

Compliance Control Guide For Share Option Scheme



BM INTELLIGENCE

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The information contained on, or referred to in, this Guide, including, but not limited to, reports, tables, diagrams and advice, is supplied for the benefit and convenience of those with an interest in the areas of share option scheme and not as specific advice to any particular party or person. Accordingly, BMI Listed Corporate Services Limited accepts no responsibility for any loss that occurs to any party who acts on information contained herein without further consultation with us.

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Preface

This Compliance Control Guide For Share Option Scheme is prepared by BMI Listed Corporate Services Limited ("BMILCS"). BMILCS is a leading professional corporate services provider which offers comprehensive and reliable corporate secretarial services to listed and private companies in Hong Kong, the People's Republic of China and throughout the Asia region.

With the help from our expertise business support, we can remove obstacles that would hinder your many great plans and let you concentrate on expanding your business without hesitation.

Since we have substantial experience in providing corporate services, especially for services in relation to Share Option Scheme, we put together our expertise and insights of our professionals in coming up with advice on compliance control for Share Option Scheme in this Guide.

The purpose of a Share Option Scheme is to provide listed companies with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants selected by the listed companies.

Listed companies are strongly recommended to adopt a Share Option Scheme and grant options to the eligible participants as incentives and reward. Here with our professional advice, we presented to you this Guide identifying the compliance requirements in respect of Share Option Scheme.

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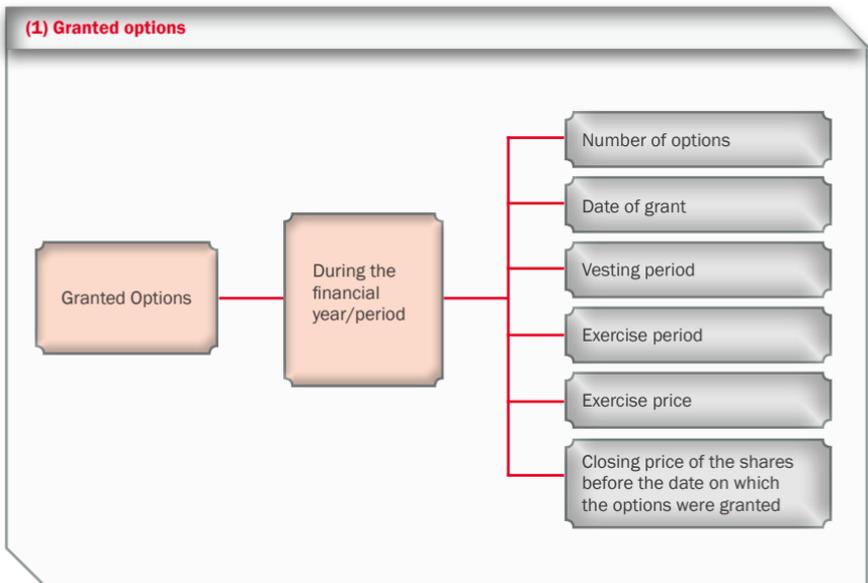
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1. Introduction

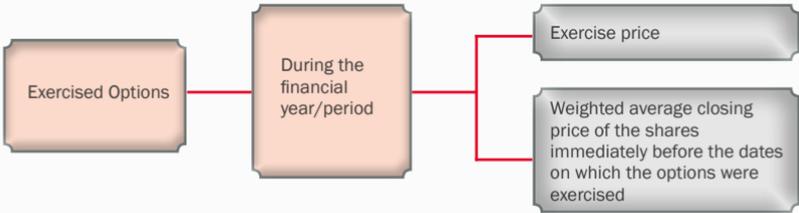
A Share Option Scheme is a program in which an eligible participant is given the options to subscribe a specific number of shares of a listed company at a future date at a pre-determined exercise price. Share options provide a financial benefit to the eligible participants (including, but not limited to, the directors, chief executives, company secretary, chief financial officer, financial controller, chief operation officer, all department heads and all staff of a listed company and its subsidiaries) only if the stock price rises over the validity period the options is available while the eligible participants are under no obligation to exercise the options if the stock price falls over the validity period. Share options may be available to all eligible participants on a discretionary basis.

