



JOHNSON ELECTRIC HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

**RULES OF THE
RESTRICTED AND PERFORMANCE STOCK UNIT PLAN 2023**

Adopted by an ordinary resolution of the shareholders of
Johnson Electric Holdings Limited on 13 July 2023

Effective date: 13 July 2023

Expiry date: 12 July 2033

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(Incorporated in Bermuda with limited liability)

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1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless the context otherwise requires, the following expressions have the meanings set out below:

Adoption Date means 13 July 2023, being the date on which this Scheme is adopted by a resolution of the Shareholders in a general meeting;

associate has the meaning ascribed to it in the Listing Rules;

Auditors means the auditors of the Company from time to time;

Awards means a contingent right to receive either:

- (a) Shares; or
- (b) a Cash Payment,

in either case which is awarded pursuant to this Scheme;

Board means the board of Directors from time to time or a duly authorised committee of the Board or such other committee as the Board may authorise;

Business Day means any day on which the Stock Exchange is open for the business of dealing in securities;

Cash Payment means an amount in cash to be paid to a Grantee in satisfaction of an Award upon its vesting, the amount of which shall be determined by the Company in accordance with the formula set out below:

Cash Payment = A x B

where:

A = the number of Shares in respect of which the Award has vested; and

B = the Market Value of a Share on the vesting date or, if the vesting date is not a Business Day, the Market Value of a Share on the last Business Day preceding the vesting date,

and the Company's determination of the amount of the Cash Payment shall, in the absence of fraud or manifest error, be binding on the Company and the relevant Grantee;

Cause means, with respect to a Grantee, such event as will entitle the Company and/or any of its subsidiaries to terminate the employment or service of the Grantee with immediate notice without compensation under the relevant employment or service agreement or, if it is not otherwise provided for in the relevant employment or service agreement,

- (a) the commission of an act of theft, embezzlement, fraud, dishonesty, ethical breach or other similar acts or commission of a criminal offence;
- (b) a material breach of any agreement or understanding between the Grantee and the Company and/or any of its subsidiaries, including any applicable invention assignment, employment, non-competition, confidentiality or other similar agreement;
- (c) misrepresentation or omission of any material fact in connection with his employment agreement or service agreement;
- (d) a material failure to perform the customary duties of an employee of the Company and/or any of its subsidiaries, to obey the reasonable directions of a supervisor or to abide by the policies or codes of conduct of the Group; or
- (e) any conduct that is materially adverse to the name, reputation or interests of the Group;

Companies Act means the Companies Act 1981 of Bermuda, as amended and restated from time to time;

Company means Johnson Electric Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;

Competitor means any corporation, partnership, joint venture, trust, individual proprietorship, firm, governmental unit or other enterprise (including any of their respective affiliates) that carries on activities for profit or is engaged in or is about to become engaged in any activity of any nature that competes (directly or indirectly) with a product, process, technique, procedure, device or service of the Company or any of its subsidiaries;

connected person has the meaning ascribed to it in the Listing Rules;

core connected person has the meaning ascribed to it in the Listing Rules;

close associate has the meaning ascribed to it in the Listing Rules;

Director means a director of the Company;

Disability means a disability, whether temporary or permanent, partial or total as determined by the Board in its absolute discretion;

Family Member means the Grantee's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, a trust in which these persons have more than 50 per cent. of the beneficial interest, a foundation in which these persons (or the Grantee) control the management of assets and any other entity in which these persons (or the Grantee) own more than 50 per cent. of the voting interests;

Grant means the offer of the grant of an Award made in accordance with **paragraph 3**;

Grantee means any Participant who accepts a Grant in accordance with the terms of this Scheme or, where the context so permits, any person entitled to any such Award in consequence of the death of the original Grantee or the legal personal representative of such person;

Group means the Company and its subsidiaries;

HK\$ means Hong Kong dollars, the lawful currency of Hong Kong;

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

inside information has the meaning ascribed to it in the SFO;

Listing Rules means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time;

Market Value means, in relation to a Share, the average closing market price for the five (5) preceding Business Days on which the Shares were traded on the Stock Exchange;

New Approval Date has the meaning ascribed to it in **paragraph 6.1**;

Nominee Account means an account operated by the plan administrator of the Scheme from time to time in which the Shares underlying the vested Awards are held on behalf of individual Grantees;

Notice of Grant has the meaning ascribed to it in **paragraph 3.4**;

Participants means the Directors (including executive Directors, non-executive Directors and independent non-executive Directors), the directors of the Company's subsidiaries and the employees of the Group who the Board considers, in its sole and absolute discretion, have contributed or will contribute to the Group;

Scheme means this long term incentive share scheme in its present form or as amended from time to time in accordance with the provisions hereof;

