

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in AIA Group Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**AIA Group Limited**

**友邦保險控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**Stock Code: 1299**

## **RE-ELECTION OF DIRECTORS, GENERAL MANDATES TO ISSUE SHARES AND BUY BACK SHARES, PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME AND NOTICE OF ANNUAL GENERAL MEETING**

The notice convening the annual general meeting of AIA Group Limited to be held at 11:00 a.m. on Friday, 29 May 2020 at the Grand Ballroom, Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong is set out on pages 17 to 22 of this circular.

Whether or not you are able to attend the meeting, please complete and return the enclosed proxy form in accordance with the instructions printed thereon to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or at any adjourned meeting should you so wish.

### **PRECAUTIONARY MEASURES FOR THE 2020 ANNUAL GENERAL MEETING**

The Company will implement any or all of the following precautionary measures at the 2020 AGM including:

- mandatory use of face masks;
- compulsory body temperature screening;
- mandatory health declaration;
- appropriate distancing and spacing in compliance with the guidance issued by the HKSAR Government from time to time and in doing so, the Company may limit the number of attendees at the 2020 AGM as may be necessary to avoid over-crowding; and
- there will be no distribution of corporate gifts and/or refreshments at the 2020 AGM.

In light of the continuing risks posed by the Coronavirus Disease 2019 ("COVID-19") pandemic, the Company strongly encourages Shareholders to attend the 2020 AGM via webcast and discourages them to attend in person, and advises Shareholders to appoint the chairman of the 2020 AGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the 2020 AGM in person.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to implement further measures for the 2020 AGM at short notice. Shareholders should check for any updates on the 2020 AGM arrangements from "General Meetings Information" tab under sub-section headed "Shareholder Centre" in the "Investor Relations" section of the Company's website (<https://www.aia.com/en/investor-relations/shareholder-centre/general-meetings-information.html>).

Shareholders not attending the 2020 AGM in person may view a live webcast of the 2020 AGM proceedings through the Company's website at <https://sites.media-server.com/mmc-custom-portals/m6/AIA/200529/language.html>. The passcode to access the webcast will be sent to Shareholders under a separate letter from the Company.

Should Shareholders have questions which they would have raised at the 2020 AGM, the Company advises Shareholders to instead send their questions in advance by email to [2020agm@aia.com](mailto:2020agm@aia.com) before 11:00 a.m., Wednesday, 27 May 2020. The Company will endeavour to address the questions at the 2020 AGM if time permits, or failing that, unanswered questions will be responded to after the 2020 AGM as appropriate.

*(In case of any discrepancy between the English version and Chinese version of this circular, the English version shall prevail.)*

27 April 2020

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## PRECAUTIONARY MEASURES FOR THE 2020 ANNUAL GENERAL MEETING

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To safeguard the health and safety of Shareholders who will be attending the 2020 AGM in person, the Company will implement any or all of the following precautionary measures at the 2020 AGM:

1. All attendees will be required to wear face masks before they are permitted to attend, and during their attendance of, the 2020 AGM. Attendees are advised to maintain appropriate social distance with each other at all times when attending the 2020 AGM.
2. There will be compulsory body temperature screening conducted by Kowloon Shangri-La for all persons entering the hotel. Denied entry to Kowloon Shangri-La also means the person will not be allowed to attend the 2020 AGM.
3. All attendees are required to complete and submit at the entrance of Kowloon Shangri-La and/or the 2020 AGM venue health declaration form and/or other declaration required by the Company confirming their recent travel history and health conditions, etc. Any person who does not comply with this requirement may be denied entry into Kowloon Shangri-La and/or the 2020 AGM venue or be required to leave the hotel and/or 2020 AGM venue.
4. Anyone attending the 2020 AGM is reminded to observe good personal hygiene at all times.
5. Appropriate distancing and spacing in compliance with the guidance issued by the HKSAR Government from time to time will be maintained and in doing so, the Company may limit the number of attendees at the 2020 AGM as may be necessary to avoid over-crowding.
6. In light of the continuing risks posed by the COVID-19 pandemic, the Company strongly encourages Shareholders to attend the 2020 AGM via webcast and discourages them to attend in person, and advises Shareholders to appoint the chairman of the 2020 AGM as their proxy to vote according to their indicated voting instructions as an alternative to attending the 2020 AGM in person.
7. Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to implement further measures for the 2020 AGM at short notice. Shareholders should check for any updates on the 2020 AGM arrangements from “General Meetings Information” tab under sub-section headed “Shareholder Centre” in the “Investor Relations” section of the Company’s website (<https://www.aia.com/en/investor-relations/shareholder-centre/general-meetings-information.html>).
8. Please note that there will be no distribution of corporate gift and/or refreshments at the 2020 AGM by the Company.

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## PRECAUTIONARY MEASURES FOR THE 2020 ANNUAL GENERAL MEETING

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9. Shareholders not attending the 2020 AGM in person may view a live webcast of the 2020 AGM proceedings through the Company's website at <https://sites.media-server.com/mmc-custom-portals/m6/AIA/200529/language.html> ("AGM Website"). The 2020 AGM webcast will be opened approximately 30 minutes prior to the commencement of the 2020 AGM and can be accessed from any location with access to the internet with a smart phone, tablet device or computer. Please however note that in accordance with the Company's Articles of Association, the Shareholders joining the 2020 AGM via webcast will not be counted towards a quorum nor will they be able to cast their votes online.

**TO ACCESS THE WEBCAST, PLEASE FOLLOW THE INSTRUCTIONS ON THE AGM WEBSITE AND ENTER THE PASSCODE PRINTED ON THE ENCLOSED NOTIFICATION LETTER TO SHAREHOLDERS.**

**Please keep the passcode in safe custody for use on the day of the 2020 AGM and do not disclose it to any other person.**

The non-registered Shareholders who are on the Company's corporate communications mailing list obtained from HKSCC Nominees Limited by the Company's share registrar, Computershare Hong Kong Investor Services Limited, will also be sent the passcode to access the webcast. Any non-registered Shareholder who does not receive the passcode may contact his/her intermediary or nominee for the passcode should he/she wish to view the webcast instead of attending the 2020 AGM in person.

