

PCCW LIMITED

SHARE OPTION SCHEME

Adopted pursuant to a resolution passed by the Shareholders of the Company
at the Annual General Meeting held on 30 May 2024

PCCW LIMITED

RULES OF THE SHARE OPTION SCHEME

1. DEFINITIONS AND INTERPRETATION

(A) In this Scheme, except where the context otherwise requires, the following expressions have the respective meanings set out opposite them:-

“Adoption Date”	30 May 2024, the date on which this Scheme was adopted by ordinary resolution by the Shareholders of the Company in general meeting;
“Articles”	the articles of association of the Company;
“associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Auditor”	the Company’s auditor for the time being;
“Board”	the board of Directors (as constituted from time to time);
“business day”	has the meaning ascribed to it in the Listing Rules;
“close associate(s)”	has the meaning ascribed to it in the Listing Rules;
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
“Company”	PCCW Limited, a company incorporated in Hong Kong with limited liability and having its Shares listed on the main board of the Stock Exchange (stock code: 0008) and traded in the form of American Depositary Receipts on the OTC Markets Group Inc. in the United States of America (ticker: PCCWY);
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“core connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Date of Grant”	in respect of an Option and an Eligible Participant, the date on which that Option is granted to that Eligible Participant, which date shall conclusively be determined as the date of the letter of offer in respect thereof referred to in sub-paragraph 5(B);
“Director(s)”	director(s) of the Company;
“Eligible Participants”	(i) Employee Participants and (ii) Service Providers;

“Employee Participants”	directors and employees of any Group member (including persons who are granted Options under this Scheme as an inducement to enter into employment or service contracts with a Group member);
“Exercise Price”	in respect of an Option, the price per Share at which a Grantee may subscribe for Shares on the exercise of that Option, calculated in accordance with paragraph 6;
“Expiry Date”	in respect of an Option, the date of expiry of that Option as specified in the offer letter in respect thereof, which date shall not be later than the day last preceding the tenth anniversary of the Date of Grant in respect of such Option;
“Grantee”	any Eligible Participant who is granted (and does not reject) an Option in accordance with the terms of this Scheme or (where the context so permits) a person or persons who, in accordance with the applicable laws of succession is or are entitled to exercise the Option granted to such Grantee (to the extent not already exercised) in consequence of the death of such Grantee;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“inside information”	has the meaning ascribed to it in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Option”	an option to subscribe for Shares granted pursuant to this Scheme;
“Option Period”	in respect of an Option, the period commencing on the Vesting Date and expiring on the close of business on the Expiry Date as specified in the offer letter in respect thereof, which date shall not be later than the day last preceding the tenth (10th) anniversary of the Date of Grant;
“Remuneration Committee”	the remuneration committee of the Board;

“Scheme”	this share option scheme, in its present form or as amended from time to time in accordance with the provisions hereof;
“Scheme Limit”	has the meaning given to it in sub-paragraph 9(A);
“Service Provider Sublimit”	has the meaning given to it in sub-paragraph 9(B);
“Service Providers”	persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group or which will contribute significantly to the growth of the Group’s financial or business performance, including independent contractors, consultants, agents, advisers and suppliers engaged to provide services in relation to research and development, marketing, innovation upgrading, strategic/commercial planning on corporate image, investor relations and core administrative functions, <i>excluding</i> placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and professional services providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity;
“Shareholder(s)”	holders(s) of Shares, from time to time;
“Share(s)”	share(s) in the capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it in the Listing Rules;
“Takeovers Code”	the Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time;
“Vesting Date”	has the meaning ascribed to it in sub-paragraph 5(C)(v);
“Vesting Period”	the period between the Date of Grant and the Vesting Date (both dates inclusive); and
“%”	per cent.