Scheme Mandate Limit means the total number of Shares that may underlie the Awards granted pursuant to this Scheme and any awards or options granted under any other Share Schemes (but excluding Awards that have lapsed in accordance with this Scheme and those options and awards that have lapsed in accordance with the other Share Schemes), being:

- (a) 10 per cent. of the aggregate number of Shares in issue as at the Adoption Date; or
- (b) 10 per cent. of the aggregate number of Shares in issue as at the New Approval Date;

SFO means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time;

Shareholder(s) means holder(s) of the Shares;

Shares means fully paid ordinary shares with a nominal value of HK\$0.05 each in the share capital of the Company or, if there has been a sub-division, reduction, consolidation, reclassification or reconstruction of the share capital of the Company, the shares forming part of the ordinary share capital of the Company of such nominal amount as shall result from any such sub-division, reduction, consolidation, reclassification or reconstruction;

Share Scheme(s) means any share scheme(s) adopted by the Company from time to time (including but not limited to this Scheme) which is governed by Chapter 17 of the Listing Rules;

Stock Exchange means The Stock Exchange of Hong Kong Limited;

subsidiary has the meaning ascribed to it in the Listing Rules;

Term has the meaning ascribed to it in **paragraph 2.4**;

Trust means the trust constituted by the trust deed entered into between the Company and the Trustee to service this Scheme;

Trustee means the professional trustee from time to time of this Scheme appointed by the Company pursuant to **paragraph 2.6**;

vest means, with respect to a Grantee, the time when the Grantee becomes entitled to receive all or such proportion of the Shares underlying the Award granted to him in accordance with the terms of the relevant Award and of this Scheme; and

vesting date means, with respect to an Award granted to a Grantee, the date on which the Award vests.

1.2 Paragraph headings are inserted for convenience of reference only and shall be ignored in the interpretation of this Scheme. References to **paragraphs** are to the paragraphs of this Scheme. Words importing the singular include the plural and *vice versa*, words importing a gender or the neuter include both genders and the neuter references to persons include bodies corporate or unincorporate.

1.3 References in this Scheme to any document are to that document as amended, consolidated, supplemented, novated or replaced from time to time.

1.4 References (express or implied) in this Scheme to ordinances and to statutory and regulatory provisions and the Listing Rules shall be construed as references to those ordinances or statutory and regulatory provisions and the Listing Rules as respectively amended or re-enacted or as their application is modified by other provisions (whether before or after the date hereof) from time to time and shall include any provisions of which there are re-enactments (whether with or without modification) and any orders, regulations, instruments, other subordinate legislation or practice notes under the relevant ordinance, statutory or regulatory provision or the Listing Rules.

1.5 In construing this Scheme:

- (a) the rule known as the *ejusdem generis* rule shall not apply and accordingly, general words introduced by the word “other” shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things; and
- (b) general words shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.

2. PURPOSE, DURATION AND ADMINISTRATION OF THIS SCHEME

2.1 The purpose of this Scheme is to attract skilled and experienced personnel, to incentivise them to remain with the Group and to motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

2.2 This Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to this Scheme or its interpretation or effect shall (save as otherwise provided herein) be final and binding on all parties. The Board shall have the right to:

- (a) interpret and construe the provisions of this Scheme;
- (b) determine the persons (if any) who shall be granted Awards pursuant to this Scheme;
- (c) determine the terms on which Awards are granted;
- (d) determine the number of Shares underlying Awards granted;
- (e) subject to **paragraphs 9 and 11.1**, make such adjustments to the terms of this Scheme and to the terms of Awards granted pursuant to this Scheme as the Board deems necessary and shall notify the relevant Grantee(s) of such adjustment(s) by written notice; and
- (f) make such other decisions or determinations as it shall deem appropriate in relation to the Awards and/or the administration of this Scheme provided that the same are not inconsistent with the provisions of this Scheme.

2.3 This Scheme shall take effect subject to:

- (a) the passing of the necessary resolution to approve and adopt this Scheme by the Shareholders in a general meeting;
- (b) the granting by resolution of the Shareholders in a general meeting of a mandate to the Board to allot and issue new Shares that may underlie the Awards granted pursuant to this Scheme and any awards or options granted under any other Share Schemes up to the Scheme Mandate Limit; and
- (c) the Listing Committee granting approval of the listing of, and permission to deal in any new Shares which may be allotted and issued for satisfaction of any Awards granted under this Scheme and any awards or options granted under any other Share Schemes not exceeding 10 per cent. of the aggregate number of Shares in issue as at the Adoption Date.

References in paragraph 2.3 to the Listing Committee granting approval and permission shall include any such approval and permission which is subject to conditions.