10. Should Shareholders have questions which they would have raised at the 2020 AGM, the Company advises Shareholders to instead send their questions in advance by email to [2020agm@aia.com](mailto:2020agm@aia.com) before 11:00 a.m., Wednesday, 27 May 2020. The Company will endeavour to address the questions at the 2020 AGM if time permits, or failing that, unanswered questions will be responded to after the 2020 AGM as appropriate.
11. In view of the travelling restrictions imposed by various jurisdictions to prevent the spread of the COVID-19, certain Director(s) of the Company may attend the 2020 AGM through video conference or similar electronic means.
12. As the COVID-19 situation continues to evolve, the Company will closely monitor the situation and reserves the right to take further measures as appropriate in order to minimize any risk to Shareholders and others attending the 2020 AGM and to comply with any requirements or recommendations of any government agencies from time to time.
13. If Shareholders have any questions relating to the 2020 AGM, please contact the hotline of the Company's share registrar, Computershare Hong Kong Investor Services Limited, as follows:

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong  
Telephone hotline: +852 2862 8555 (during business hours from 9:00 a.m. to 6:00 p.m. Hong Kong time, Mondays to Fridays; excluding public holidays)  
E-mail: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

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## DEFINITIONS

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

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|------------------------------|--|
| “2020 AGM”                   | the annual general meeting of the Company to be held at 11:00 a.m. on Friday, 29 May 2020 or, where the context so admits, any adjournment thereof, notice of which is set out on pages 17 to 22 of this circular                      |
| “2020 AGM Notice”            | the notice convening the 2020 AGM, which is set out on pages 17 to 22 of this circular   |
| “Adoption Date”              | means the date on which the Company in general meeting approved the adoption of the New Share Option Scheme  |
| “Agency Share Purchase Plan” | the agency share purchase plan adopted by the Company on 23 February 2012, a share purchase plan with matching offer to facilitate and encourage ownership of Shares by agents, details of which are set out in the Annual Report 2019 |
| “Annual Report 2019”         | annual report (comprising, among others, the audited consolidated financial statements, the auditor’s report and the report of the Directors) of the Company for the year ended 31 December 2019                                       |
| “Articles of Association”    | articles of association of the Company, as amended from time to time   |
| “associate(s)”               | shall have the meaning ascribed to it under the Listing Rules  |
| “Audit Committee”            | audit committee of the Company established by the Board  |
| “Board”                      | the board of Directors   |
| “Business Day”               | means a day on which the Hong Kong Stock Exchange is open for the business of dealing in securities  |
| “Buy-back Mandate”           | the general and unconditional mandate proposed under ordinary resolution numbered 7(B) in the 2020 AGM Notice set out on pages 17 to 22 of this circular   |

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## DEFINITIONS

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| “Companies Ordinance”                   | Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time  |
| “Company”                               | AIA Group Limited, a company incorporated in Hong Kong with limited liability, whose Shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1299)         |
| “Corporate Governance Code”             | Corporate Governance Code set out in Appendix 14 to the Listing Rules   |
| “Director(s)”                           | director(s) of the Company  |
| “Existing Share Option Scheme”          | the share option scheme of the Company adopted on 28 September 2010, as amended   |
| “Grant Date”                            | means the date on which an offer to grant an Option is made to a selected person under the New Share Option Scheme, as described in paragraph 4(b) of Appendix III to this circular |
| “Group”                                 | AIA Group Limited and its subsidiaries  |
| “Hong Kong” or “HKSAR”                  | Hong Kong Special Administrative Region of the People’s Republic of China   |
| “Hong Kong Stock Exchange”              | The Stock Exchange of Hong Kong Limited   |
| “Independent Non-executive Director(s)” | independent non-executive director(s) of the Company  |
| “Issue Mandate”                         | the general and unconditional mandate proposed under ordinary resolution numbered 7(A) in the 2020 AGM Notice set out on pages 17 to 22 of this circular                            |
| “Latest Practicable Date”               | 17 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular                           |
| “Listing Rules”                         | Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time  |

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## DEFINITIONS

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| “New Share Option Scheme”                         | means the new share option scheme proposed to be adopted by the Company pursuant to ordinary resolution no. 8 in the 2020 AGM Notice set out on pages 17 to 22 of this circular  |
| “Nomination Committee”                            | nomination committee of the Company established by the Board   |
| “Option(s)”                                       | means an option to: (i) subscribe for Shares granted to (and subject to acceptance by) a selected person pursuant to the New Share Option Scheme, or (ii) obtain an equivalent value in cash which is equal to the difference between the Subscription Price and the market value of the Shares on or about the date on which the Option is exercised as the Board may determine pursuant to the New Share Option Scheme |
| “Option Period”                                   | means the period within which an Option may be exercised in accordance with the terms of the New Share Option Scheme as described in paragraph 10(a) of Appendix III to this circular  |
| “Participants”                                    | means any eligible person selected by the Board who has confirmed his or her acceptance of an Option pursuant to the New Share Option Scheme   |
| “Pre-Option Period”                               | means, in respect of any particular Option, the period from the Grant Date to the commencement of the Option Period pursuant to the New Share Option Scheme  |
| “Remuneration Committee”                          | remuneration committee of the Company established by the Board   |
| “Restricted Share Unit Scheme”<br>or “RSU Scheme” | the restricted share unit scheme adopted by the Company on 28 September 2010, as amended   |
| “RSU(s)”  | restricted share unit(s) in relation to the Restricted Share Unit Scheme   |
| “RSU Award(s)”                                    | restricted share unit award(s) granted to participant(s) under the Restricted Share Unit Scheme  |
| “SFO”   | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time  |

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## DEFINITIONS

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|----------------------|---|
| “Share(s)”           | ordinary share(s) in the share capital of the Company   |
| “Shareholder(s)”     | holder(s) of Shares   |
| “Subscription Price” | means the price per Share at which a Participant may subscribe for Shares on the exercise of an Option subject to adjustment in accordance with the terms of the New Share Option Scheme, a summary of which is set out in paragraph 5 of Appendix III to this circular |
| “Takeovers Code”     | the Code on Takeovers and Mergers issued by the Securities and Futures Commission, as amended from time to time   |
| “%”                  | per cent.   |



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LETTER FROM THE BOARD

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**AIA Group Limited**  
**友邦保險控股有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**Stock Code: 1299**

*Independent Non-executive Chairman and  
Independent Non-executive Director:*  
Mr. Edmund Sze-Wing Tse

*Executive Director:*  
Mr. Ng Keng Hooi

*Independent Non-executive Directors:*  
Mr. Jack Chak-Kwong So  
Mr. Chung-Kong Chow  
Mr. John Barrie Harrison  
Mr. George Yong-Boon Yeo  
Mr. Mohamed Azman Yahya  
Professor Lawrence Juen-Yee Lau  
Ms. Swee-Lian Teo  
Dr. Narongchai Akrasanee  
Mr. Cesar Velasquez Purisima

*Registered Office:*  
35/F, AIA Central  
No. 1 Connaught Road Central  
Hong Kong

27 April 2020

Dear Shareholders,

**RE-ELECTION OF DIRECTORS,  
GENERAL MANDATES TO ISSUE SHARES  
AND BUY BACK SHARES,  
PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND  
TERMINATION OF EXISTING SHARE OPTION SCHEME  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with the 2020 AGM Notice, including relevant information regarding the resolutions proposed for the Shareholders to consider and, if thought fit, approve (i) the receipt of the audited financial statements; (ii) the declaration of

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## LETTER FROM THE BOARD

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a final dividend; (iii) the re-election of Directors; (iv) the re-appointment of auditor and authorising the Board to fix its remuneration; (v) the grant of the Issue Mandate and the Buy-back Mandate; and (vi) the proposed adoption of the New Share Option Scheme.

### **2. RECEIPT OF THE AUDITED FINANCIAL STATEMENTS**

The audited consolidated financial statements of the Company for the year ended 31 December 2019 together with the Report of the Directors and the Independent Auditor's Report, are set out in the Annual Report 2019 which are available in English and Chinese languages under the "Investor Relations" section of the Company's website at [www.aia.com](http://www.aia.com). The consolidated financial statements were audited by the Company's external auditor, PricewaterhouseCoopers ("PwC"), and reviewed by the Audit Committee. The Independent Auditor's Report is set out on pages 125 to 131 of the Annual Report 2019.

### **3. DECLARATION OF A FINAL DIVIDEND**

The Board has recommended an increase in the payment of a final dividend for the year ended 31 December 2019 by 10% to 93.30 Hong Kong cents per Share, consistent with the Company's established prudent, sustainable and progressive dividend policy. The dividend reflects the strength of the Group's financial results and the Board's continued confidence in the future prospects of the Group. The recommended dividend is subject to Shareholders' approval at the 2020 AGM.

### **4. RE-ELECTION OF DIRECTORS**

Mr. Edmund Sze-Wing Tse, Mr. Jack Chak-Kwong So and Mr. Mohamed Azman Yahya shall retire from office by rotation at the 2020 AGM pursuant to Article 100 of the Articles of Association and, being eligible, will offer themselves for re-election at the 2020 AGM.

Mr. Tse is the Independent Non-executive Chairman and an Independent Non-executive Director of the Company. He was appointed a Non-executive Director of the Company on 27 September 2010 and elected Non-executive Chairman on 1 January 2011. He was re-designated as the Independent Non-executive Chairman and an Independent Non-executive Director on 23 March 2017. Prior to these, Mr. Tse had held a number of senior executive positions during almost 59 years with the Group and its predecessor, American International Group, Inc., including the Honorary Chairman of AIA Company Limited from July 2009 to December 2010, Chairman and Chief Executive Officer from 2000 to June 2009 and President and Chief Executive Officer from 1983 to 2000. His extensive insurance industry knowledge and experience, together with his in-depth understanding of the Group's operations and business gained throughout the years, has enabled him to provide effective leadership to the Board as the Independent Non-executive Chairman and to contribute meaningfully and objectively to the Company as an Independent Non-executive Director. With his wealth of skills, knowledge and experience, the Nomination Committee and the Board are of the view that Mr. Tse contributes to the diversity of the Board. His contribution to the Company is also demonstrated while serving as Chairman of the Board since 2011, the Chairman of the Nomination Committee

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## LETTER FROM THE BOARD

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since 2012, as well as a member of the Risk Committee and the Remuneration Committee since 2010 and 2016 respectively. Notwithstanding that Mr. Tse has served the Board for more than nine years, he continues to demonstrate strong independence and a firm commitment to his role and brings valuable experience to the Board in support of promoting the best interests of the Company and the Shareholders. In addition, Mr. Tse has no financial or family relationships with any Director, senior management, substantial Shareholder or controlling Shareholder (as defined in the Listing Rules) of the Company.

Mr. So was appointed a Non-executive Director of the Company on 28 September 2010 and re-designated as an Independent Non-executive Director of the Company on 26 September 2012. As an Independent Non-executive Director, Mr. So brings a deep and diverse commercial background to his role, including his extensive experience in international advisory, banking and finance. He has developed an in-depth understanding of the Group's operations and business, all of which has enabled him to contribute meaningfully and objectively to the Company as a Director. With his wealth of skills, knowledge and experience, the Nomination Committee and the Board are of the view that Mr. So contributes to the diversity of the Board. His contribution to the Company is also demonstrated while serving as the Chairman of Remuneration Committee since 2012, as well as a member of the Audit Committee and the Nomination Committee since 2010. Notwithstanding that Mr. So has served the Board for more than nine years, he continues to demonstrate strong independence and a firm commitment to his role and brings valuable experience to the Board in support of promoting the best interests of the Company and the Shareholders. In addition, Mr. So has no financial or family relationships with any Director, senior management, substantial Shareholder or controlling Shareholder (as defined in the Listing Rules) of the Company.

Mr. Yahya has been an Independent Non-executive Director since February 2014. As an Independent Non-executive Director, Mr. Yahya likewise brings a deep and diverse commercial background to his role, including his extensive financial experience in banking, capital markets and asset management. This experience coupled with his knowledge of financial markets and understanding of the Group's operations and business, has enabled him to contribute meaningfully and objectively to the Company as a Director. With his wealth of skills, knowledge and experience, the Nomination Committee and the Board are of the view that Mr. Yahya contributes to the diversity of the Board. His contribution to the Company is also demonstrated while serving as a member of the Nomination Committee and the Remuneration Committee since 2014. He continues to demonstrate strong independence and a firm commitment to his role and brings valuable experience to the Board in support of promoting the best interests of the Company and the Shareholders. In addition, Mr. Yahya has no financial or family relationships with any Director, senior management, substantial Shareholder or controlling Shareholder (as defined in the Listing Rules) of the Company.

The Company received the annual confirmation of independence from Mr. Tse, Mr. So and Mr. Yahya. The Nomination Committee has assessed the independence of Mr. So and Mr. Yahya and formed the view that each of them continues to be independent in character and judgement, and that each of them has met the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent. The Company is satisfied that Mr. Tse is independent

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## LETTER FROM THE BOARD

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pursuant to Rule 3.13 of the Listing Rules on the basis that since his appointment as a Non-executive Director of the Company on 27 September 2010, save for currently being a director of AIA Foundation (a subsidiary of the Company), Mr. Tse has not held any executive or management role or function in the Company or any of its subsidiaries, and at no time during that period has he been employed by the Company or any of its subsidiaries. He has not taken part in the day-to-day management of the Company or its subsidiaries beyond his attendance at and participation in board and committee meetings of the Group. In view of the above, the Nomination Committee has formed the view that Mr. Tse is also considered to be independent for the purpose of his re-election as an Independent Non-executive Director at the 2020 AGM.

In view of the above, and based on the recommendation from the Nomination Committee, the Board considers that the re-election of each of Mr. Tse, Mr. So and Mr. Yahya is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommended Mr. Tse, Mr. So and Mr. Yahya to stand for re-election as Independent Non-executive Directors at the 2020 AGM.

Biographical details of the Directors standing for re-election at the 2020 AGM are set out in Appendix I to this circular.

### **5. RE-APPOINTMENT OF AUDITOR AND AUTHORISING THE BOARD TO FIX ITS REMUNERATION**

For the year ended 31 December 2019, the remuneration payable by the Group to PwC was approximately US\$26,000,000 (for the thirteen-month period ended 31 December 2018: US\$23,000,000), of which approximately US\$18,900,000 (for the thirteen-month period ended 31 December 2018: US\$16,700,000) was for audit services.