(B) In this Scheme, save where the context otherwise requires:-

- (i) the headings are inserted for convenience only and shall not limit, vary, extend or otherwise affect the construction of any provision of this Scheme;
- (ii) references to 'paragraphs' and 'sub-paragraphs' are references to paragraphs and sub-paragraphs of this Scheme;
- (iii) references to any statute, statutory provision, rule or regulation (including, for the avoidance of doubt, the Listing Rules) or code (including the Takeovers Code) shall be construed as references to such statute, statutory provision, rule or regulation or code as respectively amended, consolidated, re-enacted or otherwise in force from time to time;
- (iv) expressions in the singular shall include the plural and vice versa;
- (v) expressions in any gender or the third person shall include other genders and the third person; and
- (vi) references to persons shall include bodies corporate, corporations, partnerships, sole proprietorships, organisations, associations, enterprises, branches and entities of any other kind whether or not having separate legal identity.

2. APPROVALS

- (A) This Scheme shall take effect subject to and conditional upon (i) the passing of the ordinary resolution by the Shareholders to approve and adopt this Scheme; and (ii) the Listing Committee (as defined in the Listing Rules) granting approval of the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of Options.
- (B) If the above condition (ii) is not satisfied on or before the date falling three (3) months after the Adoption Date (or such later date as the Board may decide), this Scheme shall forthwith determine, and any Option granted or agreed to be granted pursuant to this Scheme and any offer of such grant shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of this Scheme or any such Option.

3. CONTROL OF THIS SCHEME

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 (save as otherwise provided herein) shall be final and binding on all parties.

4. PURPOSE AND DURATION OF THIS SCHEME

- (A) The purpose of this Scheme is to provide Eligible Participants with the opportunity to acquire proprietary interests in the Company and to encourage Eligible Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.
- (B) Subject to paragraph 13, this Scheme shall be valid and effective for the period of ten (10) years commencing on the Adoption Date. On and after the tenth (10th) anniversary of the Adoption Date, no further Options shall be granted but in all other respects the provisions of this Scheme shall remain in full force and effect. Options which are granted during the life of this Scheme shall continue to be exercisable in accordance with their terms of issue.

5. OPTIONS

- (A) The Board shall, in accordance with the provisions of this Scheme, be entitled, at any time following the Adoption Date and before the tenth (10th) anniversary of the Adoption Date, to offer to grant an Option to any Eligible Participant whom the Board may, in its absolute discretion, select and subject to such conditions as the Board may think fit. In selecting an Eligible Participant, the Board may take into consideration matters including:
 - (i) the present contribution and expected contribution of the Eligible Participant to the Group's profits;
 - (ii) the Group's general financial condition;
 - (iii) the Group's overall business objectives and future development plan; and
 - (iv) the Eligible Participant's individual performance, time commitment to the Group, job responsibilities and function, and existing remuneration package.

In assessing the eligibility of a Service Provider, the Board may take into consideration additional criteria including:

- (i) the expertise, qualifications and industry experience of the Service Provider;
- (ii) the length of relationship between the Service Provider and the Group; and
- (iii) the track record of the Service Provider in delivering quality services.

