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If you have sold or transferred all your shares in Yue Yuen Industrial (Holdings) Limited (the "Company"), you should at once hand this circular and the form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

TCHC STOCK OPTION PLAN AND GRANT OF TCHC OPTIONS

A special general meeting of the Company will be held at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Thursday, November 30, 2017 at 10:00 a.m. Please refer to the circular issued by the Company on the even date containing the notice convening the SGM and together with the form of proxy for use at the special general meeting.

Whether or not you are able to attend the meeting, you are requested to complete and return the said form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 10:00 a.m. on Tuesday, November 28, 2017 (Hong Kong Time), or not less than 48 hours before the time for holding the adjourned meeting, as the case may be. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting or at any adjournment thereof, should you so wish.

* For identification purpose only

November 14, 2017

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Company”	Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability and whose securities are listed on main board of the Stock Exchange
“Directors”	directors of the Company
“Grantee(s)”	the Relevant Grantees and the Other Grantees
“Group”	the Company together with its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	November 10, 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nonqualified Stock Option Agreement”	an agreement governing the terms of an option to purchase TCHC Shares granted in accordance with the TCHC Stock Option Plan entered into on October 9, 2017 between TCHC and each of the Grantees
“Other Grantees”	two employees of TCHC who are eligible to receive Tranche D TCHC Options under the TCHC Stock Option Plan
“Relevant Grantees”	(i) Mr. Jay Patel, the Chief Financial Officer of TCHC; (ii) Mr. Steven Richman, the President of Tribal Sportswear, a division of Haggard Canada Co., and a wholly-owned, indirect subsidiary of TCHC; and (iii) Ms. Eve Richey, the Senior Vice President and Chief Digital Officer of TCHC, who are eligible to receive Tranche D TCHC Options under the TCHC Stock Option Plan

DEFINITIONS

“SGM”	the special general meeting of the Company to be convened at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Thursday, November 30, 2017 at 10:00 a.m. to approve the TCHC Stock Option Plan in its amended and restated form and grant of Tranche D TCHC Options to the Relevant Grantees
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCHC”	Texas Clothing Holding Corp., a company incorporated in the State of Delaware of the United States and an indirect non-wholly owned subsidiary of the Company since April 7, 2017
“TCHC Option(s)”	the option(s) granted or to be granted under the TCHC Stock Option Plan, as amended from time to time, to subscribe for TCHC Shares in accordance with the terms and conditions thereof
“TCHC Share(s)”	common stock of US\$0.01 par value each in the share capital of TCHC
“TCHC Stock Option Plan”	the existing stock option plan of TCHC adopted on November 7, 2012, as amended from time to time
“Tranche D TCHC Options”	the TCHC Options approved by the TCHC board of directors on October 9, 2017, which options are subject to and become effective upon the approval of the Shareholders
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent



YUE YUEN INDUSTRIAL (HOLDINGS) LIMITED

裕元工業(集團)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00551)

Board of Directors:

Executive Directors:

Lu Chin Chu (*Chairman*)

Tsai Pei Chun, Patty (*Managing Director*)

Chan Lu Min

Lin Cheng-Tien

Tsai Ming-Lun, Ming

Hu Chia-Ho

Liu George Hong-Chih

Hu Dien Chien

Independent Non-executive Directors:

Leung Yee Sik

Huang Ming Fu

Chu Li-Sheng

Yen Mun-Gie (also known as Teresa Yen)

Hsieh Yung Hsiang (also known as Alfred Hsieh)

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business:

22nd Floor

C-Bons International Center

108 Wai Yip Street

Kwun Tong

Kowloon, Hong Kong

November 14, 2017

To the Shareholders,

Dear Sir or Madam,

**TCHC STOCK OPTION PLAN
AND
GRANT OF TCHC OPTIONS**

Reference is made to the Company's announcement dated October 13, 2017 (the "Announcement"). TCHC, a non-wholly owned subsidiary of the Company, proposes to amend certain terms of the TCHC Stock Option Plan for the purpose of compliance with the applicable requirements of the Listing Rules. The TCHC Stock Option Plan in its amended and restated form will be subject to approval of the shareholders of TCHC and approval of the Shareholders by way of passing an ordinary resolution to be proposed at the SGM.

* For identification purpose only

LETTER FROM THE BOARD

Subject to the approval of the TCHC Stock Option Plan in its amended and restated form being obtained at the SGM, TCHC has approved the grant of the Tranche D TCHC Options, the exercise of which will entitle holders thereof to subscribe for a total of 248,923 TCHC Shares, to the Grantees. As the grants to each of the Relevant Grantees exceed 1% of the relevant class of TCHC Shares in issue, such grants to the Relevant Grantees are subject to approval by Shareholders at the SGM pursuant to Rule 17.03(4) of the Listing Rules.

The purpose of this circular is to provide you with information reasonably necessary to enable the Shareholders to make a decision on whether to vote for or against the resolutions to be proposed at the SGM for the approval of the TCHC Stock Option Plan in its amended and restated form and the grant of Tranche D TCHC Options to the Relevant Grantees.

Please refer to the circular published by the Company on even date which contains a notice convening the SGM at which ordinary resolutions in respect of the matters stated in this circular will be proposed.

1. TCHC STOCK OPTION PLAN

Prior to April 7, 2017, TCHC was a joint venture of the Company (interest in which was held through the Company's subsidiary). On April 7, 2017, TCHC made a repurchase of its own shares (other than those held by the Company's subsidiary and certain shares held by the minority shareholders of TCHC) and TCHC therefore became an indirect non-wholly owned subsidiary of the Company.

The TCHC Stock Option Plan was adopted by the board of directors of TCHC before TCHC became a subsidiary of the Company. TCHC proposes to amend certain terms of the TCHC Stock Option Plan for the purpose of compliance with the applicable requirements of the Listing Rules. The TCHC Stock Option Plan in its amended and restated form will be subject to approval of the shareholders of TCHC and approval of the Shareholders by way of passing an ordinary resolution to be proposed at the SGM. No new options have been granted after TCHC became an indirect subsidiary of the Company other than the Tranche D TCHC Options, which grants are subject to the approval of TCHC Stock Option Plan in its amended and restated form by the Shareholders.

As at the Latest Practicable Date, the maximum number of shares that may be issued pursuant to TCHC Options granted and to be granted under the TCHC Stock Option Plan is 969,174 TCHC Shares, representing approximately 29.30% of the total issued shares in TCHC out of which (i) an aggregate of 638,346 TCHC Shares, representing approximately 19.30% of the total number of TCHC's issued shares, are issuable pursuant to the exercise of outstanding TCHC Options (other than the Tranche D TCHC Options), and (ii) an aggregate of 248,923 TCHC Shares, representing approximately 7.52% (instead of 8.22% as stated in the Announcement) of the total number of TCHC's issued shares, are issuable pursuant to the exercise of the granted Tranche D TCHC Options. If the TCHC Stock Option Plan in its amended and restated form is approved by the Shareholders at the SGM, further TCHC Options may be granted and exercisable into 81,905 TCHC Shares under the TCHC Stock Option Plan, which together with the Tranche D TCHC Options represent approximately 10% of the total number of TCHC's issued shares as at the date of the SGM.

LETTER FROM THE BOARD

Details of the TCHC Stock Option Plan in its amended and restated form are set out in Appendix I to this circular.

The TCHC Stock Option Plan in its amended and restated form, upon becoming effective, will be applicable to all options already granted and outstanding pursuant to the TCHC Stock Option Plan and will not affect the validity of any of the previously granted TCHC Options.

2. GRANT OF TCHC OPTIONS

On October 9, 2017, TCHC approved the grant of the Tranche D TCHC Options to the Grantees exercisable into a total of 248,923 TCHC Shares at an exercise price of US\$24.18 per TCHC Share (but not less than the fair market value of a TCHC Share on the date the TCHC Stock Option Plan is approved by the Shareholders) under the Nonqualified Stock Option Agreement with each Grantee respectively. Since the grant of Tranche D TCHC Options to each Relevant Grantee exceeds 1% of the relevant class of TCHC Shares in issue, such grants must be approved by the Shareholders at the SGM pursuant to Rule 17.03(4) of the Listing Rules. TCHC also granted Tranche D TCHC Options to the Other Grantees.

Details of such grants to the Relevant Grantees and Other Grantees are set out below.

Date of grant:	Date on which the Shareholders approve the TCHC Stock Option Plan, which is expected to be November 30, 2017
Exercise price of Tranche D TCHC Option granted:	US\$24.18 per TCHC Share (but not less than the fair market value of a TCHC Share on the date of grant)
Number of TCHC Shares under the Tranche D TCHC Options granted to the Relevant Grantees:	100,000 to Mr. Jay Patel, the Chief Financial Officer of TCHC 50,000 to Mr. Steven Richman, the President of Tribal Sportswear, a division of Hagggar Canada Co., and a wholly-owned, indirect subsidiary of TCHC 38,923 to Ms. Eve Richey, the Senior Vice President and Chief Digital Officer of TCHC, to replace TCHC Options with an exercise price of US\$32.21 per TCHC Share previously granted to Ms. Eve Richey which were cancelled when the Tranche D TCHC Options were granted, contingent upon Shareholders' approval of such grant
Number of TCHC Shares under the Tranche D TCHC Options granted to the Other Grantees:	60,000

LETTER FROM THE BOARD

Total number of TCHC Shares under Tranche D TCHC Options granted:	248,923
Market price of TCHC Shares on the date of grant:	Since TCHC is a private company, there is no open market price of its securities.
Validity period of the Tranche D TCHC Options:	Ten years from the date of grant
Vesting Conditions:	The Tranche D TCHC Options are subject to vesting periods ranging from 21 to 48 months. Vesting of the Tranche D TCHC Options is not conditional upon any performance targets.

The above grants to the Grantees will reduce the number of TCHC Shares available to be issued under the scheme limit of 330,828 TCHC Shares so that TCHC will only be able to issue an additional 81,905 TCHC Shares under the TCHC Stock Option Plan, representing approximately 2.48% of the total number of TCHC's issued shares.

None of Grantees is a director, chief executive or substantial shareholder (as defined in the Listing Rules) of TCHC, or an associate (as defined in the Listing Rules) of any of them.

3. SPECIAL GENERAL MEETING

Ordinary resolutions will be proposed to the Shareholders at the SGM to be held at 22nd Floor, C-Bons International Center, 108 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong on Thursday, November 30, 2017 at 10:00 a.m., for the purpose of considering and, if thought fit, approving the TCHC Stock Option Plan in its amended and restated form and the grant of Tranche D TCHC Options to the Relevant Grantees in accordance with the terms and conditions of the TCHC Stock Option Plan.

Please refer to the notice convening the SGM as enclosed in the Company's circular of even date for details of the resolutions to be proposed together with the form of proxy for use at the SGM.

Whether or not you are able to attend the SGM, you are requested to complete the form of proxy and return it to the Company's branch share registrar in Hong Kong at Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 10:00 a.m. on Tuesday, November 28, 2017 (Hong Kong Time), or not later than 48 hours before the time for the holding of the adjourned meeting, as the case may be. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM, or any adjournment thereof, should you so wish.

As at the Latest Practicable Date, no Shareholder is required under the Listing Rules to abstain from voting on the ordinary resolutions to approve the TCHC Stock Option Plan in its amended and restated form and the grant of Tranche D TCHC Options to the Relevant Grantees.

LETTER FROM THE BOARD

4. RECOMMENDATIONS

Having considered the terms of the TCHC Stock Option Plan in its amended and restated form, the Directors (including the independent non-executive Directors) consider that the TCHC Stock Option Plan in its amended and restated form and the grant of Tranche D TCHC Options to the Relevant Grantees is in the best interest of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of such resolutions to be proposed at the SGM.

5. RESPONSIBILITY OF DIRECTORS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm to the best knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement contained herein or this circular misleading.

Your faithfully,
For and on behalf of
Yue Yuen Industrial (Holdings) Limited
Lu Chin Chu
Chairman

In this appendix, capitalized terms used have their respective meanings given in the TCHC Stock Option Plan in its amended and restated form. The following is the TCHC Stock Option Plan proposed in its amended and restated form, subject to approval by Shareholders at the SGM.

1. Definitions. In the Plan, except where the context otherwise indicates, the following definitions shall apply:
 - 1.1. “Affiliate” means a corporation, partnership, business trust, limited liability company, or other form of business organization at least a majority of the total combined voting power of all classes of stock or other equity interests of which is owned by the Company, either directly or indirectly, and any other entity designated by the Committee in which the Company has a significant interest.
 - 1.2. “Agreement” means a written agreement or other document evidencing an Option that shall be in such form as the Committee may specify.
 - 1.3. “Board” means the board of directors of the Company.
 - 1.4. “Cause” means any of the following: (a) the continued failure of the Participant to perform substantially the Participant’s duties to the Company or its Affiliates (other than any such failure resulting from the Participant’s death or Disability), after a written demand for substantial performance has been delivered to the Participant by the Company that identifies in reasonable detail the manner which the Company believes that the Participant has not substantially performed the Participant’s duties and a reasonable time (determined in good faith by the Board, but not less than 30 days) for remedying such failure to perform has elapsed since delivery of such demand; (b) gross negligence or willful misconduct by the Participant in the performance of the Participant’s duties to the Company or its Affiliates that is materially injurious to the Company or its Affiliates; (c) fraud, embezzlement or misappropriation by the Participant or any misappropriation of any business opportunity of the Company or any of its Affiliates, or any willful and material misrepresentation by the Participant to the Board or any of the Company’s principal stockholders; (d) any material failure of the Participant to follow any lawful and material written directive of the Board that is not inconsistent with the terms of any employment or other agreement between the Participant and the Company, provided the Board has given the Participant written notice of the Participant’s material failure and provided the Participant has at least 30 days to cure such failure; (e) any material breach by the Participant of any confidentiality, non-competition or nonsolicitation obligation or restriction imposed upon the Participant, whether pursuant to any agreement or otherwise that is not cured within ten business days after written notice of such breach is delivered to the Participant, or (f) the conviction of the Participant, or the entry of a plea of *nolo contendere* in response to an indictment or other charge, for any felony or crime involving moral turpitude. Notwithstanding the foregoing, if the Participant and the

Company (or an Affiliate) are party to a then-in-effect employment agreement that contains a definition of "Cause", "Cause" shall instead have the meaning set forth in such employment agreement.