In addition to approving the remuneration of PwC, the Audit Committee also reviewed its work, and was satisfied with its independence, objectivity, and the effectiveness of the audit process. The Audit Committee recommended to the Board to re-appoint PwC as external auditor. PwC has expressed its willingness to continue in office and the Board recommended it to be re-appointed.

### **6. ISSUE MANDATE AND BUY-BACK MANDATE**

Pursuant to the ordinary resolution passed by the Shareholders at the last annual general meeting of the Company held on 17 May 2019, general mandates were given to the Directors to issue new Shares and to buy back existing Shares. Such general mandates will lapse at the conclusion of the 2020 AGM. Accordingly, the Company seeks Shareholders' approval to renew this authority, subject to the restrictions described in ordinary resolutions numbered 7(A) and 7(B) in the 2020 AGM Notice, which are summarised herein below.

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## LETTER FROM THE BOARD

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The Issue Mandate is limited to 10% of the number of Shares in issue as at the date of the passing of the relevant resolution. This is significantly lower than the permissible size of 20% under the Listing Rules. For clarity, Shares bought back through any exercise of the Buy-back Mandate will not be added to the number of Shares that may be issued under the Issue Mandate. In addition, in the case of a placing or open offer of securities, any Shares to be issued for cash under the authority granted by the Issue Mandate (other than on the vesting of awards under the Agency Share Purchase Plan, the terms of which are summarised in the Annual Report 2019, or any other agency share purchase plan from time to time) will only be issued subject to a maximum discount of 10% to the “benchmarked price” (defined with reference to Rule 13.36(5) of the Listing Rules). Shareholders may wish to take note that the proposed discount limit is more restrictive than the requirements of the Listing Rules which permit a maximum discount of 20% to the benchmarked price for any issue of shares in a placement for cash pursuant to a general mandate.

The Issue Mandate is necessary to give the Directors some flexibility to allot Shares where they believe it is in the best interests of the Shareholders to do so, in particular, pursuant to any capital raising or other strategic needs that may arise from time to time.

The Directors may issue new Shares under the Issue Mandate for, among other purposes, issuance of matching shares under the agency share purchase plan of the Company from time to time. Under the current Agency Share Purchase Plan, the participants will receive one matching Share for each two Shares purchased under the plan upon satisfaction of certain vesting conditions, and they are required to pay a subscription price of US\$1.00 for each new matching Share issued to them by the Company pursuant to the Issue Mandate.

The Issue Mandate and the Buy-back Mandate, if approved at the 2020 AGM, will continue to be in force until the conclusion of the next annual general meeting of the Company or the expiry of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first.

Pursuant to the ordinary resolution passed by the Shareholders at the last annual general meeting of the Company held on 17 May 2019, a scheme mandate was given to the Directors to allot, issue, procure the transfer of and otherwise deal with Shares underlying any RSU Awards granted under the RSU Scheme, subject to a maximum of 301,100,000 Shares. Such mandate will lapse at the conclusion of the 2020 AGM. As the RSU Scheme is due to expire on 28 September 2020 and the Company does not have any present intention to allot and issue any new Shares for the purposes of satisfying any RSU Awards under the RSU Scheme, the Company will not seek to renew such authority from the Shareholders.

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## LETTER FROM THE BOARD

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The Company currently expects to adopt a new restricted share unit scheme of the Company on or before the expiry of the RSU Scheme and any new Shares to be allotted and issued for the purposes of satisfying any restricted share awards under such new scheme will be allotted and issued pursuant to the Issue Mandate, if approved at the 2020 AGM, and any other general mandates to issue new Shares to be obtained at future general meetings of the Company.

Details of the Issue Mandate and the Buy-back Mandate are set out in ordinary resolutions numbered 7(A) and 7(B) in the 2020 AGM Notice. An explanatory statement as required by the Listing Rules to provide the Shareholders with all the information reasonably necessary to enable them to make an informed decision on the proposed resolution for the granting of the Buy-back Mandate is set out in Appendix II to this circular.

### **7. PROPOSED ADOPTION OF NEW SHARE OPTION SCHEME AND TERMINATION OF EXISTING SHARE OPTION SCHEME**

The Existing Share Option Scheme has a term of 10 years and is due to expire on 28 September 2020. In light of the expiry of the Existing Share Option Scheme and in order to ensure continuity of a share option scheme for the Company to align the scheme participants' interests with those of the Group through ownership of Shares, the Company would like to seek approval of the Shareholders to adopt the New Share Option Scheme and simultaneously terminate the operation of the Existing Share Option Scheme.

Upon the termination of the Existing Share Option Scheme, no further options can be granted thereunder, but its provisions shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted thereunder prior to its termination which remain outstanding, and the exercise of such options shall be subject to and in accordance with the terms on which they were granted, the provisions of the Existing Share Option Scheme and the Listing Rules.

#### **Purposes of the New Share Option Scheme**

The purposes of the New Share Option Scheme are to align the Participants' interests with those of the Group through ownership of Shares and/or the increase in value of Shares, and to encourage and retain Participants to make contributions to the long-term growth and profits of the Group, with a view to achieving the objective of increasing the value of the Group. The New Share Option Scheme will be valid and effective for a period of 10 years, commencing on the Adoption Date.

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## LETTER FROM THE BOARD

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### **Key Features of the New Share Option Scheme**

– ***Grant of Options***

To serve the purposes of the New Share Option Scheme, when granting any Option, the Board shall consider and specify in a grant letter, among other things, the number of Shares comprised in the Option, the period within which the Option must be exercised, the Subscription Price and exercise criteria and conditions, length of the holding period during which Shares awarded following the exercise of the Option must continue to be held in accordance with applicable law and will require the selected person to undertake to hold the Option on the terms on which it is granted and to be bound by the provisions of the New Share Option Scheme.

– ***Restriction on grant of Options to Directors, chief executive or substantial Shareholder***

No Director or any of his associates shall be involved in reviewing and/or approving his/her own remuneration. In addition, the New Share Option Scheme expressly states that any grant of Options under the New Share Option Scheme proposed to be made to a selected person who is, among others, a director, chief executive or substantial shareholder of the Company, or any of their respective associates must be first approved by the independent non-executive Directors.

Any grant to a substantial shareholder of the Company or any of its associates, must be approved by the Shareholders in a general meeting if the Shares issued and to be issued upon exercise of all Options already granted and proposed to be granted to that person under the New Share Option Scheme and any options granted and to be granted under any other share option scheme(s) of the Company and/or its subsidiaries (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed Grant Date of such Options: (i) would represent in aggregate more than 0.1% of the number of Shares then in issue; and (ii) would have an aggregate value, based on the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on each relevant Grant Date, in excess of HK\$5 million.

