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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Techtronic Industries Company Limited (the “Company”), you should at once hand this circular with the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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## Techtronic Industries Company Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 669)**

**PROPOSALS INVOLVING  
RE-ELECTION OF DIRECTORS,  
GRANT OF GENERAL MANDATES  
TO ISSUE SHARES AND TO BUY BACK SHARES,  
AMENDMENTS TO SHARE AWARD SCHEME AND SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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The notice convening the annual general meeting of the Company (the “Annual General Meeting”) to be held at HKUST Business School Central, 1501-02, Hong Kong Club Building, 3A Chater Road, Central, Hong Kong on May 12, 2023 at 10:00 a.m. at which, among other things, the above proposals will be considered is set out on pages 57 to 63 of this circular.

Whether or not you propose to attend the Annual General Meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 29th Floor, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting or any adjourned meeting if you so wish.

**PRECAUTIONARY MEASURES FOR THE ANNUAL GENERAL MEETING**

To safeguard the health and safety of Shareholders, the following precautionary measures will be implemented at the Annual General Meeting:

- recommend wearing of surgical face masks
- no distribution of corporate gifts and no distribution of refreshments

April 13, 2023

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## DEFINITIONS

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

“1% Share Award Individual Limit”	as defined in Appendix III to this circular
“1% Share Option Individual Limit”	as defined in Appendix IV to this circular
“Annual General Meeting”	the annual general meeting of the Company to be held at HKUST Business School Central, 1501-02, Hong Kong Club Building, 3A Chater Road, Central, Hong Kong on May 12, 2023 at 10:00 a.m.
“Articles of Association”	the articles of association of the Company
“Awarded Shares”	in respect of a Selected Share Award Grantee, such number of Shares determined by the Board and subscribed for or purchased by the Trustee out of cash arranged to be paid by the Company out of the Group’s funds to the Trustee or such number of Returned Shares awarded by the Trustee
“Benefits”	as defined in Appendix III to this circular
“Board”	the board of Directors
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Buy-back Resolution”	the proposed ordinary resolution as referred to in resolution no. 6 as set out in the Notice
“chief executive”	shall have the meaning as defined in the Listing Rules
“close associates”	shall have the meaning as defined in the Listing Rules
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Techtronic Industries Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange

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## DEFINITIONS

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“controlling shareholder”	shall have the meaning as defined in the Listing Rules
“core connected person(s)”	shall have the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Eligible Participant”	any eligible person selected by the Board for participation of the Share Option Scheme, being:  (a) an Employee Participant;  (b) a non-executive director and any independent non-executive director or officer of any member of the Group;  (c) a Related Entity Participant; and  (d) a Service Provider
“Eligible Person”	any Employee, officer or director (including, without limitation, any executive, non-executive or independent non-executive directors) of any member of the Group
“Employee”	any employee (whether full time or part time) of the Company or any Subsidiary (including persons who are granted Awards under the Share Award Scheme or any other Share Scheme(s) as an inducement to enter into employment contracts with the Company or any Subsidiary)
“Employee Participant”	any executive director or employee of or any person who has accepted an employment offer (whether full time or part time) by any member of the Group (including persons who are granted Options under the Share Option Scheme or any other Share Scheme(s) as an inducement to enter into employment contracts with such member of the Group)

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## DEFINITIONS

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“Excluded Share Award Grantee”	any Share Award Grantee who is resident in a place where the settlement of the Reference Amount and the award of Awarded Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such Share Award Grantee
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“INEDs”	the independent non-executive director(s) of the Company from time to time
“Inside Information”	shall have the meaning as defined in the Securities and Futures Ordinance (Cap. 571) as amended from time to time
“Latest Practicable Date”	April 4, 2023 being the latest practicable date prior to the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Notice”	the notice of Annual General Meeting set out on pages 57 to 63 of this circular
“Offer”	the offer of the grant of an Option made in accordance with the rules of the Share Option Scheme
“Option Agreement”	the offer and acceptance letter between the Company and the Share Option Grantee evidencing the terms and conditions of a Share Option
“Option Period”	the period during which a Share Option is expressed to be exercisable
“Partial Lapse of Awards”	as defined in Appendix III to this circular

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## DEFINITIONS

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“Proposed Amendments”	the respective amendments to the rules of Share Option Scheme and to the rules of the Share Award Scheme to be proposed at the Annual General Meeting for seeking approval from the Shareholders, details of which are included in this circular
“Reference Amount”	as defined in Appendix III to this circular
“Related Entity Participant”	any director or employee of the holding companies, fellow subsidiaries or associated companies of the Company
“Related Income”	all income derived from a Share held upon the Trust in the form of Shares (including but not limited to, any bonus Shares, scrip Shares received in respect of the Share) and Dividend, but excluding any nil paid right, bonus warrant or Residual Cash
“Remuneration Committee”	the remuneration committee established by the board of Directors from time to time
“Residual Cash”	being cash remaining in the trust fund in respect of an Awarded Share (including interest income derived from deposits maintained with licensed banks in Hong Kong which have not been applied in the acquisition of Shares)
“Returned Shares”	such Awarded Shares and Related Income which are not vested and/or forfeited in accordance with the terms of the Scheme (whether as a result of a Total Lapse or a Partial Lapse or otherwise), or was forfeited in accordance with the terms of the Scheme, or such Shares being deemed to be Returned Shares
“Scheme Mandate Limit”	the maximum number of Shares which may be issued in respect of all options and awards to be granted under the Share Award Scheme, the Share Option Scheme and any other share schemes of the Company
“Selected Share Award Grantee(s)”	Share Award Grantee(s) selected by the Board and the Trustee (as the case may be) pursuant to the Share Award Scheme for participation in the Scheme

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## DEFINITIONS

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“Senior Manager”	a senior manager disclosed in the Company’s annual report as required under paragraph 12 of Appendix 16 to the Listing Rules (as amended from time to time)
“Service Provider(s)”	persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are material to the long term development and growth of the Group, including, without limitation: <ul style="list-style-type: none"><li>(i) business partners within the industry of the manufacturing and trading of electrical and electronic products;</li><li>(ii) suppliers of goods and services; and</li><li>(iii) person or entity that provides research, development or other technological support</li></ul>
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of the Company
“Share Awards”	the awards of Shares granted under the relevant share award schemes adopted by the Company
“Share Award Grantee”	any Eligible Person who accepts the grant of Share Awards in accordance with the terms of the Share Award Scheme
“Share Award Scheme”	the share award scheme adopted by the Board on January 17, 2018, which will expire on January 16, 2028
“Share Award Scheme Adoption Date”	January 17, 2018, being the date on which the Share Award Scheme was adopted by the Board
“Share Award Vesting”	the vesting of the Awarded Shares and the Related Income
“Share Award Vesting Date”	as defined in Appendix III to this circular
“Share Award Vesting Period”	as defined in Appendix III to this circular

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## DEFINITIONS

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“Share Options”	the share options granted under the relevant share option schemes adopted by the Company, entitling holders thereof to subscribe for new Shares
“Share Option Grantee”	any Eligible Participant who accepts an offer in accordance with the terms of the Share Option Scheme, or the personal representatives of such Participant upon transmission of the Share Option upon the death of such Participant as permitted by the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Shareholders on May 19, 2017, which will expire on May 18, 2027
“Share Option Scheme Adoption Date”	May 19, 2017, being the date on which the Share Option Scheme was conditionally approved by the Shareholder
“Share Option Vesting”	an Option becoming exercisable
“Share Scheme(s)”	share option schemes and/or share award schemes involving Shares adopted and to be adopted by the Company from time to time (including the Share Award Scheme and the Share Option Scheme)
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option
“substantial shareholder”	shall have the meaning as defined in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission
“Total Lapse of Awards”	as defined in Appendix III to this circular
“Trust”	the trust constituted by the Trust Deed
“Trust Deed”	the trust deed entered into on January 17, 2018 between the Company as settlor and the Trustee as trustee in respect of the appointment of the Trustee for the administration of the Share Award Scheme



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## DEFINITIONS

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“Trustee”	Law Debenture Trust (Asia) Limited, or other person(s) as the Company may from time to time appoint as the trustee of the trust established for the purpose of the Share Award Scheme
“Vesting Period”	as defined in Appendix IV to this circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

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LETTER FROM THE BOARD

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Techtronic Industries Company Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 669)

*Group Executive Directors:*

Mr. Horst Julius Pudwill (*Chairman*)  
Mr. Stephan Horst Pudwill (*Vice Chairman*)  
Mr. Joseph Galli Jr. (*Chief Executive Officer*)  
Mr. Patrick Kin Wah Chan  
Mr. Frank Chi Chung Chan

*Registered Office:*

29th Floor, Tower 2  
Kowloon Commerce Centre  
51 Kwai Cheong Road  
Kwai Chung  
New Territories  
Hong Kong

*Non-executive Directors:*

Prof. Roy Chi Ping Chung GBS BBS JP  
Mr. Camille Jojo

*Independent Non-executive Directors:*

Mr. Peter David Sullivan  
Mr. Johannes-Gerhard Hesse  
Mr. Robert Hinman Getz  
Ms. Virginia Davis Wilmerding  
Ms. Caroline Christina Kracht

April 13, 2023

*To the Shareholders and  
for information only to the holders of the  
Share Options*

Dear Sir or Madam,

**PROPOSALS INVOLVING  
RE-ELECTION OF DIRECTORS,  
GRANT OF GENERAL MANDATES  
TO ISSUE SHARES AND TO BUY BACK SHARES,  
AMENDMENTS TO SHARE AWARD SCHEME AND SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with information regarding the proposals involving the re-election of Directors, the grant of general mandates to issue Shares and to buy back Shares, and the amendments to share award scheme and share option scheme.

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## LETTER FROM THE BOARD

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### **FINAL DIVIDEND AND BOOK CLOSURES (RESOLUTION NO. 2 OF THE NOTICE)**

To ascertain Shareholders' eligibility to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from May 10, 2023 to May 12, 2023 (both days inclusive), during which no transfer of Shares will be effected. In order to qualify to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 9, 2023.

The Board has recommended a final dividend for the year ended December 31, 2022 of HK90.00 cents per Share and if such dividend is approved by the Shareholders at the Annual General Meeting, it is expected to be paid on or around July 7, 2023 to those Shareholders whose names appear on the register of Shareholders on May 19, 2023.

To ascertain Shareholders' entitlement to the final dividend, the Register of Members of the Company will be closed on May 19, 2023 when no transfer of Shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 18, 2023.

### **RE-ELECTION OF DIRECTORS (RESOLUTION NO. 3 OF THE NOTICE)**

As at the Latest Practicable Date, the Board comprises five Group Executive Directors, namely, Mr. Horst Julius Pudwill (Chairman), Mr. Stephan Horst Pudwill (Vice Chairman), Mr. Joseph Galli Jr. (Chief Executive Officer), Mr. Patrick Kin Wah Chan and Mr. Frank Chi Chung Chan, two Non-executive Directors, namely, Prof. Roy Chi Ping Chung GBS BBS JP and Mr. Camille Jojo, and five Independent Non-executive Directors, namely, Mr. Peter David Sullivan, Mr. Johannes-Gerhard Hesse, Mr. Robert Hinman Getz, Ms. Virginia Davis Wilmerding and Ms. Caroline Christina Kracht.

Pursuant to article 107(A) of the Articles of Association, Mr. Horst Julius Pudwill, Mr. Joseph Galli Jr., Mr. Frank Chi Chung Chan and Mr. Robert Hinman Getz shall retire from office at the Annual General Meeting, and they being eligible, will offer themselves for re-election at the Annual General Meeting. Details of the Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

The Nomination Committee of the Board reviews the overall contribution to the Company of the retiring Directors, the diversity aspects (including, but not limited to, age, gender, cultural and educational background, ethnicity, skills, professional experience, knowledge and length of service), as well as selection criteria set out in the nomination policy and board diversity policy of the Company in considering their re-appointment. Pursuant to code provision B.2.3 of the Corporate Governance Code set out in Appendix 14 of the Listing Rules, any further appointment of an Independent Non-executive Director who has served more than nine years should be subject to a separate resolution to be approved by shareholders.

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## LETTER FROM THE BOARD

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Mr. Robert Hinman Getz was appointed as an Independent Non-executive Director on January 1, 2020. As far as the Board is aware, Mr. Getz has no familial or contractual relationships with any other directors, senior management or substantial or controlling shareholders of the Company. In addition, Mr. Getz has provided an annual confirmation of independence to the Company, in which he confirmed that he has fully complied with each of the factors for assessing independence set out in Rule 3.13 of the Listing Rules. Thus, the Board still considers Mr. Getz to be suitably independent. The Board believes that his valuable knowledge and experience will continue to contribute to the Board and recommends Mr. Getz to be re-elected.

### **GENERAL MANDATE TO ISSUE SHARES (RESOLUTION NO. 5 OF THE NOTICE)**

At the annual general meeting of the Company held on May 13, 2022, a general mandate was given by the Company to the Directors to exercise the powers of issue Shares. Such mandate will lapse at the conclusion of the Annual General Meeting. The Directors, therefore, propose to seek your approval of an ordinary resolution granting the Directors a general mandate to allot, issue and deal with Shares not exceeding 5% of the number of issued shares of the Company at the date of passing the resolution (i.e. maximum of 91,739,897 Shares on the assumption that no additional Shares will be issued and/or bought back between the Latest Practicable Date and the Annual General Meeting).

The full text of the ordinary resolution to be proposed at the Annual General Meeting in relation to the proposed grant of the general mandate to the Directors to issue Shares are set out in resolution no. 5 in the Notice set out on pages 57 to 59 of this circular.

### **GENERAL MANDATE TO BUY BACK SHARES (RESOLUTION NO. 6 OF THE NOTICE)**

At the annual general meeting of the Company held on May 13, 2022, a general mandate was given by the Company to the Directors to exercise the powers of the Company to buy back Shares. Such mandate will lapse at the conclusion of the Annual General Meeting. The Directors, therefore, propose to seek your approval of the Buy-back Resolution to be proposed at the Annual General Meeting. An explanatory statement as required under the Listing Rules to provide the requisite information of the Buy-back Resolution is set out in Appendix I to this circular.

The full text of the Buy-back Resolution is set out in resolution no. 6 in the Notice set out on pages 59 to 60 of this circular.

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## LETTER FROM THE BOARD

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### PROPOSED AMENDMENTS TO THE SHARE AWARD SCHEME (RESOLUTION NO. 7 OF THE NOTICE)

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the Board proposed to amend the Share Award Scheme to ensure full compliance with the latest regulatory requirements, subject to (i) the Shareholders passing an ordinary resolution to approve such amendments to the Share Award Scheme at the Annual General Meeting; and (ii) the Stock Exchange granting approval for such amendments to the Share Award Scheme and the subsequent granting of Share Awards thereunder, the listing of and permission to deal in the Shares in the Company to be issued and allotted pursuant to the issue of new Shares for satisfying Share Awards in accordance with the terms and conditions of the Share Award Scheme.

As at the Latest Practicable Date, there were 4,667,500 Shares comprised in the Share Awards granted but not yet vested under the Share Award Scheme, of which a total of 4,267,500 Shares were granted to the Directors while the remaining 400,000 Shares were granted to the Other Eligible Person, representing (i) approximately 0.25% of the Company's issued share capital as at the Share Award Scheme Adoption Date; and (ii) approximately 0.25% of the Company's issued share capital as at the Latest Practicable Date. The Board confirms that it has no intention to grant any Share Award prior to the Annual General Meeting.

#### **Eligible Person**

As a guiding principle, in determining the basis of eligibility of each Eligible Person, the Board would take into account of the following factors:

- (i) the relevant experience of the Eligible Person on the Group's businesses;
- (ii) the length of service of the Eligible Person with the Group; and
- (iii) the actual or potential amount of support, assistance, guidance, advice, efforts and contributions the Eligible Person given or made or likely to give or make towards the success of the Group.

#### **Vesting Period**

The Board and the Remuneration Committee are of the view that the 12-month vesting period requirement under the Listing Rules should be allowed to be relaxed in certain limited circumstances because of the following reasons:

- (i) there are certain instances where a mandatory 12-month vesting period would lead to an inequitable treatment of the Eligible Person, such as those set out in paragraph (D) of Appendix III to this circular; and

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## LETTER FROM THE BOARD

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- (ii) it is justifiable and in line with the purpose of the Share Award Scheme and market practice to allow the Board to exercise discretions in a highly-regulated manner to formulate its own talent recruitment and retention strategies in response to the changing market conditions and industry competition, and thus should be provided with flexibility to impose vesting conditions other than strict time-based criteria depending on individual circumstances.

### **Performance targets and clawback mechanism**

Notwithstanding that the amended Share Award Scheme (if approved) does not stipulate that any Share Award offered must be subject to any performance target or clawback mechanism, the Directors or the Remuneration Committee (as the case may be) have the authority to establish performance target and/or clawback mechanism in relation to the granting of Share Awards in accordance with the precise criteria as set out in the amended Share Award Scheme (if approved). The Board is of the view that the flexibility granted to the Directors to specify appropriate conditions, restrictions and/or limitations on a case-by-case basis in their absolute discretion when offering and/or vesting Share Awards to Selected Grantees could provide a more meaningful and functional means to achieve the purpose of the Share Award Scheme (whether as recognition of past contribution or as incentive to motivate, retain or attract suitable talents) in light of the particular circumstances of each offer of Share Awards. General factors that the Board may take into account for imposing performance targets and clawback mechanism include, but not limited to:

- (i) at the Group's level, against the backdrop of the period-to-period macroeconomic condition and the overall market, industry and competition condition, the period-to-period business and financial performance of the Group assessed by a range of key performance indicators, such as cash flow, earnings, earnings per share, revenue, profits, return on assets, return on equity, return on investment, Share price, Shareholders' return and customer satisfaction metrics; and
- (ii) at the individual's level, his/her contribution to the Group in terms of revenue contribution and business operation and development, his/her work performance based on year-end/periodic appraisal result and customer feedbacks, the feasibility and complexity of implementation from a nationwide legal, regulatory or tax perspective applicable to individual Grantee, as well as other specific personal factors that the Board may consider relevant.

The Board or the Remuneration Committee (as the case may be) will carefully assess whether performance targets, if any, are satisfied before vesting of Share Awards.

A summary of the principal terms of the amended Share Award Scheme, if approved, is set out in Appendix III to this circular.

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## LETTER FROM THE BOARD

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### **PROPOSED AMENDMENTS TO THE SHARE OPTION SCHEME (RESOLUTION NO. 8 OF THE NOTICE)**

In view of the amendments to Chapter 17 of the Listing Rules relating to share schemes of listed issuers effective from January 1, 2023, the Board proposed to amend the Share Option Scheme to ensure full compliance with the latest regulatory requirements, subject to (i) the Shareholders passing an ordinary resolution to approve such amendments to the Share Option Scheme at the Annual General Meeting; and (ii) the Stock Exchange granting approval for such amendments to the Share Option Scheme and the subsequent granting of Share Options thereunder, the listing of and permission to deal in the Shares in the Company to be issued and allotted pursuant to the exercise of the Share Options in accordance with the terms and conditions of the Share Option Scheme.

As at the Latest Practicable Date, there were 14,419,000 underlying Shares comprised in the Share Options granted but not yet exercised under the Share Option Scheme, of which a total of 13,981,000 underlying Shares were granted to the Directors while the remaining 438,000 underlying Shares were granted to the Employee Participants, representing (i) approximately 0.79% of the Company's issued share capital as at the Share Option Scheme Adoption Date; and (ii) approximately 0.79% of the Company's issued share capital as at the Latest Practicable Date. The Board confirms that it has no intention to grant any Share Option prior to the Annual General Meeting.

#### **Service Provider Sublimit**

Assuming that there is no change in the number of the issued Shares between the period from the Latest Practicable Date and the date of approval of the Proposed Amendments, the Service Provider Sublimit will be 18,347,979 Shares, representing 1.0% of the Company's issued share capital as at the date of approval of the Proposed Amendments. The Board is of the view that threshold of the Service Provider Sublimit is appropriate and reasonable based on the following considerations:

- (i) the potential dilution effect arising from grant of Share Options to Service Providers would not be excessive given the Shareholders' interest could be adequately safeguarded by the relatively low threshold of 1.0%;
- (ii) the nature and spirit of the Service Provider Sublimit is highly analogous to the 1% Share Option Individual Limit, which is an acceptable level of individual limit under the Listing Rules for recognizing contributions by eligible participants towards the continual business operation and development of the Group; and
- (iii) despite the fact that all outstanding Share Options as at the Latest Practicable Date were only granted to Directors and Eligible Employees, it is still necessary to reserve a small portion of the Scheme Mandate Limit so as to provide flexibility for the Board to, as and when appropriate, reward the actual or expected increase in the Group's revenue or profits which is attributable to the Service Providers.

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## LETTER FROM THE BOARD

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### Eligible Participants

As a guiding principle, in determining the basis of eligibility of each Eligible Participants (which include the Employee Participants, the Service Providers and the Related Entity Participants), the Board would take into account of the following factors:

- (i) for Employee Participants, his/her relevant experience of the operation, administration, expansion and development on the Group's businesses on a continuing basis with reference to his/her specific expertise and background and the prevailing market standard and industry practice, his/her length of service with the Group and his/her responsibilities and general working performance (if he/she is an employee or director of any member of the Group);
- (ii) for non-executive directors and independent non-executive directors, the actual or potential amount of support, assistance, guidance, advice, efforts and contributions he/she given or made or likely to give or make towards the operation, development and success of the Group and its businesses;
- (iii) for Service Providers of any member of the Group which are business partners within the industry of the manufacturing and trading of electrical and electronic products, the actual or potential degree and scope of cooperation with the Group which is or likely to be beneficial to the operation of the Group's ordinary and usual course of business, its exposure to business opportunities and its long term development on a continuing and/or recurring basis for a period of not less than three years, as well as the operational and/or financial importance of the cooperative relationship they have established or expected to be established with the Group, including the revenue, profits or shareholders' returns which is or likely to be attributable to or arising from such cooperative relationship;
- (iv) for Service Providers which are suppliers of goods and services to any member of the Group, the actual or potential nature, frequency, quantity, quality, value and reliability of the goods or raw materials supplied or to be supplied and the services provided or to be provided to the Group for its ordinary and usual course of business for a period of not less than three years, as well as the importance of such relationship they have established or expected to be established with the Group assessed on the basis that for each year such Service Provider must or will account for at least 5% of the Group's total purchases (excluding purchases of items which are of a capital nature);
- (v) for Service Providers which are person or entity that provides research, development or other technological support to any member of the Group, their industry-specific knowledge, understanding, expertise, experience and insight which is or likely to be beneficial to the Group's business and technology research, enhancement or development for its operating business segments (i.e. Power Equipment and Floorcare and Cleaning) on a continuing and/or recurring basis for a period of not less than three years; and



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## LETTER FROM THE BOARD

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- (vi) for Related Entity Participants, the extent of the actual, possible or potential benefits and/or synergies brought to or likely be brought to the Group as a result of or arising from the closeness, relevance and significance of the corporate and collaborative relationship with the projects, transactions and/or other business engagements relating to or having connections with the businesses of the members of the Group on a continuing and/or recurring basis.

In addition, the Board (including the INEDs) is of the view that despite the fact that they are not directly appointed or employed by the Group, the inclusion of the Service Providers and the Related Entity Participants aligns with the objectives of the Share Option Scheme as well as the long-term business interest of the Group as the Board is allowed to recognize and reward the joint involvement in projects and other business engagements relating to or having connections with the Group's ordinary and usual course of business by the Service Providers and/or the Related Entity Participants. Allowing the Board to have the flexibility to invite them to participate in the Share Option Scheme could provide attractive incentives at a relatively lower cost to facilitate a higher degree of collaboration and closer business relationships and ties between them and the Group and to strengthen their loyalty to the Group for enhancing the Group's sustainable and stable business operation and development.

In particular, for those Service Providers and Related Entity Participants in which the Group has a significant business and/or financial interests, such inclusion would enable the Group to share and benefit from the growth and development of these external parties simultaneously and bring contributions to the financial performance of the Group.

The Board confirms that no Options has been granted to any Service Provider since the adoption of the Share Option Scheme.

### **Vesting Period**

The Board and the Remuneration Committee are of the view that the 12-month vesting period requirement under the Listing Rules should be allowed to be relaxed in certain limited circumstances because of the following reasons:

- (i) there are certain instances where a mandatory 12-month vesting period would lead to an inequitable treatment of the Eligible Participants, such as those set out in paragraph (E) of Appendix IV to this circular; and
- (ii) it is justifiable and in line with the purpose of the Share Option Scheme and market practice to allow the Board to exercise discretions in a highly-regulated manner to formulate its own talent recruitment and retention strategies in response to the changing market conditions and industry competition, and thus should be provided with flexibility to impose vesting conditions other than strict time-based criteria depending on individual circumstances.

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## LETTER FROM THE BOARD

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### **Performance targets and clawback mechanism**

Notwithstanding that the amended Share Option Scheme (if approved) does not stipulate that any Share Option offered must be subject to any performance target or clawback mechanism, the Directors or the Remuneration Committee (as the case may be) have the authority to establish performance target and/or clawback mechanism in relation to the granting of Share Options in accordance with the precise criteria as set out in the amended Share Option Scheme (if approved). The Board is of the view that the flexibility granted to the Directors to specify appropriate conditions, restrictions and/or limitations on a case-by-case basis in their absolute discretion when offering and/or vesting Share Options to Eligible Participants could provide a more meaningful and functional means to achieve the purpose of the Share Option Scheme (whether as recognition of past contribution or as incentive to motivate, retain or attract suitable talents) in light of the particular circumstances of each offer of Share Options. General factors that the Board may take into account for imposing performance targets and clawback mechanism include, but not limited to:

- (i) at the Group's level, against the backdrop of the period-to-period macroeconomic condition and the overall market, industry and competition condition, the period-to-period business and financial performance of the Group assessed by a range of key performance indicators, such as cash flow, earnings, earnings per share, revenue, profits, return on assets, return on equity, return on investment, Share price, Shareholders' return and customer satisfaction metrics; and
- (ii) at the individual's level, his/her contribution to the Group in terms of revenue contribution and business operation and development, his/her work performance based on year-end/periodic appraisal result and customer feedbacks, the feasibility and complexity of implementation from a nationwide legal, regulatory or tax perspective applicable to individual Grantee, as well as other specific personal factors that the Board may consider relevant.

The Board or the Remuneration Committee (as the case may be) will carefully assess whether performance targets, if any, are satisfied upon receipt of any notice of exercise of Share Options from a Grantee.

### **Subscription Price**

The specific basis for determining the Subscription Price as set out in paragraph (J) of Appendix IV to this circular fully complies with Rule 17.03E of the Listing Rules, which, in the view of the Board, will serve to preserve the value of the Company and encourage the Grantees to acquire proprietary interests in the Company.

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## LETTER FROM THE BOARD

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### **Value of Share Options**

The Directors consider that it is not appropriate to state the value of all Share Options that can be granted under the Share Option Scheme, as if they had been granted on the Latest Practicable Date, as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the subscription price, option period, lock-up period (if any), performance targets set (if any) and other relevant variables. The Directors believe that any calculation of the value of the Share Options as at the Latest Practicable Date would be based on a great number of speculative assumptions and would therefore not be meaningful and could be misleading to the Shareholders.

A summary of the principal terms of the amended Share Option Scheme, if approved, is set out in Appendix IV to this circular.

### **SCHEME LIMITS**

As at the Latest Practicable Date, the Company's issued share capital comprised 1,834,797,941 Shares. Assuming that there is no change in the number of the issued Shares between the period from the Latest Practicable Date and the date of approval of the Proposed Amendments, the maximum number of Shares which may be issued under all Share Schemes (including the amended Share Option Scheme and the amended Share Award Scheme) in aggregate will be 183,479,794 Shares, representing 10.0% of the Company's issued share capital as at the date of approval of the Proposed Amendments.

Application will be made to the Stock Exchange for the approval of the listing of and permission to deal in the Shares in the Company to be issued and allotted upon vesting of any Share Awards in accordance with the terms and conditions of the Share Award Scheme and pursuant to the exercise of any Share Options in accordance with the terms and conditions of the Share Option Scheme.

### **RESPONSIBILITY STATEMENT**

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 that to the best of their 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 herein or this circular misleading.

### **DOCUMENT ON DISPLAY**

A draft of the rules of the proposed amended and restated Share Option Scheme and the proposed amended and restated Share Award Scheme will be displayed on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.ttigroup.com](http://www.ttigroup.com) for a period of not less than 14 days before the date of the Annual General Meeting and will also be available for inspection at the Annual General Meeting.

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## LETTER FROM THE BOARD

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The Board has sought advice from its Hong Kong legal advisers that the proposed amended and restated Share Award Scheme and the proposed amended and restated Share Option Scheme do not constitute an offer of shares or debentures under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) and hence the prospectus requirements thereunder are not applicable. The Company will continue to observe such requirements and ensure any grant of Awards or Options do not constitute an offer of shares or debentures thereunder or will qualify under the exemptions thereof.

### ANNUAL GENERAL MEETING

Notice has been set out on pages 57 to 63 of this circular.

There is enclosed a form of proxy for use at the Annual General Meeting. A member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and vote instead of him. Whether or not you intend to attend the meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 29th Floor, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Annual General Meeting if you so wish.

### VOTING BY POLL

Pursuant to Rule 13.39 of the Listing Rules, any votes of shareholders at a general meeting must be taken by poll, except where the chairman may, in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted by a show of hands. Therefore, the chairman of the Annual General Meeting will demand a poll for each and every resolution put forward at the Annual General Meeting pursuant to article 75 of the Articles of Association. The Company will appoint scrutineers to handle vote-taking procedures at the Annual General Meeting. The results of the poll will be published on the HKExnews website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.ttigroup.com](http://www.ttigroup.com) no later than the business day following the Annual General Meeting.

The Trustee shall abstain from voting all unvested Shares held by it under the Share Award Scheme as at the Latest Practicable Date on any matter that require Shareholders' approval under the Listing Rules (including, without limitation, the Proposed Amendments) unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given and therefore the Trustee will abstain from voting on all resolutions to be proposed at the AGM.

None of the Directors is a trustee of the Share Award Scheme or has any direct or indirect interest in the Trustee.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board considers that the proposals mentioned above, including the proposals for the re-election of Directors and the grant of general mandates to issue Shares and to buy back Shares, and the amendments to the Share Option Scheme and the Share Award Scheme are in the interest of the Company and the Shareholders as a whole. Accordingly, the Board recommends that the Shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting.

Yours faithfully,  
For and on behalf of  
**Techtronic Industries Company Limited**  
**Veronica Ka Po Ng**  
*Company Secretary*

This appendix serves as an explanatory statement, as required under Rule 10.06(1)(b) of the Listing Rules, to provide requisite information to you for your consideration of the proposal to permit the buy-back of Shares up to a maximum of 10% of the number of issued shares of the Company as at the date of passing the Buy-back Resolution. This appendix also constitutes the memorandum required under Section 239 of the Companies Ordinance.

### **(1) BUY-BACK PROPOSAL**

Resolution No. 6 to be proposed at the Annual General Meeting relates to the granting of a general mandate to the Directors to buy back Shares representing up to a maximum of 10% of the number of issued shares of the Company as at the date of passing the Buy-back Resolution at any time until the earlier of (a) the conclusion of the next annual general meeting of the Company; or (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the Shareholders in a general meeting.

The Shares to be bought back by the Company are fully paid up. As at the Latest Practicable Date, the number of Shares in issue was 1,834,797,941. Subject to the passing of the Buy-back Resolution and on the assumption that no additional Shares will be issued and/or bought back between the Latest Practicable Date and the Annual General Meeting, the Company would be allowed under the mandate to buy back a maximum of 183,479,794 Shares, representing approximately 10% of the number of issued shares of the Company.

The Directors believe that the Buy-back Resolution is in the interest of the Company and its Shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and there have been occasions when Shares were trading at a substantial discount to their underlying net asset value. Buy-back of Shares may enhance the Company's net asset value per Share and earnings per Share. In these circumstances, the ability of the Company to buy back Shares can be beneficial to those Shareholders who retain their investment in the Company since their possible percentage interest in the assets of the Company would increase in proportion to the number of Shares bought back by the Company.

### **(2) FUNDING OF BUY-BACKS**

Buy-backs of Shares would be financed entirely from the Company's available cashflow or working capital facilities. Any buy-backs of Shares will be made out of funds of the Company legally available for such purpose in accordance with the Articles of Association and the laws of Hong Kong, including profits otherwise available for distribution. Under the Companies Ordinance, a company's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made.

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited accounts for the year ended December 31, 2022 in the event that the Buy-back Resolution was to be carried out in full at any time during the proposed buy-back period. However, the Directors do not propose to exercise the Buy-back Resolution to such an extent as would, in the circumstances, have a material adverse effect on the working capital position of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

### **(3) UNDERTAKING OF DIRECTORS**

The Directors have undertaken to the Stock Exchange to exercise the powers of the Company to make buy-backs pursuant to the Buy-back Resolution and in accordance with the Listing Rules and the applicable laws of Hong Kong.

### **(4) DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates presently intend to sell Shares to the Company under the Buy-back Resolution in the event that the Buy-back Resolution is approved by the Shareholders.

The Company has not been notified by any core connected persons of the Company that they have a present intention to sell any Shares, nor that they have undertaken not to sell any Shares held by them to the Company in the event that the Buy-back Resolution is approved by the Shareholders.

### **(5) EFFECT OF TAKEOVERS CODE**

If on the exercise of the power to buy back Shares pursuant to the Buy-back Resolution, a shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a shareholder or group of shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

As at the Latest Practicable Date, Mr. Horst Julius Pudwill, together with his spouse and his controlled corporations, were beneficially interested in 363,078,794 Shares (excluding Share Options and unvested Awarded Shares) representing approximately 19.79% of the number of issued shares of the Company, Prof. Roy Chi Ping Chung GBS BBS JP, together with his controlled corporations, were beneficially interested in 49,178,448 Shares (excluding Share Options and the 37,075,030 Shares held by Cordless Industries Company Limited, which is a company beneficially owned by Mr. Horst Julius Pudwill and Prof. Roy Chi Ping Chung GBS BBS JP and which Shares were included in the shareholdings of Mr. Horst Julius Pudwill controlled corporations as aforesaid) representing approximately 2.68% of the number of issued shares of the Company and Mr. Stephan Horst Pudwill (who is the son of Mr. Horst

Julius Pudwill), together with his trust interest, were beneficially interested in 39,142,000 Shares (excluding Share Options and unvested Awarded Shares) representing approximately 2.13% of the number of issued shares of the Company. In the event that the Directors exercise in full the power to buy back Shares under the Buy-back Resolution, the shareholdings of Mr. Horst Julius Pudwill, Prof. Roy Chi Ping Chung GBS BBS JP and Mr. Stephan Horst Pudwill, together with their respective spouse, trust interest and controlled corporations in the Company, would be increased to approximately 21.99%, 2.98% and 2.37% of the number of issued shares of the Company respectively, which would constitute an aggregate shareholding of 27.34% of the number of issued shares of the Company. In the opinion of the Directors, an increase in such an aggregate shareholding shall not give rise to an obligation on the part of all of Mr. Horst Julius Pudwill, Prof. Roy Chi Ping Chung GBS BBS JP and Mr. Stephan Horst Pudwill, whom shall be consider as parties acting in concert pursuant to the Takeovers Code, to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Furthermore, the Company may not buy back Shares which would result in the amount of Shares held by the public being reduced to less than 25%.

#### (6) MARKET PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous twelve months are as follows:

	Prices of Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2022</b>		
May	108.70	93.00
June	104.20	80.05
July	94.55	81.95
August	105.50	84.35
September	99.45	73.00
October	82.80	72.70
November	99.85	74.45
December	100.30	86.60
<b>2023</b>		
January	105.40	84.10
February	110.50	74.60
March	88.95	76.30
April (up to the Latest Practicable Date)	87.65	84.25

#### (7) BUY-BACKS OF SHARES MADE BY THE COMPANY

No buy-back of Shares has been made by the Company during the last six months preceding the Latest Practicable Date, whether on the Stock Exchange or otherwise.



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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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Details of Directors proposed to be re-elected at the Annual General Meeting are as follows:

### **Mr. Horst Julius Pudwill – Chairman, Group Executive Director**

Mr. Horst Julius Pudwill, aged 78, is Chairman of the Company, a position he has held since he jointly founded the Group in 1985. Until 2008, he also served as Chief Executive Officer. As Chairman, Mr. Pudwill focuses on the strategic planning and development of the Group and continues to have oversight of the operations, with the Chief Executive Officer reporting directly to him. Mr. Pudwill has extensive experience in international trade, business and commerce. Mr. Pudwill is also a director of Sunning Inc. which has an interest in the equity of the Company.

Mr. Pudwill holds a Master of Science Degree in Engineering and a General Commercial Degree. Save as disclosed herein, Mr. Pudwill had not held any directorship in the last three years preceding the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the Latest Practicable Date, Mr. Pudwill had personal interests of 146,159,000 Shares, family interests of 760,000 Shares, corporate interests of 216,159,794 Shares of which 179,084,764 Shares held by Sunning Inc. and 37,075,030 Shares held by Cordless Industries Company Limited (a company which Mr. Pudwill is a shareholder holding 70% of the issued share capital), and personal interests in Share Options to subscribe for 55,500 Shares and had personal interests in 150,000 Awarded Shares of which remained unvested. Such interests are required to be notified to the Stock Exchange pursuant to Part XV of the SFO. Other than these Shares, Share Options and Awarded Shares, Mr. Pudwill does not have any other interests (within the meaning of Part XV of the SFO) in the Shares. Mr. Pudwill is the father of Mr. Stephan Horst Pudwill, Vice Chairman and Group Executive Director of the Company. Save as disclosed herein, Mr. Pudwill does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract between Mr. Pudwill and the Company in respect of his capacity as an Executive Director of the Company, (i) Mr. Pudwill is not appointed for any specific term, but shall be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Articles of Association; and (ii) Mr. Pudwill receives no director's fee for being an Executive Director. The remuneration payable to Mr. Pudwill as Chairman will be fixed by the Board after recommendation by the Remuneration Committee of the Board with reference to his experience and the Company's performance. For the year ended December 31, 2022, Mr. Pudwill received emoluments as Chairman amounted to a total value of approximately US\$15,625,000. Save for the information disclosed above, the Board and Mr. Pudwill have indicated that there is no other information to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters that need to be brought to the attention to the Shareholders.

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## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

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### **Mr. Joseph Galli Jr. – Chief Executive Officer, Group Executive Director**

Mr. Joseph Galli Jr, aged 65, joined the Group in 2006 as the Chief Executive Officer of Techtronic Appliances and was appointed as Chief Executive Officer and Executive Director of the Company effective February 1, 2008. He is responsible for integrating acquisitions in North America and Europe, and enhancing the global sales potential of the Group's strong brand portfolio. He is also responsible for leading the management team in the Group's daily operation.

Mr. Galli joined Black & Decker in 1980 where he worked for over 19 years and held various high level management positions, rising to the position of President of Worldwide Power Tools and Accessories. During his tenure at Black & Decker, he was responsible for highly successful launch of the "DeWalt®" Brand heavy duty power tools in 1992. After leaving Black & Decker, Mr. Galli joined Amazon.com where he was Director, President and Chief Operating Officer from 1999 to 2000. From 2001 to 2005, he was a Director and Chief Executive Officer of Newell Rubbermaid Inc.

Mr. Galli graduated from the University of North Carolina in 1980 with a Bachelor of Science in Business Administration. In 1987, he obtained an MBA from Loyola College in Baltimore, Maryland. Save as disclosed herein, Mr. Galli had not held any directorship in the last three years preceding the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the Latest Practicable Date, Mr. Galli had personal interests of 7,806,000 Shares, and had personal interests in 4,000,000 Awarded Shares of which remained unvested. As to the agreement for the separate 5,000,000 Awarded Shares to be granted to Mr. Galli between 2020 and 2024 in five equal tranches provided the Company meets certain performance criteria each year. The first to fourth tranches of total 4,000,000 shares were awarded to Mr. Galli on January 3, 2020, March 4, 2021, December 31, 2021 and December 30, 2022 respectively. These shares are scheduled to vest to Mr. Galli on or about January 1, 2025 if he remains in his current role. As to the agreement for the 5,000,000 Awarded Shares might be granted subject to, inter alia, the achievement of performance criteria for the years between 2022 to 2026 respectively, the 1,000,000 shares for 2022 were awarded to Mr. Galli on March 3, 2022 and were vested on March 23, 2023 upon completion of certain performance criteria. Such interests are required to be notified to the Stock Exchange pursuant to Part XV of the SFO. Other than these Shares and Awarded Shares, Mr. Galli does not have any other interests (within the meaning of Part XV of the SFO) in the Shares. As far as the Board is aware, Mr. Galli does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Mr. Galli has entered into a service contract with the Company (the "Service Contract") in respect of his capacity as Chief Executive Officer of the Company which has an initial fixed term from February 1, 2008 up to January 31, 2011 or such longer period as the Company may at its sole discretion determine (upon the recommendation of the Chairman and Board approval) thereunder, and which may thereafter be terminated by either Mr. Galli or the

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**APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED**

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Company by giving six months' prior written notice. He currently receives a basic annual salary of US\$1,500,000 (equivalent to approximately HK\$11,655,000) under the Service Contract, subject to review by the Company from time to time, and shall be entitled to (i) performance-related annual bonus payments subject to review by the Chairman and Board approval and (ii) performance-related restricted share awards subject to review by the Chairman, Board approval and compliance with the rules of the share award schemes adopted by the Company on January 9, 2008 and January 17, 2018. Mr. Galli currently also receives other benefits-in-kind and allowances, including but not limited to participation in the Company's senior executive retirement plan upon its implementation and reimbursement of traveling and entertainment expenses. The emolument package of Mr. Galli as Chief Executive Officer of the Company has been reviewed and approved by the Remuneration Committee of the Company with reference to his qualifications, experience and responsibilities, the levels of emolument of other senior executives of the Company and prevailing market conditions. For the year ended December 31, 2022, Mr. Galli received emoluments as Chief Executive Officer amounted to a total value of approximately US\$32,742,000.

Pursuant to the service contract between Mr. Galli and the Company in respect of his capacity as an Executive Director of the Company, (i) Mr. Galli is not appointed for any specific term, but shall be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Articles of Association; and (ii) Mr. Galli receives no director's fee for being an Executive Director. The remuneration payable to Mr. Galli as Chief Executive Officer will be fixed by the Board after recommendation by the Remuneration Committee of the Board with reference to his experience and the Company's performance. Save for the information disclosed above, the Board and Mr. Galli have indicated that there is no other information to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters that need to be brought to the attention to the Shareholders.

**Mr. Frank Chi Chung Chan – Group Chief Financial Officer, Group Executive Director**

Mr. Frank Chi Chung Chan, aged 69, joined the Group in 1991 and was appointed as Executive Director of the Company in 1992. He is now responsible for corporate affairs and financial management of the Group.

Mr. Chan is a fellow member of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England & Wales and qualified to practise as a Certified Public Accountant in Hong Kong.

Mr. Chan is currently an Independent Non-executive Director of Gold Peak Industries (Holdings) Limited which is listed on the Stock Exchange. Save as disclosed herein, Mr. Chan had not held any directorship in the last three years preceding the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the Latest Practicable Date, Mr. Chan had personal interests of 1,025,000 Shares, had personal interests in Share Options to subscribe for 4,750,000 Shares and had personal interest in 25,000 Awarded Shares of which remained unvested. Such interests are required to be notified to the Stock Exchange pursuant to Part XV of the SFO. Other than these Shares, Share Options and Awarded Shares, Mr. Chan does not have any other interests (within the meaning of Part XV of the SFO) in the Shares. As far as the Board is aware, Mr. Chan does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

Pursuant to the service contract between Mr. Chan and the Company in respect of his capacity as an Executive Director of the Company, (i) Mr. Chan is not appointed for any specific term, but shall be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Articles of Association; and (ii) Mr. Chan receives no director's fee for being an Executive Director. The remuneration payable to Mr. Chan as Chief Financial Officer will be fixed by the Board after recommendation by the Remuneration Committee of the Board with reference to his experience and the Company's performance. For the year ended December 31, 2022, Mr. Chan received emoluments as Chief Financial Officer amounted to a total value of approximately US\$9,119,000. Save for the information disclosed above, the Board and Mr. Chan have indicated that there is no other information to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters that need to be brought to the attention to the Shareholders.

**Mr. Robert Hinman Getz – Independent Non-executive Director**

Mr. Robert Hinman Getz, aged 61, was appointed as an Independent Non-executive Director of the Company with effect from January 1, 2020. Mr. Getz has over 30 years of experience as a private equity investor and advisor. He has extensive experience in private and public equity and debt transactions and international mergers and acquisitions. Mr. Getz holds a Master of Business Administration Degree in Finance from New York University, and a Bachelor of Arts Degree in International Relations, cum laude, from Boston University.

Mr. Getz currently serves as the Founder and Managing Partner of Pecksland Capital, a private investment and advisory firm since 2016. Mr. Getz previously served as Co-Founder and Managing Director of Cornerstone Equity Investors, a New York based private equity concern, from 1996 to 2016. Before the formation of Cornerstone in 1996, Mr. Getz served as a Managing Director and Partner of Prudential Equity Investors and its predecessor firm Prudential Venture Capital.

Mr. Getz has served as a Director of numerous United States and international public and private companies in the technology, manufacturing, finance, and metals and mining sectors. Currently, Mr. Getz serves as the Non-executive Chairman of the Board of Directors of Haynes International, Inc. (HAYN:NSDQ), a public United States-based integrated developer and producer of specialty alloys primarily for use in the aerospace industry and industrial applications. He also serves as a Non-executive Director of Ero Copper Corp. (ERO:TSE), a public Brazilian copper mining and exploration company. Mr. Getz previously served until 2016 as a Non-Executive Director of Newmarket Gold Inc., a public Australian gold mining and exploration company prior to its acquisition by Kirkland Lake Gold in 2017. He also served until December 2019 as a Non-Executive Director of Jaguar Mining Inc., a public Brazilian gold mining company. Mr. Getz is a member of the National Association of Corporate Directors. Save as disclosed herein, Mr. Getz had not held any directorship in the last three years preceding the Latest Practicable Date in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the Latest Practicable Date, Mr. Getz had personal interests of 50,674 Shares, had personal interests in Share Options to subscribe for 154,000 Shares and had personal interests in 17,500 Awarded Shares of which remained unvested. Such interests are required to be notified to the Stock Exchange pursuant to Part XV of the SFO. Other than these Shares, Share Options and Awarded Shares, Mr. Getz does not have any other interests (within the meaning of Part XV of the SFO) in the Shares. As far as the Board is aware, Mr. Getz does not have any relationship with any other directors, senior management or substantial or controlling shareholders of the Company.

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**APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED**

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Pursuant to the service contract between Mr. Getz and the Company, Mr. Getz is not appointed for any specific term, but shall be subject to retirement by rotation and re-election at least once every three years at the annual general meeting of the Company in accordance with the Articles of Association. The director's remuneration payable to Mr. Getz as Independent Non-executive Director will be fixed by the Board after recommendation by the Remuneration Committee of the Board with reference to his experience and the prevailing market conditions in respect of directors' fee for independent non-executive directors. For the year ended December 31, 2022, Mr. Getz received director's emoluments as Independent Non-executive Director amounted to a total value of approximately US\$356,000. Save for the information disclosed above, the Board and Mr. Getz have indicated that there is no other information to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules, and there are no other matters that need to be brought to the attention to the Shareholders.

*This Appendix sets out further information of the amended Share Award Scheme (if approved) and also summarize the principle terms thereof but does not form part of nor is it intended to be, part of the amended Share Award Scheme (if approved) nor should it be taken as affecting the interpretation of the rules thereof. The Directors reserve the right at any time prior to the Annual General Meeting to make such alterations as they may consider necessary or appropriate provided that such alterations do not conflict in any material respect with the summary in this Appendix.*

**(A) PURPOSE**

The purposes of the scheme are (i) to recognize the contributions by certain Share Award Grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

**(B) WHO MAY JOIN AND BASIS OF ELIGIBILITY**

The Board (and/or the Trustee pursuant to its power under the scheme and the Trust Deed) may from time to time, at their absolute discretion select any Eligible Person (excluding any Excluded Share Award Grantee) for participation in the scheme.

Subject to the Scheme Mandate Limit and the 1% Share Award Individual Limit, the Board shall select Selected Share Award Grantee(s) and determine at their absolute discretion the granting of such number of Awarded Shares to such Selected Share Award Grantee(s) at nil consideration and on and subject to such terms and conditions as the Board may determine and impose and inform the Trustee and the Selected Share Award Grantee(s) accordingly.

**(C) DURATION AND ADMINISTRATION**

The Share Award Scheme will be valid and effective for a term of ten (10) years commencing on the Share Award Scheme Adoption Date, after which no further settlement of Reference Amount shall be made.

The Share Award Scheme shall be subject to the administration of the Board and the Trustee in accordance with the terms of the Share Award Scheme. The decision of the Board with respect to any matter arising under the Share Award Scheme (including the interpretation of any provision) shall be final, conclusive and binding. The Trustee will hold the Shares granted and the income derived therefrom in accordance with the terms of the Trust Deed.



The Board shall take into consideration of the following factors in determining the number of Awarded Shares to be granted to any Selected Share Award Grantee (excluding any Excluded Share Award Grantee):

- (i) the present contribution and expected contribution of the relevant Selected Grantee to the Group's business and financial performance (including, without limitation, his/her contribution to the generation of revenue and profits of the Group);
- (ii) the general financial condition of the Group;
- (iii) the Group's overall business objectives and future development plan; and
- (iv) any other quantitative and qualitative factors and matters which the Board considers relevant.

The Board shall pay or cause to be paid to the Trustee (or as it shall direct) (either by way of contribution or loan from the Group's funds subject to compliance with the Listing Rules, the Companies Ordinance and any other applicable laws and regulations) either before or after identification of the Selected Share Award Grantee(s), (a) the sum of (i) the closing price of the Shares as at the date of approval of the relevant Share Awards by the Board in a single occasion or the date of the relevant Award by the Trustee pursuant to the Trust Deed (as the case may be) and (ii) the related purchase expenses (including for the time being, the brokerage fee, stamp duty, SFC transaction levy, Stock Exchange trading fee and investor compensation levy and such other necessary expenses required for the completion of the purchase of all the Awarded Shares); or (b) the sum of (i) HK\$1.00 as the nominal amount required for the subscription of the Awarded Shares by the Trustee (or as it shall direct) and (ii) the related subscription expenses as soon as practicable (in each case the "Reference Amount").

The Board shall immediately inform the Trustee of (i) the name of the Selected Grantee(s) and whether they are connected persons, (ii) the number of Shares to be awarded or make reference to the nominal amount; (iii) the amount of funds (either by way of contribution or loan from the Group's funds subject to compliance with the Listing Rules, the Articles of Association, the Companies Ordinance and any other applicable laws and regulations) to be made available to subscribe for or purchase the specified number of Shares; (iv) whether the Shares should be acquired by subscription at the nominal amount or such other amount required therefor or purchase from the market; and (v) the date(s) of Share Award Vesting and the conditions therefor, once the grant of Awards to the Selected Share Award Grantees have been approved by the Board.

Within 20 Business Days on which the trading of the Shares has not been suspended (or such longer period as the Trustee and the Board may agree from time to time having regard to the circumstances of the subscription or the purchase concerned) after receiving the Reference Amount, the Trustee shall apply the same towards the subscription of the Awarded Shares at the nominal amount or such other amount required therefor or the purchase of the Awarded



Shares at the prevailing market price of the Shares at the date of purchase from the market. Any excess Reference Amount provided shall be returned by the Trustee to the Company or the Subsidiary which has provided the Reference Amount forthwith after completion of the subscription or the purchase (as the case may be). Where the Reference Amount paid or caused to be paid to the Trustee is not sufficient to subscribe for or to purchase (as the case may be) all the Awarded Shares, the Trustee shall acquire the maximum number of board lots of Shares and seek further funds from, subject to compliance with the Listing Rules, the Articles of Association (or if applicable, the constitutional documents of the Subsidiary making such advance), the Companies Ordinance and any other applicable laws and regulations, the Company or any of its Subsidiaries (as decided by the Board) until all the Awarded Shares are subscribed or purchased (as the case may be). The Trustee shall not distribute any Shares and monies as Awarded Shares and Related Income to any Selected Grantee pursuant to the Share Award Scheme until the Trust has the sufficient amount of Shares and money for the Trustee to do so. For the avoidance of doubt, the Shares so subscribed or purchased shall form part of the capital of the trust fund of the Trust. Where funding is to be provided to the Trustee, the Company will ensure that the Trustee receives cleared funds at least five Business Days before the day on which the Trustee needs to use that funding for the purposes of the Trust.

No Awards shall be granted and no payment shall be made to the Trustees and no instructions to acquire Shares shall be given to the Trustees under the Share Award Scheme where any Director is in possession of unpublished Inside Information in relation to the Company or its securities where dealings in any of the Company's securities by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time until such Inside Information has ceased to be unpublished Inside Information, whether as a result of being disseminated in accordance with the Listing Rules or otherwise, which includes, in particular, that no Awards shall be granted within the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's interim or annual results; and
- (ii) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules,

and ending on the date of the Company's results announcement (or such other period or periods that may be prescribed by the Listing Rules from time to time).

For the avoidance of doubt, no Award can be granted during any period of delay in publishing its interim or annual results announcement.

**(D) VESTING PERIOD**

Awarded Shares and Related Income held by the Trustee upon trust and which are referable to a Selected Share Award Grantee shall vest to that Selected Share Award Grantee in accordance with a vesting schedule determined at the discretion of the Board, provided that the Selected Share Award Grantee remains at all times after the Reference Date and on each relevant vesting date(s) a Share Award Grantee of the Company or a Subsidiary (for this purpose, the date or each such date on which the Awarded Shares and the Related Income are to vest being hereinafter referred to as a “Share Award Vesting Date”). The vesting period in respect of any Award to any Selected Share Award Grantee shall not be less than 12 months, provided that where the relevant Selected Share Award Grantee:

- (i) is a Director or a Senior Manager specifically identified by the Company, the Remuneration Committee shall, or
- (ii) is not a Director nor a Senior Manager specifically identified by the Company, the Directors shall

have the authority to determine a shorter vesting period, if the Remuneration Committee (or, as the case may be, the Directors) considers that a shorter vesting period is appropriate to align with the purpose of the Share Award Scheme, including only where:

- (a) grant of “make-whole” Awarded Shares to Selected Grantees who newly joined the Group to replace the share awards they forfeited when leaving the previous employers;
- (b) grants to a Selected Share Award Grantee whose employment is terminated due to death or disability or occurrence of any out of control event;
- (c) grants of Awarded Shares with performance-based vesting conditions provided in the Share Award Scheme, in lieu of time-based vesting criteria;
- (d) grants that are made in batches during a year for administrative or compliance reasons, which may include Awarded Shares that should have been granted earlier but had to wait for a subsequent batch, in such cases, the Vesting Date may be adjusted to take account of the time from which the Awarded Shares would have been granted if not for such administrative or compliance requirements;
- (e) grants of Awarded Shares with a mixed or accelerated vesting schedule such as the Awarded Shares may vest evenly over a period of 12 months; and
- (f) grants of Awarded Shares with a total vesting and holding period of more than 12 months.

**(E) PERFORMANCE TARGETS**

Subject to the terms and conditions of the Share Award Scheme, (i) in respect of any Selected Share Award Grantee who is a Director or a Senior Manager, the Remuneration Committee may; or (ii) in respect of any other Selected Share Award Grantee, the Directors may, establish performance targets against the attainment of which the Awards granted to the relevant Selected Grantee. The Directors shall have the authority, after the grant of any Award which is performance-linked, to make fair and reasonable adjustments to the prescribed performance targets during the period commencing on the date on which the Awarded Shares have been provisionally set aside pursuant to an Award to such Selected Share Award Grantee and ending on the Share Award Vesting Date (both days inclusive) (the “Share Award Vesting Period”) if there is a change in circumstances, provided that any such adjustments shall be less onerous than the prescribed performance targets and are considered fair and reasonable by the Directors.

Proposed performance targets may include business, financials, operations and creation of capital value for the Group’s business segments (including, without limitation, increase in revenue and net profit after tax) as well as that for the Eligible Person based on individual performance indicators relevant to their roles and responsibilities (such as revenue growth rate by existing/new markets or by existing/new products, number of new product development and production yield). The Directors (or, as the case may be, the Remuneration Committee) will conduct assessment at the end of the performance period by comparing the performance of the business segments and the individual performance of the Eligible Person with the pre-set targets to determine whether such targets and the extents to which have been met.

**(F) CLAWBACK MECHANISM**

Notwithstanding the terms and conditions of the Share Award Scheme, during the Share Award Vesting Period, the Directors have the authority to provide that any Award shall be subject to a clawback or a longer Share Award Vesting Period if any of the following events occurs:

- (i) there being a material misstatement in the audited financial statements of the Company that requires a restatement; or
- (ii) the Selected Share Award Grantee being guilty of fraud or dishonesty or persistent or serious misconduct, regardless of whether there is any accounting restatement or a material error in calculating or determining the performance metrics or other criteria; or
- (iii) if the Award is linked to any performance targets and the Directors are of the opinion that there occur any circumstances that show or lead to any of the prescribed performance targets having been assessed or calculated in a materially inaccurate manner.

Upon occurrence of any of the above events, the Directors may by notice in writing to the relevant Selected Share Award Grantee (a) claw back all or a specified part of the Award and/or the Awarded Shares as the Directors may consider appropriate; or (b) extend the Share Award Vesting Period (regardless of whether the initial Share Award Vesting Period has occurred) in relation to all or a specified part of the Award and/or the Awarded Shares (to the extent not already disposed of) to such longer period as the Directors may consider appropriate. The Awarded Share(s) that are clawed back shall be regarded as cancelled and the Awarded Share(s) so cancelled shall be regarded as utilized for the purpose of calculating the Scheme Mandate Limit.

**(G) OFFERS MADE TO DIRECTORS, CHIEF EXECUTIVE, SUBSTANTIAL SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES**

Where any grant of Awarded Shares is proposed to be made to any Selected Share Award Grantee who is a Director, chief executive or substantial shareholder of the Company, or any of their respective Associates, such grant must be approved by the INEDs (excluding any INED who or whose associate is the Selected Share Award Grantee of the proposed Awarded Shares), provided such requirements do not apply where the Selected Share Award Grantee is only a proposed Director or proposed chief executive of the Company.

**(H) TRANSFER**

Any Award made under the Share Award Scheme shall be personal to the Selected Share Award Grantee to whom it is made and shall not be assignable and no Selected Share Award Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to either the Reference Amount or the Awarded Shares referable to him pursuant to such Award or the Related Income or any of the Returned Shares under the Share Award Scheme.

**(I) VESTING PRIOR TO VESTING DATE**

In respect of a Selected Share Award Grantee who died at any time prior to a Share Award Vesting Date, all the Awarded Shares and the Related Income of a Selected Share Award Grantee shall be deemed to be vested on the day immediately prior to his death.

In the event of the death of a Selected Share Award Grantee, the Trustee shall hold the vested Awarded Shares and the Related Income (hereinafter referred to as “Benefits”) upon trust and to transfer the same to the legal personal representatives of the Selected Share Award Grantee (whose identity and contact details will be notified to the Trustee) and subject as aforesaid the Trustee shall hold the Benefits or so much thereof as shall not be transferred or applied under the foregoing powers within (i) two years of the death of the Selected Share Award Grantee (or such longer period as the Trustee and the Board shall agree from time to time) or (ii) the trust period (whichever is shorter) upon trust to transfer the same to the legal personal representatives of the Selected Share Award Grantee or, if the Benefits would

otherwise become bona vacantia, the Benefits shall be forfeited and cease to be transferable and such Benefits shall be held as Returned Shares for the purposes of the Scheme. Notwithstanding the foregoing, the Benefits held upon the trusts hereof shall until transfer is made in accordance herewith be retained and may be invested and otherwise dealt with by the Trustee in every way as if they had remained part of the trust fund of the Trust.

In respect of a Selected Share Award Grantee who retired at his normal retirement date or earlier by agreement with the Company or the Subsidiary (as the case may be) at any time prior to a Share Award Vesting Date, all the Awarded Shares and the Related Income of a Selected Share Award Grantee shall be deemed to be vested on the expiry of a period of 12 months commencing from the date of his retirement.

#### **(J) LAPSE OF AWARDS**

Except for the death of a Selected Share Award Grantee, in the event (i) a Selected Share Award Grantee who is an Employee ceases to be an Employee, or (ii) the Subsidiary by which a Selected Share Award Grantee is employed ceases to be a Subsidiary of the Company (or of a member of the Group), or (iii) a Selected Share Award Grantee who is a non-executive director of the Company or a Subsidiary ceases to be a non-executive director of the same; or (iv) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company, each of these, an event of “Total Lapse of Awards”), the Award shall, unless the Board otherwise agrees, lapse and all the Awarded Shares and Related Income of such Award shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Scheme.

In the event (i) a Selected Share Award Grantee is found to be an Excluded Share Award Grantee or (ii) a Selected Share Award Grantee fails to return duly executed transfer documents prescribed by the Trustee for the relevant Awarded Shares and the Related Income within the stipulated period (each of these, an event of “Partial Lapse of Awards”), the relevant part of an Award made to such Selected Share Award Grantee shall, unless the Board otherwise agrees, lapse and the relevant Awarded Shares and Related Income shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Share Award Scheme.

#### **(K) SCHEME LIMITS**

Without prejudice to the below paragraphs in this section, the Board shall not make any further award of Awarded Shares which will result in the number of Shares awarded by the Board under the Share Award Scheme and any other Share Scheme(s) would represent in excess of ten (10) per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments. No Awards may be granted under the Share Award Scheme or any other Share Scheme(s) if this will result in such limit being exceeded.

Subject to the above, and without prejudice to:

- (i) sub-paragraph (b), the Company may seek approval from the Shareholders in general meeting to refresh the Scheme Mandate Limit, provided that:
  - (a) the total number of Shares awarded by the Board under the Share Award Scheme and any other Share Scheme(s) must not exceed ten (10) per cent. of the total issued share capital of the Company as at the date of approval of the refreshed limit, and for the purpose of calculating the refreshed Scheme Mandate Limit, the Awards lapsed in accordance with the terms of the Share Award Scheme and awards lapsed in accordance with the terms of any other Share Scheme(s) will not be regarded as utilised;
  - (b) where refreshment of the Scheme Mandate Limit is sought;
    - A. within three years from the date of approval by the shareholders of the Company for the last refreshment (or, as the case may be, the Share Award Scheme Adoption Date):
      - (i) at the general meeting for considering and approving the proposed resolution of such refreshment, any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding INEDs) and the chief executive of the Company and their respective associates) shall abstain from voting in favour of the relevant resolution; and
      - (ii) the Company shall comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing),  
  
provided that the requirements hereunder do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules (or the successor provisions then prevailing) such that the unused part of the Scheme Mandate Limit (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit immediately before the issue of securities, rounded to the nearest whole share; and
    - B. after three years from the date of approval by the Shareholders for the last refreshment (or, as the case may be, the Share Award Scheme Adoption Date), the requirements under sub-paragraph (A) above shall not be applicable;

- (ii) sub-paragraph (a), the Company may seek separate Shareholders' approval in general meeting to grant Awards under the Share Award Scheme beyond the Scheme Mandate Limit or, if applicable, the refreshed limit referred to in sub-paragraph (a) above to the Selected Share Award Grantees specifically identified by the Company before such approval is sought. The number and terms of the Awards to be granted to such Selected Share Award Grantee must be fixed before seeking any approval from the Shareholders.

Where any grant of Awards to a Selected Share Award Grantee under the Share Award Scheme would result in Shares issued and to be issued in respect of all options or awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the Share Award Scheme or any other Share Scheme(s)) in the 12-month period up to and including the date of such grant representing in aggregate over one (1) per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments (the "1% Share Award Individual Limit"), such grant of Awards must be separately approved by the Shareholders in general meeting with such Selected Share Award Grantee and his close associates (or his associates if the Selected Share Award Grantee is a connected person of the Company) abstaining from voting. The number and terms of the Awards to be granted to such Selected Share Award Grantee must be fixed before seeking any approval from the Shareholders.

Without prejudice to the above, where any grant of Awards or Option to a Director (other than an INED) or chief executive of the Company, or any of their respective associates would result in the Shares issued and to be issued in respect of all awards and options granted (excluding any awards or options lapsed in accordance with the terms of the Share Award Scheme or any other Share Scheme(s)) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1 per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments, such grant of Awards must be approved by the Shareholders in general meeting (with such Selected Share Award Grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. In this connection, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing).



Furthermore, without prejudice to the above, where any grant of Awards under the Share Award Scheme and options and awards to be granted under any other Share Scheme(s) to an INED or a substantial shareholder of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the Share Award Scheme or any other Share Scheme(s)) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1 per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments, such grant of Awards must be approved by the Shareholders in general meeting (with such Selected Share Award Grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting). In this connection, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing).

Any change in the terms of the Awards granted to any Selected Share Award Grantee who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in general meeting in the manner as set out in this section if the initial grant of the Awards requires such approval (except where the changes take effect automatically under the existing terms of the Share Award Scheme).

The requirements for the grant of Awards to a Director or chief executive of the Company set out in this section do not apply where the Selected Grantee is only a proposed Director or a proposed chief executive of the Company.

#### **(L) RANKING OF SHARES**

Shares shall be allotted and issued upon the vesting of an Award subject to all the provisions of the Articles of Association in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the Reference Date or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members.

#### **(M) REORGANIZATION OF CAPITAL STRUCTURE**

If there occurs an event of change in control of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the Awarded Shares and the Related Income shall immediately vest on the expiry of a period of 12 months commencing on the date when such change of control event becomes or is declared unconditional and such date shall be deemed the Share Award Vesting Date. Subject to the receipt by the Trustee of duly executed prescribed transfer documents on or before such time as the Trustee may determine, the Trustee shall transfer the Awarded Shares and the Related Income to the Selected Share Award Grantees. For the purpose of this paragraph, “control” shall have the meaning as specified in the Codes on Takeovers and Mergers and Share Buy-backs published by the Securities and Futures Commission from time to time.



In the event the Company undertakes an open offer of new securities in respect of any Shares which are held by the Trustee under the Share Award Scheme, the Trustee shall not subscribe for any new Shares. In the event of a rights issue, the Trustee shall sell the nil-paid rights allotted to it and the net proceeds of sale of such rights shall be held as income of the Trust Fund and applied in accordance with the Share Award Scheme.

In the event the Company issues bonus warrants in respect of any Shares which are held by the Trustee, the Trustee shall not subscribe for any new Shares by exercising any of the subscription rights attached to the bonus warrants and shall sell the bonus warrants created and granted to it, the net proceeds of sale of such bonus warrants shall be held as income of the trust fund of the Trust and shall be applied in accordance with the Share Award Scheme.

In the event the Company undertakes a scrip dividend scheme, the Trustee shall elect to receive scrip Shares.

In the event that the Company undertakes a consolidation of the Shares, all fractional share arising out of such consolidation in respect of the Awarded Shares and the Related Income of a Selected Share Award Grantee shall be deemed as Returned Shares for the purposes of the Share Award Scheme and shall not be transferred to the relevant Selected Share Award Grantee on the relevant Share Award Vesting Date.

In the event of other non-cash and non-scrip distribution made by the Company in respect of Shares held upon the Trust, the Trustee shall dispose of such distribution and the net sale proceeds thereof shall be deemed as cash income of a Share held by the Trustee upon the Trust as Related Income of the relevant Selected Share Award Grantee.

#### **(N) ALTERATION OF THE SHARE AWARD SCHEME**

The Share Award Scheme may be altered in any respect by a resolution of the Board except that:

- (i) any alterations to the terms and conditions of this Scheme which are of a material nature, including the definition of “Eligible Person”, “Selected Grantee” and the date of termination of the Share Award Scheme; and
- (ii) the provisions of the Share Award Scheme to the extent relating to the matters governed by Rule 17.03 of the Listing Rules (or the successor provisions then prevailing) to the advantage of the Eligible Persons

shall not be altered except with the sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of any Award granted to be granted prior to such alteration except with the consent or sanction of such majority of the Selected Share Award Grantees as would be required of the holders of the Shares under the Articles of Association for the time being for a variation of the rights attached to the Shares.

Subject to the paragraph below, any change to the terms of any Award granted to a Selected Share Award Grantee must be approved by the Directors, the Remuneration Committee, the INEDs and/or the Shareholders in general meeting (as the case may be) if the initial grant of the Awards was approved by the Directors, the Remuneration Committee, the INEDs and/or the Shareholders in general meeting (as the case may be), in accordance with the terms of the Share Award Scheme and Chapter 17 of the Listing Rules, except where such alterations take effect automatically under the existing terms of the Share Award Scheme.

Any change to the authority of the Board or the administrators of the Share Award Scheme to alter the terms of the Share Award Scheme must be approved by the Shareholders in general meeting.

Any alteration to the terms of the Share Award Scheme and/or any Awards must comply with all applicable requirements governing the Share Award Scheme and any other Share Scheme(s) under the Listing Rules.

All details relating to changes in the terms of the Share Award Scheme during the life hereof will be immediately provided to the Share Award Grantees upon such changes taking effect.

#### **(O) TERMINATION**

The Share Award Scheme shall terminate on the earlier of (i) on the 10th anniversary date of the Share Award Scheme Adoption Date; and (ii) such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights of any Selected Share Award Grantee. All Share Awards granted prior to such termination and not vested at the date of termination shall remain valid and be vested in accordance with the terms thereof.

*This Appendix sets out further information of the amended Share Option Scheme (if approved) and also summarize the principle terms thereof but does not form part of nor is it intended to be, part of the amended Share Option Scheme (if approved) nor should it be taken as affecting the interpretation of the rules thereof. The Directors reserve the right at any time prior to the Annual General Meeting to make such alterations as they may consider necessary or appropriate provided that such alterations do not conflict in any material respect with the summary in this Appendix.*

**(A) PURPOSE**

The purposes of the scheme is to enable the Company to grant Options to selected participants as incentives or rewards for their contributions to the continuing operation and development of the Group.

**(B) WHO MAY JOIN AND BASIS OF ELIGIBILITY**

Subject to the Scheme Mandate Limit and the 1% Share Option Individual Limit, the Board may, at its discretion and on such terms as it may think fit, grant such Eligible Participants Share Options as it may in its absolute discretion select in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any Share Option shall be determined by the Board from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

**(C) DURATION AND ADMINISTRATION**

The Share Option Scheme will be valid and effective for a period of ten (10) years commencing on the Share Option Scheme Adoption Date, after which period no further Share Options will be offered or granted. The Share Option Scheme shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final, conclusive and binding on all parties. The Board shall, subject to the rules of the Share Option Scheme and the Listing Rules, have the right and at its discretion and based on such factors as it shall consider relevant to:

- (i) interpret and construe the provisions and terms and conditions of the Share Option Scheme and the Share Options;
- (ii) grant Share Options to those Eligible Participants whom it shall select from time to time;
- (iii) determine the date of the grant of Share Options;
- (iv) determine the number of Shares to be subject to each Share Option;

- (v) determine the terms and conditions of each Share Option, including:
  - (a) the subscription price;
  - (b) the Option Period, which shall not be greater than the period (if any) prescribed by the Listing Rules from time to time (which is, at the Share Option Scheme Adoption Date, not more than 10 years from the grant date);
  - (c) the minimum period, if any for which the Share Option must be held before it vests;
  - (d) performance targets and other criteria, if any, to be satisfied before the Share Option can be exercised;
  - (e) the amount, if any, payable on application or acceptance of the Share Option and the period within which payments or calls must or may be made or loans for such purposes must be repaid;
  - (f) the period, if any, during which Shares allotted and issued upon exercise of the Share Option shall be subject to restrictions on dealings, and the terms of such restrictions; and
  - (g) the notification period, if any, to be given to the Company of any intended sale of Shares allotted and issued upon exercise of the Share Option;
- (vi) approve the form of Option Agreements;
- (vii) prescribe, amend and rescind rules and regulations relating to the Share Option Scheme;
- (viii) subject to the other provisions of the Share Option Scheme, make appropriate and equitable adjustments to the terms and conditions of any Option Agreement, including extending the Option Period (provided that it shall not be greater than the period (if any) prescribed by the Listing Rules from time to time (which is, at the Share Option Scheme Adoption Date, not more than 10 years from the grant date) and waiving or amending (in whole or in part) any conditions to which Share Options are subject; and
- (ix) to make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

No Offer shall be made after inside information has come to the Board's knowledge or an inside information matter has been the subject of a decision, until such inside information has ceased to be unpublished inside information, whether as a result of being disseminated in accordance with the Listing Rules or otherwise.

In particular, but only insofar as the Listing Rules require, no Option shall be granted within the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's interim or annual results; and
- (ii) the deadline for the Company to publish its interim or annual results announcement under the Listing Rules,

and ending on the date of the Company's results announcement (or such other period or periods that may be prescribed by the Listing Rules from time to time).

For the avoidance of doubt, no Offer can be made during any period of delay in publishing its interim or annual results announcement.

#### **(D) SHARE OPTIONS TO BE OFFERED WITHIN 10 YEARS**

The Board will be entitled at any time within ten (10) years after the Share Option Scheme Adoption Date and subject to such conditions as the Board may think fit make an Offer to any Eligible Participant as the Board may in its absolute discretion select.

#### **(E) VESTING PERIOD**

The vesting period in respect of any Option granted to any Eligible Participant shall not be less than 12 months from the date of acceptance of the Offer, provided that where the relevant Eligible Participant:

- (i) an Employee Participant who is a Director or a Senior Manager specifically identified by the Company, the Remuneration Committee shall, or
- (ii) an Employee Participant who is not a Director nor a Senior Manager specifically identified by the Company, the Directors shall

have the authority to determine a shorter vesting period, if the Remuneration Committee (or, as the case may be, the Directors) considers that a shorter vesting period is appropriate to align with the purpose of the Share Option Scheme, including only where:

- (a) grant of "make-whole" Share Options to Employee Participants who newly joined the Group to replace the share options they forfeited when leaving the previous employers;

- (b) grants to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event;
- (c) grants of Share Options with performance-based vesting conditions provided in the Share Option Scheme, in lieu of time-based vesting criteria;
- (d) grants that are made in batches during a year for administrative or compliance reasons, which may include Share Options that should have been granted earlier but had to wait for a subsequent batch, in such cases, the Share Option Vesting Date may be adjusted to take account of the time from which the Share Options would have been granted if not for such administrative or compliance requirements;
- (e) grants of Share Options with a mixed or accelerated vesting schedule such as the Share Options may vest evenly over a period of 12 months; and
- (f) grants of Share Options with a total vesting and holding period of more than 12 months.

**(F) PERFORMANCE TARGETS**

The Board may grant Share Options on such terms and subject to such conditions as it thinks fit and may specify those circumstances, if any, in which such terms and conditions shall be waived or treated as waived. Subject to the terms and conditions of the Share Option Scheme, (i) in respect of any Employee Participant who is a Director or a Senior Manager, the Remuneration Committee may; or (ii) in respect of any other Employee Participant, the Directors may, establish performance targets against the attainment of which the Share Options granted to the relevant Employee Participant may be exercised in whole or in part. The Directors shall have the authority, after the grant of any Share Option which is performance-linked, to make fair and reasonable adjustments to the prescribed performance targets during the Option Period if there is a change in circumstances, provided that any such adjustments shall be less onerous than the prescribed performance targets and are considered fair and reasonable by the Directors.

Proposed performance targets may include business, financials, operations and creation of capital value for the Group's business segments (including, without limitation, increase in revenue and net profit after tax) as well as that for the Eligible Participants based on individual performance indicators relevant to their roles and responsibilities (such as revenue growth rate by existing/new markets or by existing/new products, number of new product development and production yield). The Directors (or, as the case may be, the Remuneration Committee) will conduct assessment at the end of the performance period by comparing the performance of the business segments and the individual performance of the Eligible Participant with the pre-set targets to determine whether such targets and the extents to which have been met.

**(G) CLAWBACK MECHANISM**

Notwithstanding the terms and conditions of the Share Option Scheme, during the Option Period, the Directors have the authority to provide that any Share Option shall be subject to a clawback or a longer vesting period if any of the following events occurs:

- (i) there being a material misstatement in the audited financial statements of the Company that requires a restatement, or
- (ii) the Share Option Grantee being guilty of fraud or dishonesty or persistent or serious misconduct, regardless of whether there is any accounting restatement or a material error in calculating or determining the performance metrics or other criteria; or
- (iii) if a Grant or the exercise of any Share Option is linked to any performance targets and the Directors are of the opinion that there occur any circumstances that show or lead to any of the prescribed performance targets having been assessed or calculated in a materially inaccurate manner.

Upon occurrence of any of the above events, the Directors may by notice in writing to the relevant Share Option Grantee (a) claw back such number of Share Options (to the extent not being exercised) granted as the Directors may consider appropriate; or (b) extend the vesting period (regardless of whether the initial vesting Date has occurred) in relation to all or any of the Share Options (to the extent not being exercised) to such longer period as the Directors may consider appropriate. The Share Options that are clawed back shall be regarded as cancelled and the Share Options so cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

**(H) OFFER AND ACCEPTANCE**

An offer of Share Option must be accepted within twenty-one (21) days from the date of the Offer, provided that no such Offer shall be open for acceptance after the tenth (10th) anniversary of the Share Option Scheme Adoption Date or after the Share Option Scheme has been terminated in accordance with its provisions. Any Offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for the purposes of trading Shares on the Stock Exchange or an integral multiple thereof. An Offer shall be deemed to have been accepted when the counterpart of the Option Agreement duly signed by the Share Option Grantee together with a remittance in favour of the Company of HK\$1.00 as being the consideration of the grant of the Share Option is received by the Company at the place specified in the Option Agreement. Such consideration shall not be refundable. To the extent that the Offer is not accepted within the prescribed time period, it will be deemed to have been irrevocably declined.

**(I) OFFERS MADE TO DIRECTORS, CHIEF EXECUTIVE, SUBSTANTIAL SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES**

Where any Offer is proposed to be made to a Director, Chief Executive or Substantial Shareholder of the Company, or any of their respective Associates, such offer must be approved by the INEDs (excluding any INED who is proposed Share Option Grantee), provided such requirements do not apply where the Eligible Participant is only a proposed Director or proposed Chief Executive of the Company.

**(J) SUBSCRIPTION PRICE FOR SHARE OPTIONS**

The subscription price payable on the exercise of a Share Option shall be a price determined by the Board at its absolute discretion at the time of its grant and may be fixed at different prices for different periods during the Option Period, provided that it shall not be less than the highest of:

- (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; and
- (ii) the average of the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five (5) business days immediately preceding the date of grant.

**(K) TRANSFER**

A Share Option shall be personal to the Share Option Grantee and shall not be sold, transferred, assigned, charged, mortgaged or encumbered by the Share Option Grantee nor shall the Share Option Grantee create any interest in favour of any third party over or in relation to any Share Option, except for the transmission of Share Options upon the death of a Share Option Grantee to his/her personal representatives as permitted by the Share Option Scheme.

**(L) OPTION PERIOD**

Subject to the due compliance with the Listing Rules and all applicable laws and other regulations and with the terms of the Share Option Scheme, a Share Option may be exercised at any time during the Option Period (which shall commence on the date of the relevant Share Option Vesting and end on a date prescribed by the Board which shall not more than 10 years from the date of grant of the relevant Options), provided that:



- (i) if the Share Option Grantee is an Employee Participant and ceases to be an Employee Participant by reason of his or her death before exercising the Share Options in full and none of the events referred to in paragraph (L)(iv) below as ground for termination of his or her employment by the Group arises, his or her personal representative(s) may exercise the Share Option (to the extent vested and not already exercised) within a period of twelve (12) months thereafter, or such longer period as the Directors may determine or, if any of the events referred to in paragraphs (iii) to (vi) below occur during such period, exercise the Share Option pursuant to the corresponding paragraph respectively. In respect of those Options that have met the 12-month (or such shorter vesting period as determined by the Directors) but have not been vested because the performance targets stated in the Offer have not been satisfied, the Directors may, be reference to the level of attainment of the prescribed performance targets and other equitable factors, determine that his personal representative may exercise such number of Share Options and within such time as the Directors may consider appropriate, subject to any conditions or limitations as they may impose. For the avoidance of doubt, save as provided in the foregoing, all unvested Share Options shall be lapsed and cancelled on the date of cessation of employment;
  
- (ii) if the Share Option Grantee is an Employee Participant and ceases to be an Employee Participant for any other reason, his or her Share Option may be exercised within three (3) months following the date of such cessation (to the extent vested and not already exercised), which date shall be the last actual working date with the Group, whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine or, if any of the events referred to in paragraphs (iii) to (vi) below occur during such period, exercise the Share Option pursuant to the corresponding paragraph respectively. For the avoidance of doubt, save as provided in the foregoing, all unvested Share Options shall be lapsed and cancelled on the date of cessation of employment;
  
- (iii) in the event of a general offer (other than by way of scheme of arrangement referred to below) being 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 association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Share Option, the Share Option Grantee (or his or her legal personal representatives) shall be entitled to exercise the Share Option in full (to the extent vested but not already exercised) at any time within one (1) month of the notice given by the offeror to acquire the remaining Shares;

- (iv) in the event of a general offer by way of scheme of arrangement being made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Share Option Grantee (or his or her personal representatives) may thereafter (but before such time as shall be notified by the Company) exercise the Share Option (to the extent vested but not already exercised) to its full extent or to the extent specified in such notice;
  
- (v) in the event a notice is given by the Company to the 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 Share Option Grantee and the Share Option Grantee (or his or her personal representatives) may by notice in writing to the Company (such notice to be received by the Company not later than four (4) business days prior to the proposed Shareholders' meeting) exercise the Share Option (to the extent vested but not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Share Option Grantee which falls to be issued on such exercise; and
  
- (vi) other than a scheme of arrangement referred above, in the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with the scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Share Option Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Share Option Grantee (or his or her personal representatives) may by notice in writing to the Company accompanied by the remittance for the subscription price in respect of the relevant Share Option (such notice to be received by the Company not later than four (4) business days prior to the proposed meeting) exercise the Share Option (to the extent vested but not already exercised) either to its full extent or to the extent specified in such notice and the Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Share Option Grantee which falls to be issued on such exercise credited as fully paid and registered the Share Option Grantee as holder thereof.

**(M) LAPSE OF SHARE OPTIONS**

Subject to the discretion of the Board to extend the Option Period, a Share Option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (L)(i) or (L)(ii);
- (iii) subject to the compromise or arrangement becoming effective, the expiry of the period referred to in paragraph (L)(vi);
- (iv) where the Share Option Grantee is an Employee Participant, the date on which he or she ceases to be an Employee Participant by reason of the termination of his or her employment on grounds including, but not limited to, that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or has become bankrupt or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty;
- (v) the date of the commencement of the winding up of the Company;
- (vi) the date on which the Share Option Grantee sells, transfers, charges, mortgages, encumbers or creates any interest in favour of any third party over or in relation to the Share Option in breach of the Share Option Scheme;
- (vii) the expiry of the period referred to in paragraphs (L)(iii) and (L)(iv) provided that if any court of competent jurisdiction makes an order the effect of which is to prevent the offeror from acquiring shares in the offer, the relevant period within which Share Options may be exercised shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date; or
- (viii) the date on which the grantee commits a breach of any terms or conditions attached to the grant of the Share Option, unless otherwise resolved to the contrary by the Board.

**(N) CANCELLATION OF SHARE OPTIONS**

Subject to the rules of the Share Option Scheme and Chapter 17 of the Listing Rules, any Options granted but not exercised may not be cancelled except with the prior written approval of the Board and consent of the Eligible Participant concerned.

Where the Company cancels any unvested Share Option or any vested (but not yet exercised) Share Option and grants new Share Options to the same Share Option Grantee, the issue of such new Share Options may only be made under this Scheme with available Scheme Mandate Limit and the Service Provider Sublimit. The Share Options cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

**(O) SCHEME LIMITS**

Without prejudice to the below paragraphs in this section, the overall limit on the number of Shares under options from time to time under the Share Option Scheme and any other Share Scheme(s) shall not, in aggregate, exceed ten (10) per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments. No option may be granted under the Share Option Scheme or any other Share Scheme(s) if this will result in such limit being exceeded.

Subject to the above, within the Scheme Mandate Limit, the total number of Shares which may be issued upon exercise of all options to be granted to Service Providers shall not exceed one (1) per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments.

Subject to the above limits, and without prejudice to:

- (i) sub-paragraph (b), the Company may seek approval from the Shareholders in general meeting to refresh the Scheme Mandate Limit and the Service Provider Sublimit, provided that:
  - (a) the total number of Shares which may be allotted and issued upon exercise of all Share Options to be granted under the Share Option Scheme and all options and awards to be granted under any other Share Scheme(s) must not exceed ten (10) per cent. of the total issued share capital of the Company as at the date of approval of the refreshed limit(s), and for the purpose of calculating the refreshed Scheme Mandate Limit or the refreshed Service Provider Sublimit, Share Options lapsed in accordance with the terms of the Share Option Scheme and options and awards lapsed in accordance with the terms of any other Share Scheme(s) will not be regarded as utilised;

- (b) where refreshment of the Scheme Mandate Limit is sought;
- A. within three years from the date of approval by the shareholders of the Company for the last refreshment (or, as the case may be, the Share Option Scheme Adoption Date):
- (i) at the general meeting for considering and approving the proposed resolution of such refreshment, any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding INEDs) and the chief executive of the Company and their respective associates) shall abstain from voting in favour of the relevant resolution; and
- (ii) the Company shall comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing),

provided that the requirements hereunder do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules (or the successor provisions then prevailing) such that the unused part of the Scheme Mandate Limit (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit immediately before the issue of securities, rounded to the nearest whole share; and

- B. after three years from the date of approval by the Shareholders for the last refreshment (or, as the case may be, the Share Option Scheme Adoption Date), the requirements under sub-paragraph (A) shall not be applicable;
- (ii) sub-paragraph (a), the Company may seek separate Shareholders' approval in general meeting to grant Options under the Share Option Scheme beyond the Scheme Mandate Limit or, if applicable, the refreshed limit referred to in sub-paragraph (a) above to the Eligible Participants specifically identified by the Company before such approval is sought. The number and terms of the Share Options or awards to be granted to such Eligible Participant must be fixed before seeking any approval from the Shareholders. In respect of any Share Options to be granted, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

Where any grant of Share Options to a Share Option Grantee under the Share Option Scheme would result in Shares issued and to be issued in respect of all options or awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the Share Option Scheme or any other Share Scheme(s)) in the 12-month period up to and including the date of such grant representing in aggregate over one (1) per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments (the “1% Share Option Individual Limit”), such grant of Share Options must be separately approved by the Shareholders in general meeting with such Share Option Grantee and his close associates (or his associates if the Share Option Grantee is a connected person of the Company) abstaining from voting. The number and terms of the Share Options or the Share Awards to be granted to such participant must be fixed before seeking any approval from the Shareholders. In respect of any Share Option to be granted, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

Without prejudice to the above, where any grant of Share Options or Share Awards to a Director (other than an INED) or chief executive of the Company, or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options or awards lapsed in accordance with the terms of the Share Option Scheme or any other Share Scheme(s)) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1 per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments, such grant of Share Options or Share Awards must be approved by the Shareholders in general meeting (with such Share Option Grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. In this connection, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing).

Furthermore, without prejudice to the above, where any grant of Share Options or Share Awards to an INED or a substantial shareholder of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options and awards (excluding any options and awards lapsed in accordance with the terms of the Share Option Scheme or any other Share Scheme(s)) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1 per cent. of the total issued share capital of the Company as at the date of approval of the Proposed Amendments, such grant of Share Options or Share Awards must be approved by the Shareholders in general meeting (with such Share Option Grantee, his/her associates and all core connected persons of the Company abstaining from voting at such general meeting. In this connection, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing).

Any change in the terms of the Share Options or Share Awards granted to any Share Option Grantee who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in general meeting in the manner as set out in this section if the initial grant of the Share Options or Share Awards requires such approval (except where the changes take effect automatically under the existing terms of the Share Option Scheme).

The requirements for the grant of Share Options to a Director or chief executive of the Company set out in this section do not apply where the Eligible Participant is only a proposed Director or a proposed chief executive of the Company.

**(P) RANKING OF SHARES**

Shares shall be allotted and issued upon the exercise of a Share Option subject to all the provisions of the Articles of Association in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date of allotment of such Shares or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, which will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made. For the avoidance of doubt, (i) the Share Options do not carry any voting rights and the holders of which shall not be entitled to any dividends or other distributions whensoever declared or recommended or resolved to be paid or made by the Company; and (ii) the Shares to be allotted and issued upon the exercise of any Share Option shall not carry any voting rights or right to receive any dividends or other distributions whensoever declared or recommended or resolved to be paid or made by the Company until completion of the registration of the holders of the Share Options or any other person as a holder of those Shares.

**(Q) REORGANIZATION OF CAPITAL STRUCTURE**

- (i) In the event of any alteration in the capital structure of the Company whilst any Share Option remains exercisable, whether by way of capitalization issue, rights issue, sub-division, consolidation of Shares or reduction of capital (other than an issue of Shares as consideration in respect of a transaction while any Share Option remains exercisable), such corresponding alterations (if any) shall be made to:
  - (a) the number of Shares subject to outstanding Share Options; and/or
  - (b) the Subscription Price of each outstanding Share Option; and/or
  - (c) the Scheme Mandate Limit,



as the Company's auditors shall certify in writing to the Board to be in their opinion to be fair and reasonable, provided that any such alterations (x) in the case of capitalization issue, sub-division or consolidation of Shares, shall give a Share Option Grantee on exercise of his Share Options the same proportion of the issued Shares (rounded to the nearest whole share) to which he would have been entitled if he were to have exercised such Share Options immediately prior to the event giving rise to the adjustment; and (y) in the case of rights issue, shall maintain the intrinsic value of a Share Option Grantee's Share Options immediately prior to the date of which the terms of the rights issue are finalised and publicly announced, but provided that in either case no such adjustment shall have the effect of rendering (aa) the Subscription Price payable upon exercise of any Share Option becoming less than the nominal value of the Share; (bb) the aggregate Subscription Price relating to any Share Option being increased; (cc) the aggregate percentage of the issued share capital of the Company available for the grant of Share Options shall not be greater than the Scheme Mandate Limit (subject to adjustments); and (dd) the intrinsic value of any Share Option to have increased to the advantage of the holders of the Share Options.

Based on the above principles and conditions, the adjustment formula shall be:

New number of Share Options = "*Existing Share Options x F*"; and

New Subscription Price = "*Existing Subscription Price x 1/F*",

where in the case of capitalization issue or rights issue:-

$F = \frac{\text{CUM (i.e. closing price of the Shares as shown in the daily quotation sheet of the Stock Exchange on the last day of trading before going ex-entitlement)}}{\text{TEEP (i.e. theoretical ex-entitlement price)}}$ , and TEEP shall be calculated as " $\frac{\text{CUM} + [\text{M} + \text{R}]}{1 + \text{M}}$ ", where M=entitlement per existing Share and R=subscription price of the capitalization issue or rights issue; and

where in the case of sub-division, consolidation of Shares or reduction of capital, F=sub-division, consolidation or reduction factor.

- (ii) In respect of any such alterations, other than any made under a capitalisation issue, the Company's auditors shall also confirm to the Board in writing that such alterations satisfy the requirements of Rule 17.03(13) of the Listing Rules and the note thereto, as well as any other applicable rules, codes, guidance notes and/or interpretation of the Listing Rules in effect from time to time as promulgated by the Stock Exchange.



The capacity of the Company's auditors in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Share Option Grantees. The costs of the Company's auditors shall be borne by the Company.

**(R) ALTERATION OF THE SHARE OPTION SCHEME**

The Share Option Scheme may be altered in any respect by a resolution of the Board except that:

- (i) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, including the definition of "Eligible Participants", "Grantee", "Option Period" and the date of termination of the Share Option Scheme; and
- (ii) the provisions of the Share Option Scheme to the extent relating to the matters governed by Rule 17.03 of the Listing Rules (or the successor provisions then prevailing) to the advantage of the Eligible Persons

shall not be altered except with the sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Share Option granted to be granted prior to such alteration except with the consent or sanction of such majority of the Share Option Grantees as would be required of the holders of the Shares under the Articles of Association for the time being for a variation of the rights attached to the Shares.

Subject to the paragraph below, any change to the terms of any Share Option granted to a Share Option Grantee must be approved by the Directors, the Remuneration Committee, the INEDs and/or the Shareholders in general meeting (as the case may be) if the initial grant of the Share Options was approved by the Directors, the Remuneration Committee, the INEDs and/or the Shareholders in general meeting (as the case may be), in accordance with the terms of the Share Option Scheme and Chapter 17 of the Listing Rules, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of the Board or the administrators of the Share Option Scheme to alter the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

Any alteration to the terms of the Share Option Scheme and/or any Share Option must comply with all applicable requirements governing the Share Option Scheme and any other Share Scheme(s) under the Listing Rules.

All details relating to changes in the terms of the Share Option Scheme during the life hereof will be immediately provided to the Share Option Grantees upon such changes taking effect.

**(S) TERMINATION**

The Company by ordinary resolution in general meeting or the Board may at any time withdraw or otherwise terminate the operation of the Share Option Scheme and in such event no further Share Options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All Share Options granted prior to such termination and not exercised at the date of termination shall remain valid and, subject to vesting in accordance with the terms of the Offer, exercisable in accordance with the Share Option Scheme.



## Techtronic Industries Company Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 669)**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of the Company will be held at HKUST Business School Central, 1501-02, Hong Kong Club Building, 3A Chater Road, Central, Hong Kong on May 12, 2023 at 10:00 a.m. for the following purposes:

1. To receive and consider the Statement of Accounts and the Reports of the Directors and Auditors for the year ended December 31, 2022.
2. To declare a final dividend of HK90.00 cents per share to shareholders whose names appear on the Register of Members of the Company on May 19, 2023.
3. To re-elect Directors and to authorise the Board of Directors of the Company to fix the Directors' remuneration.
4. To appoint Auditors and to authorise the Board of Directors of the Company to fix their remuneration.

As special business, to consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions, as indicated below:

### **ORDINARY RESOLUTIONS**

5. **“THAT:**
  - (a) subject to paragraph (c) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options (including bonds, notes, warrants, debentures and securities convertible into shares of the Company) which would or might require the exercise of such powers be and it is hereby generally and unconditionally approved;
  - (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options (including bonds, notes, warrants, debentures and securities convertible into shares of the Company) which would or might require the exercise of such powers during and after the end of the Relevant Period;

(c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company or any bonds, notes, debentures and securities which are convertible into shares of the Company; or (iii) the exercise of any options granted under any share option scheme or similar arrangement for the time being adopted for the grant or issue of options to subscribe for, or rights to acquire, shares of the Company; or (iv) an issue of shares by way of scrip dividends pursuant to the Articles of Association of the Company from time to time, shall not exceed 5% of the number of issued shares of the Company at the date of passing this resolution, provided that any shares to be allotted and issued pursuant to the approval in paragraph (a) above shall not be issued at a discount of more than 10% to the Benchmarked Price (as hereinafter defined) of the shares, and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

“Benchmarked Price” shall be a price which is the higher of:

- (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange (as hereinafter defined) on the date of signing of the agreement to which the transaction relates; and
- (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet for the five trading days immediately preceding the earliest of:
  - (A) the date of signing of the agreement to which the transaction relates;
  - (B) the date on which the relevant transaction is announced; or
  - (C) the date on which the price of the shares of the Company to be issued pursuant to the transaction is fixed;

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares of the Company or any class thereof (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to overseas shareholders or fractional entitlement or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong); and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.”

6. **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares of the Company on the Stock Exchange (as hereinafter defined) or on any other exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and regulations, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the number of issued shares of the Company as at the date of passing this resolution, and the said approval shall be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

- (iii) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.”

7. **“THAT:**

- (a) the proposed amendments to the Share Award Scheme of the Company adopted by the Board on January 17, 2018 (the “Share Award Scheme”), the principal terms of which are set out in Appendix III to the circular of the Company dated April 13, 2023 be and are hereby approved and adopted, and the Directors be and are hereby authorised to do such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to such proposed amendments, notwithstanding that they or any of them may be interested in the same, including without limitation to:
  - (i) to administer or authorise any person(s) as deemed appropriate at the sole discretion of the Board to administer the Share Award Scheme under which awards will be granted to the persons eligible under the Share Award Scheme, including but not limited to determining and granting awards in accordance with the terms of the Share Award Scheme;
  - (ii) to modify and/or amend the Share Award Scheme from time to time provided that such modification and/or amendment is effected in accordance with the terms of the Share Award Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Listing Rules;
  - (iii) to allot and issue from time to time such number of Shares in the share capital of the Company as may be required to be allotted and issued in respect of the awards under the Share Award Scheme and subject to the Listing Rules;
  - (iv) to make application at appropriate time or times to the Stock Exchange for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued in respect of the awards under the Share Award Scheme; and
  - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required by the relevant authorities in relation to the Share Award Scheme; and

- (b) the total number of Shares which may be issued in respect of all options and awards granted and to be granted under the Share Award Scheme and any other share schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of passing this resolution; and
  - (c) the amended Share Award Scheme which incorporates all of the proposed amendments, a copy of which has been produced to this meeting and marked “A” and signed by the chairman of this meeting for identification purpose be and is hereby approved and adopted in substitution for, and to the exclusion of, the Share Award Scheme with immediate effect after the close of this meeting.”
8. **“THAT:**
- (a) the proposed amendments to the Share Option Scheme of the Company adopted by the Board on May 19, 2017 (the “Share Option Scheme”), the principal terms of which are set out in Appendix IV to the circular of the Company dated April 13, 2023 be and are hereby approved and adopted, and the Directors be and are hereby authorised to do such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to such proposed amendments, notwithstanding that they or any of them may be interested in the same, including without limitation to:
    - (i) to administer or authorise any person(s) as deemed appropriate at the sole discretion of the Board to administer the Share Option Scheme under which awards will be granted to the persons eligible under the Share Option Scheme, including but not limited to determining and granting awards in accordance with the terms of the Share Option Scheme;
    - (ii) to modify and/or amend the Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the terms of the Share Option Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Listing Rules;
    - (iii) to allot and issue from time to time such number of Shares in the share capital of the Company as may be required to be allotted and issued in respect of the awards under the Share Option Scheme and subject to the Listing Rules;
    - (iv) to make application at appropriate time or times to the Stock Exchange for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued in respect of the awards under the Share Option Scheme; and

- (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required by the relevant authorities in relation to the Share Option Scheme; and
- (b) the total number of Shares which may be issued in respect of all options and awards granted and to be granted under the Share Option Scheme and any other share schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue as at the date of passing this resolution;
- (c) the total number of Shares which may be issued in respect of all options and awards granted and to be granted to all Service Providers (as defined in the Share Option Scheme) under the Share Option Scheme and any other share schemes of the Company must not in aggregate exceed 1% of the total number of Shares in issue as at the date of passing this resolution; and
- (d) the amended Share Option Scheme which incorporates all of the proposed amendments, a copy of which has been produced to this meeting and marked “B” and signed by the chairman of this meeting for identification purpose be and is hereby approved and adopted in substitution for, and to the exclusion of, the Share Option Scheme with immediate effect after the close of this meeting.”

By Order of the Board  
**Veronica Ka Po Ng**  
*Company Secretary*

Hong Kong  
April 13, 2023

*Notes:*

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member.
2. In order to be valid, the form of proxy, together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the registered office of the Company at 29th Floor, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjourned meeting or upon the poll concerned if the members so wish. In such event, the instrument appointing proxy shall be deemed to be revoked.



4. To ascertain Shareholders' eligibility to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from May 10, 2023 to May 12, 2023 (both days inclusive), during which no transfer of Shares will be effected. In order to qualify to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 9, 2023.

To ascertain Shareholders' entitlement to the proposed final dividend upon passing of resolution numbered 2 set out in this notice, the Register of Members of the Company will be closed on May 19, 2022 when no transfer of Shares will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Secretaries Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:00 p.m. on May 18, 2023.

5. The Directors standing for re-election under Resolution No. 3 are Mr. Horst Julius Pudwill, Mr. Joseph Galli Jr., Mr. Frank Chi Chung Chan and Mr. Robert Hinman Getz.
6. A circular containing the information regarding, inter alia, the Directors proposed to be re-elected, the general mandate to issue shares, the general mandate to buy back shares of the Company and the amendments to the Share Award Scheme and the Share Option Scheme has been sent to the members of the Company.

*As at the Latest Practicable Date, the Board comprised five Group Executive Directors, namely, Mr. Horst Julius Pudwill (Chairman), Mr. Stephan Horst Pudwill (Vice Chairman), Mr. Joseph Galli Jr. (Chief Executive Officer), Mr. Patrick Kin Wah Chan and Mr. Frank Chi Chung Chan, two Non-executive Directors, namely, Prof. Roy Chi Ping Chung GBS BBS JP and Mr. Camille Jojo, and five Independent Non-executive Directors, namely, Mr. Peter David Sullivan, Mr. Johannes-Gerhard Hesse, Mr. Robert Hinman Getz, Ms. Virginia Davis Wilmerding and Ms. Caroline Christina Kracht.*