- (B) Notwithstanding sub-paragraph (A) above, the total number of Shares issued and to be issued upon exercise of Options and/or vesting of awards involving new Shares granted and to be granted (whether under this Scheme or another share scheme of the Company) to any single Eligible Participant, whether or not already a Grantee, in any twelve (12)-month period shall be subject to a limit that it shall not exceed 1% of the Shares in issue at the relevant time (the “**Individual Limit**”). Any grant or further grant of Options to an Eligible Participant (whether or not already a Grantee) which would result in the Shares issued and that may be issued upon exercise of all Options and/or vesting of all awards involving new Shares granted and to be granted (whether under this Scheme or another share scheme of the Company) to such Eligible Participant (excluding those Shares issued or issuable in respect of options and/or awards lapsed in accordance with the terms of the corresponding scheme) in the twelve (12)-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to the prior approval of Shareholders, on which approval the Eligible Participant, his or her close associates (or associates, if the Eligible Participant is a connected person) shall abstain from voting. The Company shall send a circular to the Shareholders containing all the terms required under the Listing Rules. The number and terms of Options proposed to be granted to such Eligible Participant shall be fixed before Shareholders’ approval is sought.
- (C) If in accordance with sub-paragraphs (A) and (B) the Board determines to grant an Option to an Eligible Participant, the Board shall forward to such Eligible Participant a letter of offer in such form as the Board may from time to time determine stating, amongst other things:-
- (i) the Eligible Participant’s name (and, as applicable, staff number);
 - (ii) the Date of Grant (being the date of the letter of offer);
 - (iii) the number of Shares in respect of which the Option is granted;
 - (iv) the Exercise Price and the manner of payment of the Exercise Price for the Shares on, and in consequence of, the exercise of the Option;
 - (v) the vesting schedule in accordance with which the Option shall vest (for this purpose, the date or each such date on which the Option (or part thereof) is to vest is referred to as a “**Vesting Date**”), provided that the Vesting Period in respect of an Option must be at least twelve (12) months;
 - (vi) the Expiry Date;
 - (vii) the method of exercise of the Option which shall, unless the Board otherwise determines, be as set out in paragraph 7; and
 - (viii) any other terms and conditions relating to the Option (including, but not limited to, any minimum performance target(s) that must be reached before the Option can be exercised in whole or in part and any terms as to early termination of an Option) which are not inconsistent with this Scheme.

- (D) An Option shall be deemed to have been granted and accepted by the Grantee and to have taken effect upon the Date of Grant unless the Grantee rejects the grant in writing within fourteen (14) days after the Date of Grant. Any Option so rejected shall be deemed null and void and never to have been granted. No consideration is payable by the Grantee on acceptance of an Option.
- (E) The Options will not be listed or dealt in on the Stock Exchange.
- (F) An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt so to do (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to this Scheme may be registered), unless a waiver has been granted by the Stock Exchange. Any breach of the foregoing shall entitle the Company to cancel any outstanding Options or part thereof granted to such Grantee (including, but not limited to, the Option in question).
- (G) Any Options granted but not exercised may be cancelled if the Grantee thereof so agrees and (if the Board so resolves) new Options may be granted to that Grantee provided that such new Options are granted within the limits prescribed by paragraph 9 and are otherwise granted in accordance with the terms of this Scheme. Any cancelled Option will be regarded as utilised for the purpose of calculating the Scheme Limit and if the Grantee is a Service Provider, the Service Provider Sublimit.
- (H) Each grant of Options to any director, chief executive or substantial shareholder of the Company, or any of his or her associates shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director in the circumstances where he or she or any of his or her associates is the proposed Grantee). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or to any of his or her respective associates, would result in the Shares issued and to be issued in respect of all Options and awards granted (whether under this Scheme or another share scheme of the Company) to such person (excluding any options and/or awards lapsed in accordance with the terms of the corresponding scheme) in the twelve (12)-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll) on which the Grantee, his or her associates and all core connected persons of the Company shall abstain from voting in favour; save that (for the avoidance of doubt), any such person may, without affecting the validity of the relevant resolution, vote against the relevant resolution at the general meeting provided that his/her/its intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.
- (I) There is no clawback mechanism to recover or withhold Options that have been granted to Eligible Participants.
- (J) No Options may be granted under this Scheme after inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information. In particular, no Options may be granted:

- (i) during the period commencing one (1) month immediately before the earlier of (a) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules) and (b) the deadline for the Company to publish its annual, interim or quarterly results announcement for any such period, and ending on the date of such announcement; or
 - (ii) (in relation to a prospective grantee who is a Director) during (a) the period of sixty (60) days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results, and (b) the period of thirty (30) days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.
- (K) Unless otherwise imposed by the Directors and stated in the relevant offer letter, there is no performance targets required to be achieved by any Option holder before an Option is capable of being exercised by the Option holder. If the Board were to apply performance target(s) to a grant of options, it may make reference to factors such as (i) results and performance of the Group, (ii) for an Employee Participant, the key performance indicators (such as business unit revenue and EBITDA targets, productivity gain targets, target improvements in net promoter scores) of the individual or the department and/or business unit to which he belongs and for Service Providers, their contribution to the financial and operating results of the Group, and (iii) individual position or annual appraisal results of and other factors relevant to the Eligible Participant. For the avoidance of doubt, performance targets will not apply to Option(s) which may be made to independent non-executive directors of PCCW.