– ***Conditions, restrictions or limitation on the exercise of Options***

Under the New Share Option Scheme, the Board may in its discretion determine the Option Period and Pre-Option Period of the Option, provided that the commencement of the Option Period must not be shorter than 6 months from the date of acceptance. Generally, share options become exercisable three years after the date of grant, subject to the participants continue employment with the Group in good standing or retirement without any performance target.

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## LETTER FROM THE BOARD

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### – *Subscription Price*

The Subscription Price at which a Participant may subscribe for Shares upon exercise of an Option will, subject to any adjustment under the terms of the New Share Option Scheme, be a price determined by the Board and set out in the relevant grant letter, but in any event shall be at least the higher of:

- (i) the closing price of the Shares, as stated in the Hong Kong Stock Exchange's daily quotation sheets on the Grant Date (which must be a Business Day);
- (ii) the average closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Grant Date.

### – *Share Option Scheme Limit*

As at the Latest Practicable Date, the total number of Shares in issue was 12,089,063,679 Shares. On the basis that no further Shares are issued between the Latest Practicable Date and the Adoption Date, the limit on the total number of Shares which may be issued upon exercise of all Options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company is expected to be 302,226,591 Shares, being 2.5% of the number of Shares in issue as at the Adoption Date. For the avoidance of doubt, any Shares which may be issued upon exercise of any share options that have granted under the Existing Share Option Scheme prior to its termination shall be counted towards such limit. As at the Latest Practicable Date, outstanding options that have been granted under the Existing Share Option Scheme would entitle their holders to subscribe for a total of 29,467,812 Shares.

### – *Value of Options*

The Board considers that it is not appropriate to state the value of all Options that can be granted pursuant to the New 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 but are not limited to the Subscription Price, the Option Period and the Pre-Option Period in respect of the Option and the exercise criteria and conditions that an Option is subject to. The Board is of the view that any calculation of the value of the Options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

### **Compliance with the Listing Rules**

The provisions of the New Share Option Scheme will comply with the requirements of Chapter 17 of the Listing Rules. With respect to the operation of the New Share Option Scheme, the Company will, where applicable, comply with the relevant requirements under Chapter 17 of the Listing Rules.



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## LETTER FROM THE BOARD

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### Conditions to the adoption of the New Share Option Scheme

The New Share Option Scheme shall take effect subject to:

- (i) the passing of a resolution by the Company in general meeting to approve the adoption of the New Share Option Scheme and to authorise the Board to grant Options under the New Share Option Scheme and to allot, issue, and otherwise deal with Shares in connection with the New Share Option Scheme; and
- (ii) the Hong Kong Stock Exchange granting approval for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the Options under the New Share Option Scheme.

An application will be made to the Hong Kong Stock Exchange for the approval referred to in (ii) above.

A summary of the principal terms of the New Share Option Scheme is set out in Appendix III to this circular. A copy of the rules of the New Share Option Scheme is available for inspection at the Company's registered office at 35/F, AIA Central, No. 1 Connaught Road Central, Hong Kong from 9:00 a.m. to 5:00 p.m. from 14 May 2020 to 29 May 2020 and at the 2020 AGM.

### 8. 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 Company. 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.

### 9. ANNUAL GENERAL MEETING

The 2020 AGM Notice is set out on pages 17 to 22 of this circular. At the 2020 AGM, relevant resolutions will be proposed to approve the receipt of the audited financial statements, the declaration of a final dividend, the re-election of Directors, the re-appointment of auditor and authorising the Board to fix its remuneration, the grant of the Issue Mandate and the Buy-back Mandate, and the proposed adoption of New Share Option Scheme.

As a registered Shareholder, you are entitled to attend and vote at the 2020 AGM in person. Whether or not you intend to attend the 2020 AGM or any adjournment thereof, please complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon

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## LETTER FROM THE BOARD

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as possible and in any event not less than 48 hours before the time appointed for holding the 2020 AGM or any adjournment thereof. You may appoint one or more proxies to attend and vote on your behalf. A proxy need not be a Shareholder. Completion and return of the proxy form will not preclude you from attending and voting in person at the 2020 AGM or any adjournment thereof should you so wish. In the event that a Shareholder who has lodged a proxy form attends the 2020 AGM, his/her proxy form will be deemed to have been revoked.

As a non-registered Shareholder (i.e. your Shares are held through an intermediary or a nominee), you may give instructions to your intermediary or nominee to vote on your behalf or appoint you as a representative to attend and vote at the 2020 AGM.

### 10. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, the chairman of the 2020 AGM will exercise his right to demand a poll pursuant to Article 70 of the Articles of Association on each of the resolutions to be proposed at the 2020 AGM except where the chairman of the 2020 AGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

After closure of the 2020 AGM, the poll results will be published on the websites of both the Hong Kong Exchanges and Clearing Limited and the Company.

### 11. RECOMMENDATION

The Directors consider that the receipt of the audited financial statements, the declaration of a final dividend, the re-election of Directors, the re-appointment of auditor and authorising the Board to fix its remuneration, the grant of the Issue Mandate and the Buy-back Mandate, and the proposed adoption of New Share Option Scheme are in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of all the resolutions to be proposed at the 2020 AGM.

No Shareholder is required to abstain from voting in respect of any of the resolutions to be proposed at the 2020 AGM.

Yours faithfully,  
On behalf of the Board  
**Edmund Sze-Wing Tse**  
*Independent Non-executive Chairman*

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## NOTICE OF ANNUAL GENERAL MEETING

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**AIA Group Limited**  
**友邦保險控股有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**Stock Code: 1299**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of AIA Group Limited (the “Company”) will be held at the Grand Ballroom, Lower Level 1, Kowloon Shangri-La, 64 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 29 May 2020 at 11:00 a.m. for the following purposes:

### **ORDINARY RESOLUTIONS**

1. To receive the audited consolidated financial statements of the Company, the Report of the Directors and the Independent Auditor’s Report for the year ended 31 December 2019.
2. To declare a final dividend of 93.30 Hong Kong cents per share for the year ended 31 December 2019.
3. To re-elect Mr. Edmund Sze-Wing Tse as Independent Non-executive Director of the Company.
4. To re-elect Mr. Jack Chak-Kwong So as Independent Non-executive Director of the Company.
5. To re-elect Mr. Mohamed Azman Yahya as Independent Non-executive Director of the Company.
6. To re-appoint PricewaterhouseCoopers as auditor of the Company and to authorise the board of directors of the Company (the “Board”) to fix its remuneration.

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## NOTICE OF ANNUAL GENERAL MEETING

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7. To consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolutions of the Company in relation to the proposed grant of general mandates to the Board:

(A) **“THAT:**

- (a) subject to sub-paragraph (c) of this resolution and pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the Company, to grant rights to subscribe for, or to convert any security into, shares of the Company (including the issue of any securities convertible into shares, or options, warrants or similar rights to subscribe for any shares) and to make, enter into or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in sub-paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to make, enter into or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares in the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of shares in the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in sub-paragraphs (a) and (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below), or (ii) the exercise of rights of subscription or conversion under the terms of any options, warrants or similar rights granted by the Company or any securities which are convertible into shares in the Company, or (iii) the grant of options or an issue of shares in the Company upon the exercise of options granted under any share option scheme adopted by the Company from time to time, or (iv) any scrip dividend or similar arrangement providing for the allotment and issue of shares in the Company in lieu of the whole or part of a dividend on shares in the Company in accordance with the articles of association of the Company, shall not exceed 10 per cent of the number of shares of the Company in issue as at the date of the passing of this resolution (as such number of shares may be adjusted in the event of any consolidation or subdivision of shares of the Company after the date of this resolution), and the said approval shall be limited accordingly, and

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## NOTICE OF ANNUAL GENERAL MEETING

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any refreshments of the approval in sub-paragraph (a) of this resolution before the next annual general meeting of the Company are subject to prior approval of the shareholders of the Company at its general meeting;

- (d) any shares in the Company to be allotted, issued or dealt with (whether wholly or partly for cash or otherwise) pursuant to the approval in sub-paragraphs (a) and (b) of this resolution (other than on the vesting of awards under the agency share purchase plan adopted by the Company on 23 February 2012) shall not be at a discount of more than 10 per cent to the Benchmarked Price (as defined below) of such shares in the Company, save for any issue of securities convertible into new shares of the Company for cash consideration pursuant to the approval in sub-paragraphs (a) and (b) of this resolution, where the initial conversion price shall not be lower than the Benchmarked Price of the shares of the Company at the time of the placing; and
- (e) for the purposes of this resolution:

“Benchmarked Price” means the higher of:

- (i) the closing price of the shares in the Company as quoted on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on the date of the agreement involving the relevant proposed issue of shares in the Company; and
- (ii) the average closing price of the shares in the Company as quoted on the Hong Kong Stock Exchange for the five business days immediately preceding the earlier of the date: (A) of announcement of the transaction or arrangement involving the relevant proposed issue of shares in the Company, (B) of the agreement involving the relevant proposed issue of shares in the Company, and (C) on which the price of shares in the Company that are proposed to be issued is fixed.

“Relevant Period” means the period from the passing of this resolution until the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiry 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 date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

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## NOTICE OF ANNUAL GENERAL MEETING

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“Rights Issue” means an offer of shares of the Company or an offer or issue of warrants or options or similar instruments to subscribe for, or of securities convertible into, shares of the Company open for a period fixed by the Directors to holders of shares in the Company or any class thereof on the register of members on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company).”

(B) **“THAT:**

- (a) subject to sub-paragraph (b) of this resolution and pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to buy back shares of the Company on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission of Hong Kong and the Hong Kong Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission of Hong Kong, the Hong Kong Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares in the Company which may be bought back pursuant to the approval in sub-paragraph (a) of this resolution shall not exceed 10 per cent of the number of shares in the Company in issue as at the date of the passing of this resolution (as such number of shares may be adjusted in the event of any consolidation or subdivision of shares of the Company after the date of 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 the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company;

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## NOTICE OF ANNUAL GENERAL MEETING

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- (ii) the expiry 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 date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.”
8. To consider and, if thought fit, pass with or without modification, the following resolution as an ordinary resolution of the Company:

**“THAT:**

- (a) conditional upon The Stock Exchange of Hong Kong Limited granting the approval of the listing of, and permission to deal in, the shares of the Company which may fall to be allotted and issued upon the exercise of any options to be granted under the new share option scheme of the Company (the “New Share Option Scheme”), the terms and conditions of which are set out in the document marked “A” produced to the meeting and signed by the chairman of the meeting, the New Share Option Scheme be and is hereby approved and adopted by the Company;
- (b) the Directors of the Company be and are hereby authorised to grant options to subscribe for shares of the Company thereunder and to allot, issue, procure the transfer of and otherwise deal with any shares of the Company in connection with the New Share Option Scheme and to do all such acts as they may in their absolute discretion consider necessary or expedient in order to give full effect to the New Share Option Scheme; and
- (c) subject to and conditional upon this resolution being passed as an ordinary resolution and becoming unconditional, the share option scheme adopted by the Company on 28 September 2010 (the “Existing Share Option Scheme”) be and is hereby terminated with immediate effect except that the Existing Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any option granted under the Existing Share Option Scheme prior to its termination, or otherwise to the extent as may be required in accordance with the terms of the Existing Share Option Scheme.”

By Order of the Board  
**Nicole Pao**  
*Group Company Secretary*

Hong Kong, 27 April 2020

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## NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

1. **All shareholders of the Company who will be attending the 2020 annual general meeting of the Company (“2020 AGM”) in person should read the section headed “Precautionary Measures for the 2020 Annual General Meeting” on page 1 of the circular of the Company for the 2020 AGM dated 27 April 2020.**
2. The register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both days inclusive) during which period no transfer of share(s) will be registered. To be eligible to attend and vote at the 2020 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 25 May 2020.

In order to qualify for the entitlement of the final dividend to be approved at the 2020 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 4 June 2020, being the record date for determining the entitlement to the final dividend for the year ended 31 December 2019.

3. A shareholder of the Company entitled to attend and vote at the 2020 AGM is entitled to appoint one or more proxies to attend and vote on his/her behalf. A proxy need not be a shareholder of the Company.
4. In order to be valid, a proxy form and the 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 Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the 2020 AGM or any adjournment thereof. Completion and return of the proxy form will not preclude any shareholder of the Company from attending and voting in person at the 2020 AGM or any adjourned meeting should he/she so wish.
5. Where there are joint registered holders of any shares, any one of such persons may vote at the 2020 AGM or any adjourned meeting, either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto; but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
6. Shareholders of the Company having any queries relating to the 2020 AGM may call the hotline of the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at (852) 2862 8555 during business hours from 9:00 a.m. to 6:00 p.m. (Hong Kong time) Mondays to Fridays, excluding public holidays.

As at the date of this circular, the Board comprises:

*Independent Non-executive Chairman and Independent Non-executive Director:*

Mr. Edmund Sze-Wing Tse

*Executive Director:*

Mr. Ng Keng Hooi

*Independent Non-executive Directors:*

Mr. Jack Chak-Kwong So, Mr. Chung-Kong Chow, Mr. John Barrie Harrison, Mr. George Yong-Boon Yeo, Mr. Mohamed Azman Yahya, Professor Lawrence Juen-Yee Lau, Ms. Swee-Lian Teo, Dr. Narongchai Akrasanee and Mr. Cesar Velasquez Purisima



*Details of the retiring Directors proposed to be re-elected at the 2020 AGM are set out as follows:*

**1. MR. EDMUND SZE-WING TSE, INDEPENDENT NON-EXECUTIVE CHAIRMAN AND INDEPENDENT NON-EXECUTIVE DIRECTOR**

Aged 82, is the Independent Non-executive Chairman and an Independent Non-executive Director of the Company. He was appointed Non-executive Director of the Company on 27 September 2010 and elected Non-executive Chairman on 1 January 2011. He was re-designated as the Independent Non-executive Chairman and an Independent Non-executive Director of the Company on 23 March 2017. Mr. Tse is also the Chairman of the Nomination Committee and a member of the Remuneration Committee and the Risk Committee of the Company. He is a director of AIA Foundation. Mr. Tse's appointments during almost 59 years with the Group and its predecessor, American International Group, Inc., include serving as Honorary Chairman of AIA Company Limited from July 2009 to December 2010, Chairman and Chief Executive Officer from 2000 to June 2009 and President and Chief Executive Officer from 1983 to 2000. He also served as Chairman of The Philippine American Life and General Insurance (PHILAM LIFE) Company from 2005 to 2015. Mr. Tse is a non-executive director of PCCW Limited (listed on the Hong Kong Stock Exchange) and a director of Bridge Holdings Company Limited. Mr. Tse is also a member of the membership committee and a fellow of the Hong Kong Academy of Finance. He served as a non-executive director of PineBridge Investments Limited from 2012 to 2014 and a non-executive director of PICC Property and Casualty Company Limited (listed on the Hong Kong Stock Exchange) from 2004 to July 2014. In recognition of his outstanding contributions to the development of Hong Kong's insurance industry, Mr. Tse was awarded the Gold Bauhinia Star by the HKSAR Government in 2001. Mr. Tse received an honorary fellowship and an honorary degree of Doctor of Social Sciences from The University of Hong Kong in 1998 and 2002, respectively. He also received an honorary degree of Doctor of Business Administration from Lingnan University in 2018. In 2003, he was elected to the prestigious Insurance Hall of Fame and in 2017, Mr. Tse was awarded the first ever Lifetime Achievement Award at the Pacific Insurance Conference in recognition of his outstanding contribution to the insurance industry.

Mr. Tse's appointment is for a term of approximately three years from the 2020 AGM, subject to the directors' retirement and re-election requirements under the Articles of Association and the Corporate Governance Code.

As at the Latest Practicable Date, Mr. Tse holds 3,360,400 Shares and/or underlying Shares as beneficial owner and 200,000 Shares and/or underlying Shares through controlled corporation, together representing 0.02% of the total number of Shares in issue. Save as disclosed above, Mr. Tse does not hold any Shares within the meaning of Part XV of the SFO.

Details of Mr. Tse's remuneration are set out in the Remuneration Report and note 41 to the financial statements in the Annual Report 2019.

Save as disclosed above, Mr. Tse has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Mr. Tse does not have any relationship with any Director, senior management, substantial Shareholder or controlling Shareholder (as defined in the Listing Rules) of the Company.

Save as disclosed above, there is no information about Mr. Tse that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

## **2. MR. JACK CHAK-KWONG SO, INDEPENDENT NON-EXECUTIVE DIRECTOR**

Aged 75, is an Independent Non-executive Director of the Company. He was appointed a Non-executive Director of the Company on 28 September 2010 and re-designated as an Independent Non-executive Director of the Company on 26 September 2012. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. From August 2007 to September 2010, Mr. So served as an independent non-executive director of AIA Company Limited. He is currently an independent non-executive director of China Resources Power Holdings Co. Ltd. (listed on the Hong Kong Stock Exchange) and the Chairman of Airport Authority Hong Kong. He is also an independent senior advisor to Credit Suisse, Greater China and a non-official member of the Chief Executive's Council of Advisers on Innovation and Strategic Development. Mr. So was Chairman of the Consultative Committee on Economic and Trade Co-operation between Hong Kong and Mainland China from October 2013 to December 2015. Mr. So was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by the HKSAR Government in 2011 and 2017, respectively. Mr. So served as an executive director of the Hong Kong Trade Development Council from 1985 to 1992 and served as its Chairman from 2007 to 2015. He was an independent non-executive director of Cathay Pacific Airways Limited (listed on the Hong Kong Stock Exchange) from 2002 to 2015, a non-executive director of The Hongkong and Shanghai Banking Corporation Limited from 2000 to 2007, the Chairman of the Hong Kong Film Development Council from 2007 to 2013 and a member of the Chinese People's Political Consultative Conference from 2008 to 2018.

Mr. So's appointment is for a term of approximately three years from the 2020 AGM, subject to the directors' retirement and re-election requirements under the Articles of Association and the Corporate Governance Code.

As at the Latest Practicable Date, Mr. So holds 130,000 Shares and/or underlying Shares through his beneficially wholly owned company, Cyber Project Developments Limited, representing less than 0.01% of the total number of Shares in issue. Save as disclosed above, Mr. So does not hold any Shares within the meaning of Part XV of the SFO.

Details of Mr. So's remuneration are set out in the Remuneration Report and note 41 to the financial statements in the Annual Report 2019.

Save as disclosed above, Mr. So has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Mr. So does not have any relationship with any Director, senior management, substantial Shareholder or controlling Shareholder (as defined in the Listing Rules) of the Company.

Save as disclosed above, there is no information about Mr. So that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

**3. MR. MOHAMED AZMAN YAHYA (ALIAS: MOHAMED AZMAN BIN YAHYA),  
INDEPENDENT NON-EXECUTIVE DIRECTOR**

Aged 56, is an Independent Non-executive Director of the Company, having been appointed on 24 February 2014. He is also a member of the Nomination Committee and the Remuneration Committee of the Company. Mr. Yahya is the Executive Chairman of Symphony Life Berhad and the Independent Non-executive Chairman of Ranhill Holdings Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. Mr. Yahya is a director and Chairman of various companies, including Symphony House Sdn Bhd (formerly known as Symphony House Berhad) and Sepang International Circuit Sdn Bhd. He started his career at KPMG in London and thereafter worked in a variety of roles in investment banking, ultimately being named chief executive of Amanah Merchant Bank. In 1998, he was tasked by the Malaysian Government to set-up and head Danaharta, the national asset management company. He was also the Chairman of the Corporate Debt Restructuring Committee, set up by Bank Negara Malaysia to mediate and assist in debt restructuring programmes of viable companies. Mr. Yahya was a director of Khazanah Nasional Berhad, the Malaysian government investment arm, from 2004 to 2018, a director of Ekuiti Nasional Berhad, a government linked private equity fund management company, from 2009 to 2019, and an independent non-executive director of Sime Darby Berhad from 2017 to 2019. Mr. Yahya was the Non-executive Chairman of Ranhill Holdings Berhad before his re-designation as Independent Non-executive Chairman with effective from 2 February 2019. Mr. Yahya received his BSc Economics (First Class) from the London School of Economics and Political Science in 1985 and is a member of the Institute of Chartered Accountants in England and Wales, the Malaysian Institute of Accountants and a fellow of the Institute of Bankers Malaysia.

Mr. Yahya's appointment is for a term of approximately three years from the 2020 AGM, subject to the directors' retirement and re-election requirements under the Articles of Association and the Corporate Governance Code.