- 1.5. "Code" means the Internal Revenue Code of 1986, as amended.
- 1.6. "Committee" means such committee(s), subcommittee(s) or person(s) the Board appoints to administer the Plan or to grant and/or administer specific Options hereunder. If no such appointment is in effect at any time, "Committee" shall mean the Board. Notwithstanding the foregoing, "Committee" means the Board for purposes of granting Options to members of the Board who are not Employees, and administering the Plan with respect to those Options, unless the Board determines otherwise.
- 1.7. "Common Stock" means the Company's common stock, \$0.01 par value per share.
- 1.8. "Company" means Texas Clothing Holding Corp., and any successor thereto.
- 1.9. "Date of Approval" means the latest of: (a) October 9, 2017, which is the date on which this amended and restated Plan was approved by the Board, (b) the date on which this amended and restated Plan is approved by the stockholders of the Company, and (c) the date on which this amended and restated Plan is approved by the shareholders of Yue Yuen.
- 1.10. "Date of Exercise" means the date on which the Company receives notice of the exercise of an Option in accordance with Section 7.1.
- 1.11. "Date of Grant" means the date on which an Option is granted under the Plan as determined by the Committee and as set forth in the Option Agreement, which date may be on or after but not earlier than the date as of which the Committee takes action to approve the grant of the Option.
- 1.12. "Disability" means any physical or mental illness, disability or incapacity that renders the Participant unable, with or without reasonable accommodation, to perform the essential functions of the Participant's employment with the Company or its Affiliates in all material respects for a period of not less than 150 consecutive days or for an aggregate of 180 days during any period of 12 consecutive months. Notwithstanding the foregoing, if the Participant and the Company (or an Affiliate) are party to a then-in-effect employment agreement that contains a definition of "Disability," "Disability" shall instead have the meaning set forth in such employment agreement.
- 1.13. "Eligible Person" means any person who is (a) an Employee, (b) a member of the Board or the board of directors of an Affiliate, or (c) a consultant, or independent contractor to the Company or an Affiliate.

- 1.14. "Employee" means any person who the Committee determines to be an officer or employee of the Company or an Affiliate.
- 1.15. "Exercise Price" means the price per Share at which an Option may be exercised.
- 1.16. "Fair Market Value" means, as of any date on which the Shares are listed or quoted on a securities exchange or quotation system, and except as otherwise determined by the Committee, the closing sale price of a Share as reported on such securities exchange or quotation system as of the relevant date, and if the Shares are not listed or quoted on a securities exchange or quotation system, then an amount equal to the then fair market value of a Share as determined by the Committee pursuant to a reasonable method adopted in good faith for such purpose; provided, however, that in the case of the grant of an Option that is intended to not provide for a deferral of compensation within the meaning of Section 409A of the Code, Fair Market Value shall be determined pursuant to a method permitted by Section 409A of the Code for determining the fair market value of stock subject to a nonqualified stock option that does not provide for a deferral of compensation within the meaning of Section 409A of the Code.
- 1.17. "Incentive Stock Option" means an Option that the Committee designates as an incentive stock option under Section 422 of the Code.
- 1.18. "Listing Rules" means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time.
- 1.19. "Nonqualified Stock Option" means an Option that is not an Incentive Stock Option.
- 1.20. "Option" means an option to purchase Shares granted in accordance with the terms of this Plan.
- 1.21. "Option Period" means the period during which an Option may be exercised.
- 1.22. "Participant" means an Eligible Person who has been granted an Option hereunder.
- 1.23. "Plan" means this Texas Clothing Holding Corp. Stock Option Plan, as amended from time to time.
- 1.24. "Section 422 Employee" means an Employee who is employed by the Company or a "parent corporation" or "subsidiary corporation" (each as defined in Sections 424(e) and (f) of the Code) with respect to the Company, including a "parent corporation" or "subsidiary corporation" that becomes such after adoption of the Plan.

- 1.25. "Share" means a share of Common Stock.
- 1.26. "Service" means, if the Participant is (a) an employee of the Company and/or any of its Affiliates (as determined by the Committee in its discretion), the Participant's service as an employee of the Company and/or any of its Affiliates, (b) a member of the Board or the board of directors of any of its Affiliates but not an employee of the Company or any of its Affiliates (as determined by the Committee in its discretion), the Participant's service as a member of the Board or such board of directors, or (c) a consultant or independent contractor to the Company or any of its Affiliates (as determined by the Committee in its discretion) and is not described in the preceding clause (b), the Participant's service as a consultant or independent contractor to the Company and/or any of its Affiliates. The Participant's Service shall not be treated as having terminated if the capacity in which the Participant provides Service, as described in the preceding sentence, changes, provided that the Participant's Service is continuous notwithstanding such change.
- 1.27. "Ten-Percent Stockholder" means a Section 422 Employee who (applying the rules of Section 424(d) of the Code) owns stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or a "parent corporation" or "subsidiary corporation" (each as defined in Sections 424(e) and (f) of the Code) with respect to the Company.
- 1.28. "Yue Yuen" means Yue Yuen Industrial (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 551), with respect to which the Company is a subsidiary.

