valid and effective for the Scheme Period, after which no further Options may be granted but in all other respects the terms of this Scheme shall remain in full force and effect.
- 3.3 This Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties.

4. OFFER AND GRANT OF OPTIONS

- 4.1 On and subject to the terms of this Scheme, the Board may during the Scheme Period at its absolute discretion (subject to any conditions, restrictions or limitations as it may think fit) offer to an Eligible Participant an Option to subscribe at the Option Price for such number of Shares as the Board may determine, *provided that*:

- (a) any grant of Options to a Director (excluding a proposed Director), chief executive of the Company (excluding a proposed chief executive of the Company) or substantial shareholder of the Company, or any of their respective associates, must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is or is proposed to be an Option Holder); and
- (b) where any grant of Options to an independent non-executive Director (excluding a proposed independent non-executive Director) or a substantial shareholder of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all Options granted (excluding any Options lapsed in accordance with the terms of this Scheme) to such person in the twelve (12) month period up to and including the Date of Grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Options must be approved by the Shareholders in general meeting in the manner set out in rule 4.2.

4.2 For the purpose of and in connection with the convening of the general meeting of the Company for considering and, if thought fit, approving such proposed grant of Options as referred to in rule 4.1(b), the following provisions shall apply:

- (a) the grantee, his associates and all core connected persons of the Company must abstain from voting in favour of the relevant resolution at such general meeting, except that any such persons may vote against the relevant resolution at such general meeting provided that his intention to vote against the proposed grant has been stated in the Shareholders' circular as referred to in rule 4.2(b); and
- (b) the Company must send a circular to the Shareholders containing the following information, together with the notice of the relevant general meeting:
 - (i) details of the number and terms of the Options as required under Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting, and in respect of any Options to be granted, the date of the meeting of the Board for proposing such further grant should be taken as the date of Offer for the purpose of calculating the Option Price;
 - (ii) the views of the independent non-executive Directors (excluding any independent non-executive Director who is proposed to be an Option Holder) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and the Shareholders as a whole, and their recommendation to the independent Shareholders as to voting;
 - (iii) information relating to any Directors who are trustees of this Scheme or have a direct or indirect interest in the trustees;

(iv) information required under Rule 2.17 of the Listing Rules; and

(v) any additional information requested by the Stock Exchange.

4.3 The eligibility of any of the Eligible Participants to an Offer shall be determined by the Board from time to time on the basis of the Board's opinion as to the Eligible Participant's contribution (or, with respect to Employee Participants, potential contribution) to the development and growth of the Group. In assessing whether Options are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Eligible Participant to the Group (or potential contributions that may be provided by an Employee Participant to the Group), the special skills or technical knowledge possessed by them which is beneficial to the continuing development of the Group, the positive impacts which such Eligible Participant has brought (or, with respect to Employee Participants, will potentially bring) to the Group's business and development, and whether granting Options to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to continue to contribute towards the betterment of the Group.

(a) In assessing the eligibility of Employee Participant(s), the Board will consider all relevant factors as appropriate, including, among others:

(i) his skills, educational and professional qualifications, knowledge, experience, expertise and other relevant personal qualities;

(ii) his performance, time commitment, responsibilities and employment conditions as compared to the prevailing market practice and industry standards;

(iii) his length of engagement with the Group; and

(iv) the nature and extent of his contribution made or potential contribution to the development and growth of the Group.

(b) In assessing the eligibility of Service Provider(s), the Board will consider all relevant factors as appropriate, including, among others:

(i) the skills, professional qualifications, knowledge and industry experience and expertise of the Service Provider;

(ii) the performance of and the track record in the quality of services provided by the Service Provider;

(iii) the length of engagement or collaboration between the Service Provider and the Group;

- (iv) the materiality, scale and nature of the business dealings between the Service Provider and the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);
 - (v) the fees chargeable by the Service Provider as compared to the prevailing market fees chargeable by other third parties;
 - (vi) the benefits and strategic value brought by the Service Provider to the Group's development, growth and future prospects in terms of the profits and/or income, or the reduction in costs, which is attributable to such Service Provider's engagement or collaboration with the Group; and
 - (vii) the business opportunities and external connections that the Service Provider has introduced or will potentially introduce to the Group.
- 4.4 An Offer shall be made to an Eligible Participant by an Offer Letter in such form as the Board may from time to time determine, specifying (i) the name, contact details and occupation of the Eligible Participant; (ii) the number of Shares which may be issued under the Option; (iii) the Subscription Price; (iv) the vesting period of the Option; (v) the Option Period; (vi) the performance targets, if required, that must be attained by the Eligible Participant before the Option may be exercised; (vii) where applicable, the clawback mechanism for the Company to claw back the Option in the event of a Clawback Event as referred to in rule 8.2; and (viii) a statement requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the terms of this Scheme. An Offer shall remain open for acceptance by the Eligible Participant to whom an Offer is made for a period of twenty-one (21) days from the date of the Offer provided that no such Offer shall be open for acceptance after the expiry of the Scheme Period or after this Scheme has been terminated in accordance with the provisions hereof.
- 4.5 The Company shall not make an Offer after any inside information has come to the knowledge of the Company until (and including) the Business Day after an announcement of such inside information has been published in accordance with the requirements of the Listing Rules. In particular, the Company shall not make an Offer during the period commencing one (1) month immediately preceding the earlier of:
- (a) the date of the meeting of the Board (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

- (b) the deadline for publishing an announcement of the Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and

ending on the date of the results announcement.

- 4.6 The Company shall not make an Offer during any period of delay in publishing a results announcement.
- 4.7 Any agreement for the grant of Options or Offer made pursuant hereto shall be subject to the terms of this Scheme and shall be subject to any adjustments made pursuant to this Scheme at any time and from time to time.
- 4.8 No Director shall deal in any securities of the Company unless he fully complies with the provisions of the Model Code.

5. MAXIMUM NUMBER OF SHARES FOR WHICH OPTIONS MAY BE GRANTED

- 5.1 The total number of Shares which may be issued upon exercise of all Options granted under this Scheme and any share options or share awards granted under any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Effective Date (the "**Scheme Limit**").
- 5.2 Subject to rule 5.1, the total number of Shares which may be issued upon exercise of all Options granted to Service Providers and any share options or share awards granted to Service Providers under any other schemes of the Group within the Scheme Limit under this Scheme shall not in aggregate exceed 1% of the Shares in issue as at the Effective Date (the "**Service Provider Sublimit**").
- 5.3 For the avoidance of doubt, the Shares underlying any Options granted under this Scheme or any share options or share awards granted under any other schemes of the Group which have been cancelled in accordance with their respective terms will be regarded as utilised for the purpose of calculating the Scheme Limit and the Service Provider Sublimit.
- 5.4 Where the Company has re-issued such cancelled Options to the same Eligible Participant, the Shares underlying both the cancelled and the re-issued Options will be regarded as utilised for the purposes of calculating the Scheme Limit and the Service Provider Sublimit. The Options lapsed in accordance with the terms of this Scheme will, however, not be regarded as utilised for the purpose of calculating the Scheme Limit and Service Provider Sublimit.
- 5.5 If the Company conducts a share consolidation or subdivision after the Scheme Limit or the Service Provider Sublimit has been approved in general meeting, the maximum number of Shares that may be issued in respect of all Options, share options and share

awards to be granted under all of the schemes of the Group under the Scheme 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.

5.6 The Company may seek Shareholders' approval in general meeting to refresh the Scheme Limit and the Service Provider Sublimit after three (3) years from the Effective Date or the date of Shareholders' approval for the last refreshment, *provided that*:

- (a) the total number of Shares which may be issued in respect of all Options, share options and share awards to be granted under all of the schemes of the Group under the Scheme Limit as refreshed (the "**New Scheme Limit**") must not exceed 10% (and the Service Provider Sublimit as refreshed (the "**New Service Provider Sublimit**") must not exceed 1%) of the Shares in issue as at the date of the Shareholders' approval of such New Scheme Limit (and New Service Provider Sublimit);
- (b) the Company must send a circular to the Shareholders containing (i) the number of Options, share options and share awards that were already granted under the existing Scheme Limit and the existing Service Provider Sublimit; and (ii) the reason for the refreshment, together with the notice of the relevant general meeting;
- (c) any refreshment to the Scheme Limit and the Service Provider Sublimit within any three (3) year period must be approved by the Shareholders, and any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting of the Company and in accordance with the requirements under the Listing Rules; and
- (d) the requirements under rule 5.6(c) do not apply if the refreshment is made immediately after an issue of securities by the Company to the 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 Limit (as a percentage of the total number of Shares in issue) upon refreshment is the same as the unused part of the Scheme Limit immediately before the issue of securities, rounded to the nearest whole Share.

5.7 Without prejudice to rule 5.6, the Company may seek separate Shareholders' approval in general meeting to grant Options beyond the Scheme Limit (or the Service Provider Sublimit) or the New Scheme Limit (or the New Service Provider Sublimit) (as the case may be), *provided that*:

- (a) the Options in excess of the Scheme Limit (or the Service Provider Sublimit) or the New Scheme Limit (or the New Service Provider Sublimit) (as the case may be) are granted only to Eligible Participants specifically identified by the Company before such approval is sought; and
 - (b) the Company must send a circular to the Shareholders containing (i) the name of each specified Eligible Participant who may be granted such Options; (ii) the number and terms of the Options to be granted to each Eligible Participant; (iii) the purpose of granting Options to the specified Eligible Participants; and (iv) an explanation as to how the terms of the Options serve such purpose, together with the notice of the relevant general meeting. The number and terms of Options to be granted to such Eligible Participants must be fixed before the Shareholders' approval; and in respect of any Options to be granted, the date of the meeting of the Board for proposing such grant should be taken as the date of the Offer for the purpose of calculating the Option Price.
- 5.8 The total number of Shares issued and to be issued upon the exercise of all Options granted and to be granted to any Eligible Participant (including both exercised and outstanding Options, but excluding any Options lapsed in accordance with the terms of this Scheme) in any twelve (12) month period up to and including the Date of Grant must not exceed 1% of the Shares in issue as at the Date of Grant, unless rule 5.9 is complied with.
- 5.9 The Company must seek Shareholders' approval in general meeting to grant further Options to an Eligible Participant in excess of the limit set out in rule 5.8 and:
- (a) such Eligible Participant and its close associates (or its associates if such Eligible Participant is a connected person of the Company) must abstain from voting at such general meeting; and
 - (b) the Company must send a circular to the Shareholders containing (i) the identity of the Eligible Participant; (ii) the number and terms of the Options to be granted (and those previously granted to such Eligible Participant in such twelve (12) month period); (iii) the purpose of granting the Options to such Eligible Participant; and (iv) an explanation as to how the terms of the Options serve such purpose, together with the notice of the relevant general meeting. The number and terms of the Options to be granted to such Eligible Participant must be fixed before the Shareholders' approval; and in respect of any Options to be granted, the date of the meeting of the Board for proposing such further grant should be taken as the date of Offer for the purpose of calculating the Option Price.

6. ACCEPTANCE OF OFFERS OF OPTIONS

- 6.1 Offers shall be open for acceptance, in whole or in part, in a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and in writing received by any of the Directors or the secretary of the Company until 5:00 p.m. on the date specified in the Offer Letter provided that no such Offer shall be open for acceptance after the expiry of the Scheme Period or after this Scheme has been terminated in accordance with the provisions hereof.
- 6.2 The Offer shall be deemed to have been accepted and the Option to which such Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the Offer Letter comprising acceptance of such Offer duly signed by the Eligible Participant to which such Offer is made, with the number of Shares in respect of which such Offer is accepted clearly stated therein together with payment of HK\$1.00 by way of consideration for the grant thereof is received by the Company within twenty-one (21) days from the date of such Offer or within such other period of time as the Board may determine in accordance with the Listing Rules. Such payment shall in no circumstances be refundable nor deemed to be part of the Subscription Price.
- 6.3 Offers not accepted within the period as referred to in rule 6.1 shall lapse.
- 6.4 An Option is personal to the Option Holder and shall not be transferred or assigned. No Option Holder shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any Option, except for the transmission of an Option on the death of the Option Holder to his personal representative(s) on terms of this Scheme. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Option Holder without incurring any liability on the part of the Company.

7. RIGHTS OF EXERCISE

- 7.1 An Option Holder is required to satisfy all the conditions as referred to in rule 4.1 (and any performance target, if required, to be achieved) before he may exercise any of his Options.
- 7.2 Save for the circumstances as referred to in rule 7.3, an Option must be held by the Option Holder for at least twelve (12) months before the Option can be exercised.
- 7.3 An Option which has been or may be granted to an Option Holder who is an Employee Participant may have a shorter vesting period if so determined at the discretion of the Board (or the remuneration committee of the Board where the arrangements relate to a grant of Option to an Option Holder who is a Director or a senior manager of the Group) in any of the following circumstances:

- (a) grants of “make-whole” Options to new joiners to replace the share options and/or share awards forfeited when leaving their previous employers;
- (b) Options which have been granted to an Employee Participant whose employment is terminated due to death, ill health, injury or disability or any out of control event;
- (c) grants of Options with performance-based vesting conditions provided in this Scheme in lieu of time-based vesting conditions;
- (d) grants of Options that are made in batches during a year for administrative and compliance reasons, which include Options that should have been granted earlier if not for such administrative or compliance reasons. In such case, the vesting period may be shorter to reflect the time from when the Option would have been granted;
- (e) grants of Options with a mixed or accelerated vesting schedule where such Options may vest evenly over a twelve (12) month period; and
- (f) Options which have been granted to an Employee Participant whose termination is due to retirement, redundancy which is not as a result of or relating to any fault of such Employee Participant or any event which is within the control of the Company.

7.4 Subject to the following paragraphs of these rules, Options may be exercised by an Eligible Participant (or in the case of his death, his personal representative(s)) in whole or in part (but if in part only, in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof) at any time during the Option Period.

7.5 Subject to the terms and conditions of this Scheme, (i) in respect of any Eligible Participant who is a Director or a senior manager, the remuneration committee of the Company may; (ii) in respect of any other Eligible Participant who is an employee of the Group, the Directors may or; (iii) in respect of any Eligible Participant who is a Service Provider, the Board (after having obtained the affirmative views from the independent non-executive Directors) may establish performance targets that must be attained by the Eligible Participant before the Options granted to such Eligible Participant concerned may be exercised either in whole or in part, and such performance targets (if required) shall be stated in the Offer Letter. The Board shall have the authority, after the grant of any Option which is performance linked, to make fair and reasonable adjustments to the prescribed performance targets during an Option Period if there is a change in circumstances, provided that any such adjustments shall be less onerous than the prescribed performance targets and are considered fair and reasonable by the Board.

7.6 The term “performance targets” shall mean any one or more performance measures related to the Eligible Participant, the Company, a department, division or business unit of the Company or the Group as a whole, which shall be assessed either annually or cumulatively over a period of time, on an absolute basis or relative basis based on pre-

established targets, past or current performance or comparison to internal targets or industry performance, in each case as specified by the Board (or, as the case may be, the remuneration committee of the Company) in their sole discretion, including, without limitation, revenue, profit (before or after income tax), cash flow (before or after dividends), earnings per share, market value or economic value added, return on assets, return on equity, return on investment, share price, return on shareholders' equity, cost reductions (including expense management), customer satisfaction metrics, product quality metrics, research and development milestones, productivity and operating margins and results, and other targets as the Board may from time to time determine.

8. CLAWBACK MECHANISM

8.1 Notwithstanding the terms and conditions of this Scheme, the Board may provide in the Offer Letter that any Option prior to it being exercised may be subject to clawback or a longer vesting period or such other conditions or limitations as the Board may decide if any of the Clawback Events as referred to in rule 8.2 shall occur.

8.2 If any of the following events ("**Clawback Event**") shall occur during an Option Period:

- (a) the Option Holder has been liable for a material misstatement in the financial statements of the Company; or
- (b) the Option Holder being guilty of fraud or serious misconduct, regardless of whether there is any accounting restatement or a material error in calculating or determining the performance metrics or other criteria; or
- (c) if a grant or the exercise of any Option is linked to any performance targets and the Board is of the opinion that there occurred any circumstances that showed or led to any of the prescribed performance targets having been assessed or calculated in a materially inaccurate manner; or
- (d) the Option Holder has been convicted of any offence (i) involving fraud, dishonesty or corruption; (ii) under any Ordinance as set out in Rule 13.51(2)(m)(ii) of the Listing Rules; or (iii) in respect of which the Option Holder has been sentenced to a period of imprisonment of six months or more, including suspended or commuted sentences,

the Board may (but are not obliged to) by notice in writing to the Option Holder concerned (i) claw back such number of Options (to the extent not being exercised) granted as the Board may consider appropriate; or (ii) extend the vesting period (regardless of whether the initial vesting date has occurred) in relation to all or any of the Options (to the extent not being exercised) to such longer period as the Board may consider appropriate, provided always that in each case the Board may in its absolute discretion decide that such Options shall not be clawed back or that the vesting period in

relation to such Options shall not be extended, subject to such conditions or limitations as the Board may decide. The Options that are clawed back pursuant to this rule 8.2 will be regarded as cancelled, and the Options so cancelled will be regarded as utilised for the purpose of calculating the Scheme Limit.

8.3 If an Option Holder who is an Employee Participant ceases to be an Eligible Participant during any relevant Option Period:

- (a) by reason of ill health, injury, disability (all evidenced to the satisfaction of the Board), or because his employing company ceases to be a member of the Group, then any outstanding Offer to him shall lapse and he may exercise all his Options within a period of six (6) months of such ill-health, injury, disability or cessation, failing which such Options shall lapse and terminate at the end of the relevant period;
- (b) by reason of death, then any outstanding Offer to him shall lapse and his personal representative(s) may exercise all his Options within a period of twelve (12) months from the date of death, failing which such Options shall lapse and terminate at the end of the relevant period;
- (c) by reason of retirement in accordance with his contract of employment or upon expiration of his contract of employment or term of directorship, then any outstanding Offer to him shall lapse and he may exercise all his Options within six (6) months after he so retires or expiration of his contract of employment or term of directorship, failing which such Options shall lapse and terminate at the end of the relevant period; or
- (d) by reason of voluntary resignation other than by reason of the circumstances as referred to in rules 8.3(a) and 8.3(c) or by termination of his employment in accordance with the termination provisions of his contract of employment by his employing company, then any outstanding Offer to him shall lapse and all his Options shall lapse and terminate on the date of the resignation or termination,

provided always that in each case, such Options must be held by the Option Holder for at least twelve (12) months before the Option can be exercised as required in rule 7.2 (or such other shorter vesting period as may be determined at the discretion of the Board in the specific circumstances set out in rule 7.3), and the Board may in its absolute discretion decide that such Options shall not so lapse or terminate subject to such conditions or limitations as the Board may decide.

8.4 If an Option Holder who is a Service Provider ceases to be an Eligible Participant during any relevant Option Period by reason of his ceasing to be or qualify as a Service Provider at the sole determination of the Board, then any outstanding Offer to him shall lapse and

all his Options shall lapse and terminate on the date of such cessation as notified in writing by the Board to him. Such Options must be held by the Option Holder for at least twelve (12) months before the Option can be exercised.

- 8.5 Subject to rule 14.1 and 14.2, the Option Period shall not be extended and, on expiry of the Option Period, all rights in respect of an Option shall terminate, except in so far as there has been an effective exercise of that Option prior thereto and the Company has not discharged all its duties under this Scheme in relation to the exercise. No Option may be exercised after the expiry of the Option Period.

9. TAKEOVER OFFERS, LIQUIDATION AND RECONSTRUCTION

- 9.1 If, in consequence of any general offer made to the Shareholders (being an offer made in the first instance on a condition such that, if it is satisfied, the offeror will have control of the Company) or otherwise, any person shall have obtained control of the Company, then the Board shall as soon as practicable thereafter notify every Option Holder accordingly and each Option Holder shall, subject to rules 8.3 and 8.4, be entitled at any time within the period of one month after control has been obtained to exercise any Options in whole or in part, and to the extent that it has not been exercised, any Option and any outstanding Offer shall upon the expiry of such one month period cease and terminate; provided that (i) if, during such one month period, any person becomes entitled to exercise rights of compulsory acquisition of Shares pursuant to section 88(1) of the Companies Law and gives notice in writing to any Shareholders that he intends to exercise such rights, the Options shall, subject to rules 8.3 and 8.4, be and remain exercisable until one month from the date of such notice and, to the extent that they have not been exercised, shall thereupon cease and terminate, and any outstanding Offer shall lapse; and (ii) such Options must be held by the Option Holder for at least twelve (12) months before the Option can be exercised as required in rule 7.2 (or, with respect to any Employee Participant, such other shorter vesting period as may be determined at the discretion of the Board in the specific circumstances set out in rule 7.3).

- 9.2 If notice is duly given of a general meeting at which a resolution will be proposed for the voluntary winding-up of the Company, every Option shall, subject to rules 8.3 and 8.4, be exercisable in whole or in part (but so that any exercise hereunder shall only be valid if, (i) at the time of such resolution being passed, the Option shall not have ceased and terminated in accordance with the foregoing terms of this Scheme; and (ii) provided always that such Options must be held by the Option Holder for at least twelve (12) months before the Option can be exercised as required in rule 7.2 (or, with respect to any Employee Participant, such other shorter vesting period as may be determined at the discretion of the Board in the specific circumstances set out in rule 7.3)) at any time thereafter until such resolution is duly passed or defeated or the general meeting concluded or adjourned sine die, whichever shall first occur. If such resolution is duly passed, all Options shall, to the extent that they have not been exercised, thereupon cease and terminate and all outstanding Offers shall lapse.

- 9.3 If under the Companies Law a compromise or arrangement between the Company and the Shareholders or between the Company and its creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all Option Holders on the same date as it despatches the notice which is sent to each Shareholder or creditor of the Company summoning the meeting to consider the compromise or arrangement, and thereupon each Option Holder (or where permitted his personal representatives) shall forthwith and until the expiry of the period commencing with that date and ending with the earlier of the date two (2) calendar months thereafter or the date on which the compromise or arrangement is sanctioned by the court be entitled to conditional exercise of his Option in whole or in part (provided always that such Options must be held by the Option Holder for at least twelve (12) months before the Option can be exercised as required in rule 7.2 (or, with respect to any Employee Participant, such other shorter vesting period as may be determined at the discretion of the Board in the specific circumstances set out in rule 7.3)), on the basis that the exercise of an Option as aforesaid shall only become effective upon the compromise or arrangement being sanctioned by the court and becoming effective. Upon the compromise or arrangement becoming effective, all Options shall lapse except insofar as exercised under this paragraph and all outstanding Offers shall lapse. The Company may thereafter require each Option Holder to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Option Holder in the same position as nearly as would have been the case had the Shares been subject to the compromise or arrangement.
- 9.4 For the purposes of this rule 9, “control” shall have the meaning from time to time ascribed thereto by the Code on Takeovers and Mergers and Share Repurchases issued by the Securities and Futures Commission of Hong Kong, that is to say, a holding or aggregate holdings for the time being of 30% or more of the voting rights of a company, irrespective of whether that holding or holdings gives de facto control.

10. EXERCISE OF OPTIONS

- 10.1 Save as provided in rules 7, 8 and 9, Options may be exercised in whole or in part at any time during the Option Period. In order for the exercise of an Option to be effective, the secretary of the Company or any other agent designated by the Company must, prior to the expiry of the Option Period, have received:
- (a) a written notice exercising the Option, signed by or on behalf of the Option Holder and specifying the number of Shares in respect of which the Option is being exercised; and
 - (b) payment in full of the Subscription Price.

Unless otherwise agreed between the Company and the Option Holder, Shares in respect of an Option shall be issued within fourteen (14) days of the date upon which exercise of an Option becomes effective (being the date of such receipt).

- 10.2 Save as provided in rules 9.1, 9.2 and 9.3, no Option shall be capable of exercise in part (except to the full extent outstanding) except in amounts or multiples, subject to adjustment upon the occurrence of any Relevant Event, of board lots for Shares as for the time being traded on the Stock Exchange.
- 10.3 A Share to be allotted and issued upon the exercise of an Option shall not carry voting rights and shall not be entitled to dividend or other distribution until the registration of the Option Holder (or any other person nominated by the Option Holder) as the holder thereof. Subject to the aforesaid, Shares allotted and issued upon the exercise of an Option shall rank *pari passu* in all respects with the Shares in issue as at the date of the exercise of such Option, including in respect of those rights arising on a liquidation of the Company.
- 10.4 All allotments and issues of Shares will be subject to the Company's articles of association and any necessary consents under any relevant enactments or regulations for the time being in force in Hong Kong, the Cayman Islands and any other relevant jurisdictions and it shall be the responsibility of the Option Holder to comply with any requirements to be fulfilled in order to obtain or obviate the necessity for any consent. The Company shall not be responsible for any failure by the Option Holder to obtain any such consent or for any tax or other liability to which the Option Holder may become subject to as a result of his participation in this Scheme.
- 10.5 The Company shall use all reasonable endeavours to procure that Shares to be issued upon the exercise of an Option shall, upon the issue thereof (or as soon thereafter as reasonably practicable), become listed on the Stock Exchange and on those stock exchanges upon which Shares already in issue are listed.
- 10.6 Any Options granted but not exercised may be cancelled, subject to approval by the relevant Option Holders. The Company may only issue new Options to the same Option Holder if there are unissued Options available under this Scheme (excluding the cancelled Options) within the Scheme Limit or the New Scheme Limit referred to in rule 5.6 and in compliance with the terms of this Scheme. The Options cancelled pursuant to this rule 10.6 will be regarded as utilised for the purpose of calculating the Scheme Limit.

11. ADJUSTMENTS

- 11.1 Upon the occurrence of any Relevant Event, the number or nominal amount of Shares comprised in each Option and/or the Option Price thereunder and/or the limit as referred to in rule 10.2 may be adjusted in any manner as the Board (having received a statement in writing from the Auditors or an approved independent financial adviser, acting as

experts and not as arbitrators, that in their opinion the proposed adjustments satisfy the requirements set out in the Note to Rule 17.03(13) of the Listing Rules and/or the rules, requirements and guidelines issued by the Stock Exchange from time to time) may determine, *provided that*:

- (a) no increase shall be made in the aggregate Subscription Price relating to any Option;
- (b) any adjustments should give an Option Holder the same proportion of the share capital of the Company as that to which he was previously entitled prior to such adjustments;
- (c) no adjustments shall be made to the extent that a Share would be issued at less than its nominal value; and
- (d) where the Relevant Event arises from an issue of Shares, reference herein to Options shall include references to Options that have been exercised prior to the date of the adjustment in respect of Shares which pursuant to rule 10.3 do not rank and are not entitled to participate in the issue.

11.2 The Company shall give notice of any adjustments to the Option Holders.

11.3 For the avoidance of doubt, the issue of securities as consideration in a transaction of the Group shall not be regarded as a Relevant Event and consequently no adjustment shall be required as a result thereof.

12. LAPSE OF OPTION

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

- (a) the expiry of the Option Period;
- (b) the date on which the Option Holder commits a breach of rule 6.4;
- (c) the expiry of the periods as referred to in rule 8.3;
- (d) the occurrence of the event as referred to in rule 8.4;
- (e) the expiry of the periods as referred to in rule 9.1;
- (f) the date an effective resolution is duly passed for the voluntary winding-up of the Company as referred to in rule 9.2; and

- (g) subject to the compromise or arrangement being sanctioned by the court and becoming effective, the expiry of the period as referred to in rule 9.3.

13. ADMINISTRATION

- 13.1 Notices or documents required to be given to an Eligible Participant or an Option Holder shall be delivered to him personally or sent to him by pre-paid post at his home address according to the records of the Group or sent or transmitted to him as an Electronic Communication at any electronic number or electronic address or computer network supplied by him or be regarded as having been provided to the Company for the giving of notice or despatch of documents from the Company to him; and shall be deemed to have been received:
- (a) if by delivery in person, when delivered to the addressee;
 - (b) if by post in the case of a letter, on the second Business Day following posting;
 - (c) if by facsimile transmission, on production of a transmission report by the machine from which the facsimile transmission was sent which indicates that the facsimile transmission was sent in its entirety to the facsimile number of the recipient notified for the purpose of this rule; and
 - (d) if by Electronic Communication other than facsimile transmission, on the day on which the Electronic Communication is transmitted and no notification has been received by the Company that the Electronic Transmission has not reached the recipient. Any failure in transmission of the Electronic Communication which is beyond the control of the Company shall not invalidate the effectiveness of the notice or communication being served.
- 13.2 An Option Holder shall be entitled to receive copies of all notices and documents sent by the Company to Shareholders generally.
- 13.3 The Company shall at all times keep available for allotment enough unissued Shares of the Company to satisfy all Options for the time being unexercised and Offers which are outstanding.
- 13.4 The decision of the Board in any disputes relating to an Option or matter relating to this Scheme shall be final and binding, subject to the prior receipt of a statement in writing from the Auditors or an approved independent financial adviser when so required by rule 11.
- 13.5 The costs of introducing and administering this Scheme shall be borne by the Company.

13.6 The Board shall have power from time to time to make or vary regulations for the administration and operation of this Scheme, provided that the same are not inconsistent with these rules.

14. VARIATIONS AND TERMINATION

14.1 Subject to rules 14.2 to 14.7, the Board may from time to time in its absolute discretion waive or amend any of the rules of this Scheme as it deems appropriate or desirable.

14.2 Any alterations to the terms of this Scheme relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Option Holders (existing or future) or Eligible Participants (existing or future) must be approved by the Shareholders in general meeting, including without limitation:

- (a) the definition of Eligible Participant and the basis of determining the eligibility of the Eligible Participants;
- (b) the total amount of Shares subject to this Scheme;
- (c) the maximum entitlement of each Eligible Participant under this Scheme;
- (d) the Option Period;
- (e) the vesting period of Options to be granted under this Scheme;
- (f) the Option Price and the basis of determining the same;
- (g) the voting, dividend, transfer and other rights, including those arising on a liquidation of the Company, attaching to the Shares and to any Options (if appropriate);
- (h) the Scheme Period;
- (i) rules relating to the lapse and/or cancellation of Options;
- (j) rules relating to adjustment to the Subscription Price;
- (k) rules relating to adjustment to the number of Shares subject to Options granted under this Scheme; and
- (l) rules relating to adjustment to this Scheme upon the occurrence of a Relevant Event.

- 14.3 Any alteration to the terms of this Scheme, which are of a material nature, must be first approved by the Shareholders in general meeting, save that this rule 14.3 shall not apply where the alterations take effect automatically under the existing terms of this Scheme.
- 14.4 Any change to the terms of Options granted to an Eligible Participant must be approved by the Board, the remuneration committee of the Board, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Options requires such approval (except where the changes take effect automatically under the existing terms of this Scheme).
- 14.5 Any change to the authority of the Board to alter the terms of this Scheme must be approved by the Shareholders in general meeting.
- 14.6 No amendments to this Scheme shall be made which would have the effect of abrogating or altering adversely any of the subsisting rights of the Option Holders, other than with the consent of such Option Holders as required under the provisions of the Company's articles of association as if the Options constituted a separate class of share capital of the Company and that the provisions of the Company's articles of association applied *mutatis mutandis* thereto.
- 14.7 The amended terms of this Scheme or the options or awards granted hereunder must still comply with the relevant requirements of Chapter 17 of the Listing Rules.
- 14.8 The Company may, by an ordinary resolution in general meeting, terminate the operation of this Scheme and in such event no further Options shall be offered, but in all other respects the terms of this Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the terms of this Scheme, and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the rules of this Scheme.
- 14.9 This Scheme shall not form part of any contract of employment between any member of the Group and any Employee Participant, and the rights and obligations of any Employee 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 Employee Participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 14.10 This Scheme shall not confer on any person any legal or equitable rights (except those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

14.11 In no circumstances shall a person ceasing to be an Eligible Participant for any reason be entitled to any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under any Options then held by him or any Offer or otherwise in connection with this Scheme.

15. GOVERNING LAW AND JURISDICTION

This Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.