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**SHARE OPTION SCHEMES OF THE PORTFOLIO  
COMPANIES OF KINROT HOLDINGS L.P.**

The Board wishes to announce the proposed adoption of the Share Option Schemes by the Portfolio Companies of, and to be admitted in to, Kinrot, an 80% indirect subsidiary of the Company.

Kinrot is a technological incubator operating under a franchise awarded by the Office of the Chief Scientist at the Israeli Ministry of Economy. It has been investing and will continue to invest in start-up Portfolio Companies in the fields of water and cleantech. In order for Kinrot to provide a remuneration package attractive to potential Portfolio Companies which is competitive with those typically offered by other investors, Kinrot wishes to enable the Portfolio Companies to grant share options to their employees and other Eligible Participants. It is anticipated that similar Share Option Scheme rules will apply to every Share Option Scheme of the Portfolio Companies.

The Share Option Schemes are exempt from the Shareholders' approval requirement under Rule 17.02(1)(a) of the Listing Rules based on a waiver granted by SEHK to the Company on 24 March 2014. The waiver was granted on the basis that the projected value of the contributions to the Share Option Schemes of the Portfolio Companies at the date of their adoption, being US\$1,504,300 (approximately HK\$11,658,325), would be a relatively small amount in the context of the market capitalisation of the Company.

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meeting for approval. It is believed that the work and cost entailed in obtaining approval at general meetings would outweigh any benefits to Shareholders. The waiver was further granted on the grounds that details of the Share Option Schemes would be disclosed to Shareholders. This announcement sets out such details including information on Kinrot and its Portfolio Companies, the expected value of the shares in the Share Option Schemes, and the Share Option Scheme rules.

## 1. Kinrot and its Portfolio Companies

Kinrot is an Israeli limited partnership, the partners of which are majority owned indirect subsidiaries of the Company. The Company acquired its indirect interest in Kinrot in December 2012.

The purpose of Kinrot is to act as a technological incubator operating under a franchise awarded by the OCS. The term of the latest franchise awarded to Kinrot is eight years commencing on 1 February 2013 (the “Franchise Period”).

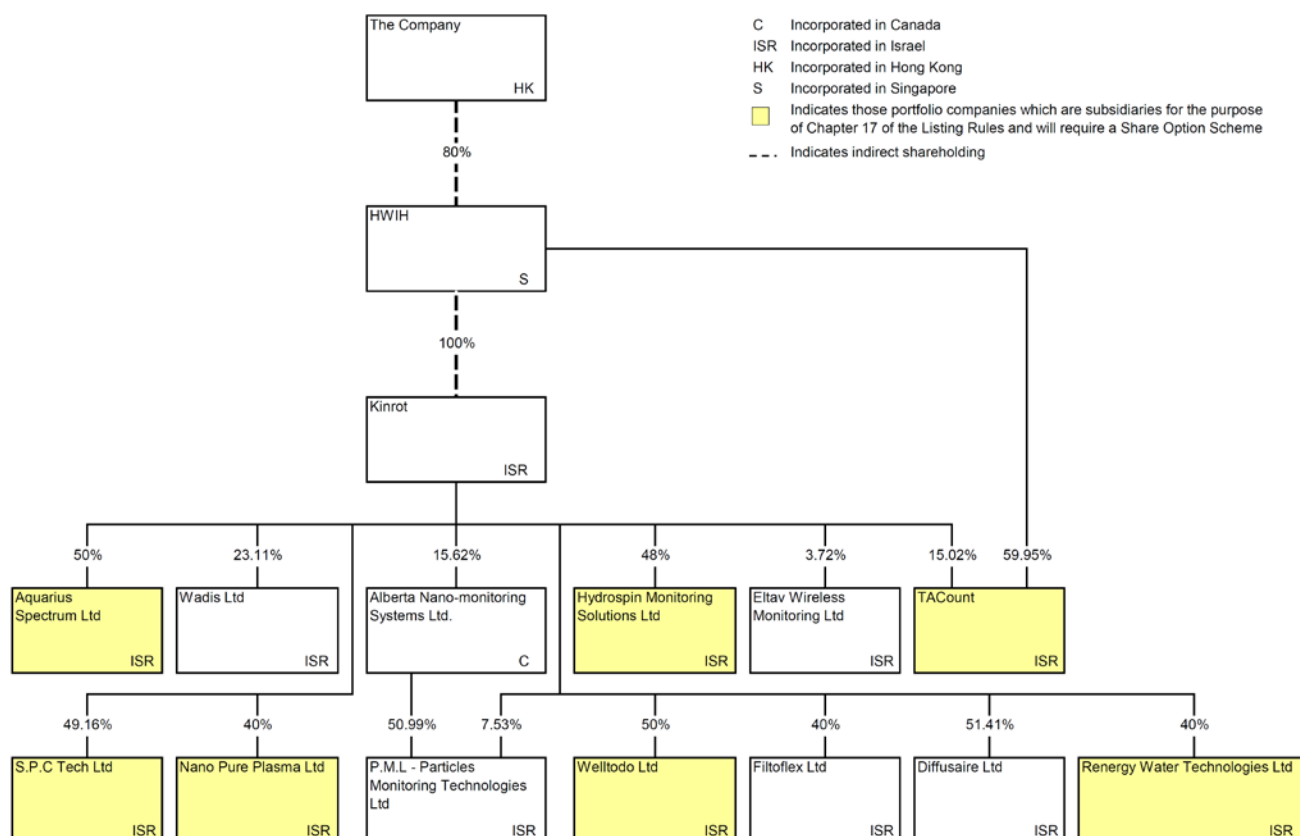
Kinrot will invest in start-up companies in the fields of water and cleantech. It currently has investments in 13 Portfolio Companies of which eight are under the control of Kinrot and one (TACount) under the control of the Company. At present, only seven of the current 13 Portfolio Companies are expected to have a Share Option Scheme (see diagram 1). It is anticipated that over the Franchise Period, Kinrot will invest in approximately a further 40 Portfolio Companies with an average of five new Portfolio Companies per year. It is anticipated that some of the additional 40 Portfolio Companies will have Share Option Schemes. The Portfolio Companies admitted to Kinrot are usually at their seed development stage with an initial proof of concept. The goal of the Portfolio Companies is to carry out research and development of their technologies and reach a successful beta site. The investment in the Portfolio Companies during the Franchise Period is funded in accordance with a research and development plan approved by the OCS.