6. EXERCISE PRICE

The Exercise Price in relation to each Option shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of (i) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the Date of Grant; and (ii) the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the Date of Grant.

7. EXERCISE OF OPTIONS

(A) An Option may, subject to the terms and conditions upon which such Option is granted, be exercised in whole or in part in the manner set out in this paragraph 7. An Option may be exercised during the Option Period only by the Grantee (or his or her legal personal representative(s)) giving notice in writing to the Company (in such form and in such manner and procedure as the Company may require, either generally or on a case by case basis; such form, manner and procedure may be changed by the Company from time to time) stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Where the Option is exercised in part, it must be exercised for such number of Shares as represent the board lot for dealings in Shares traded on the Stock Exchange, or an integral multiple thereof, save that any last exercise of an Option over the residual balance of Shares the subject of such Option may be exercised in full irrespective of whether or not such Shares represent a board lot or an integral multiple thereof. Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within twenty-eight (28) days after receipt of the notice and the remittance and, where appropriate, receipt of the Auditor's or independent financial adviser's written confirmation pursuant to paragraph 10, the Company shall allot and issue the relevant Shares to the Grantee (or his or her nominee or legal personal representative(s)) credited as fully paid and issue to the Grantee (or his or her nominee or legal personal representative(s)) certificates in respect of the Shares so allotted.

(B) Subject to the terms and conditions upon which such Option is granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:-

(i) in the event of:-

(a) the Grantee ceasing to be an Eligible Participant for any reason other than his or her death or any of the circumstances set out in sub-paragraph 8(A)(iv); or

(b) the Grantee (being an Employee Participant) ceasing to be an employee of any member of the Group, notwithstanding that he or she might otherwise constitute an Eligible Participant in some other capacity,

the Option shall lapse three (3) months after the date of such cessation and shall not be exercisable thereafter, unless the Board determines otherwise (and whether such determination is made before or after the date of such cessation), in which event the Option shall be exercisable to the extent and within such period as the Board may determine;

(ii) if the Grantee dies before exercising the Option in full and, in the case of an employee of any member of the Group at the date of death, none of the events for termination of employment under sub-paragraph 8(A)(iv) exists with respect to such Grantee (and subject always to the provisions of sub-paragraph 8(B)), the personal representative(s) of the Grantee shall be entitled, within a period of twelve (12) months from the date of death, to exercise the Option up to the entitlement of such Grantee as at the date of death;

- (iii) if a general offer (other than one by way of scheme of arrangement) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the Expiry Date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent specified by the Company pursuant to sub-paragraph (C)(ii) at any time within such period as shall be specified by the Company;
 - (iv) if a general offer by way of scheme of arrangement is made to all the holders of Shares and has been approved at the requisite meetings in the manner prescribed by the Companies Ordinance and the Takeovers Code, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be specified by the Company) exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent specified by the Company pursuant to sub-paragraph (C)(ii);
 - (v) in the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be specified by the Company) exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent specified by the Company pursuant to sub-paragraph (C)(ii), and the Company shall as soon as possible, and in any event no later than three (3) days prior to the date for which the Shareholders' meeting is convened, allot, issue and register in the name of the Grantee such number of fully paid Shares as fall to be issued on exercise of such Option; and
 - (vi) in the event of any scheme of arrangement between the Company and its members and/or creditors (other than a scheme of arrangement contemplated in sub-paragraph (B)(iv) above), the Company shall, having given notice of the meeting to its members and/or creditors to consider such scheme, forthwith give notice of the same to the Grantee, and the Grantee may at any time thereafter (but before such time as shall be specified by the Company) exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent specified by the Company pursuant to sub-paragraph (C)(ii).
- (C) For the purpose of this paragraph 7:-
- (i) any references to exercising an Option shall refer to exercising that Option up to the extent not already exercised;