2.4 Subject to **paragraphs 2.3 and 13**, this Scheme shall be valid and effective for the period commencing on the Adoption Date and expiring on the tenth anniversary thereof or such earlier date as the Scheme is terminated in accordance with **paragraph 13** (the *Term*), after which period no further Awards shall be offered or granted but the provisions of this Scheme shall remain in full force and effect in all other respects. Awards granted during the Term shall continue to be valid in accordance with their terms of grant after the end of the Term.

2.5 No member of the Board shall be personally liable by reason of any contract or other instrument executed by him or on his behalf in his capacity as a member of the Board nor for any

mistake of judgment made in good faith in relation to the administration or interpretation of this Scheme, and the Company shall, to the extent permitted by law, indemnify on demand and hold harmless each Director, employee or officer of the Company to whom any duty or power relating to the administration or interpretation of this Scheme may be allocated or delegated, against any cost or expense (including legal fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with this Scheme.

2.6 The Company may appoint the Trustee to assist with the administration and vesting of Awards granted pursuant to this Scheme. The Company may (a) allot and issue Shares to the Trustee to be held by the Trustee pending the vesting of the Awards granted and which will be used to satisfy the Awards upon vesting and/or (b) direct and procure the Trustee to make on-market purchases of Shares at the prevailing market price to satisfy the Awards upon vesting. The Company shall provide sufficient funds to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration and vesting of Awards granted pursuant to this Scheme.

3. GRANT OF AWARDS

3.1 On and subject to the terms of this Scheme and the Listing Rules, the Board shall be entitled (but shall not be bound) at any time during the Term to make a Grant to any Participant, as the Board may in its sole and absolute discretion select.

3.2 Awards may be granted on such terms as the Board, at its sole and absolute discretion, may determine, provided such terms shall not be inconsistent with any other terms and conditions of this Scheme. Such terms may include, among other things, (a) a minimum period before an Award will vest in whole or in part, (b) a performance target that must be reached before an Award will vest in whole or in part and/or (c) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

3.3 The Board may, in its sole and absolute discretion, determine whether all or any of the Awards granted or to be granted under the Scheme shall be satisfied upon vesting by the allotment and issue or transfer of Shares or by a Cash Payment. Any such determination may be made on a case-by-case basis or generally at any time prior to the grant or vesting date of the Award(s) in question, and the Board shall notify the relevant Grantees of such determination.

3.4 A Grant shall be made to a Participant by a notice (the *Notice of Grant*) in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Award on the terms on which it is to be granted and to be bound by the terms of this Scheme and any other terms and conditions as contained in the Notice of Grant and shall remain open for acceptance by the Participant for such time to be determined by the Board, provided that no such Grant shall be open for acceptance after the expiry of the Term or after the Participant to whom the Grant is made has ceased to be a Participant.

3.5 No Grant shall be made to any Participant at a time when the Participant would or might be prohibited from dealing in the Shares by the Listing Rules, the SFO or by any other applicable laws, regulations or rules. No instructions to acquire Shares shall be given by the Company to the Trustee under this Scheme where such giving of instructions or the acquisition of the Shares by the Trustee is prohibited under the Listing Rules, the SFO or any other applicable laws, regulations or rules. In addition, no Grant shall be made to any Participant at a time when inside information of the Company has come to the Company's knowledge, until (and including) the trading day after the Company has announced such information. In particular, the Company may

not grant any Awards during the period commencing one month immediately before the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

3.6 A Grant is accepted when the Company receives from the Grantee the duplicate Notice of Grant duly executed by the Grantee and, if applicable and as specified in the Notice of Grant, a remittance of the sum of HK\$1.00 or such other amount in any other currency as may be determined by the Board as valid consideration for the grant of the Award. Such remittance of the consideration is not refundable in any circumstances and (if applicable) is payable within three Business Days from the date of receipt of the duplicate Notice of Grant duly executed by the Grantee (unless otherwise specified in such Notice of Grant).

3.7 Any Grant to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed Grantee of the Grant in question).

3.8 Where any grant of Awards to a Grantee would result in the Shares issued and to be issued in respect of all options, awards and Awards granted to such Grantee (excluding any options, awards and Awards lapsed in accordance with the terms of this Scheme or the other Share Schemes, as the case may be) in the 12-month period up to and including the date of such grant representing in aggregate over 1 per cent. of the Shares in issue, such grant must be separately approved by Shareholders in general meeting with such Grantee and his close associates (or associates if the Grantee is a connected person) abstaining from voting.