During the first two incubation years (the “Incubation Period”) of the Portfolio Companies, 85% of the funding is provided by the OCS and 15% by Kinrot. The aggregate funding of a Portfolio Company during the Incubation Period is approximately US\$500,000 (approximately HK\$3,875,000) of which Kinrot’s portion is US\$75,000 (approximately HK\$581,250).

In consideration of the Incubation Period funding, Kinrot is issued with 30%-50% (typically around 40%) of the share capital of the Portfolio Companies in the form of ordinary A shares while the founding shareholders of the Portfolio Companies are issued with ordinary shares, the same as the ordinary shares available under the Share Option Schemes. The ordinary A shares have certain liquidation and other preferences over the ordinary shares as is customary in financing transactions of start-up companies.

Kinrot may extend the Incubation Period of a Portfolio Company, subject to the approval of the OCS, for an additional optional third incubation year (the “Extended Incubation Period”) in which the aggregate funding is approximately US\$250,000 (approximately HK\$1,937,500), to be provided 65% by the OCS and 35% by Kinrot (i.e. US\$87,500 (approximately HK\$678,125)). In consideration of such third year funding, Kinrot will be issued with additional equity in the Portfolio Company.

**Diagram 1: Group structure chart of Kinrot**



The OCS does not hold any equity in the Portfolio Companies in respect of the funding it provides. However, if the products or services resulting from the research and development of a Portfolio Company are commercialised, the OCS receives royalties from the Portfolio Company out of revenues generated from the sale of such products or services, up to the amount of the grant provided by the OCS plus interest.

In order to enable Kinrot to provide a remuneration package attractive to potential Portfolio Companies which is competitive with those typically offered by other investors, such as other technological incubators and venture capital funds, Kinrot wishes to enable the Portfolio Companies to grant share options to their employees and other Eligible Participants.

Share option schemes are also an essential component in the ability of the Portfolio Companies to recruit outstanding professionals who will be incentivised to contribute to the growth of the Portfolio Companies. Share option schemes are very common in Israel and particularly in compensation plans of early stage companies.

Accordingly, it is proposed that each Portfolio Company be able to adopt a Share Option Scheme for future grants to employees, consultants, service providers and directors, under which the grantees will be granted share options to acquire shares of the Portfolio Company for up to 7% of the share capital of the Portfolio Company on a fully diluted basis.

The Share Option Schemes shall be structured to comply with the provisions of the Listing Rules as required.

A generic set of Share Option Scheme rules to be used for the purposes of existing and future Portfolio Companies is set out below in paragraph 3. These Share Option Scheme rules are in compliance with: (i) Chapter 17 of the Listing Rules; and (ii) the relevant Israeli tax ordinance to enable Israeli resident employees who are granted share options to take the benefit of a more favourable tax regime in relation to the share options.

## 2. Value of the Share Option Schemes

The aggregate commitment of Kinrot towards the OCS in connection with investments in the Portfolio Companies during the Franchise Period is approximately US\$16,800,000 (approximately HK\$130,200,000) comprising: (i) commitment to match the OCS funding of Portfolio Companies during the Incubation Period and the Extended Incubation Period in the amount of approximately US\$4,550,000 (approximately HK\$35,262,500); and (ii) commitment to fund follow up investments in the Portfolio Companies in the amount of US\$12,250,000 (approximately HK\$94,937,500). Such amounts shall be invested by Kinrot over the Franchise Period.

The maximum value of Kinrot's contribution with respect to the share options available under the Share Option Schemes of all Portfolio Companies on the date of the adoption of the Share Option Schemes shall not exceed 7% on a fully diluted basis of US\$4,550,000 (approximately HK\$35,262,500), being approximately US\$318,000 (approximately HK\$2,464,500). With an average share option value per Portfolio Company of approximately US\$7,067 (approximately HK\$54,769.25) (based on an initial first two years' investment plus additional third year investment and on approximately 45 Portfolio Companies), the cost of the Share Option Schemes to Kinrot is extremely low. If the additional investments in the Portfolio Companies referred to above of US\$12,250,000 (approximately HK\$94,937,500) are included in the calculation of the overall value of Kinrot's contribution to the Share Option Schemes (which it is anticipated would come sometime after the date of the adoption of the Share Option Schemes), then the total value of the entire contribution of Kinrot to the Share Option Schemes for expected incubation of approximately 45 Portfolio Companies would be 7% of US\$4,550,000 (approximately HK\$35,262,500) plus US\$12,250,000 (approximately HK\$94,937,500), being US\$1,176,000 (approximately HK\$9,114,000). The actual amount contributed to the Share Option Schemes, for the purposes of Chapter 17 of the Listing Rules, may ultimately be less than US\$1,176,000 (approximately HK\$9,114,000) if some of the Portfolio Companies in which Kinrot plans to invest in are not within the Company's control.

In addition, it is expected that approximately 50% of the Portfolio Companies will not reach maturity and the share options could expire without being vested or exercised. In that case, the maximum amount of Kinrot's contribution with respect to the share options shall be reduced proportionally and it is unlikely that the total value of the entire US\$1,176,000 (approximately HK\$9,114,000) would be deployed.

An additional item to add to the value of US\$1,176,000 (approximately HK\$9,114,000) described above relates to one of the existing Portfolio Companies, called TACount, which has developed technology already. TACount is not a subsidiary of Kinrot (Kinrot holds 15.02% of its shares) but, together with the shareholding held by HWIH of 59.95%, is an indirect subsidiary of the Company with an indirect total shareholding of 74.97%. TACount was in incubation pursuant to a previous incubator franchise held by Kinrot prior to the Company's indirect ownership of Kinrot. TACount has been out of the incubation phase since the end of 2010 and in terms of its development is in a more advanced stage than most of the existing Portfolio Companies. TACount now wishes to put in place a Share Option Scheme to further incentivise its employees. The value of equity contributions of Kinrot and HWIH to date in TACount is approximately US\$4,690,000 (approximately HK\$36,347,500) and the value of the Share Option Scheme at the date of adoption of the Share Option Scheme is expected to be 7% of US\$4,690,000 (approximately HK\$36,347,500), being US\$328,300 (approximately HK\$2,544,325).

Based on the above valuations, contributions of Kinrot and HWIH to the estimated value of the Share Option Schemes (including TACount) at the date of their adoption shall come to US\$1,504,300 (approximately HK\$11,658,325) (US\$1,176,000 (approximately HK\$9,114,000) plus US\$328,300 (approximately HK\$2,544,325)).

### 3. **Share Option Scheme Rules**

The following is a summary of the rules that will apply to each Share Option Scheme.

#### (i) **Purpose of the Share Option Scheme**

The purpose of the respective Share Option Schemes is to enable the Share Option Scheme Company to grant share options to selected participants as incentives or rewards for their contribution to the Share Option Scheme Company, to continue and/or render improved service with the Share Option Scheme Company and/or to establish a stronger business relationship between the Share Option Scheme Company and such participants.

#### (ii) **Eligible Participants**

The Share Option Scheme Company Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants (the “Eligible Participants”) to take up share options to subscribe for the Share Option Scheme Company’s shares:

- (a) any employee or consultant (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) (the “Eligible Employee”) of the Share Option Scheme Company, any of its subsidiaries or any entity in which any member of the Share Option Scheme Company holds any equity interest (the “Invested Entity”);
- (b) any non-executive directors (including independent non-executive directors) of the Share Option Scheme Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to the Share Option Scheme Company, any of its subsidiaries or any Invested Entity;
- (d) any customer of the Share Option Scheme Company, any of its subsidiaries or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Share Option Scheme Company, any of its subsidiaries or any Invested Entity;
- (f) any shareholder of the Share Option Scheme Company, any of its subsidiaries or any Invested Entity or any holder of any securities issued by the Share Option Scheme Company, any of its subsidiaries or any Invested Entity;
- (g) any other group or classes of participants contributing by way of joint venture, business alliance or other business arrangement to the development and growth of the Share Option Scheme Company or any of its subsidiaries; and
- (h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

The eligibility of any of the above classes of participants to a grant of any share options shall be determined by the Share Option Scheme Company Directors from time to time on the basis of their contribution to the development and growth of the Share Option Scheme Company or any of its subsidiaries.

**(iii) Number of shares under the Share Option Scheme**

- (a) The maximum number of the Share Option Scheme Company's shares which may be allotted and issued upon the exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Share Option Scheme Company and its subsidiaries shall not exceed 30% of the relevant class of securities of the Share Option Scheme Company (or its subsidiaries) in issue from time to time.
- (b) The total number of the Share Option Scheme Company's shares which may be allotted and issued upon the exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Share Option Scheme Company and its subsidiaries) to be granted under the Share Option Scheme and any other share option scheme of the Share Option Scheme Company and its subsidiaries must not in aggregate exceed 10% of the relevant class of securities of the Share Option Scheme Company (or its subsidiaries) in issue as at the date the scheme is approved (the "General Scheme Limit").
- (c) Subject to paragraph 3(iii)(a) above and without prejudice to paragraph 3(iii)(d) below, the Company may seek approval of the Shareholders in a general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the Shareholders for that purpose) provided that the total number of the Share Option Scheme Company's shares which may be allotted and issued upon the exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Share Option Scheme Company and its subsidiaries must not exceed 10% of the relevant class of securities of the Share Option Scheme Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, share options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Share Option Scheme Company and its subsidiaries) previously granted under the Share Option Scheme and any other share option scheme of the Share Option Scheme Company and its subsidiaries will not be counted.
- (d) Subject to paragraph 3(iii)(a) above and without prejudice to paragraph 3(iii)(c) above, the Company may seek separate approval of the Shareholders in a general meeting to grant share options under the Share Option Scheme beyond the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the Shareholders for that purpose) or, if applicable, the extended limit referred to in paragraph 3(iii)(c) above to participants specifically identified by the Share Option Scheme Company before such approval is sought.

**(iv) Maximum entitlement of each participant**

Subject to paragraph 3(v) below, the total number of the Share Option Scheme Company's shares issued and which may fall to be issued upon the exercise of the share options granted under the Share Option Scheme and any other share option scheme of the Share Option Scheme Company and its subsidiaries (including both exercised or outstanding share options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the relevant class of securities of the Share Option Scheme Company for the time being (the "Individual Limit"). Any further grant of share options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the Shareholders in a general meeting (a circular

containing the information required by the Listing Rules to be despatched to the Shareholders for that purpose) with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the share options to be granted (and share options previously granted to such participant) must be fixed before the approval of the Shareholders and the date of meeting of the Share Option Scheme Company Directors proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

**(v) Grant of share options to connected persons**

- (a) Any grant of share options under the Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors of the Company (excluding any independent non-executive director who or whose associate is also the grantee of the share options).
- (b) Where any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Share Option Scheme Company's shares issued and to be issued upon the exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of the Share Option Scheme Company's shares in issue such further grant of share options must be approved by the Shareholders in a general meeting. The Company must send a circular to its Shareholders containing the information required under the Listing Rules. All connected persons of the Company must abstain from voting in favour at such general meeting. Any vote taken at the general meeting to approve the grant of such share options must be taken on a poll in accordance with the Listing Rules. Any change in the terms of share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, must be approved by the Shareholders in a general meeting.

**(vi) Exercise period of share option**

A share option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period (which may not expire later than 10 years from the grant of the share option) to be determined on the date of grant of the share option and notified by the Share Option Scheme Company Directors to each grantee, and in the absence of such determination, from the date on which such share option is deemed to have been granted to the date falling 10 years from the date of grant of the share option subject to the provisions for early termination thereof. Unless otherwise determined by the Share Option Scheme Company Directors and stated in the grant of the share options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of a share option before it can be exercised.

**(vii) Performance targets**

Unless the Share Option Scheme Company Directors otherwise have determined and stated in the instrument of the grant of share options to a grantee, a grantee is not required to achieve any performance targets before any share options granted under the Share Option Scheme can be exercised. No performance targets are specifically stipulated under the Share Option Scheme.

**(viii) Acceptance and subscription price under the Share Option Scheme**

- (a) No payment is required from the grantee to accept an offer of a grant of share options under the Share Option Scheme. The subscription price for the Share Option Scheme Company's shares under the Share Option Scheme shall be a price determined by the Share Option Scheme Company Directors but shall, if the Share Option Scheme Company's shares are

traded on a Stock Exchange, not be less than the highest of (i) the closing price of the Share Option Scheme Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Share Option Scheme Company's shares on the date of the offer of grant of the share options which must be a Business Day; (ii) the average closing price of the Share Option Scheme Company's shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Share Option Scheme Company's shares for the five Business Days immediately preceding the date of the offer of grant of the share options which must be a Business Day and (iii) the nominal value of a Share Option Scheme Company's share.

- (b) The subscription price of any share option granted within the period commencing 6 months before the listing of the ordinary shares of a Share Option Scheme Company on a Stock Exchange up to the listing date of the ordinary shares of the Share Option Scheme Company on a Stock Exchange shall be adjusted immediately following such listing, at the discretion of the Share Option Scheme Company Directors, provided that such subscription price shall not be lower than the new issue price.

**(ix) Ranking of the Share Option Scheme Company's shares**

- (a) The Share Option Scheme Company's shares allotted and issued upon the exercise of a share option will be subject to all the provisions of the Share Option Scheme Company's articles of association and will, subject to the completion of the registration referred to below and the provisions described herein, rank *pari passu* in all respects with the fully paid Share Option Scheme Company's shares of the same class in issue on the date on which the share option is duly exercised or, if that date falls on a day when the register of members of the Share Option Scheme Company is closed, the first day of the re-opening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. The Share Option Scheme Company's share allotted and issued upon the exercise of a share option shall not carry voting rights until completion of the registration of the grantee as the holder thereof. Following the issuance of such share by the Share Option Scheme Company, the grantee shall have the same voting rights as other holders of such Share Option Scheme Company's shares. Notwithstanding the aforesaid, and unless determined otherwise by the Share Option Scheme Company Directors, as long as the Share Option Scheme Company's shares are not traded on a Stock Exchange, any Share Option Scheme Company's shares issued upon the exercise of a share option under the Share Option Scheme shall be voted by an irrevocable proxy, such proxy to be assigned to the person or persons designated by the Share Option Scheme Company Directors. The grantees will be required, as a condition to the receipt of the share options granted pursuant to this scheme and as a condition to the issuance of any Share Option Scheme Company's shares, to sign such a proxy. Unless otherwise determined by the Share Option Scheme Company Directors, the proxy will be transferred upon any transfer of the Share Option Scheme Company's shares unless such transfer occurs upon a M&A Transaction or upon or after an initial public listing of the Share Option Scheme Company.
- (b) Unless the context otherwise requires, references to "The Share Option Scheme Company's shares" in paragraph 3(ix)(a) above include references to shares in the ordinary equity share capital of the Share Option Scheme Company of such nominal amount as shall result from a sub-division, consolidation, reclassification or reduction of the share capital of the Share Option Scheme Company from time to time.



**(x) Restrictions on the time of offer for the grant of share options**

If the Share Option Scheme Company's shares are traded on SEHK:

- (a) a grant of share options by the Share Option Scheme Company may not be made after inside information has come to its knowledge until the information has been announced in accordance with the requirements of the Listing Rules; and
- (b) the Share Option Scheme Company Directors may not grant to a participant who is a Share Option Scheme Company Director share options during the periods or times in which the directors are prohibited from dealing in Share Option Scheme Company's shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code of securities dealing restrictions adopted by the Share Option Scheme Company.

**(xi) Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional (the "Option Period").

**(xii) Rights on ceasing employment**

If the grantee of a share option is an Eligible Employee and ceases to be an Eligible Employee for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in paragraph 3(xiv) below before exercising his share option in full, then, any share option which has not then become exercisable will lapse and the grantee may exercise the share option (to the extent not already been exercised) in whole or in part within a period of 90 days or such longer period as the Share Option Scheme Company Directors may determine following the date of such cessation. The date of cessation of service will be taken to be the last day on which the grantee was employed by or providing services to the Share Option Scheme Company, its subsidiaries or the Invested Entity whether salary is paid in lieu of notice or not.

**(xiii) Rights on death, ill-health or retirement**

If the grantee of a share option is an Eligible Employee and ceases to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the share option in full then, any share option which has not then become exercisable will lapse and, his personal representative(s), or, as appropriate, the grantee may exercise any share option which has then become exercisable (to the extent not already been exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was employed by or providing services to the Share Option Scheme Company, its subsidiaries or the Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Share Option Scheme Company Directors may determine.

**(xiv) Rights on dismissal**

If the grantee of a share option is an Eligible Employee and ceases to be an Eligible Employee by reason of a termination of his employment for Cause then his share option will lapse automatically and will not in any event be exercisable on or after the date of ceasing to be an Eligible Employee. In the event that the grantee's employment or engagement with the Share Option Scheme Company or its subsidiaries is terminated for Cause, or if following termination it is found that the grantee committed an act constituting Cause, any shares already issued to the grantee as a result of exercise of share options shall be returned to the Share Option Scheme Company upon request of the latter for the lower of the original subscription price and the then Fair Market Value of such shares. If the Share Option Scheme Company is not permitted under applicable law to repurchase shares under this paragraph

3(xiv), the Share Option Scheme Company may assign such right under the Share Option Scheme to existing shareholders of the Share Option Scheme Company (save, for avoidance of doubt, for other grantees who hold shares resulting from the exercise of share options granted under the Share Option Scheme or any other employee benefit plan).

**(xv) Rights on working for a competitor**

The Share Option Scheme Company shall have the right to purchase, for the lower of the original subscription price and the then Fair Market Value, any shares already issued to a grantee, whose employment or engagement with the Share Option Scheme Company or its subsidiary was terminated for any reason and, in the event that after the termination, such grantee will commence working or providing services to a competitor of the Share Option Scheme Company or its subsidiary, or to a subsidiary or affiliate of such competitor. For the purposes of this paragraph 3(xv), a “competitor” shall mean any person or entity that operates, conducts, or manages a business in the field of the Share Option Scheme Company’s business. This restriction is limited to a time period of two years after the termination of employment or engagement. If the Share Option Scheme Company or its subsidiary is not permitted under applicable law to repurchase shares under this paragraph 3(xv), the Share Option Scheme Company may assign such right under the Share Option Scheme to existing shareholders of the Share Option Scheme Company (save, for avoidance of doubt, for other grantees who hold shares in the Share Option Company resulting from the exercise of share options granted under the Share Option Scheme or any other employee benefit plan).

**(xvi) Rights on breach of contract**

If the Share Option Scheme Company Directors shall at their absolute discretion determine that the (a) grantee of any share option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and the Share Option Scheme Company or its subsidiary or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; and (b) the share option shall lapse, his share option will lapse automatically and will not in any event be exercisable on or after the date on which the Share Option Scheme Company Directors have so determined.

**(xvii) Rights on a Structural Change**

In the event of a Structural Change, the Share Option Scheme Company’s shares underlying the Share Option Scheme shall be exchanged or converted into the shares of the Share Option Scheme Company or successor company in accordance with the exchange effectuated in relation to the ordinary shares of the Share Option Scheme Company, and the subscription price and quantity of shares underlying the share options shall be adjusted in accordance with the terms of the Structural Change. The adjustments required shall be determined in good faith solely by the Share Option Scheme Company Directors and shall be subject to the receipt of any approval required, including any tax ruling, if necessary.

**(xviii) Rights on a Spin-Off Transaction**

In the event of a Spin-Off Transaction, the Share Option Scheme Company Directors may determine that the holders of share options shall be entitled to receive equity in the new company formed as a result of the Spin-Off Transaction, in accordance with equity granted to the ordinary shareholders of the Share Option Scheme Company within the Spin-Off Transaction, taking into account the terms of the share options, including the vesting schedule and subscription price. The determination regarding the grantee’s entitlement within the scope of a Spin-Off Transaction shall be in the sole and absolute discretion of the Share Option Scheme Company Directors.

**(xix) Rights in an M&A Transaction**

- (a) In the event of any M&A Transaction, the Share Option Scheme Company Directors shall be entitled (but not obliged), at their sole discretion, to determine any of the following: (i) provide for an assumption or exchange of the share options and/or the Share Option Scheme Company's shares for share options and/or shares and/or other securities or rights of the successor company or parent or affiliate thereof; and/or (ii) provide for an exchange of the share options and/or the Share Option Scheme Company's shares for a monetary compensation (including for avoidance of doubt a cash-out of the share options for the net value); and/or (iii) determine that all unvested share options and un-exercised vested share options shall expire on the date of such M&A Transaction; and/or (iv) determine that the exchange, assumption, conversion or purchase detailed above will be made subject to any payment or escrow arrangement, or any other arrangement determined within the scope of the M&A Transaction in relation to the Share Option Scheme Company's shares. In the case of assumption and/or substitution of share options, appropriate adjustments shall be made so as to reflect such action and all other terms and conditions of the share options shall remain substantially unchanged, including but not limited to the vesting schedule, all subject to the determination of the Share Option Scheme Company Directors, which determination shall be at their sole discretion and final. The value of the exchanged share options and/or the Share Option Scheme Company's shares pursuant to this paragraph 3(xix) shall be determined in good faith solely by the Share Option Scheme Company Directors, based among others on the Fair Market Value, and their decision shall be final and binding on all the grantees.
- (b) Unless determined otherwise by the Share Option Scheme Company Directors, and without derogating from the aforementioned, any share options not assumed or exchanged for share options and/or shares and/or other securities or rights or not cashed-out, shall expire immediately prior to the consummation of the M&A Transaction.
- (c) Without derogating from the above, in the event of an M&A Transaction the Share Option Scheme Company Directors shall be entitled, at their sole discretion, to require the grantees to exercise all vested share options within a set time period and sell all of their Share Option Scheme Company's shares on the same terms and conditions as applicable to the other shareholders selling their Share Option Scheme Company's shares as part of the M&A Transaction. Each grantee acknowledges and agrees that the Share Option Scheme Company Directors shall be entitled to authorise any one of its members to sign share transfer deeds in customary form in respect of the Share Option Scheme Company's shares held by such grantee and that such share transfer deed shall bind the grantee.
- (d) Despite the aforementioned, if and when the method of treatment of share options within the scope of an M&A Transaction determined according to the above will in the sole opinion of the Share Option Scheme Company Directors prevent the M&A Transaction from occurring, or materially risk the M&A Transaction, the Share Option Scheme Company Directors may determine different treatment for different share options held by grantees such that not all share options will be treated equally within the scope of the M&A Transaction.
- (e) In the event in which the subscription price of the share options is higher than the value of each Share Option Scheme Company's share in such an M&A Transaction, the Share Option Scheme Company Directors shall be entitled to cancel and terminate such share options effective upon consummation of the M&A Transaction without consideration.

**(xx) Rights on winding-up**

In the event of an effective resolution being proposed for the voluntary winding-up of the Share Option Scheme Company during the Option Period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Share Option Scheme Company at any time prior to the

date on which such resolution is passed exercise his vested share option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and shall accordingly be entitled, in respect of the Share Option Scheme Company's shares falling to be allotted and issued upon the exercise of his vested share option, to participate in the distribution of the assets of the Share Option Scheme Company available in liquidation *pari passu* with the Share Option Scheme Company's shares in issue on the day prior to the date of such resolution.

**(xxi) Adjustments to the subscription price**

In the event of any alteration in the capital structure of the Share Option Scheme Company, whilst any share option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue of securities to holders of the Share Option Scheme Company's shares (including any securities convertible into share capital or warrants or share options to subscribe for any share capital of the Share Option Scheme Company, but excluding share options under the Share Option Scheme and share options under any other similar share option scheme of the Share Option Scheme Company and its subsidiaries), consolidation, sub-division or reduction of the share capital of the Share Option Scheme Company (the issue of the Share Option Scheme Company's shares or other securities of the Share Option Scheme Company and its subsidiaries as consideration in a transaction may not be regarded as a circumstance requiring adjustment), such corresponding alterations (if any) will be made to (a) the number or nominal amount of the Share Option Scheme Company's shares to which the Share Option Scheme or any share option(s) relates (insofar as it is/they are unexercised), (b) the exercise price of any share option, (c) (unless the relevant grantee elects to waive such adjustment) the number of the Share Option Scheme Company's shares comprised in a share option or which remain comprised in a share option, (d) the method of exercise of any share option and/or (e) the maximum number of the Share Option Scheme Company's shares referred to in paragraph 3(iii) above, provided that (aa) any such adjustment shall give a grantee the same proportion of the issued share capital of the Share Option Scheme Company to which he would have been entitled to subscribe had he exercised all the share options held by him immediately prior to such adjustment, (bb) any such adjustment shall be made on the basis that the aggregate exercise price payable by a grantee on the full exercise of any share option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, (cc) no such adjustment shall be made the effect of which would be to enable a Share Option Scheme Company's share to be allotted and issued at less than its nominal value and (dd) the issue of shares or other securities of the Share Option Scheme Company and its subsidiaries as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, the auditors of the Company or independent financial adviser must confirm to the Share Option Scheme Company Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

**(xxii) Cancellation of share options**

- (a) Subject to paragraph 3(xxvi) below, any share option granted but not exercised may not be cancelled except with the written consent of the relevant grantee and the prior approval of the Share Option Scheme Company Directors at their absolute discretion.
- (b) Where the Share Option Scheme Company cancels any share option granted to a grantee but not exercised and issues new share option(s) to the same grantee, the issue of such new share option(s) may only be made with available unissued share options (excluding, for this purpose, the share options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to paragraphs 3(iii)(c) and 3(iii)(d) above.

**(xxiii) Termination of the Share Option Scheme**

The Share Option Scheme Company may by resolution at a general meeting at any time terminate the operation of the Share Option Scheme and in such event no further share options shall be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any share options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Share options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

**(xxiv) Restrictions on the sale of the Share Option Scheme Company's shares**

Unless otherwise determined by the Share Option Scheme Company Directors, until such time as the Share Option Scheme Company shall complete an initial public listing, a grantee shall not have the right to sell the Share Option Scheme Company's shares issued upon the exercise of a share option within six (6) months and one day of the date of exercise of such share option or issuance of such the Share Option Scheme Company's shares.

**(xxv) Shares subject to Right of First Refusal**

Notwithstanding anything to the contrary in the incorporation documents of the Share Option Scheme Company, none of the grantees shall have a right of first refusal in relation with any sale or issue of the Share Option Scheme Company's shares.

Sale of the Share Option Scheme Company's shares by the grantee shall be subject to a right of first refusal as set forth in the incorporation documents of the Share Option Scheme Company or any shareholders, investors' rights, right of first refusal or similar agreement(s) by which some or all holders of the Share Option Scheme Company's shares are bound.

Any sale of the Share Option Scheme Company's shares in accordance with this paragraph 3(xxv) shall be subject to the prior approval of the Share Option Scheme Company Directors. The Share Option Scheme Company Directors: (i) will be entitled, at their sole and absolute discretion, to refuse to approve any transfer of the Share Option Scheme Company's shares, and in case of a refusal, any attempt to transfer the Share Option Scheme Company's shares will be of no force and effect, null and void and disregarded by the Share Option Scheme Company; and (ii) will not allow the transfer of the Share Option Scheme Company's shares, unless the transfer is coordinated with the Share Option Scheme Company's shares and the shareholder will agree to terms set by the Share Option Scheme Company (among other things, with respect to price paid for the shares, duration of holding of such shares, agreement to participate in any liquidity event).

For the avoidance of doubt it is clarified that any of the Share Option Scheme Company's shares transferred in accordance with this paragraph 3(xxv), shall, unless otherwise determined by the Share Option Scheme Company Directors, be subject to the proxy executed by the participant's transferee in accordance with paragraph 3(ix) above and the applicable share option agreement. In addition, the proxy shall lapse upon an M&A Transaction or upon or after an initial public listing of the Share Option Scheme Company.

**(xxvi) Rights are personal to the grantee**

A share option is personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any share option or enter into any agreement so to do except for the transmission of a share option on the death of a grantee to his personal representative(s). Any breach of the foregoing by a grantee shall entitle the Share Option Scheme Company to cancel any share option granted to such grantee to the extent not already exercised.

**(xxvii) Lapse of share option**

A share option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the period referred to in paragraph 3(vi) above;
- (b) the expiry of the periods or dates referred to in paragraphs 3(xii), 3(xiii), 3(xiv), 3(xvi) and 3(xx) above; and
- (c) the date on which the Share Option Scheme Company Directors shall exercise the Share Option Scheme Company's right to cancel the share option under paragraph 3(xix)(e) above or by reason of a breach of paragraph 3(xxvi) above by the grantee of a share option in respect of that or any other share option.

**(xxviii) Israeli Tax Implications**

- (a) The taxation of employee stock incentive plans in Israel is governed by section 102 of the Israeli Income Tax Ordinance New Version 1961 and the regulations promulgated there-under. Under section 102, an employee equity based benefit plan may be either with a trustee or without a trustee.
- (b) If the Share Option Scheme is not filed for approval and the awards are not deposited with a trustee, then the benefit accruing to the Eligible Employee at the time of the grant will be treated as work income and taxed at the employee's marginal tax rate, including social security and health tax. On the subsequent sale of the Share Option Scheme Company's shares, the Eligible Employee will be subject to capital gains tax in accordance with general capital gain rules. However, where the grant is a right to acquire a Share Option Scheme Company's share and such right is not listed for trade on a stock exchange (even if the underlying shares are listed), the Eligible Employee will be taxed only at the time of sale of the underlying shares.
- (c) Where the Share Option Scheme has a trustee, the Portfolio Company may choose one of two tax routes for the Share Option Scheme: an income route and a capital gain route, which differ in the tax rate applicable to the grantee and tax treatment to be applied by the Portfolio Company and in the ability of the Portfolio Company to recognise an expense for tax purposes. Under both routes the Eligible Employee will not be taxed at the time of grant, or at the time of exercise or vest, but only at the time the shares are sold or transferred from the trustee to the Eligible Employee.

**(xxix) Miscellaneous**

- (a) Where the Share Option Scheme requires matters to be approved by the shareholders or independent non-executive director of the Share Option Scheme Company, such matters must simultaneously be approved by the Shareholders or independent non-executive directors of the Company where required under Chapter 17 of the Listing Rules.
- (b) The provisions of the Share Option Scheme relating to (aa) the definitions of "Eligible Participants", "Grantee", "Option Period" and "Termination Date" and (bb) the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the share options except with the prior approval of the Shareholders in a general meeting.
- (c) Subject to paragraph 3(xxix)(e) below, any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be approved by the Shareholders, except

where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (d) Amended terms of the Share Option Scheme or the share options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.
- (e) Any change to the authority of the Share Option Scheme Company Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in a general meeting.
- (f) As at the date of this announcement, no share options had been granted or agreed to be granted by any Share Option Scheme Company under the Share Option Scheme.

In this announcement, unless otherwise defined or the context otherwise requires, the following expressions have the following meanings:

- “Board” the board of Directors;
- “Business Day” any day on which the banks in the State of Israel are open for business;
- “Cause”
  - (a) a breach of any material provision of the employment or engagement agreement between the Share Option Scheme Company or its subsidiary and a grantee, including but not limited to, a breach of any confidentiality duty of a grantee, inappropriate use of confidential information of the Share Option Scheme Company or its subsidiary or an event of breach of trust or breach of any non-competition obligation of a grantee;
  - (b) any act which constitutes a breach of a grantee’s fiduciary duty towards the Share Option Company or its subsidiary, including without limitation disclosure of confidential information of the Share Option Scheme Company or its subsidiary and acceptance or solicitation to receive unauthorised or undisclosed benefits, irrespective of their nature, or funds or promises to receive either, from individuals, consultants or corporate entities that the Share Option Scheme Company and its subsidiaries does business with;
  - (c) any act of fraud by a grantee or embezzlement of funds of the Share Option Scheme Company and its subsidiaries;
  - (d) any conduct or omission by, or state of affairs related to, the grantee reasonably determined by the Share Option Scheme Company Directors to be materially detrimental to, or against the interests of, the Share Option Scheme Company and its subsidiaries;

- (e) any conviction of any felony involving moral turpitude or affecting the Share Option Scheme Company and its subsidiaries;
- (f) circumstances justifying the revocation and/or reduction of a grantee's entitlement to severance pay under applicable law, including where relevant, pursuant to paragraphs 16 or 17 of the Severance Pay Law, 1963 of the State of Israel; or
- (g) any other reason which is defined as "Cause" in the grantee's personal employment contract;

"Company"	Hutchison Whampoa Limited 和記黃埔有限公司, a company incorporated in Hong Kong with limited liability, whose shares are listed on the Main Board of SEHK (Stock Code: 13);
"Directors"	the director(s) of the Company;
"Eligible Employees"	any employee(s) or consultant(s) (as to functional areas of finance, business or personnel administration or information technology) (whether full time or part time, including any executive director but excluding any non-executive director) of the Share Option Scheme Company, any of its subsidiaries or the Invested Entity;
"Eligible Participants"	any person(s) who may be invited by the Share Option Scheme Company Directors to take up share options to subscribe for the Share Option Scheme Company's shares in accordance with the Share Option Scheme rules set out at paragraph (3)(ii) of this announcement;
"Exercise Date"	the date on which the share option is duly exercised or, if that date falls on a day when the register of members of the Share Option Scheme Company is closed, the first day of the re-opening of the register of members;
"Extended Incubation Period"	an additional optional third incubation year of a Portfolio Company;
"Fair Market Value"	as of any relevant date, being the value of an ordinary share of the Share Option Scheme Company determined as follows: <ul style="list-style-type: none"> <li>(a) if the ordinary shares are listed on any recognised Stock Exchange, the value shall be the closing sales price for such ordinary shares (or the closing bid, if no sales were reported), as quoted on such Stock Exchange for the last market trading day prior to the time of determination;</li> </ul>



- (b) if the ordinary shares are regularly quoted by a recognised securities dealer but selling prices are not reported, the value shall be the mean between the high bid and low asked prices for the ordinary shares on the last market trading day prior to the day of determination; or
- (c) in the absence of any of the above, the value thereof shall be as determined in good faith by the Share Option Scheme Company Directors,

for the avoidance of doubt, and where applicable, the above definition of Fair Market Value shall not apply for the purpose of determining the tax liability of the grantees;

“Franchise Period”	the term of the latest franchise awarded by the OCS to Kinrot, being eight years commencing on 1 February 2013;
“General Scheme Limit”	10% of the relevant class of securities of the Share Option Scheme Company (or its subsidiaries) in issue as at the date the Share Option Scheme is approved;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HWIH”	Hutchison Water International Holdings Pte Limited, an indirect subsidiary of the Company incorporated in Singapore;
“Incubation Period”	the first two incubation years of a Portfolio Company;
“Individual Limit”	1% of the issued share capital of the relevant class of securities of the Share Option Scheme Company for the time being;
“Invested Entity”	any entity in which any member of the Share Option Scheme Company holds any equity interest;
“Kinrot”	Kinrot Holdings L.P., a limited partnership incorporated in Israel and a 80% owned indirect subsidiary of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on SEHK;
“M&A Transaction”	any of the following events unless they constitute a Structural Change or Spin-off Transaction: <ul style="list-style-type: none"> <li>(a) a sale of all or substantially all the assets of the Share Option Scheme Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Share Option Scheme Company if substantially all of the assets of the Share Option Scheme Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries;</li> </ul>

- (b) a merger of the Share Option Scheme Company with or into another entity, including a reverse triangular merger; or
- (c) a sale of all or substantially all of the share capital of the Share Option Scheme Company to a third party unrelated to the current shareholders of the Share Option Scheme Company, whether by a single transaction or a series of related transactions which occur either over a period of 12 months or within the scope of the same acquisition agreement;

“OCS”	The Office of the Chief Scientist at the Israeli Ministry of Economy;
“Option Period”	a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional;
“Portfolio Companies”	the portfolio companies of Kinrot from time to time, being at the date of this announcement the following companies: TACount; Aquarius Spectrum Limited; S.P.C. Tech Ltd; Wadis Ltd; Alberta Nano-monitoring Systems Ltd; P.M.L - Particles Monitoring Technologies Ltd; Renergy Water Technologies Ltd; Nano Pure Plasma Ltd; Hydrosphin Monitoring Solutions Ltd; Welltodo Ltd; Eltav Wireless Monitoring Ltd; Filoflex Ltd; and Diffusaire Ltd;
“SEHK”	The Stock Exchange of Hong Kong Limited;
“Share Option Scheme”	an employee share option scheme to be adopted by a Share Option Scheme Company and incorporating the terms set out in paragraph 3 of this announcement;
“Share Option Scheme Company”	any Portfolio Company which adopts a Share Option Scheme;
“Share Option Scheme Company Directors”	the director(s) of the relevant Share Option Scheme Company for the time being or a duly authorised committee thereof;
“Shareholders”	holders of ordinary share(s) in the issued share capital of the Company;
“Spin-Off Transaction”	any transaction in which assets of the Share Option Scheme Company are transferred or sold to a company or corporate entity in which the shareholders of the Share Option Scheme Company hold the same respective ownership stakes they are then holding in the Share Option Scheme Company immediately following the consummation of such transaction;
“Stock Exchange”	SEHK or other principal stock exchange in Hong Kong for the time being or such other stock exchange which is the principal stock exchange (as determined by the Share Option Scheme Company Directors) on which the relevant shares are for the time being listed or traded;

“Structural Change”	any re-domestication of the Share Option Scheme Company, share flip, creation of a holding company for the Share Option Scheme Company which will hold substantially all of the shares of the Share Option Scheme Company or any other transaction involving the Share Option Scheme Company in which the shares of the Share Option Scheme Company outstanding immediately prior to such transaction continue to represent, or are converted into or exchanged for shares that represent, immediately following such transaction, at least a majority, by voting power, of the share capital of the surviving, acquiring or resulting corporation;
“Subsidiaries”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) whether incorporated in Hong Kong or elsewhere;
“TACount”	TACount Exact Ltd, a limited liability company incorporated in Israel; and
“US\$”	United States dollars, the lawful currency of the United States of America.

*The exchange rate used for reference purpose only in this announcement is US\$1.00 to HK\$7.75.*

By order of the Board

**Edith Shih**  
*Company Secretary*

Hong Kong, 7 July 2014

As at the date of this announcement, the Directors are:

**Executive Directors:**

Mr LI Ka-shing (*Chairman*)  
Mr LI Tzar Kuoi, Victor (*Deputy Chairman*)  
Mr FOK Kin Ning, Canning  
Mrs CHOW WOO Mo Fong, Susan  
Mr Frank John SIXT  
Mr LAI Kai Ming, Dominic  
Mr KAM Hing Lam

**Non-executive Directors:**

Mr LEE Yeh Kwong, Charles  
Mr George Colin MAGNUS

**Independent Non-executive Directors:**

The Hon Sir Michael David KADOORIE  
Mr Holger KLUGE  
Ms LEE Wai Mun, Rose  
Mr William Elkin MOCATTA  
*(Alternate to The Hon Sir Michael  
David Kadoorie)*  
Mr William SHURNIAK  
Mr WONG Chung Hin