Unless the context expressly requires the contrary, references in the Plan to (a) the term "Section" refers to the sections of the Plan, and (b) the word "including" means "including (without limitation)."

2. Purpose. The Plan is intended to assist the Company and its Affiliates in attracting and retaining directors, officers, employees, consultants and contractors of outstanding ability and to promote the alignment of their interests with those of the stockholders of the Company and its Affiliates.
3. Administration. The Committee shall administer the Plan and shall have plenary authority, in its discretion, to grant Options to Eligible Persons, subject to the provisions of the Plan. The Committee shall have plenary authority and discretion, subject to the provisions of the Plan, to determine the Eligible Persons to whom it grants Options, the terms (which terms need not be identical) of all Options, including without limitation, the Exercise Price of Options, the time or times at which Options are granted, the number of Shares covered by Options, whether an Option shall be an Incentive Stock Option or a Nonqualified Stock Option, any exceptions to nontransferability, any provisions relating to vesting, and the periods during which Options may be exercised. In making these determinations, the Committee may take into account the nature of the services rendered or to be rendered by Option recipients, their present and potential contributions to the success of the Company and its Affiliates, and such other factors as the Committee

in its discretion shall deem relevant. Subject to the provisions of the Plan, the Committee shall have plenary authority to interpret the Plan and Agreements, prescribe, amend and rescind rules and regulations relating to them, and make all other determinations deemed necessary or advisable for the administration of the Plan and Options granted hereunder. The determinations of the Committee on the matters referred to in this Section 3 shall be binding and final. The Committee may delegate its authority under this Section 3 and the terms of the Plan to such extent it deems desirable and is consistent with the requirements of applicable law.

4. Eligibility. Options may be granted only to Eligible Persons, provided that (a) Incentive Stock Options may be granted only to Eligible Persons who are Section 422 Employees; and (b) Options may be granted only to persons with respect to whom Shares constitute stock of the service recipient (within the meaning of Section 409A of the Code and the applicable Treasury Regulations thereunder).

5. Stock Subject to Plan.
 - 5.1. Subject to adjustment as provided in Section 11.3, the maximum number of Shares that may be issued pursuant to Options granted under the Plan shall be 969,174 consisting of 638,346 Shares subject to Options outstanding prior to the Date of Approval and an additional 330,828 Shares representing 10% of the issued Shares as of the Date of Approval, of which 330,828 Shares may be issued on or after the Date of Approval pursuant to Incentive Stock Options or Nonqualified Stock Options. Shares issued under the Plan may, in whole or in part, be authorized but unissued Shares or Shares that shall have been, or may be, reacquired by the Company in private transactions or otherwise.

 - 5.2. Subject to Sections 5.3, 5.4 and 5.6, the Shares which may be issued upon exercise of all Options to be granted after the Date of Approval under the Plan and any other schemes of the Company shall not exceed 10% of the number of the relevant class of Shares in issue on the Date of Approval (the "Plan Mandate Limit"). Shares subject to but that are never issued under Options that lapse, expire or otherwise terminate in accordance with the terms of the Plan or Option Agreement or any other schemes of the Company shall not be counted for the purpose of calculating and shall not be charged against the Plan Mandate Limit.

 - 5.3. The Company may increase the maximum number of Shares available pursuant to Section 5.1 and thereby increase the Plan Mandate Limit at any time by amending this Plan subject to obtaining the approval of stockholders of the Company for such change before the amendment becomes effective and, for so long as the Company remains a subsidiary of Yue Yuen, the prior approval of the shareholders of Yue Yuen. However, the Plan Mandate Limit, as increased shall not exceed 10% of the number of the relevant class of Shares outstanding as of the date of approval by shareholders of Yue Yuen. Options previously granted under the Plan and other schemes (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as increased.

- 5.4. The Company may also seek separate approval from stockholders of the Company and, for so long as the Company remains a subsidiary of Yue Yuen, from the shareholders of Yue Yuen, for granting Options beyond the Plan Mandate Limit provided the Options in excess of the Plan Mandate Limit are granted only to the Participants specifically identified by the Company before such approval(s) is/are sought.
- 5.5. The total number of Shares which may be issued to a Participant upon exercise of the Options that are granted in any twelve-month period after the Date of Approval (including both exercised and outstanding Options granted during such period) shall not exceed 1% of the number of the relevant class of Shares in issue determined as of the date such Options are granted except as provided in the following sentence. On and after the Date of Approval, any further grant of Options to a Participant resulting in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the twelve-month period up to and including the date of such further grant in aggregate exceeding 1% of the number of the relevant class of Shares in issue shall be allowed if approved by the stockholder(s) of the Company and, for so long as the Company remains a subsidiary of Yue Yuen, the shareholders of Yue Yuen.
- 5.6. The overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Plan and other schemes of the Company must not exceed 30% of the number of the relevant class of Shares outstanding from time to time as long as the Company remains a subsidiary of Yue Yuen; provided, however, that any Option validly granted shall continue to be valid and exercisable in accordance with its terms if this 30% limit is later exceeded on account of a reduction in the number of Shares outstanding.
- 5.7. If an Option expires, terminates or is cancelled for any reason without having been fully exercised or is surrendered pursuant to Section 7.3 and the terms and conditions of the Agreement, the unissued or forfeited Shares that had been subject to the Option shall be available for the grant of subsequent Options, provided that where the Company cancels Options and issues new ones to the same Participant, the grant of such new Options may only be made under the Plan or other schemes of the Company with available unissued Options (excluding the cancelled Options) within the Plan Mandate Limit.

6. Options.

- 6.1. Options granted under the Plan shall be either Incentive Stock Options or Nonqualified Stock Options, as designated by the Committee. Each Option granted under the Plan shall be identified as either a Nonqualified Stock Option or an Incentive Stock Option, and each Option shall be evidenced by an Agreement that specifies the terms and conditions of the Option (which includes, inter alia, (i) any minimum period(s) for which an Option must be held; and/or (ii) minimum performance targets that must be reached before the Options can be exercised in whole or in part or, if none, a negative statement to that effect). Options shall be subject to the terms and conditions set forth in this Section 6 and such other terms and conditions not inconsistent with the Plan as the Committee may specify.
- 6.2. The Exercise Price of an Option granted under the Plan prior to the Date of Approval shall not be less than 50% of the Fair Market Value of a Share on the Date of Grant, and the Exercise Price of an Option granted under the Plan on or after the Date of Approval shall not be less than 100% of the Fair Market Value of a Share on the Date of Grant. Notwithstanding the foregoing, in the case of an Incentive Stock Option granted to an Employee who, on the Date of Grant is a Ten-Percent Stockholder, the Exercise Price shall not be less than 110% of the Fair Market Value of a Share on the Date of Grant.
- 6.3. The Committee shall determine the Option Period for an Option, which shall be specifically set forth in the Agreement, provided that an Option shall not be exercisable after ten years (five years in the case of an Incentive Stock Option granted to an Employee who on the Date of Grant is a Ten-Percent Stockholder) from its Date of Grant.
- 6.4. At such time as the Board approves the liquidation or dissolution of the Company, any merger or consolidation to which the Company is a party, a reclassification of Shares into shares of a different class or series, or any extraordinary dividend, any minimum time period for which an Option must be held before it can be exercised as may be specified in any Option Agreement shall no longer be applicable and the Option shall be exercisable immediately, and the Board shall take such other actions as may be necessary so that the Participant may exercise and participate in such transaction as a shareholder.

7. Exercise of Options.
- 7.1. Subject to the terms of the applicable Agreement, an Option may be exercised, in whole or in part, by delivering to the Company a notice of the exercise, in such form as the Committee may prescribe, accompanied by full payment for the Shares with respect to which the Option is exercised. To the extent provided in the applicable Agreement, payment may be made by (a) cash or check payable to the order of the Company; (b) delivery (including constructive delivery) of Shares (provided that such Shares, if acquired pursuant to an Option granted hereunder or under any other compensation plan maintained by the Company or any Affiliate, have been held by the Participant for such period, if any, as the Committee may specify), valued at Fair Market Value on the Date of Exercise; (c) delivery of a promissory note as provided in Section 7.2; or (d) withholding Shares as provided in Section 7.3.
- 7.2. To the extent provided in the applicable Agreement and compliant with applicable law and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Committee may accept as payment of all or a portion of the Exercise Price a promissory note executed by the Participant evidencing the Participant's obligation to make future cash payment thereof. Promissory notes made pursuant to this Section 7.2 shall (a) be secured by a pledge of the Shares received upon exercise of the Option, (b) bear interest at a rate fixed by the Committee, and (c) contain such other terms and conditions as the Committee may determine in its discretion.
- 7.3. To the extent provided in the applicable Agreement, an Option may be exercised by directing the Company to withhold from the Shares to be issued upon exercise of the Option (or portion thereof) being exercised a number of Shares having a Fair Market Value not in excess of the aggregate Exercise Price of the Option (or portion thereof being exercised), with payment of the balance of the exercise price, if any, being made pursuant to Section 7.1 and/or Section 7.2.
8. Lapse of Options. Unless expressly provided otherwise in the Option Agreement, an Option shall expire on the earliest of the following times: (a) the date of the first notification to the Participant that the Participant's Service is terminated by the Company or an Affiliate for Cause; (b) 60 days after termination of the Participant's Service for any reason other than (i) by the Company or an Affiliate for Cause, or (ii) by reason of death or Disability; (c) one year after termination of the Participant's Service with the Company or an Affiliate by reason of death or Disability; or (d) ten years after the Date of Grant.
9. Rights Attaching to the Options. (a) Prior to the Participant being registered as a stockholder of the Company, the Participant shall not have any voting rights, or rights to participate in any dividends, or any right of transfer (except by will or by the laws of descent and distribution), or any rights arising on a liquidation of the Company, or any other rights, in respect of the Shares to be issued upon the exercise of the Option. (b) An Option shall be personal to the Participant and shall not be assignable other than by will or by the laws of descent and distribution and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option.

10. Termination or Amendment. The Board may amend or terminate the Plan in any respect at any time; provided, however, that the Board shall not amend or terminate the Plan without prior approval of (a) the Company's stockholders to the extent applicable law or regulations requires stockholder approval of the amendment or termination, (b) for so long as the Company remains a subsidiary of Yue Yuen, the shareholders of Yue Yuen in respect of amendments to the terms and conditions of the Plan which are of a material nature, and (c) each affected Participant if the amendment or termination would adversely affect the Participant's rights or obligations under any Option granted prior to the date of the amendment or termination; and provided further, however, that for so long as the Company remains a subsidiary of Yue Yuen, the terms of the Plan as altered must comply with Chapter 17 of the Listing Rules.

11. Modification, Substitution of Options.
 - 11.1. Subject to the terms and conditions of the Plan, the Committee may modify the terms of any outstanding Option; provided, however, that no modification of an Option shall alter or impair any of the Participant's rights or obligations under such Option in any material respect (a) without the consent of the Participant, and (b) for so long as the Company remains a subsidiary of Yue Yuen, without the approval of the shareholders of Yue Yuen except where such modification takes effect automatically under the existing terms of the Plan.

 - 11.2. Anything contained herein to the contrary notwithstanding, Options may, at the discretion of the Committee, be granted under the Plan in substitution for stock options covering capital stock of another corporation which is merged into, consolidated with, or all or a substantial portion of the property or stock of which is acquired by, the Company or an Affiliate. The terms and conditions of the substitute Options so granted may vary from the terms and conditions set forth in the Plan to such extent as the Committee may deem appropriate in order to conform, in whole or part, to the provisions of the options in substitution for which they are granted. Such substitute Options shall not be counted toward the Share limit imposed by Section 5.1.

 - 11.3 Any provision of the Plan or any Agreement to the contrary notwithstanding, in the event any capitalization issue, rights issue, subdivision or consolidation of Shares (sometimes referred to under Delaware law as a stock split, reverse stock split), bonus issue (sometimes referred to under Delaware law as a stock dividend), or reduction of capital affects the Shares such that an adjustment is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of:
 - (a) the number and kind of securities deemed to be available thereafter for grants of Options under the Plan,

 - (b) the number and kind of securities that may be delivered or deliverable in respect of outstanding Options, and

 - (c) the Exercise Price of Options,

provided that, for so long as the Company remains a subsidiary of Yue Yuen, all such adjustments must be made in a manner that complies with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and any future guidance/ interpretation of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited from time to time.

In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Options (including, without limitation, cancellation of Options in exchange for the in-the-money value, if any, of the vested portion thereof, or substitution of Options using stock of a successor or other entity) in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding sentence) affecting the Company or any parent or subsidiary or the financial statements of the Company or any parent or subsidiary, or in response to changes in applicable laws, regulations, or accounting principles.

- 11.4. Any provision of the Plan or any Agreement to the contrary notwithstanding, in the event of a merger or consolidation to which the Company is a party or any sale, disposition or exchange of at least 50% of the Company's Common Stock or all or substantially all of the Company's assets for cash, securities or other property, or any other similar transaction or event (each, a "Transaction"), the Committee shall take such actions, and make such changes and adjustments to outstanding Options as it deems equitable, and may in its discretion, cause any Option granted hereunder to be canceled in consideration of a payment (or payments), in such form as the Committee may specify, equal to the fair value of the canceled Option, as determined by the Committee in its discretion. The fair value of an Option shall be deemed to be equal to the product of (a) the number of Shares then issuable upon exercise of the Option and (b) the excess, if any, of the Fair Market Value of a Share as of the date of cancellation over the Exercise Price of the Option. For sake of clarity and notwithstanding anything to the contrary herein, (a) the fair value of an Option would be zero if the Fair Market Value of a Share is equal to or less than the Exercise Price and (b) payments made in cancellation of an Option in connection with a Transaction may be delayed to the same extent that payment of consideration to the holders of Shares in connection with the Transaction is delayed as a result of escrows, earn outs, holdbacks, or any other contingencies.
12. Stockholder/Shareholder Approval. The amended and restated Plan, and any amendments hereto requiring the approval of the stockholders of the Company and the shareholders of Yue Yuen pursuant to Section 10, are subject to approval by vote of the stockholders of the Company at the next annual or special meeting of stockholders and by vote of the shareholders of Yue Yuen at the annual or special general meeting of shareholders following adoption by the Board. If the adoption of the Plan is not so approved by the Company's stockholders and the shareholders of Yue Yuen, then this amended and restated Plan shall not be effective and any new Options granted under the Plan on or after the date of the Board's approving the adoption of the amended and restated Plan shall be cancelled and void *ab initio* immediately following such next annual or special meeting of stockholders and such annual or special general meeting of shareholders of Yue Yuen, whichever is later.

13. Withholding. The Company's obligation to issue or deliver Shares or pay any amount pursuant to the terms of any Option granted hereunder shall be subject to satisfaction of applicable federal, state, local, and foreign tax withholding requirements. To the extent provided in the applicable Agreement, and in accordance with such rules as the Committee may prescribe, a Participant may satisfy any withholding tax requirements by one or any combination of the following means: (a) tendering a cash payment, (b) authorizing the Company to withhold Shares otherwise issuable to the Participant, or (c) delivering to the Company already-owned and unencumbered Shares.
14. Term of Plan. Unless the Board terminates the Plan pursuant to Section 10 on an earlier date, this amended and restated Plan shall terminate on the date that is ten years after the earliest of the date that the Plan is adopted by the Board, approved by the Company's stockholders, and the shareholders of Yue Yuen, and no Options may be granted or awarded after such termination date. The termination of the Plan shall not affect the validity of any Option outstanding on the date of termination.
15. Indemnification of Committee. In addition to such other rights of indemnification as they may have as members of the Board or Committee, the Company shall indemnify members of the Committee against all reasonable expenses, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Option granted hereunder, and against all amounts reasonably paid by them in settlement thereof or paid by them in satisfaction of a judgment in any such action, suit or proceeding, if such members acted in good faith and in a manner which they believed to be in, and not opposed to, the best interests of the Company.
16. General Provisions.

 - 16.1. The establishment of the Plan shall not confer upon any Eligible Person any legal or equitable right against the Company, any Affiliate or the Committee, except as expressly provided in the Plan. Participation in the Plan shall not give an Eligible Person any right to be retained in the service of the Company or any Affiliate.
 - 16.2. Neither the adoption of the Plan nor its submission to the Company's stockholders or Yue Yuen's shareholders (as necessary) shall be taken to impose any limitations on the powers of the Company or its Affiliates to issue, grant or assume options, warrants, rights, restricted stock or other awards otherwise than under the Plan, or to adopt other stock option, restricted stock, or other plans (provided that the Company shall comply with the applicable requirements of the Listing Rules, including any requirements that would apply in the event Yue Yuen resolves to seek a separate listing of the Company on the Hong Kong Exchange, GEM or an overseas stock exchange, that would require the Exercise Price of Options granted after the Yue Yuen resolution to seek such listing and up to the listing date of the Company to not be lower than the new issue price, and the exercise price of any such

Options shall be subject to adjustment to comply with this requirement), or to impose any requirement of approval by the Company's stockholders and, for so long as the Company remains a subsidiary of Yue Yuen, approval by the shareholders of Yue Yuen except as necessary.

- 16.3. The interests of any Eligible Person under the Plan and/or any Option granted hereunder are not subject to the claims of creditors and may not, in any way, be transferred, assigned, alienated or encumbered except to the extent provided in an Agreement.
- 16.4. The Plan shall be governed, construed and administered in accordance with the laws of the State of Delaware, without giving effect to the conflict of law principles.
- 16.5. The Committee may require each person acquiring Shares pursuant to Options granted hereunder to represent to and agree with the Company in writing that such person is acquiring the Shares without a view to distribution thereof. The certificates for such Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer. All certificates for Shares issued pursuant to the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission and any other applicable regulatory body (including any stock exchange upon which the Common Stock is then listed or interdealer quotation system upon which the Common Stock is then quoted), and under any applicable federal or state securities laws. The Committee may place a legend or legends on any such certificates to make appropriate reference to such restrictions.
- 16.6. The Company shall not be required to issue any certificate or certificates for Shares with respect to Options granted under the Plan, or record any person as a holder of record of such Shares, without obtaining, to the complete satisfaction of the Committee, the approval of all regulatory bodies the Committee deems necessary, and without complying to the Board's or Committee's complete satisfaction, with all rules and regulations under federal, state or local law the Committee deems applicable.
- 16.7. No fractional Shares shall be issued or delivered pursuant to the Plan or any Option. The Committee shall determine whether cash, other Options, or other property shall be issued or paid in lieu of any fractional Shares or whether any fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.