2. Disclosure Requirements On Annual Report And Interim Report

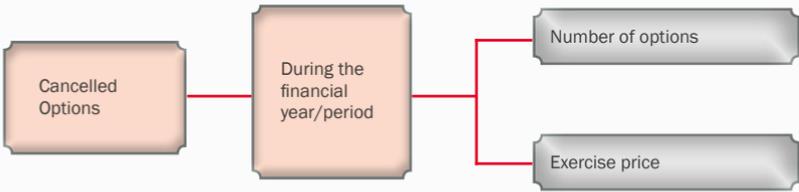
Listed companies must disclose in the annual report and interim report the following information regarding all directors, chief executives, substantial shareholders, employees, suppliers of goods and services and other eligible participants as an aggregate whole:

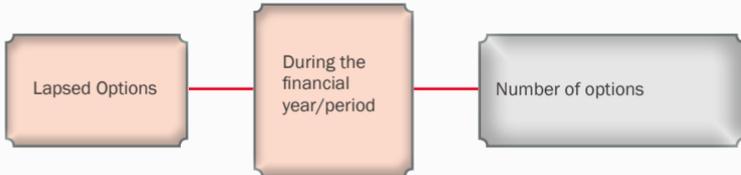
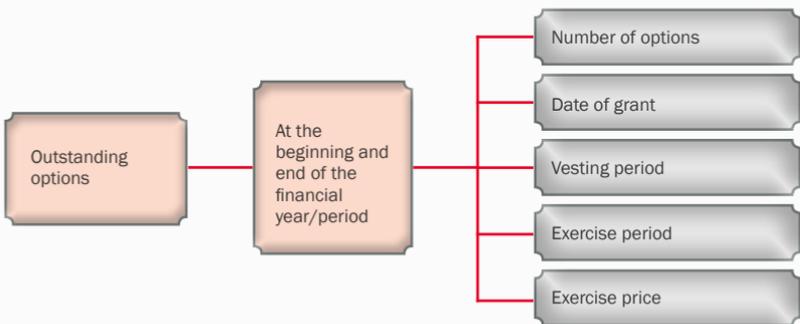


(2) Exercised options



(3) Cancelled options



(4) Lapsed options**(5) Outstanding options**

3. Further Disclosure Requirements On Annual Report

Purpose of Share Option Scheme

The purpose of Share Option Scheme is to enable the granting of options by a listed company to the eligible participants as incentives or rewards for their contribution to the listed company and its subsidiaries.

A Share Option Scheme shall be subject to the administration of the directors of the listed company whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall be final and binding on all persons who may be affected thereby.

Eligible Participants of Share Option Scheme

The board of directors of a listed company may at their absolute discretion, invite any person as an eligible participant to take up options to subscribe for shares of a listed company. The eligible participants usually include any employee holding salaried office or employment under a contract with the listed company, any of its holding companies, any of their respective subsidiaries and any entity in which the listed company or any of its subsidiaries holds any equity interest; and any directors of any eligible entity.

The board of directors of a listed company may offer to grant an option to any eligible participant to subscribe for such number of shares at the exercise price as the board of directors of a listed company may determine, subject always to any limits and restrictions specified in the Share Option Scheme.

Number and Percentage of Shares Available for Issue

The maximum number of shares which may be allotted and issued upon exercise of options granted and yet to be exercised under the Share Option Scheme shall not exceed 30% of the share capital of a listed company in issue from time to time.

Maximum Entitlement of each Eligible Participant

The total number of shares issued and which may fall to be issued upon exercise of the options granted under Share Option Scheme (including both exercised or outstanding options) to each eligible participant in any 12-month period shall not exceed 1% of the issued shares of the listed company for the time being (the "Individual Limit"). Any further grant of 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 issue of a circular to the shareholders and the shareholders' approval in general meeting of the listed company with such eligible participant and his associates abstaining from voting.

Unless approved by shareholders, issue of options to substantial shareholders or independent non-executive directors of a listed company, or their associates cannot result in the shares to be issued in any 12-month period up to and including such grant representing more than 0.1% of the issued shares of the listed company with a value of greater than HK\$5 million.

Period within which the Shares must be taken up under an Option

The period within which the shares must be taken up under an option varies from company to company. It must not be more than 10 years from the date of grant of the options and it may be determined by the directors of listed companies and stated in the offer to an eligible participant.

Vesting Period of Share Options

The board of directors of a listed company may in its discretion, require at the time of grant any particular eligible participant to achieve performance targets as the board of directors may then specify in the grant before any options granted under the Share Option Scheme can be exercised. Therefore, the vesting period of a Share Option Scheme varies and is subject to different terms as set out by different listed companies.

Exercise Price and Consideration of Share Options

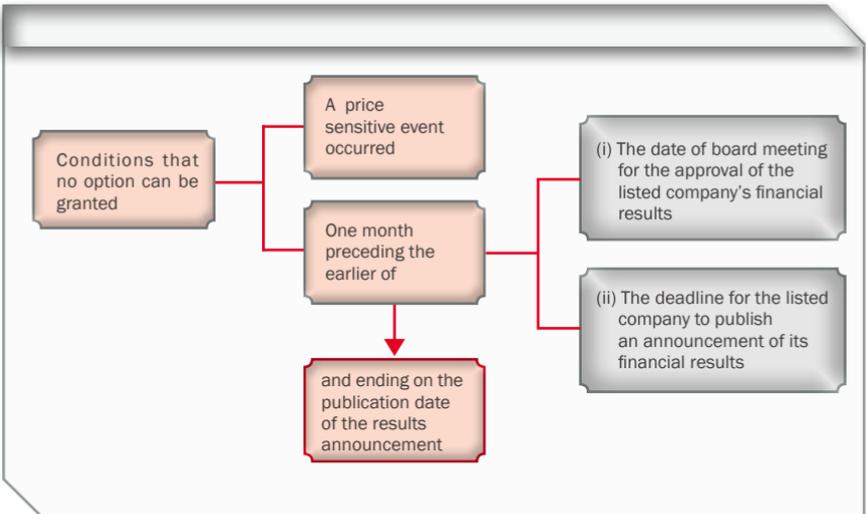
The exercise price for options under a Share Option Scheme will be a price determined by the directors of a listed company, but shall not be less than the higher of (i) the closing price of shares as stated in the daily quotations sheet published on the website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of the offer of grant, which must be a business day; and (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations for the 5 business days immediately preceding the date of grant.

The consideration of the options differs from company to company, however it is usually a nominal consideration of HK\$1 or any other amount determined by the listed companies which is payable on acceptance of an option.

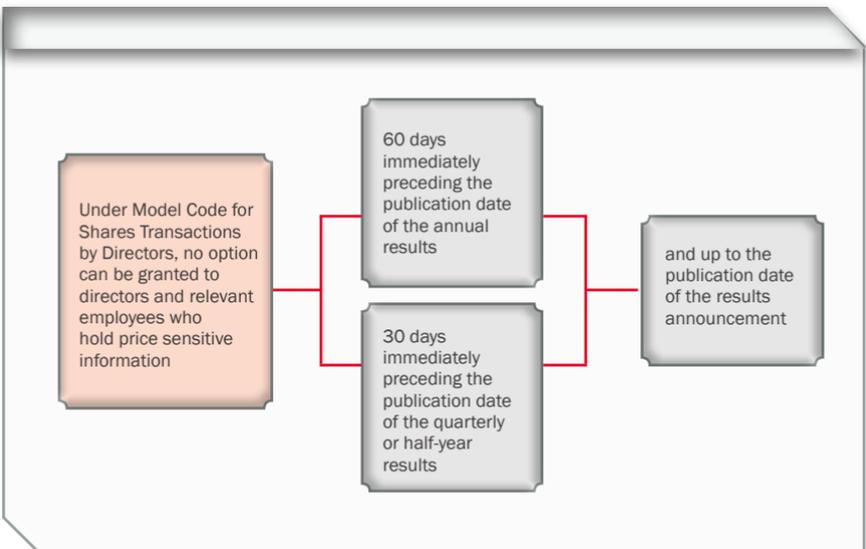
Life of a Share Option Scheme

The life of a Share Option Scheme must not be more than 10 years. Therefore most of the Share Option Schemes adopted by listed companies usually remain in force for a validity period of 10 years commencing on the date on which the Share Option Scheme has been adopted by the shareholders of the listed companies

4. Restrictions On The Time Of Grant Of Options

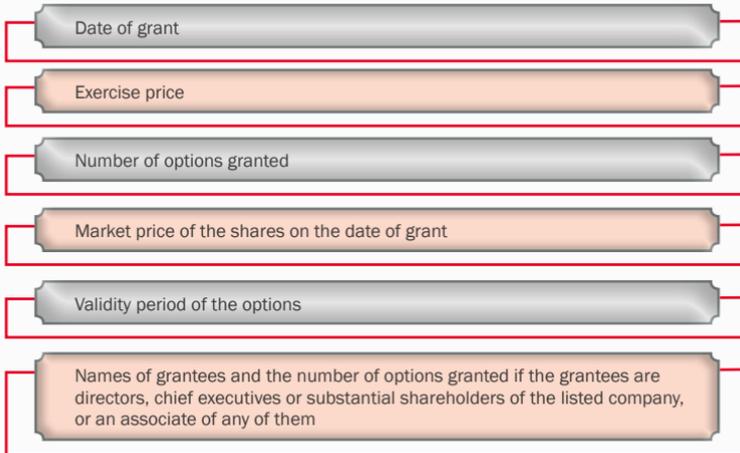


5. Extension Of Restrictions On The Time Of Grant Of Options



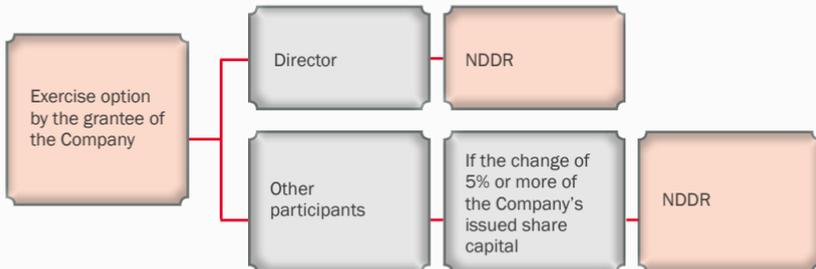
6. Disclosure Requirements On The Grant Of Options

Listed companies have to publish an announcement as soon as practicable setting out the following:



7. Disclosure Requirements On Exercise Of Options

Listed companies have to publish a next day disclose return ("NDDR"):



8. Disclosure Requirements On Movements Of Options

Listed companies have to update in their monthly returns regarding the movements of share options during the month, including:

Grant of options

Exercise of options

Cancellation of options

Lapse of options

Outstanding options as at the close of the month

9. Bibliography And Other References

Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
("Main Board Listing Rules")

The Stock Exchange of Hong Kong Limited

Rules Governing the Listing of Securities on the Growth Enterprise Market of
The Stock Exchange of Hong Kong Limited ("GEM Listing Rules")

The Stock Exchange of Hong Kong Limited