- (ii) pursuant to sub-paragraphs (B)(iii), (iv), (v) and (vi), the Company may, in its discretion, notwithstanding the terms of the relevant Option, at the same time as giving the notice provided for under each of those sub-paragraphs, also give notification to a Grantee that his or her Option may be exercised at any time within such period as shall be specified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) specified by the Company; and
 - (iii) if the Company gives the notification under sub-paragraph (C)(ii) that an Option can be exercised in part only, the balance of the Option shall, on the giving of such notification, lapse.
- (D) The Shares to be allotted and issued upon the exercise of an Option shall be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date the name of the Grantee (or his or her nominee or legal personal representative(s)) is registered on the register of members of the Company. Prior to the Grantee (or his or her nominee or legal personal representative(s)) being so registered, the Grantee (or his or her nominee or legal personal representative(s)) shall not have any voting, dividend, transfer and other rights (including those arising on a liquidation of the Company) in respect of the Shares to be allotted and issued upon the exercise of the Option.
- (E) The Board shall have discretion as to the interpretation and application of this Scheme (including but not limited to discretion to grant waivers or extensions of any period specified in this Scheme or any letter of offer) to the extent such interpretation or application is not contrary to the explicit provisions hereof or of Chapter 17 of the Listing Rules.

8. EXPIRY OF OPTION

- (A) An Option shall lapse automatically (to the extent not already exercised) on the earliest of:-
- (i) the close of business on the Expiry Date;
 - (ii) the expiry of any of the periods referred to in sub-paragraph 7(B);
 - (iii) subject to sub-paragraph 7(B)(v), the date of commencement of the winding-up of the Company;
 - (iv) in the case of a Grantee who is an Employee Participant, the date on which:-
 - (a) he or she ceases to be an employee, following his or her resignation from the employment of any member of the Group (unless the Board determines otherwise (and whether such determination is made before or after the date of such cessation), in which event the Option shall lapse after such period, not being more than one (1) month after the date of cessation, as the Board may determine); or

- (b) his or her employment with any member of the Group is terminated on the grounds that he or she is summarily dismissed, is guilty of serious misconduct, is declared bankrupt or makes an arrangement or composition with his or her creditors generally, or is convicted of any criminal offence involving his or her integrity or honesty;
- (v) in the case of a Grantee which is not an individual, the date on which it appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or becomes insolvent or makes any arrangement or composition with its creditors generally; or
- (vi) the date on which the Board exercises the Company's right to cancel the Option at any time after the Grantee commits a breach of sub-paragraph 5(F).

A resolution of the Board to the effect that the employment of a Grantee has been terminated, on one or more of the grounds specified in sub-paragraph 8(A)(iv)(b) above shall be conclusive evidence thereof.

- (B) If the Grantee is an employee of any member of the Group then, notwithstanding any other term of this Scheme or of the grant of the relevant Option (but subject always to any waiver or extension granted by the Board), such Option shall lapse automatically (to the extent not already exercised) should he or she cease to be so employed for any reason whatsoever (including his or her death) during the twelve (12)-month period following the Date of Grant.

9. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (A) The total number of new Shares which may be issued pursuant to the exercise of Options granted under this Scheme must not exceed 10% of the total number of Shares in issue as at the Adoption Date (being 773,963,824 Shares, subject to sub-paragraph (C) ("**Scheme Limit**").
- (B) Within the Scheme Limit, the total number of new Shares which may be issued pursuant to the exercise of Options granted to Eligible Participants who are Service Providers shall be no more than 0.5% of the total number of Shares in issue as at the Adoption Date (being 38,698,191 Shares, "**Service Provider Sublimit**").
- (C) The total number of new Shares which may be issued in respect of all options and awards granted and to be granted under this Scheme and all other share schemes of the Company (each a "**Share Scheme**") which are funded by the issue of new Shares, must not exceed 10% of the total issued Shares as at the date of approval by Shareholders of the Share Scheme or a refreshment of the scheme mandate under the Share Scheme, whichever is later.
- (D) The Scheme Limit (and the Service Provider Sublimit) may be "refreshed" by Shareholders in general meeting after three years from the date of Shareholders' approval for the last refreshment of the Scheme Limit or the Adoption Date, whichever is later, but in any event shall not exceed 10% of the number of Shares in issue as at the date of approval of the refreshment of the Scheme Limit. Any refreshment within any three-year period must be further approved by Shareholders in accordance with the Listing Rules.

- (E) The Company may also, having obtained separate Shareholders' approval, grant Options beyond the Scheme Limit to Eligible Participants specifically identified by the Company before the Shareholders' meeting at which the aforesaid approval is sought.

10. CAPITAL RESTRUCTURING

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, conversion of Shares into a larger or smaller number of Shares in accordance with Section 170 of the Companies Ordinance or reduction of share capital of the Company in accordance with Division 3 of Part 5 of the Companies Ordinance (except on an issue of securities by the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) such corresponding alterations (if any) shall be made in:-

- (i) the number of Shares subject to any Option so far as such Option remains unexercised; and/or
- (ii) the Exercise Price,

or any combination thereof, in accordance with the Listing Rules. Any such alterations must give an Eligible Participant the same proportion of the equity capital, rounded to the nearest whole Share, as that to which that person was previously entitled but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). In respect of any such adjustments, other than any made on a capitalisation issue, the Auditor or an independent financial adviser engaged by the Company for this purpose must confirm to the Directors in writing that the adjustments satisfy the requirements set out in the Listing Rules.

11. DISPUTES

Any dispute arising under or in connection with this Scheme (whether as to the number of Shares the subject of an Option, the amount of the Exercise Price or otherwise) shall be referred to the decision of the Auditor or an independent financial adviser who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final and conclusive and binding on all persons who may be affected thereby.

12. ALTERATION OF THIS SCHEME

(A) Subject to sub-paragraph (B), the Board may amend any of the provisions of this Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of this Scheme, which are not required by the Listing Rules) at any time, but not so as to affect adversely any rights which have accrued to any Grantee at that date except with:

- (i) the consent in writing of all such Grantees; or

- (ii) (in the case of a proposed amendment affecting all Grantees) the sanction of a special resolution passed at a duly convened and held meeting of those Grantees holding Options unexercised at the time at which the resolution is carried by a majority consisting of not less than three fourths of the votes cast on a poll,

in either case, supported by consideration (if any), as may be necessary to give legal effect to the amendment.

- (B) (i) Any provisions of this Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Grantees or prospective Grantees, and (ii) no changes to the authority of the Directors or scheme administrators in relation to any alteration of the terms of this Scheme, or to the terms and conditions of this Scheme which are of a material nature shall be made, without the prior approval of Shareholders in general meeting. Any change to the terms of an Option granted shall not be effective unless approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders in general meeting (as the case may be) if the initial grant of the Option was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or the Shareholders in general meeting (as the case may be), except where the alterations take effect automatically under the existing terms of this Scheme. This Scheme or any Option so altered must comply with the Listing Rules.
- (C) As regards any meeting of Grantees as referred to in sub-paragraph (A), all the provisions of the Articles for the time being of the Company as to general meetings of the Company shall apply *mutatis mutandis* as though the Options were a class of shares forming part of the share capital of the Company except that:-
 - (i) not less than five (5) days' notice of such meeting shall be given;
 - (ii) a quorum at any such meeting shall be two (2) Grantees present in person or by proxy and holding options entitling them to the issue of one-twentieth in number of all Shares which would fall to be issued upon the exercise of all Options then outstanding;
 - (iii) every Grantee present in person or by proxy at any of such meeting shall be entitled on a show of hands to one vote, and on a poll, to one vote for each Share to which he or she would be entitled upon exercise in full of his or her Options then outstanding;
 - (iv) any Grantee present in person or by proxy may demand a poll; and
 - (v) if any such meeting is adjourned for want of a quorum, such adjournment shall be to such date and time, not being less than seven (7) or more than fourteen (14) days thereafter, and to such place as may be appointed by the chairman of the meeting. At any adjourned meeting those Grantees who are then present in person or by proxy shall form a quorum and at least seven (7) days' notice of any adjourned meeting shall be given in the same manner as for an original meeting and such notice shall state that those Grantees who are then present in person or by proxy shall form a quorum.