3.9 Where any grant of Awards to an independent non-executive Director or a substantial shareholder of the Company or any of his associates would result in the Shares issued and to be issued in respect of all options, awards and Awards granted (excluding any options, awards and Awards lapsed in accordance with the terms of this Scheme or the other Shares Scheme, as the case may be) to such Grantee in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1 per cent. of the Shares in issue, such further grant of Awards must be approved by the Shareholders in the Company's general meeting with such Grantee, his associates, and all core connected persons of the Company abstaining from voting in favour at such general meeting.

3.10 Where any grant of Awards to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their associates would result in the Shares issued and to be issued in respect of all awards and Awards granted (excluding any awards and Awards lapsed in accordance with the terms of this Scheme or the other Shares Scheme, if any and as the case may be) to such Grantee in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1 per cent. of the Shares in issue, such further grant of Awards must be approved by the Shareholders in the Company's general meeting with such Grantee, his associates, and all core connected persons of the Company abstaining from voting in favour at such general meeting.

3.11 Any grant of Awards under this Scheme may be subject to a performance target so as to achieve the purpose of this Scheme. The performance target, if any, shall be based on the performance of the Grantee and/or the operating or financial performance of the Group including but not limited to, the divisional and/or group profitability cumulative or annual earnings per share, revenue or revenue growth, total shareholder returns or such measures, and/or such other performance target to be determined by the Board to align with the strategic direction of the Company, in its absolute discretion, which shall be set out in the relevant Notice of Grant in relation to the grant of Awards issued to each Grantee.

4. VESTING

4.1 Subject to the terms of this Scheme (including but not limited to paragraph 4.4 below) and the specific terms applicable to each Award, an Award shall vest on the vesting date in respect of all or a proportion of the Shares underlying the Award.

4.2 Awards which have vested shall be satisfied within 60 Business Days of the vesting date, at the Company's sole and absolute discretion, either by:

- (a) the Company allotting and issuing the relevant number of Shares to the Grantee credited as fully paid and issuing to the Grantee (or his custodian agent) share certificates in respect of such Shares; or
- (b) the Company directing and procuring the Trustee to transfer to the Grantee or to the Nominee Account the relevant number of Shares (i) which the Company has allotted and issued to the Trustee credited as fully paid or (ii) which the Trustee has acquired through on-market purchases of Shares; or
- (c) the Company paying or procuring the payment of a Cash Payment.

4.3 Subject to paragraph 10 below, the Shares to be allotted and issued or transferred (as the case may be) upon the vesting of the Awards granted pursuant to this Scheme shall be subject to all the provisions of the memorandum of association and bye-laws of the Company for the time being in force and shall rank *pari passu* in all respects with, and shall have the same voting, dividend, transfer and other rights (including those rights arising on a winding-up of the Company) as, the existing fully paid Shares in issue on the date on which those Shares are allotted and issued or transferred (as the case may be) upon the vesting of the Awards granted and, without prejudice to the generality of the foregoing, shall entitle the holders to participate in all dividends or other distributions paid or made on or after the date on which Shares are allotted and issued or transferred (as the case may be), other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the date on which the Shares are allotted and issued or transferred (as the case may be).

4.4 Subject to the exceptions set out in this paragraph below, the vesting period for Awards shall not be less than 12 months. Awards granted to a Grantee may be subject to a shorter vesting period under specific circumstances as set out below:

- (a) grants of "make-whole" Awards to a Participant (who is a new joiner) to replace the awards or options he forfeited when leaving his previous employer(s);
- (b) grants to a Participant whose employment is terminated for reason of death, disability or occurrence of any out of control event. In such circumstance(s), the vesting of Awards may accelerate;

- (c) grants of Awards with performance-based vesting condition(s) as provided in this Scheme, in lieu of time-based vesting criteria; or
- (d) grants that are made in batches during a year for administrative and compliance reasons, which may include Awards that should have been granted earlier but had to wait for a subsequent batch. In such cases, the vesting periods may be shorter to reflect the time from which an Award would have been granted.

5. CORPORATE EVENTS

5.1 If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to **paragraph 5.2** below) is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) by any person and such offer becomes or is declared unconditional prior to the vesting date of any Award, the Board shall, prior to the offer becoming or being declared unconditional, determine at its sole and absolute discretion whether such Award shall vest and the period within which such Award shall vest. If the Board determines that such Award shall vest, it shall notify the Grantee that the Award shall vest and the period within which such Award shall vest.

5.2 If a general offer for Shares by way of scheme of arrangement is made by any person to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings prior to the vesting date of any Award, the Board shall, prior to such meetings, determine at its sole and absolute discretion whether such Award shall vest; and the period within which such Award shall vest. If the Board determines that such Award shall vest, it shall notify the Grantee that the Award shall vest and the period within which such Award shall vest.

5.3 If, pursuant to the Companies Act, a compromise or arrangement (other than a scheme of arrangement contemplated in **paragraph 5.2**) between the Company and the Shareholders and/or the creditors of the Company is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies prior to the vesting date of any Award, the Board shall determine at its sole and absolute discretion whether such Award shall vest and the period within which such Award shall vest. If the Board determines that such Award shall vest, it shall notify the Grantee that the Award shall vest and the period within which such Award shall vest.

5.4 If a notice is given by the Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily windup the Company prior to the vesting date of any Award, the Board shall determine at its sole and absolute discretion whether such Award shall vest and the period within which such Award shall vest. If the Board determines that such Award shall vest, it shall notify the Grantee that the Award shall vest and the period within which such Award shall vest.

5.5 Where a Grant is made to a Grantee of a subsidiary of the Company and there is a change of ownership or control in such entity, such that it is no longer a subsidiary of the Company, the Board shall determine at its sole and absolute discretion whether such Award shall vest and the period within which such Award shall vest. If the Board determines that such Award shall vest, it shall notify the Grantee that the Award shall vest and the period within which such Award shall vest.

6. MAXIMUM NUMBER OF SHARES UNDERLYING THE AWARDS

6.1 The Scheme Mandate Limit may be refreshed subject to prior Shareholders' approval, but in any event, (i) the total number of Shares that may underlie the Awards, awards or options granted under all of the Share Schemes following the date of approval of the refreshed limit (the *New Approval Date*) under the limit as refreshed must not exceed 10 per cent. of the aggregate number of Shares in issue as at the New Approval Date, and (ii) such refreshment may only take place after three years from the Adoption Date or the New Approval Date (as the case may be), unless otherwise permitted under the Listing Rules. Shares underlying the Awards granted pursuant to this Scheme (including those outstanding, cancelled or vested Awards) or Shares underlying any other awards or options granted pursuant to the other Share Schemes prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Shares that may underlie the Awards, awards or options to be granted under all of the Share Schemes following the New Approval Date under the limit as refreshed from time to time. For the avoidance of doubt, Shares issued prior to the New Approval Date pursuant to the vesting of Awards granted pursuant to this Scheme or the vesting of awards granted pursuant to the other Share Schemes or the exercising of the options granted pursuant to the other Share Schemes will be counted for the purpose of determining the aggregate number of Shares in issue as at the New Approval Date.

7. TRANSFERABILITY

7.1 Unless otherwise permitted under the Listing Rules, an Award shall be personal to the Grantee and shall not be assignable or transferable by the Grantee, provided that, subject to **paragraph 7B.3** below, following the Grantee's death, Awards may be transferred by will or by the laws of testacy and distribution. The terms of this Scheme and the Notice of Grant shall be binding upon the executors, administrators, legal personal representatives, heirs, successors and permitted assigns and transferees of the Grantee.

7.2 Subject to **paragraph 7.1**, a Grantee shall not in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Award.

7A. CLAWBACK

7A.1 If circumstances occur which, in the reasonable opinion of the Board, justify:

- (a) a reduction to an Award, the Board may at its sole and absolute discretion at any time before an Award is vested determine that the number of Shares underlying an Award or the amount of Cash Payment shall be reduced to such number or amount (in each case including a reduction to nil) as the Board considers appropriate in the circumstances; or
- (b) a reduction in respect of the number of Shares underlying an Award that have already been vested and delivered or a repayment of Cash Payment that has been already been paid, the Board may at its sole and absolute discretion within three years after the Shares are vested and delivered or the Cash Payment is paid determine that the Grantee should (i) repay to the Company an amount equal to (xx) the market value of all or some of the Shares underlying an Award and/or (yy) the Cash Payment so received by the Grantee (as the case maybe), (ii) transfer all or some of the Shares underlying an Award at nil consideration to the Trustee (or return the Shares by other permissible means including through redemption or repurchase etc.), or (iii) a combination of (i) and (ii). Each Grantee shall be deemed to undertake, as a condition of participation of this Scheme, to do all things necessary to complete the transfer of relevant Shares (or return the same by any other means) or pay cash in order to comply with the provisions herein.

7A.2 For the purpose of paragraph 7A.1:

- (a) “market value” shall mean the average closing price of the Shares in the five trading days immediately prior to the date when a clawback request is made hereunder, provided that if the market value is higher than the original value, the market value shall be capped at the original value.
- (b) “original value” shall mean the closing price of the Shares on the vesting date of the Award or, if the vesting date is not a trading day, the next immediate trading day after the vesting date.

7A.3 The circumstances in which the Board may consider that it is appropriate to exercise its discretion under the above paragraph 7A.1, may, without limitation, include the following:

- (a) the negligence, fraud or serious misconduct of a Grantee (whether or not such Grantee remains an employee of the Company and/or its subsidiaries at the time of such negligence, fraud or misconduct) which results in or is reasonably likely to result in significant reputational damage to the Company and/or its subsidiaries, or a material adverse effect on its business opportunities and prospects of profitability of the Company and/or its subsidiaries;
- (b) the Grantee has breached the Group's internal policies, rules, regulations, handbook or code of conduct, or the terms of this Scheme;
- (c) the granting and/or vesting of any Award was based on materially inaccurate financial statements (which includes, but is not limited to, statements or earnings, revenues or gains, or other key performance metrics) or any other materially inaccurate performance metric criteria;
- (d) the performance forming the basis on which grant or vesting of the Award has been proved not genuine (e.g. misstatement of data, failure to disclose material information, fraud, malfeasance or violation of policies); or
- (e) any other circumstances in respect of which the Board considers that the application or the operation of paragraph 7A.1 would otherwise be fair and reasonable.

7A.4 The Company will determine whether a financial statement or other performance metric criteria is materially inaccurate in accordance with the standards consistently adopted by the Group or any similar or successor standards applicable to the Group and in effect from time to time.

7B. LAPSE OF AWARD

7B.1 Unless otherwise determined by the Board at its sole and absolute discretion, an unvested Award shall lapse automatically upon the earliest of the date of occurrence of the following event(s):

- (a) if a Participant fails to confirm his/her acceptance of a Grant in accordance with the Notice of Grant;
- (b) in respect of Shares underlying an Award which are subject to performance or other vesting condition(s), any of the condition(s) to vesting of those underlying Shares is not satisfied;

- (c) termination of the Grantee's employment or service by the Company or any of its subsidiaries for Cause;
- (d) termination of the Grantee's employment or service as a result of resignation;
- (e) clawback of any unvested Award pursuant to paragraph 7A.1(a);
- (f) the Grantee:
 - (i) becomes an officer, director, employee, consultant, adviser, partner of, or a shareholder or other proprietor owning more than a 5 per cent. interest in, any Competitor; or
 - (ii) knowingly performs any act that may confer any competitive benefit or advantage upon any Competitor; and
- (g) the Grantee (whether intentionally or otherwise) commits a breach of **paragraph 7**.

7B.2 The Board shall have the right to determine whether the Grantee's employment or service has been terminated for Cause, the effective date of such termination for Cause, whether someone is a Competitor and the effective date relating to paragraph 7B.1(f) above, and such determination by the Board shall be final and conclusive.

7B.3 If the Grantee's employment or service with the Company or any of its subsidiaries is terminated for any reason other than due to resignation or for Cause (including by reason of retirement, death, Disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause) prior to the vesting date of any Award, the Board shall determine at its sole and absolute discretion and shall notify the Grantee whether such unvested Award shall vest, when such Award shall vest and whether Shares or a Cash Payment shall be the subject of the Award. To the extent that the Board determines that such Award shall not vest in respect of some or all of the underlying Shares following such termination of employment or service, such Award shall lapse automatically in respect of those underlying Shares with effect from the date on which the Grantee's employment or service is terminated.

7B.4 In the event where the Board exercises its discretion (in accordance with paragraph 3.3 above) to determine that the relevant Awards granted under this Scheme shall be satisfied upon vesting by way of Cash Payment (instead of allotment and issue or transfer of Shares), such relevant Awards would be treated as being lapsed under this Scheme for the purpose of calculating the Scheme Mandate Limit, notwithstanding that the delivery of the Cash Payment to the Grantee may still take place upon or after vesting.

8. CANCELLATION

8.1 Notwithstanding any other provision in this Scheme, the trust deed that constituted the Trust or the Notice of Grant, the Board may at its sole and absolute discretion cancel any Award that has not vested or lapsed, provided that:

- (a) the Group pays to the Participant an amount equal to the fair value of the Award at the date of the cancellation as determined by the Board, after consultation with the Auditors or an independent financial adviser appointed by the Board;
- (b) the Company or its relevant subsidiary provides to the Participant a replacement Award (or a grant of award or option under any other Share Scheme with available scheme limit) of equivalent value to the Award to be cancelled; or

- (c) the Board makes any arrangement as the Participant may agree in order to compensate him/her for the cancellation of the Award.

8.2 Where the Company cancels unvested Awards and makes a Grant of new Awards to the same Grantee, such Grant may only be made with available Awards to the extent not yet granted (excluding the cancelled Awards) within the Scheme Mandate Limit.

8.3 For the avoidance of doubts, any Awards cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

9. REORGANISATION OF CAPITAL STRUCTURE OF THE COMPANY

9.1 In the event of an alteration in the capital structure of the Company by way of a capitalisation issue, rights issue, subdivision or consolidation of shares or reduction of the share capital of the Company in accordance with applicable laws and the Listing Rules (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company or any of its subsidiaries is a party or in connection with any share option, restricted share or other equity-based incentive schemes of the Company) whilst any Award has not vested or has vested but has not yet been satisfied, such corresponding adjustments (if any) shall be made to:

- (a) in the case of subdivision or consolidation of Shares only, the Scheme Mandate Limit;
or
- (b) in any of the aforementioned cases, the number and/or exercise/purchase price (if any) of Shares underlying the Award so far as unvested or vested but not yet satisfied,

provided that any such adjustments give a Grantee the same proportion of the share capital of the Company (rounded to the nearest whole share) as that to which that Grantee was previously entitled. In respect of any such adjustments, other than any made on a capitalisation issue, the Auditors or an independent financial adviser to the Company (as the case may be) must confirm to the Board in writing that the adjustments are in their opinion fair and reasonable and satisfy the requirements set out herein.

9.2 In the event the Company undertakes an open offer of new securities or a rights issue, the Trustee shall seek instructions from the Company on the appropriate steps or actions to be taken in relation to (a) the subscription of any new Shares in case of an open offer or (b) the nil-paid rights allotted to it in the case of a rights issue.

9.3 The Company may, at its sole and absolute discretion engage the Auditors or an independent financial adviser to the Company to certify in writing, either generally or as regards any particular Grantee, that the adjustments made by the Company under **paragraph 9.1** satisfy the requirements set out therein. If engaged, the capacity of the Auditors or the independent financial adviser to the Company (as the case may be) in this **paragraph 9** shall be that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company, the Grantees and the Trustee. The costs of the Auditors or the independent financial adviser (as the case may be) shall be borne by the Company.

10. SHARE CAPITAL

10.1 The Awards do not carry any right to vote at general meetings of the Company, or any dividend, distribution, transfer or other rights (including those arising on the winding-up of the Company).

10.2 No Grantee shall enjoy any of the rights of a Shareholder (including any entitlements to capitalisation of profits or reserves, bonus issue, rights issue and open offer by the Company) by virtue of the grant of an Award pursuant to this Scheme, unless and until the Shares underlying the Award are actually allotted and issued or transferred (as the case may be) to the Grantee or to the Nominee Account upon the vesting of such Award.

11. DISPUTES

11.1 Any dispute arising in connection with this Scheme shall be referred to the decision of the Board in the first instance, which decision shall, in the absence of manifest error, be final and binding on the Company and the Grantee. Should the Board, in its sole and absolute discretion, decide, any dispute referred to it may subsequently be referred to the decision of the Auditors or such other professional advisors as the Board may, at its sole and absolute discretion, appoint who shall then act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and binding on the Company and the Grantee. In such cases, the costs of the Auditors or such other professional advisors shall be shared equally between the Company and the relevant Grantee.

12. ALTERATION OF THIS SCHEME

12.1 Save as provided in this **paragraph 12**, the Board may alter any of the terms of this Scheme at any time.

12.2 Any changes to the authority of the Board in relation to any alteration of the terms of this Scheme shall not be made without the prior approval of Shareholders in general meeting.

12.3 Any alterations to the terms and conditions of this Scheme which are of a material nature or are related to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Participants must be approved by the Shareholders in general meeting. The Board's determination as to whether any proposed alteration to the terms and conditions of this Scheme is material shall be conclusive.

12.4 Save for alterations which take effect automatically under the terms of this Scheme, any change to the terms of the Awards granted to a Grantee must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders (as the case may be) if the initial grant of the Awards was approved by the same body(ies).

13. TERMINATION

13.1 The Company by ordinary resolution in general meeting or the Board may at any time terminate this Scheme and in such event, no further Awards may be granted but in all other respects the terms of this Scheme shall remain in full force and effect in respect of Awards which are granted during the Term and which remain unvested immediately prior to the termination of this Scheme.

14. MISCELLANEOUS

14.1 The Company shall bear the costs of establishing and administering this Scheme, excluding any fees or expenses associated with the transfer of the Shares underlying any vested Awards by the Company to a Nominee Account in accordance with **paragraph 4.2(b)**, which costs shall be borne by the Grantee.

14.2 The Company may send copies of all notices and other documents to the Grantees which were sent by the Company to its Shareholders generally.

14.3 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or personal delivery to, in the case of the Company, its principal place of business in Hong Kong or such other address as notified to the Grantee from time to time and, in the case of the Grantee, his address as notified to the Company from time to time.

14.4 Any notice or other communication served by post:

- (a) by the Company shall be deemed to have been served two (2) Business Days after the same was put in the post; and
- (b) by the Grantee shall not be deemed to have been received until the same has been received by the Company.

Any notice or other communication served by the Company or by a Grantee by hand shall be deemed to be served when delivered.

14.5 Any liability of a Grantee to tax or social security contributions in respect of an Award shall be for the account of the Grantee and the allotment and issue and/or transfer of Shares or the making of a Cash Payment pursuant to the vesting of his Awards shall be conditional on the Grantee complying with any arrangements specified by the Company or the Trustee for the payment of any tax and social security contributions (including, without limitation, authorising (a) the Company or the Trustee to sell, on behalf of the Grantee, a sufficient number of the Shares allotted and issued and/or transferred to the Grantee pursuant to the vesting of his Awards to satisfy any tax and social security contribution liability or (b) the Company to withhold the amount of any tax and social security contribution liability from any Cash Payment, remuneration or other amounts owing to the Grantee). All transaction levy, brokerage, stamp duty or other expenses of that nature payable in connection with the transfer of Shares upon the vesting of an Award shall be borne by the Trustee.

14.6 All allotments and issues and/or transfers of Shares and Cash Payments will be subject to all applicable laws, regulations, rules and requirements for the time being in force in Hong Kong and such other jurisdictions where a Grantee is located, resident, employed or contracted for service. A Grantee shall be responsible for obtaining any governmental, regulatory or other official consent or approval and going through any other governmental, regulatory or other official procedures that may be required by any country or jurisdiction for the Grant or vesting of his Award. A Grantee shall pay all tax and discharge all other liabilities to which he may become subject as a result of his participation in this Scheme or the vesting of any Award. The Company or any of its subsidiaries may coordinate or assist a Grantee in complying with such applicable requirements and taking any other actions as may be required by any applicable laws, regulations or rules, however, neither the Company nor any of its subsidiaries shall be responsible for any failure by a Grantee to obtain any such consent or for any tax or other liability to which a Grantee may become subject as a result of his participation in this Scheme. A Grantee shall, on demand, indemnify the Company in full against all claims and demands which may be made against the Company (whether alone or jointly with other party or parties) for or in respect of or in connection with any failure on the part of the Grantee to obtain any necessary consent referred to above or to pay tax or other liabilities referred to above and against all incidental costs and expenses which may be incurred by the Company.

14.7 Participation in this Scheme shall be at the Board's sole and absolute discretion and neither participation in this Scheme nor the receipt of an Offer pursuant to this Scheme shall create any right to or expectation of any future participation or offer under this Scheme or any other Share Schemes or equity-based incentive plans of the Group.

14.8 This Scheme shall not form part of any contract of employment or engagement of services between the Company or any of its subsidiaries and any Participant and the rights and obligations of any Participant under the terms of his office, employment or engagement in services shall not be affected by the participation of the Participant in this Scheme or any right which he may have to participate in it and this Scheme shall afford such Participant no additional rights to compensation or damages in consequence of the termination (howsoever caused) of such office, employment or engagement for any reason (whether lawful or unlawful).

14.9 The Board shall have the power from time to time to make or vary regulations for the administration and operation of this Scheme (including the power to construe and interpret the rules of this Scheme, the terms of the Awards granted under the Scheme, and where applicable, the Trust deed), provided that the same are not inconsistent with the other provisions of this Scheme. The Board shall also have the power to delegate its powers to grant Awards to Participants and to determine the terms on which such Awards are granted to any of the Directors.

14.10 The Board shall be entitled to establish such arrangements as it deems reasonably necessary with respect to the mechanisms to implement the vesting of Awards and the related registration, recording and reporting matters to ensure that the Grantees and the Company can comply with all applicable securities, foreign exchange and tax regulations of all relevant jurisdictions, including without limitation, Hong Kong and the People's Republic of China. Each Grantee shall authorise the Company to establish all necessary brokerage and other accounts on the Grantee's behalf and shall provide to the Company such information as the Board deems necessary in connection with the Company's and the Grantee's compliance with the foregoing obligations.

14.11 By participating in this Scheme, each of the Participants and the Grantees consents to the holding, processing, storage and use of personal data or information provided by the Participants and the Grantees to any member of the Group, the Trustee or any other third party service provider, in Hong Kong or elsewhere, for all purposes relating to the administration, management or operation of this Scheme. These include, but are not limited to:

- (a) administering and maintaining records of the Participants and the Grantees;
- (b) providing data or information to members of the Group, the Trustee, registrars, brokers or third party administrators or managers of this Scheme, in Hong Kong or elsewhere; and
- (c) providing data or information to future purchasers or merger partners of members of the Group, the Grantees' employing company, or the business in which the Grantees work.

14.12 This Scheme and all Awards granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong. Any claims or matters arising under the Scheme shall be submitted to the exclusive jurisdiction of the courts of Hong Kong.