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越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 01052)

PROPOSED ADOPTION OF SHARE OPTION SCHEME AND PROPOSED ADOPTION OF THE INITIAL GRANT PROPOSAL AND CONDITIONAL GRANT OF OPTIONS

PROPOSED ADOPTION OF SHARE OPTION SCHEME

The Company does not have an existing share option scheme or incentive scheme of similar nature. On 25 June 2021, the Board resolved to approve the adoption of a share option scheme in order to improve the Company's medium to long term incentive mechanisms to support the long term development of the Group.

The adoption of the Share Option Scheme is subject to, among other things, the approval of the Shareholders at a general meeting. In this regard, a general meeting of the Company will be convened for the purpose of considering and, if thought fit, approving (among other things) the adoption of the Share Option Scheme. A circular containing more details in relation to the Share Option Scheme together with the notice of the general meeting will be dispatched to the Shareholders as soon as practicable.

PROPOSED ADOPTION OF THE INITIAL GRANT PROPOSAL AND THE CONDITIONAL GRANT OF OPTIONS

On 25 June 2021, the Board resolved to approve the adoption of the Initial Grant Proposal.

On the same date, the Board resolved to conditionally grant a total of 15,693,360 Options to a total of 88 Eligible Participants comprising (i) Mr. He (an executive Director) who has been granted 1,371,993 Options, representing approximately 0.08% of the Shares in issue as at the Announcement Date if those Options are fully exercised; and (ii) 87 members of the senior management, middle management, management of the project companies and core employees

of the Group who have been granted a total of 14,321,367 Options, representing approximately 0.86% of the Shares in issue as at the Announcement Date if those Options are fully exercised. The Initial Grant Proposal is conditional upon (A) fulfillment of the Adoption Conditions; (B) the Company obtaining Shareholders' approval for the adoption of the Initial Grant Proposal; and (C) the Company obtaining the approval of Guangzhou SASAC.

1. INTRODUCTION

The Company does not have an existing share option scheme or incentive scheme of similar nature. For the reasons set out in section 2.2 of this announcement, the Board resolved to approve the adoption of the Share Option Scheme on 25 June 2021. The Board also approved the Initial Grant Proposal on the same date.

2. PROPOSED ADOPTION OF SHARE OPTION SCHEME

2.1 Principal terms of the Share Option Scheme

A summary of the principal terms of the Share Option Scheme is set out in the Appendix to this announcement.

2.2 Reasons for the adoption of the Share Option Scheme

The Company does not have an existing share option scheme or incentive scheme of similar nature. In order to improve the Group's medium to long term incentive mechanism to support the long term development of the Group, to provide incentives to, and to retain, the core employees of the Group, the Board proposed to adopt the Share Option Scheme.

Further, the Board considers it important that employees (whether fulltime or part-time) and directors (other than independent non-executive directors) of each member of the Group be given incentive to work towards enhancing the value and attaining the long-term objectives of the Group. Accordingly, the Board believes that the adoption of the Share Option Scheme can facilitate the long-term development of the Group and is in the interests of the Company and the Shareholders as a whole.

2.3 Proposed adoption of the Management Measures and the Appraisal Measures

The Company proposed to adopt the Management Measures, which set out the details for determining the roles and allocating responsibilities amongst relevant departments of the Company in respect of the management and implementation of the Share Option Scheme. Details of the Management Measures will be set out in the Circular.

The Company also proposes to adopt the Appraisal Measures, which set out the details of the appraisal measures in respect of the performance targets of the Company and the assessment grades of the grantees of Options. Details of the Appraisal Measures will be set out in the Circular.

Resolutions will be proposed at the General Meeting for the Shareholders to consider and, if thought fit, approve the adoption of the Management Measures and the Appraisal Measures.

2.4 Adoption Conditions

The adoption of the Share Option Scheme is conditional upon the fulfillment of the following conditions (the “**Adoption Conditions**”):

- (a) the passing of an ordinary resolution by the Shareholders at a general meeting of the Company approving: (i) (A) the adoption of the Share Option Scheme, and (B) the grant of authorities to the Directors to (I) grant options to subscribe for Shares in accordance with the rules of the Share Option Scheme and (II) allot, issue, and deal with from time to time such number of Shares as may be required to be issued pursuant to the exercise of the Options under the Share Option Scheme; (ii) the Management Measures; and (iii) the Appraisal Measures; and
- (b) the Company obtaining the Listing Approval.

In relation to the condition set out in (a) above, the General Meeting will be held for the Shareholders to consider and, if thought fit, approve the adoption of the Share Option Scheme, the Management Measures and the Appraisal Measures. Any Shareholder that has a material interest in the Share Option Scheme, the Management Measures and/or the Appraisal Measures will, together with their respective associates, be required to abstain from voting on the resolution to approve the Share Option Scheme, the Management Measures and the Appraisal Measures at the General Meeting. The Circular, which will contain more details in relation to, among other things, the Share Option Scheme together with the notice of the General Meeting will be dispatched to the Shareholders as soon as practicable.

In relation to the condition set out in (b) above, an application will be made to the Listing Committee for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of any Options up to 10% of the Shares in issue as at the Adoption Date.

2.5 Implications under the Listing Rules

The Share Option Scheme will constitute a share option scheme under Chapter 17 of the Listing Rules and therefore must be approved by the Shareholders in a general meeting pursuant to Rule 17.02(1)(a) of the Listing Rules.

3. INITIAL GRANT PROPOSAL

3.1 Adoption of the Initial Grant Proposal

On 25 June 2021, the Board resolved to approve the adoption of the Initial Grant Proposal subject to the fulfillment of the Initial Grant Conditions. The Initial Grant Proposal contains terms and conditions governing the Proposed Initial Grant, including but not limited to the scope of the Incentive Targets, number of Options allocated and the effective conditions. More details of the Initial Grant Proposal will be given in the Circular.

3.2 Details of the Initial Grant Proposal

Under the Initial Grant Proposal, a total of 16,731,622 Options may be granted and which if fully granted and exercised, will represent approximately 1% of the Shares in issue as at the Announcement Date. Details of the Initial Grant Proposal and relevant information are summarised below.

(a) Exercise Price

The Exercise Price shall represent the highest of (i) the closing price per Share as stated in the Stock Exchange's daily quotations sheet on the Date of Initial Grant; (ii) the average closing price per Share as stated in the Stock Exchange's daily quotation sheet for the five Business Days preceding the date of grant; and (iii) the nominal value of HK\$0.10 of each Share.

(b) Identities of the Incentive Targets

Under the Initial Grant Proposal, it is contemplated that there will be a total of 90 Eligible Participants comprising executive Directors and members of the senior management, middle management, management of the project companies and core employees of the Group.

(c) Validity period of the Options under the Initial Grant Proposal

10 years from the date grant unless lapsed pursuant to the terms of the Share Option Scheme as summarised in paragraph 18 of the Appendix to this announcement.

(d) Vesting Schedule

Subject to the satisfaction of the Vesting Conditions, all Options granted under the Initial Grant Proposal shall be vested and become exercisable in four tranches as set out in the table below:

| Tranche | Vesting date | Percentage of Options vested |
|----------------|---|-------------------------------------|
| First | The second anniversary of the date of grant | 25% |
| Second | The third anniversary of the date of grant | 25% |
| Third | The fourth anniversary of the date of grant | 25% |
| Fourth | The fifth anniversary of the date of grant | 25% |

(e) Vesting Conditions

Set out below are the Vesting Conditions:

- (i) Vesting Conditions: in relation to the Company and in respect of each tranche of 25% of the Options granted:
 - (A) the EOE for the most recent full financial year shall not be less than (I) 22.55% and (II) that of the Peer Benchmark Companies;
 - (B) the growth in the market capitalisation of the Company as compared with the previous financial year shall not be less than (I) 4.65% and (II) that of the Peer Benchmark Companies;
 - (C) revenue derived from the principal business of the Company in the last financial year shall not be less than 85% of the total revenue of the Company in that financial year; and
 - (D) cash dividend declared in respect of the last financial year shall not be less than 30% of the net profit of the Company of that financial year; and

- (E) none of the following circumstances having occurred:
 - (I) issue of the financial and accounting report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or cannot give an opinion;
 - (II) imposition of administrative penalties by regulatory authorities as a result of material breach of rules and regulations in the preceding year; and
 - (III) other circumstances under which implementation of share option incentive schemes is prohibited as determined by regulatory authorities.
- (ii) Vesting Conditions: in relation to an Eligible Participant who has accepted a grant of Options and in respect of each tranche of 25% of the Options granted:
 - (A) he has obtained an assessment grade of “B” (or 80 marks) or above in the year preceding the scheduled vesting date in which case the entire tranche of 25% of the Options granted will be vested (for the avoidance of doubt, if an Eligible Participant who has accepted a grant of Options fails to obtain the aforesaid assessment result, the entire tranche of 25% of the Options granted will lapse); and
 - (B) none of the following circumstances having occurred:
 - (I) he is publicly reprimanded by the Stock Exchange in the last three years;
 - (II) imposition of administrative penalties by regulatory authorities as a result of material breach of rules and regulations in the last three years; and
 - (III) he is prohibited by the relevant laws and regulations from acting as a director or a member of the senior management of a company.

3.3 Initial Grant Proposal Conditions

The adoption of the Initial Grant Proposal is conditional upon the fulfillment of the following conditions (the “**Initial Grant Conditions**”): (i) the fulfillment of the Adoption Conditions; (ii) the approval of the Initial Grant Proposal by the Shareholders having been obtained; and (iii) the approval of the Initial Grant Proposal by Guangzhou SASAC having been obtained. As at the Announcement Date, none of the Initial Grant Conditions has been fulfilled.

In relation to the condition set out in (ii) above, the General Meeting will be held for the Shareholders to consider and, if thought fit, approve the Initial Grant Proposal. Any Shareholder that has a material interest in the Initial Proposed Grant will, together with their respective associates, be required to abstain from voting on the resolution to approve the Initial Proposed Grant at the General Meeting. As at the Announcement Date, Mr. He, an executive Director and an Incentive Target as disclosed in section 4(b) below, is interested in 52,000 Shares (approximately 0.003% of the Shares in issue). By virtue of Mr. He being an Incentive Target, he has a material interest in the Initial Grant Proposal. Assuming that Mr. He is a Shareholder on the record date for determining the entitlement to attend the General Meeting, he, together with his associates, will be required to abstain from voting on the resolution to approve the Initial Grant Proposal at the General Meeting. The Circular, which will contain more details in relation to, among other things, the Initial Grant Proposal together with the notice of the General Meeting will be dispatched to the Shareholders as soon as practicable.

4. CONDITIONAL GRANT OF 15,693,360 OPTIONS

On 25 June 2021, the Board approved the grant of 15,693,360 Options (out of the 16,731,622 total number of options which may be granted under the Initial Grant Proposal) subject to the fulfillment of the Initial Grant Conditions. The Proposed Initial Grant complied with the terms of the Share Option Scheme as if the latter has already been adopted by the Shareholders. Details of the Proposed Initial Grant and relevant information are summarised below.

(a) Exercise Price

The Exercise Price is HK\$4.43, representing the highest of (i) the closing price of HK\$4.38 per Share as stated in the Stock Exchange's daily quotations sheet on 25 June 2021; (ii) the average closing price of HK\$4.43 per Share as stated in the Stock Exchange's daily quotation sheet for the five Business Days preceding 25 June 2021; and (iii) the nominal value of HK\$0.10 of each Share.

(b) Identities of the grantees

The Incentive Targets are a total of 88 Eligible Participants comprising (i) Mr. He (an executive Director), who has been granted 1,371,993 Options, representing approximately 0.08% of the Shares in issue as at the Announcement Date if those Options are fully exercised; and (ii) 87 members of the senior management, middle management, management of the project companies and core employees of the Group who have been granted a total of 14,321,367 Options, representing approximately 0.86% of the Shares in issue as at the Announcement Date if those Options are fully exercised.

(c) Validity period of the Options, Vesting Schedule and Vesting Conditions

The Validity period of the Options, Vesting Schedule and Vesting Conditions are as disclosed in sections 3.2(c), (d) and (e) above.

(d) Other information

Mr. He, an executive Director, had abstained from voting on the Board resolution in relation to the grants of the Options to himself under the Proposed Initial Grant. The grant of Options to Mr. He was approved by all the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

Save and except for Mr. He, none of the Incentive Targets is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates as at 25 June 2021.

The grant of the 1,038,262 Options remaining to be granted under the Initial Grant Proposal will be further approved by the Board and will be subject to compliance with the applicable Listing Rules.

5. DEFINITIONS

In this announcement (including the Appendix to this announcement), the following expressions shall, unless the context requires otherwise, have the following meanings:

| | |
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| “Adoption Conditions” | the conditions of the adoption of the Share Option Scheme as disclosed in section 2.4 of this announcement |
| “Adoption Date” | the date on which the Share Option Scheme is adopted by an ordinary resolution of the Shareholders |
| “Announcement Date” | the date of this announcement, being 27 June 2021 |
| “Appraisal Measures” | the Appraisal Measures of the Share Option Incentive Scheme of Yuexiu Transport Infrastructure Limited* (《越秀交通基建有限公司股票期權激勵計劃考核管理辦法》) |
| “associate” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day on which the Stock Exchange is open for the business of dealing in securities |
| “chief executive” | has the meaning ascribed to it under the Listing Rules |

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| “Circular” | the circular of the Company in relation to, among other things, the Share Option Scheme to be dispatched to the Shareholders |
| “close associate” | has the meaning ascribed to it under the Listing Rules |
| “Company” | Yuexiu Transport Infrastructure Limited, an exempted company incorporated in Bermuda |
| “connected person” | has the meaning ascribed to it under the Listing Rules |
| “Director” | a director of the Company |
| “Eligible Participant” | any employee (whether full-time or part-time) or director of any member of the Group, other than an Excluded Person |
| “EOE” | earnings before interest, income taxes, depreciation and amortisation on average equity |
| “Exchange Listing Rules” | the Listing Rules, any listing agreement or other contractual arrangement entered into with any party pursuant thereto, and rulings of the Stock Exchange made in pursuance thereof |
| “Excluded Person” | (i) any person who is an independent non-executive director of any member of the Group and/or (ii) any person alone or together with his family member(s) is interested in 5% or more of the issued Shares at the time of any proposed grant; or (iii) the spouse, father, mother or child of the person referred to in (i) or (ii) above and who is not an employee of any member of the Group; |
| “Exercise Price” | the price per Share payable on the exercise of an Option as determined by the Board and shall at least be the highest of: (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 grant, which shall 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 Business Days immediately preceding the date of grant, or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme |
| “General Meeting” | a general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Share Option Scheme, the Management Measures, the Appraisal Measures and the Initial Grant Proposal (including any adjournment thereof) |

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| “Group” | the Company and its subsidiaries |
| “Guangzhou SASAC” | the State-owned Assets Supervision and Administration Commission of the State Council of Guangzhou Municipal People’s Government |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Incentive Target” | an Eligible Participant to whom Options may be granted under the Initial Grant Proposal |
| “Initial Grant Conditions” | the conditions of the Proposed Initial Grant as disclosed in section 3.3 of this announcement |
| “Initial Grant Proposal” | the Proposal on the Initial Grant Pursuant to the Share Option Incentive Scheme of Yuexiu Transport Infrastructure Limited (Draft)* (《越秀交通基建有限公司股票期權激勵計劃首次授予方案》(草案)) |
| “Limit” | the limit on the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any Other Schemes, being a number in aggregate not exceeding 10% of the Shares in issue as at the Adoption Date |
| “Listing Approval” | the Listing Committee’s approval of the listing of, and permission to deal in, any Share on the Stock Exchange which may be issued by the Company pursuant to the exercise of any Option under the Share Option Scheme |
| “Listing Committee” | has the meaning ascribed to it under the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Management Measures” | the Management Measures of the Share Option Incentive Scheme of Yuexiu Transport Infrastructure Limited* (《越秀交通基建有限公司股票期權激勵計劃管理辦法》) |
| “Mr. He” | Mr. HE Baiqing, an executive Director |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules from time to time |
| “Option” | an option or right to subscribe for Shares pursuant to the Share Option Scheme |

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| “Option Holder” | any Eligible Participant who accepts a grant of Option in accordance with the terms of the Share Option 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” | a period to be determined by the Board at its absolute discretion (provided that the period shall not be more than ten (10) years from the date of grant) and notified by the Board to an Eligible Participant as the period during which an Option may be exercised (subject to any restrictions on the exercise of the Option as may be imposed by the Board) |
| “Other Schemes” | other than the Share Option Scheme, all the schemes or arrangements involving the grant by the Company or any member of the Group of options over Shares or other securities of the Company to, or for the benefit of, specified participants of such schemes or arrangements which, in the opinion of the Stock Exchange, is analogous to a share option scheme as described in Chapter 17 of the Listing Rules |
| “Peer Benchmark Companies” | a total of 28 companies listed in Shanghai, Shenzhen or Hong Kong principally engaged in businesses similar to the Group’s businesses which have been selected as benchmark companies |
| “PRC” | the People’s Republic of China |
| “Proposed Initial Grant” | the proposed initial grant of 15,693,360 Options as disclosed in section 4 of this announcement |
| “Scheme Period” | the period commencing on the Adoption Date and expiring at 5:00 p.m. on the Business Day immediately preceding the tenth anniversary of the Adoption Date unless terminated earlier by the Shareholders in a general meeting |
| “Share Option Scheme” | the share option incentive scheme proposed to be adopted by the Company at the General Meeting |
| “Share” | an ordinary share of nominal value of HK\$0.10 in the capital of the Company |
| “Shareholder” | a holder of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which the Option is exercised |

“substantial
shareholder”

has the meaning ascribed to it under the Listing Rules

“Vesting Conditions”

the conditions for the vesting of the Options granted under the Proposed Initial Grant as disclosed in section 3.2(e) of this announcement

By order of the Board
Yuexiu Transport Infrastructure Limited
LI Feng
Chairman

Hong Kong, 27 June 2021

As at the Announcement Date, the Board comprises:

Executive Directors: LI Feng (Chairman), HE Baiqing, CHEN Jing and XIE Yanhui

Independent Non-executive Directors: FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu

* *For ease of reference, the names of the PRC established companies or entities (if any) and the PRC laws and regulations (if any) have generally been included in this announcement in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.*

^ *Where the context so permits or requires, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.*

Set out below is a summary of the principal terms of the Share Option Scheme.

1. PURPOSE

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the Eligible Participants to the Group by granting Options to them as incentives or rewards. The basis of eligibility of any of the Eligible Participants to the grant of Options shall be determined by the Board from time to time at its absolute discretion on the basis of his contribution or potential contribution to the development and growth of the Group.

2. DURATION OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be valid and effective for the period commencing on the Adoption Date and expiring at 5:00 p.m. on the Business Day immediately preceding the tenth anniversary of the Adoption Date unless terminated earlier by the Shareholders in general meeting as disclosed in paragraph 21 of this Appendix. Upon termination of the Share Option Scheme, no further Options may be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

3. PARTICIPANTS

Only the Eligible Participants may be granted Options. On and subject to the terms of the Scheme, the Board may, on a Business Day during the Scheme Period, at its absolute discretion (and subject to any conditions as it may think fit, including but not limited to the achievement of any performance target and/or any minimum period for which an Option must be held before it can be exercised) make an offer in writing (in such form as the Board may from time to time determine) to an Eligible Participant an Option to subscribe at the Exercise Price for such number of Shares as the Board may determine.

4. ACCEPTANCE OF A GRANT

Any grant may be accepted on or before the date specified in the grant (or at such other time and in such other manner as the Board may otherwise determine, including but not limited to an agreement in relation to the grant of the Options between an Eligible Participant and the Company) provided that no grant shall be open for acceptance after the expiry of the Scheme Period or after the Share Option Scheme has been terminated in accordance with the provisions thereof. An amount of HK\$1.00 is payable by an Eligible Participant on acceptance of a grant.

5. EXERCISE PRICE

The price per Share payable on the exercise of an Option as determined by the Board and shall at least be the highest of:

- (a) the nominal value of the Shares;
- (b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which shall be a Business Day; and
- (c) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant;

or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

The total subscription price payable upon exercise of an Option shall be an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which the Option is exercised.

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any Other Schemes shall not in aggregate exceed the Limit. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Limit.

The Company may seek approval by Shareholders in general meeting to refresh the Limit provided that:

- (a) the Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed Limit;
- (b) (i) Options previously granted (including those outstanding, cancelled, lapsed in accordance with the provisions of the Share Option Scheme or exercised Options) and (ii) options previously granted under Other Schemes (including those outstanding, cancelled, lapsed in accordance with the provisions of Other Schemes or exercised options) will not be counted for the purpose of calculating the Limit as refreshed; and
- (c) a circular containing the information and the disclaimer respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be dispatched to the Shareholders together with the notice of the relevant general meeting.

The Company may seek separate Shareholders' approval in general meeting to grant Options beyond the Limit or the refreshed Limit (as the case may be) provided that the Options in excess of the Limit or the refreshed Limit (as the case may be) are granted only to Eligible Participants specifically identified by the Company before such approval is sought and provided further that a circular 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 information and the disclaimer respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules, the purpose of granting Options to the specified Eligible Participants and how the terms of the Options serve such purpose shall be dispatched to the Shareholders together with the notice of the relevant general meeting.

The total number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any Other Schemes shall not exceed 30% of the Shares in issue from time to time. No grant may be made under the Share Option Scheme or Other Schemes if this will result in the aforementioned limit being exceeded.

7. MAXIMUM NUMBER OF OPTIONS TO EACH PARTICIPANT

The total number of Shares issued and to be issued upon the exercise of all Options granted to each Eligible Participant (including both exercised and outstanding Options) in any period of twelve (12) consecutive months shall not exceed 1% of the Shares in issue.

The Company may grant further Options in excess of the limit set out in the preceding paragraph, subject to Shareholders' approval in general meeting, at which the Eligible Participant involved and his close associates (or his associates if the Eligible Participant is a connected person) shall abstain from voting, and the following provisions shall apply:

- (a) a circular containing the identity of the Eligible Participant involved, the number and terms of Options granted and to be granted and the information and the disclaimer respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be dispatched to the Shareholders together with the notice of the relevant general meeting;
- (b) the number and terms (including the Exercise Price) of Options to be granted to the Eligible Participant involved shall be fixed before the general meeting; and
- (c) the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

8. GRANT OF OPTIONS TO DIRECTORS AND CHIEF EXECUTIVES

Any grant of Options to a Director or chief executive of the Company or any of their respective associates must be approved by all independent non-executive Directors.

9. RESTRICTIONS ON THE TIME OF GRANT OF OPTIONS

For so long as the Shares are listed on the Stock Exchange:

(a) no grant shall be made after any inside information has come to the knowledge of the Company until such inside information has been published in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Exchange Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Exchange Listing Rules); and

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

and ending on and including the date of the results announcement, no grant may be made; and

(b) the Directors must not make any grant to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code or any corresponding code or securities dealing restrictions adopted by the Company.

10. TRANSFERABILITY OF OPTIONS

An Option shall be personal to the Option Holder and shall not be transferable or assignable. 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 or otherwise use the Options as security or to repay debts. 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.

11. EXERCISE PERIOD OF THE OPTIONS

Subject to the provisions of the Share Option Scheme and the terms and conditions of the relevant grant(s), Options may be exercised by an Eligible Participant (or in the case of his death, his designated successor or legal successor and including the personal representative(s)), 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 such other officers or department as the Board may designate from time to time) must, prior to the expiry of the Option Period, have received, among other things, a written notice exercising the Option and 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 twenty eight (28) days of the date upon which the exercise of the Option becomes effective.

12. RIGHTS OF EXERCISE

(a) Minimum period of holding and performance targets

Unless otherwise determined by the Board and specified in the document of grant, there is no minimum period for which an Option must be held before it can be exercised and no performance target needs to be achieved by the grantees of Options before the Options can be exercised.

(b) Rights on cessation of employment due to ill health or death etc.

If an Option Holder ceases to be an Eligible Participant during any relevant Option Period:

- (i) by objective reason(s) of, among other things, ill health, change in position due to the arrangements of the organization which the Company is subject to or such objective reasons on the part of the Company (such as redundancy, change of business), retirement, death, incapacity for civil conducts (the Board has the authority to request the Eligible Participants to provide evidence in respect of the relevant reasons) which causes the rescission or termination of the employment relationship between the Company and an Eligible Participant; or by reason(s) of failure in individual performance appraisal or the incompetency at the original position which results in a demotion; or by reason(s) on the part of the Company which causes a change in an Eligible Participant's office that resulted in an Eligible Participant ceasing to be an Eligible Participant, those Options granted and which have satisfied the vesting conditions and become exercisable can be exercised within six (6) months upon the occurrence of the circumstances described in this paragraph, failing which such Options and those Options which have not yet become exercisable shall lapse and determine after the said six months' period;

- (ii) by reasons of the resignation of the Eligible Participant, or rescission or termination of the employment relationship between the Company (or its operating units) and an Eligible Participant (provided that the aforesaid resignation, rescission or termination is not resulted from the circumstances set out in (i) above), all his Options (including those which are exercisable and not yet exercised) shall lapse and determine upon the aforesaid resignation, rescission or termination,

provided always that in each of the cases of (i) and (ii) above the Board may in its absolute discretion decide that such Options shall not so lapse or determine subject to such conditions or limitations as the Board may determine.

13. SPECIAL CIRCUMSTANCES: IN RELATION TO THE COMPANY

- (a) In case of change of control, merger, spin-off or voluntary winding up of the Company, the exercise of those Options which have been granted but have not yet become exercisable (i) shall not be accelerated or (ii) shall not be moved forward in terms of the exercise arrangement.
- (b) Upon the occurrence of any of the following events in relation to the Company, the Company shall propose that those Options exercisable in the year in which any of the following events occurred shall lapse and the implementation of the relevant phase(s) of Options granted shall be terminated, and upon the consideration and approval of the Board, no new Options shall be granted to the Eligible Participants within one year after the relevant resolution of the Board has become effective:
 - (i) failure to engage accountants to conduct auditing work in accordance with the prescribed procedures and requirements;
 - (ii) a certified public accountant issued an adverse opinion in respect of the annual financial report or issued an audited report in respect of which the certified public accountants was unable to give an opinion;
 - (iii) the regulatory authorities of the State-owned assets or audit firms have material objection in respect of the financial performance or the annual financial report of the Company; or
 - (iv) material breach of rules and penalties was imposed by securities regulatory authorities and other relevant authorities as a result.

14. SPECIAL CIRCUMSTANCES: IN RELATION TO THE ELIGIBLE PARTICIPANTS

Upon the occurrence of any of the following in relation to an Eligible Participant, all the Options which have not yet been exercised shall lapse automatically, and the Company shall propose that no new Options shall be granted to him and shall recover the gain of the Eligible Participant derived from the Options:

- (a) the results of the economic responsibility audit and other reports proved that he has failed to perform duties effectively or is involved in serious misconduct or malfeasance;
- (b) having contravened the relevant laws and regulations of PRC and/or Hong Kong or the provisions of the bye-laws of the Company;
- (c) the Eligible Participant has, during his tenure of office, involved in acceptance or solicitation of bribery, corruption, theft, leakage of trade and technical secrets, conducted connected transactions and other unlawful acts and misconducts, which prejudiced the interest and reputation of and cause significant negative impact to the image of the Company; or
- (d) an Eligible Participant has failed to discharge, or failed to discharge properly, his duties and thereby resulting in serious loss in assets to the Company and other serious and adverse consequences.