13. TERMINATION

The Company by resolution in general meeting or the Board may at any time terminate the operation of this Scheme and in such event no further Options shall be granted hereunder but in all other respects the provisions of this Scheme shall in all other respects remain in force and Options granted prior to such termination shall continue to be valid and exercisable in accordance with this Scheme.

14. COMPANY'S CASH ELECTION

- (A) Notwithstanding any other provision of this Scheme, the Board shall be entitled at its discretion at any time and from time to time to cancel any Option, either in whole or in part, after notice of exercise thereof has been given by the Grantee, but before the Company has issued and allotted any Shares pursuant to the exercise of that Option, by giving notice in writing to the Grantee stating that such Option is thereby cancelled.
- (B) If any Option shall be cancelled pursuant to sub-paragraph (A) above, the Grantee shall, subject as hereinafter provided, be entitled to receive from the Company a refund of the aggregate Exercise Price paid on exercise of such Option together with an additional payment in cash to compensate him or her for such cancellation calculated in accordance with the formula below. Such refund and payment shall be made within fourteen (14) business days of the Company giving notice of such cancellation and once made the Grantee shall have no other claim against the Company in connection with any Option so cancelled. The amount of any additional payment shall be calculated by reference to the following formula:

$$(A \times B) - C$$

where

- A is the number of Shares that would have been issued on exercise of the Option had it not been cancelled (the “**Applicable Shares**”);
- B is the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five (5) days last preceding the date on which the Company receives notice of exercise of the Option on which days it has been possible to trade Shares on the Stock Exchange; and
- C is the aggregate Exercise Price for the Applicable Shares,

provided that if the calculation shall result in a negative figure it shall be deemed to be zero.

Any payment made by the Company in accordance with this sub-paragraph (B) will be dealt with in accordance with the applicable laws and generally accepted accounting principles in force at the time of such payment.

15. GENERAL

- (A) The Company shall bear the costs of establishing and administering this Scheme.
- (B) Any notices, documents or other communication between the Company and a Grantee shall be in writing and may be given by prepaid post or by personal delivery to, in the case of the Company, its registered office in Hong Kong and, in the case of the Grantee, his or her address in Hong Kong as notified to the Company from time to time.
- (C) Any notice or other communication served:-
 - (i) by the Company shall be deemed to have been served twenty-four (24) hours after the same was put in the post or if delivered by hand, when delivered; and
 - (ii) by the Grantee shall not be deemed to have been received until the same shall have been received by the Company.
- (D) All allotments and issues of Shares pursuant to this Scheme shall be subject to any necessary consents under the relevant laws, enactments or regulations in Hong Kong. A Grantee shall be responsible for obtaining any governmental or other consent that may be required by that Grantee for or in connection with the grant or exercise of an Option. The Company shall not 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 participation in this Scheme.
- (E) This Scheme is discrete from and shall not form part of any contract of employment or other contract between any member of the Group and any Eligible Participant or Grantee, and the rights and obligations of any such person or Grantee under the terms of his or her office or employment or other contract shall not be affected by his or her participation in this Scheme or any right which he may have to participate in it and this Scheme shall afford such Eligible Participant or Grantee no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason. This Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

16. GOVERNING LAW

This Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong.