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(Incorporated in Hong Kong with limited liability)

(Stock Code: 06626)

**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 30 December 2022, 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 30 December 2022, the Board resolved to approve the adoption of the Initial Grant Proposal, pursuant to which a total of 15,220,300 Options was resolved to be conditionally granted to a total of 39 Eligible Participants comprising (i) Mr. Mao and Mr. Zhang (both are executive Directors) who have each been granted 1,048,800 Options, each representing approximately 0.07% of the Shares in issue as at the date of this announcement if those Options are fully exercised; and

(ii) 37 members of the senior management and core employees of the Group who have been granted a total of 13,122,700 Options, representing approximately 0.85% of the Shares in issue as at the date of this announcement 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.

GENERAL

The Share Option Scheme will constitute a share option scheme for the purposes of Chapter 17 of the Listing Rules and the Amended Rules. Therefore, the adoption of the Share Option Scheme will be subject to, among others, Shareholders' approval at the General Meeting. As mentioned above, the Company will convene and hold the General Meeting for the Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve, among other things, the proposed adoption of the Share Option Scheme, Management Measures, Appraisal Measures and the Initial Grant Proposal.

As set out above, the Circular containing, inter alia, (i) the details and principal terms of the Share Option Scheme, Management Measures, Appraisal Measures and the Initial Grant Proposal; (ii) the notice of the General Meeting; and (iii) other information in relation to the Company in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the adoption of the Share Option Scheme is subject to the approval of the Shareholders. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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 30 December 2022. 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 full-time 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 the 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, the Management Measures and the Appraisal Measures 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.

3. INITIAL GRANT PROPOSAL

3.1. Adoption of the Initial Grant Proposal

On 30 December 2022, 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 15,220,300 Options was resolved to be granted to a total of 39 Eligible Participants subject to the fulfillment of the Initial Grant Conditions, which comprises (i) the grant of 1,048,800 Options each to Mr. Mao and Mr. Zhang, each representing approximately 0.07% of the Shares in issue as at the date of this announcement if those Options are fully

exercised; and (ii) the grant of a total of 13,122,700 Options to a total of 37 members of the senior management and core employees of the Group, representing approximately 0.85% of the Shares in issue as at the date of this announcement if those Options are fully exercised.

If the Options under the Proposed Initial Grant are fully granted and exercised, they will represent approximately 1% of the Shares in issue as at the date of this announcement. 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 are summarised below.

Date of Grant	30 December 2022		
Number of Options granted	An aggregate of 15,220,300 Options		
Identity of Grantees and Relationship with the Company	<p>(a) A total of 13,122,700 Options was resolved to be granted to a total of 37 members of the senior management and core employees of the Group; and</p> <p>(b) The remaining 2,097,600 Options were granted to the following directors of the Company:</p>		
	Name of Director	Positions held in the Company	Number of Options granted
	Mr. Mao Liangmin	Executive Director	1,048,800
	Mr. Zhang Jin	Executive Director	1,048,800
Exercise Price	<p>HK\$3.334, representing the highest of:</p> <p>(i) the closing price of HK\$3.310 per Share as stated in the Stock Exchange's daily quotations sheet on the Date of Grant; and</p> <p>(ii) the average closing price of HK\$3.334 per Share as stated in the Stock Exchange's daily quotation sheet for the five Business Days preceding the Date of Grant</p>		

**Closing price of
Shares on the Date
of Grant**

HK\$3.310 per Share

**Validity, Exercise and
Vesting Period**

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

Tranche	Vesting date	Percentage of Options vested
First	The first trading day after 24 months from the Date of Grant	33%
Second	The first trading day after 36 months from the Date of Grant	33%
Third	The first trading day after 48 months from the Date of Grant	34%

The Options are valid for 8 years from the Date of Grant unless lapsed pursuant to the terms of the Share Option Scheme as summarised in paragraph 18 of the Appendix to this announcement, and may be exercisable during such period provided that the Options are vested.

Vesting Conditions

Set out below are the Vesting Conditions:

- (i) Vesting Conditions: in relation to the Company and in respect of each tranche of the Options granted:
 - (A) the Company's return on equity attributable to shareholders after deducting non-recurring gain or loss (I) shall not be less than 12.8% for the first tranche in 2023, 12.9% for the second tranche in 2024 and 13.0% for the third tranche in 2025 and (II) shall be equal to or greater than that of the average of the Peer Benchmark Companies plus 1%;
 - (B) the Company's growth rate of net profit attributable to shareholders after deducting non-recurring gain or loss in 2023 for the first tranche, 2024 for the second tranche and 2025 for the third tranche (I) as compared to that of 2021 shall be greater than 32%, 52% and 75% respectively and (II) shall be equal to or greater than that of the average of the Peer Benchmark Companies;
 - (C) the Company's receivables turnover ratio in 2023 for the first tranche, 2024 for the second tranche and 2025 for the third tranche shall not be less than 4.2;
 - (D) the proportion of cash dividend shall not be lower than 30% of the Company's distributable net profit in the latest full 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 Incentive Target who has accepted a grant of Options and in respect of each tranche of the Options granted:
 - (A) he/she has obtained an assessment grade of “B” for senior management (including executive Directors) and “pass” for core employees of the Group or above in the year preceding the scheduled vesting date in which case the entire tranche of the Options granted will be vested (for the avoidance of doubt, if an Incentive Target who has accepted a grant of Options fails to obtain the aforesaid assessment result, the entire tranche of the Options granted will lapse); and
 - (B) none of the following circumstances having occurred:
 - (I) he/she has been publicly censured or declared as an ineligible candidate by the Stock Exchange during the last three years;
 - (II) he/she has been penalised by regulatory authorities during the last three years due to serious violations of laws or regulations;
 - (III) he/she is prohibited from acting as a director or a member of the senior management of a company by the relevant laws and regulations; or

(IV) he/she is determined by the Board to have otherwise seriously violated the Company's regulations.

**Clawback
Arrangements**

Upon the occurrence of any of the following events in relation to an Incentive Target, the Company shall propose to terminate the grant of new Options to him, disqualify him from exercising his outstanding Options, claw back the gain of the Incentive Target derived from the Options, and pursue his corresponding responsibilities in accordance with the laws and relevant regulations:

- (i) 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 and malfeasance.
- (ii) The Incentive Target has contravened the relevant laws and regulations of PRC and/or Hong Kong or the articles of the articles of association of the Company.
- (iii) The Incentive Target has, during his tenure of office, been subject to disciplinary actions due to acceptance or solicitation of bribery, corruption, theft, leakage of the Company's trade and technical secrets, conducted connected transactions and other unlawful acts and misconducts, which prejudiced the interest and reputation of and caused significant negative impact to the image of the Company.
- (iv) The Incentive Target 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.

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 date of this announcement, 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, among other things, 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. 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.

3.4. Other information

Upon the grant of the 15,220,300 Options under the Initial Grant Proposal, based on the assumption that (i) there are no changes to the number of Shares in issue between the date of this Announcement and the Adoption Date, (ii) all of the Options under the Initial Grant Proposal have not lapsed and (iii) the Company has not sought Shareholders’ approval to refresh the Limit, the additional number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme would be 136,982,717 Shares.

Mr. Mao and Mr. Zhang, both are executive Directors, had abstained from voting on the Board resolution in relation to the grants of the Options to themselves under the Proposed Initial Grant. The grant of Options to Mr. Mao and Mr. Zhang were approved by all the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

Save and except for Mr. Mao and Mr. Zhang, none of the Incentive Targets is a Director, chief executive or Substantial Shareholder, or any of their respective associates as at the date of this announcement.

4. GENERAL

The Share Option Scheme will constitute a share option scheme for the purposes of Chapter 17 of the Listing Rules and the Amended Rules. Therefore, the adoption of the Share Option Scheme will be subject to, among others, Shareholders' approval at the General Meeting. As mentioned above, the Company will convene and hold the General Meeting for the Shareholders to consider and, if thought fit, pass the ordinary resolutions to approve, among other things, the proposed adoption of the Share Option Scheme, Management Measures, Appraisal Measures and the Initial Grant Proposal.

As set out above, the Circular containing, inter alia, (i) the details and principal terms of the Share Option Scheme, Management Measures, Appraisal Measures and the Initial Grant Proposal; (ii) the notice of the General Meeting; and (iii) other information in relation to the Company in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders as soon as practicable.

As at the date of this announcement, the adoption of the Share Option Scheme is subject to the approval of the Shareholders. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

5. DEFINITIONS

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

“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

“Amended Rules”	the amendments to the Listing Rules relating to share schemes of listed issuers, which will take effect on 1 January 2023 pursuant to the Consultation Conclusions
“Appraisal Measures”	the Appraisal Measures of the Share Option Incentive Scheme of Yuexiu Services Group Limited* (《越秀服務集團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
“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
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Yuexiu Services Group Limited (越秀服務集團有限公司), a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 6626)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consultation Conclusions”	Consultation conclusions on the proposed amendments to listing rules relating to share schemes of listed issuers and housekeeping rule amendment published by the Stock Exchange in July 2022

“Date of Grant”	30 December 2022
“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
“Employee Participants”	any employee (whether full-time or part-time, including any executive Director, but excluding any non-executive Director) of the Company or any of its Subsidiaries (and including persons who are granted Options under this Scheme as an inducement to enter into employment contracts with these companies)
“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 who individually or together with his/her 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 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 (ii) 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)
“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 Services Group Limited (Draft)* (《越秀服務集團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 Services Group Limited* (《越秀服務集團有限公司股票期權激勵計劃管理辦法》)
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules from time to time
“Mr. Mao”	Mr. MAO Liangmin, an executive Director
“Mr. Zhang”	Mr. ZHANG Jin, an executive Director
“Option”	an option or right to subscribe for Shares pursuant to the Share Option Scheme
“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 59 companies listed in Shanghai, Shenzhen or Hong Kong principally engaged in businesses similar to the Group’s businesses as benchmark companies
“PRC”	the People’s Republic of China
“Proposed Initial Grant”	the proposed initial grant of 15,220,300 Options as disclosed in section 3 of this announcement
“Remuneration Committee”	the remuneration committee established by the Board from time to time
“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
“Senior Manager”	a senior manager disclosed in the Company’s annual report as required under paragraph 12 of Appendix 16 to the Listing Rules (as may be amended from time to time)
“Share”	an ordinary share of the Company
“Share Option Scheme”	the share option incentive scheme proposed to be adopted by the Company at the General Meeting
“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
“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”	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 of this announcement
“Vesting Date”	in relation to any Option Holder, the earliest date stated in the offer on which the Option (or a tranche thereof) granted to him may be exercised by such Option Holder, pursuant to which Shares (or separate tranches of Shares) may be subscribed for pursuant to the terms of such Option
“Vesting Period”	in relation to any Option Holder, the period commencing on the date on which the Option Holder accepts the Option granted to him and ending on the Vesting Date (both dates inclusive)

By order of the Board
Yuexiu Services Group Limited
Yu Tat Fung
Company Secretary

Hong Kong, 30 December 2022

As at the date of this announcement, the Executive Directors are Mr. Zhang Jianguo, Mr. Mao Liangmin and Mr. Zhang Jin; the Non-executive Directors are Mr. Lin Feng, Mr. Yao Xiaosheng and Mr. Yang Zhaoxuan; and the Independent Non-executive Directors are Mr. Hung Shing Ming, Ms. Hui Lai Kwan and Mr. Chan Yuen Hang Kenneth.

** For identification purpose only*

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/her 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 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
- (b) 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) a circular containing the number of Options that were already granted under the existing Limit and the reason for the refreshment shall be dispatched to the Shareholders together with the notice of the relevant general meeting;
- (c) the Limit may be refreshed by Shareholders' approval once every three years;

- (d) any refreshment of the Limit within any three-year period must be approved by the independent Shareholders, being any Shareholders other than controlling Shareholders and their associates or, where there is no controlling Shareholder, any Shareholders other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their associates and the Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules; and
- (e) the requirements under paragraphs (c) and (d) above 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 mandate (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole share.

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 the name of each of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose shall be dispatched to the Shareholders together with the notice of the relevant general meeting. The number and terms of Options to be granted to such participant must be fixed before Shareholders' approval. In respect of any Options to be granted, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the exercise price.

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 (excluding any Options lapsed in accordance with the terms of the Scheme) in any period of twelve (12) consecutive months up to and including the date of such grant 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/her close associates (or his/her 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 to be granted (and those previously granted to such participant in the 12-month period), the purpose of granting Options to the Eligible Participant and an explanation as to how the terms of the Options serve such purpose shall be dispatched to the Shareholders together with the notice of the relevant general meeting;
- (b) the number and terms 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, CHIEF EXECUTIVES AND
SUBSTANTIAL SHAREHOLDERS**

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 excluding any independent non-executive Director who is proposed to be an Option Holder.

Any grant of Options to an independent non-executive Director or a Substantial Shareholder or any of their respective associates must be approved by the Shareholders other than the grantee, his/her associates and all core connected persons of the Company for grants of Options in excess of 0.1% of the Shares in issue over any period of twelve (12) consecutive months.

In the circumstances described in the two preceding paragraphs, the Company shall despatch a circular to the Shareholders together with the notice of the relevant general meeting. The grantee, his/her associates and all core connected persons of the Company shall abstain from voting in favour at such general meeting. The circular shall contain:

- (a) the number and terms of Options to be granted, which shall be fixed before the general meeting;
- (b) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options) 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; and
- (c) information required under Rule 17.02(2)(c) and Rule 2.17 of the Listing Rules.

The date of the meeting of the Board for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Exercise Price.

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.

The Stock Exchange may consider granting a waiver to allow a transfer to a vehicle (such as a trust or a private company) for the benefit of the Option Holder and any family members of such Option Holder (e.g. for estate planning or tax planning purposes) that would continue to meet the purpose of the Share Option Scheme and comply with Chapter 17 of the Listing Rules. Where such waiver is granted, the Stock Exchange shall require the Company to disclose the beneficiaries of the trust or the ultimate beneficial owners of the transferee vehicle.

11. EXERCISE AND VESTING PERIODS 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/her death, his/her 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.

The Vesting Period in respect of any Option granted to any Eligible Participant shall not be less than 12 months from the date of acceptance of the Offer, provided that where the Eligible Participant is:

- (a) an Employee Participant who is a Director or a Senior Manager specifically identified by the Company, the Remuneration Committee shall, or
- (b) an Employee Participant who is not a Director nor a Senior Manager specifically identified by the Company, the Director shall

have the authority to determine a shorter Vesting Period under the following circumstances:

- (i) grants of “make-whole” Options to new Employee Participants to replace the awards or options such Employee Participants forfeited when leaving the previous employer;
- (ii) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (iii) grants that are made in batches during a year for administrative and compliance reasons;
- (iv) grants with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of twelve (12) months;
- (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria; and
- (vi) the Remuneration Committee (or as the case may be, the Directors) is of the view that a shorter vesting period is appropriate and serves the purpose of the Scheme.

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/her 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 of the Company to engage an accounting firm 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 were 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 his/her 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 claw back the gain of the Eligible Participant derived from the Options:

- (a) the results of the economic responsibility audit and other reports proved that he/she has failed to perform duties effectively or is involved in serious misconduct or malfeasance;

- (b) an Eligible Participant has contravened the relevant laws and regulations of PRC and/or Hong Kong or the articles of the articles of association of the Company;
- (c) an Eligible Participant has, during his/her tenure of office, been 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 caused significant negative impact to the image of the Company; or
- (d) an Eligible Participant has failed to discharge, or failed to discharge properly, his/her 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 claw back 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 paragraphs 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 (“**Adjustment Relevant Event**”), the number of Shares comprised in each Option and/or the Exercise Price thereunder, subject to the compliance with the applicable laws and rules (including 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), the terms of the grant and the provisions as set out below, be adjusted in any manner as the Board may deem appropriate.

- (a) Adjustment of the Shares comprised in an Option for the occurrence of any Adjustment Relevant Event before the exercise of an Option
 - (i) Capitalisation issue or sub-division of shares

Number of Shares comprised in each Option after adjustment = number of Shares comprised in each Option before adjustment x (1 + number of Shares per Share increased after capitalisation issue, bonus issue or sub-division of Shares)

(ii) Consolidation of Shares

Number of Shares comprised in each Option after adjustment = number of Shares comprised in each Option before adjustment x ratio of consolidation of Shares

(iii) Rights issue or other forms of new issue

Number of Shares comprised in each Option granted after adjustment = number of Shares comprised in each Option before adjustment x closing price on the day of the shareholding registration date x (1 + ratio of the rights issue or new issue) ÷ (closing price on the shareholding registration date + price of the rights issue or new issue x ratio of the rights issue or new issue)

(iv) Reduction of capital

Such method in compliance with applicable laws and rules (including 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) as the Board may determine

(b) Adjustment of the Exercise Price of an Option for the occurrence of any Adjustment Relevant Event before the exercise of an Option

(i) Capitalisation issue or sub-division of shares

Exercise Price after adjustment = Exercise Price before adjustment ÷ (1 + number of additional Shares per Share after capitalisation issue, bonus issue or sub-division of Shares)

(ii) Consolidation of Shares

Exercise Price after adjustment = Exercise Price before adjustment ÷ ratio of consolidation of Shares

(iii) Rights issue or other forms of new issue

Exercise Price after adjustment = Exercise Price before adjustment x (closing price on the shareholding registration date + price of the rights issue or new issue x ratio of the rights issue or new issue) ÷ (closing price on the shareholding registration date x (1 + ratio of the rights issue or new issue))

(iv) Reduction of capital

Such method in compliance with applicable laws and rules (including 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) as the Board may determine

18. LAPSE OF OPTION

The adjustments made pursuant to the above provisions are subject to compliance with the applicable laws and regulations (including 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).

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 Share Option 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 Share Option 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 approval by the Shareholders in general meeting, no alteration shall be made to any of the terms and conditions of the Scheme which are of a material nature or 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 Board, the remuneration committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Options was approved by the Board, the remuneration committee of the Company, the independent non-executive Directors and/or the Shareholders (as the case may be), 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 under the Share Option Scheme within the Limit approved by Shareholders pursuant to Rule 17.03B or Rule 17.03C of the Listing Rules. The Options cancelled will be regarded as utilized for the purpose of calculating the Limit.

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.