15. OTHER SPECIAL CIRCUMSTANCES

- (a) If during of the implementation of any phase of Options granted, there are false statements or misleading statements in, or material omissions from, the financial and accounting documents of the Company or the information disclosure documents of the Company which result in non-compliance with the arrangements in respect of the grant of Options or vesting of the Options of the relevant phase(s) of grant, the Options of all the Eligible Participants granted under the relevant phase(s) of grant which have not yet been exercised shall lapse automatically, and the Company shall recover all the gain of all the Eligible Participants derived from the Options granted under the said relevant phase(s) of grant and shall not grant new Options to those Eligible Participants who are liable for the issues on the financial and accounting documents of the Company or the information disclosure documents of the Company described under this paragraph.
- (b) Subject to the compliance of the applicable laws, rules and regulations, the Board may deal with the Options involved in the circumstances in respect of the Company or the Eligible Participants which are not specified under paragraph 13, 14 or 15(a) above at its sole discretion.

16. RANKING OF SHARES ISSUED UPON EXERCISE OF OPTIONS

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the constitution of the Company for the time being in force and shall not carry voting rights until the registration of the Option Holder (or any other person nominated by the Option Holder) as the holder thereof in the register of members of the Company. If under the terms of a resolution passed or an announcement made by the Company prior to the date of exercise of an Option becoming effective, a dividend or other distribution is to be or is proposed to be paid or made to the Shareholders by reference to a record date prior to the date of entry of such Option Holder in the register of members of the Company, the Shares to be allotted and issued upon the exercise will not rank for such dividend or distribution. Subject as aforesaid, Shares allotted and issued upon the exercise of an Option shall rank *pari passu* in all respects with the Shares in issue on the date of the entry of such Option Holder in the register of members of the Company including in respect of those rights arising on a liquidation of the Company.

17. VARIATION IN THE SHARE CAPITAL OF THE COMPANY

Upon variation in the share capital of the Company in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital, the number of Shares comprised in each Option and/or the Exercise Price thereunder may be adjusted in any manner as the Board, subject to the compliance with the applicable laws and rules (including Rule 17.03(13) of the Listing Rules and/or the rules, requirements and guidelines issued by the Stock Exchange from time to time) and the terms of the grant, be adjusted in any manner as the Board may deem appropriate.

18. LAPSE OF OPTION

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

- (a) the expiry of the Option Period
- (b) the date on which the Option Holder commits a breach referred to in paragraph 10 of this Appendix;
- (c) the expiry of the periods referred to in paragraph 12(b)(i) or (ii) of this Appendix;
- (d) the occurrence of any event specified in paragraph 14 of this Appendix; and
- (e) the occurrence of any event specified in paragraph 15(a) of this Appendix.

An Option may also be lapsed pursuant to other provisions of the Scheme, including but not limited to the circumstances referred to in paragraph 13(b) above or pursuant to the conditions imposed by the Board according to the powers conferred on it under the Scheme.

19. ALTERATION OF THE SHARE OPTION SCHEME

The Board may from time to time in its absolute discretion waive or amend any of the rules of the Share Option Scheme as it deems desirable, provided that, except with the prior sanction of the Company in general meeting, no alteration shall be made to any of the rules relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Option Holders (present or future) or Eligible Participants. Further, any alteration to the terms and conditions of the Share Option Scheme, which are of a material nature or any change to the terms of Options granted, must be first approved by the Shareholders save that this provision shall not apply where the alterations take effect automatically under the existing terms of the Share Option Scheme.

20. CANCELLATION OF OPTIONS

Any Options granted but not exercised may be cancelled subject to approval by the relevant Option Holder. Issuance of new Options to the same Option Holder may only be made by the Company if there are unissued Options available under the Share Option Scheme within the Limit or the Limit as refreshed pursuant to the provisions of the Share Option Scheme and in compliance with the terms of the Share Option Scheme.

21. TERMINATION OF THE SHARE OPTION SCHEME

The Company by an ordinary resolution in general meeting may at any time terminate the operation of Share Option Scheme and in such event no further Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and Options granted prior to such termination shall continue to be valid and exercisable in accordance with the rules of the Share Option Scheme.

22. ADMINISTRATION OF THE SHARE OPTION SCHEME

The Share Option Scheme shall be subject to all the applicable laws, rules and regulations and requirements of the competent authorities and shall be subject to the administration of the Board whose decision (save as otherwise provided therein) shall be final and binding on all parties.

23. CONDITIONS PRECEDENT OF THE SHARE OPTION SCHEME

The adoption of the Share Option Scheme is conditional upon the fulfillment of the Adoption Conditions.