As at the Latest Practicable Date, Mr. Yahya does not hold any Shares within the meaning of Part XV of the SFO.

Details of Mr. Yahya's remuneration are set out in the Remuneration Report and note 41 to the financial statements in the Annual Report 2019.

Save as disclosed above, Mr. Yahya has not held any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years. Mr. Yahya does not have any relationship with any Director, senior management, substantial Shareholder or controlling Shareholder (as defined in the Listing Rules) of the Company.

Save as disclosed above, there is no information about Mr. Yahya that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

*This serves as an explanatory statement, as required to be sent to all Shareholders under the Listing Rules, to provide the relevant information in connection with the Buy-back Mandate and also constitutes the memorandum required under Section 239 of the Companies Ordinance.*

## **1. EXERCISE OF THE BUY-BACK MANDATE**

As at the Latest Practicable Date, the number of Shares in issue was 12,089,063,679 Shares.

Subject to the passing of the resolution in relation to the Buy-back Mandate and on the basis that no further Shares are issued or bought back by the Company from the Latest Practicable Date and up to the date of the 2020 AGM, the Company will be allowed under the Buy-back Mandate to buy back a maximum of 1,208,906,367 Shares (representing 10% of the number of Shares in issue) during the period from the date of the passing of the ordinary resolution numbered 7(B) in the 2020 AGM Notice set out on pages 17 to 22 of this circular up to:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiry of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; and
- (iii) the date on which the authority set out in the ordinary resolution numbered 7(B) is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

For clarity, Shares bought back through any exercise of the Buy-back Mandate will not be added to the number of Shares that may be issued under the Issue Mandate.

## **2. SOURCE OF FUNDS**

In buying back the Shares, the Company must be funded from the funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of Hong Kong. The Company may not buy back the Shares on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the above, the Company may make buy-backs with funds which would otherwise be available for dividend or distribution or out of an issue of new Shares for the purpose of the buy-backs.

## **3. REASONS FOR THE BUY-BACKS**

The Directors believe that it is in the Company's and the Shareholders' best interests for the Directors to have general authority to execute buy-backs of the Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when the Directors believe that such buy-backs will benefit the Company and the Shareholders as a whole.

#### 4. FUNDING OF BUY-BACKS

In buying back the Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the applicable laws of Hong Kong and the Listing Rules.

On the basis of the financial position of the Company as disclosed in the Annual Report 2019 and taking into account the current working capital position of the Company, the Directors believe that, if the Buy-back Mandate is to be exercised in full, it might have a material adverse effect on its working capital as compared with the position disclosed in the Annual Report 2019. However, the Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

#### 5. CONFIRMATION

The Company confirms that this explanatory statement contains the information required under Rule 10.06(1)(b) of the Listing Rules and that neither this explanatory statement nor the Buy-back Mandate has any unusual features.

#### 6. GENERAL

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to the Company or its subsidiaries if the Buy-back Mandate is granted by the Shareholders.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules, the Articles of Association, the Companies Ordinance and any other applicable laws of Hong Kong.

If, as a result of any buy-back of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of the Takeovers Code. Accordingly, a Shareholder or a 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 Rule 26 of the Takeovers Code. The Directors are not aware of any consequences which would arise under the Takeovers Code as a result of an exercise of the Buy-back Mandate.

No core connected person (as defined in the Listing Rules) has notified the Company that he or she or it has a present intention to sell his or her or its Shares to the Company, or has undertaken not to do so, if the Buy-back Mandate is exercised.

## 7. SHARE BUY-BACK MADE BY THE COMPANY

Save for the purchases of 2,262,225 Shares under the Employee Share Purchase Plan of the Company at a total consideration of approximately US\$22 million (equivalent to HK\$175 million) in the six months up to the Latest Practicable Date, no purchase of Shares has been made by the Company during the same period. These purchases were made by the plan trustees on the Hong Kong Stock Exchange. These Shares are held on trust for participants of the Employee Share Purchase Plan and therefore were not cancelled. The average prices for the Shares purchased by the trustee under the Employee Share Purchase Plan during the six months up to the Latest Practicable Date were as follows:

| <b>Date of purchase</b> | <b>Number of Shares purchased</b> | <b>Average price per Share (HK\$)</b> |
|-------------------------|-----------------------------------|---------------------------------------|
| 15 November 2019        | 375,402                           | 77.3909                               |
| 16 December 2019        | 356,558                           | 81.8453                               |
| 15 January 2020         | 335,150                           | 87.5065                               |
| 17 February 2020        | 362,121                           | 81.2047                               |
| 16 March 2020           | 436,748                           | 66.6653                               |
| 15 April 2020           | 396,246                           | 71.9111                               |

## 8. SHARE PRICES

The highest and lowest prices at which the Shares have been traded on the Hong Kong Stock Exchange during each of the twelve months before the Latest Practicable Date were as follows:

|   | <b>Price per Share</b> |                      |
|---|------------------------|----------------------|
|   | <b>Highest (HK\$)</b>  | <b>Lowest (HK\$)</b> |
| <b>2019</b>                               |                        |                      |
| April                                     | 81.50                  | 78.45                |
| May                                       | 83.90                  | 73.50                |
| June                                      | 84.40                  | 72.10                |
| July                                      | 88.50                  | 80.25                |
| August                                    | 80.35                  | 72.55                |
| September                                 | 80.80                  | 73.05                |
| October                                   | 79.00                  | 71.30                |
| November                                  | 84.00                  | 75.80                |
| December                                  | 82.65                  | 76.50                |
| <b>2020</b>                               |                        |                      |
| January                                   | 87.80                  | 77.55                |
| February                                  | 82.35                  | 75.90                |
| March                                     | 77.65                  | 60.05                |
| April (up to the Latest Practicable Date) | 73.25                  | 67.80                |

The following is a summary of the principal terms of the New Share Option Scheme.

### 1. PURPOSES OF THE NEW SHARE OPTION SCHEME

The purposes of the New Share Option Scheme are to align the Participants' interests with those of the Group through ownership of Shares and/or the increase in value of Shares, and to encourage and retain Participants to make contributions to the long-term growth and profits of the Group, with a view to achieving the objective of increasing the value of the Group.

### 2. PARTICIPANTS IN THE NEW SHARE OPTION SCHEME

Persons eligible to receive Options under the New Share Option Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of the Group ("**Eligible Persons**"). The Board selects the Eligible Persons to receive Options under the New Share Option Scheme at its discretion. The basis of eligibility to a grant of Options under the New Share Option Scheme shall be determined by the Board from time to time taking into account such factors as the Board may at its discretion consider appropriate. The Board's determinations under the New Share Option Scheme need not be uniform and may be made by it selectively with respect to persons who receive, or are eligible to receive, Options under New Share Option Scheme (whether or not such persons are similarly situated). The Board shall be entitled, among other things, to make non-uniform and selective determinations as to the persons to become Selected Persons (as defined herein below).

### 3. STATUS OF THE NEW SHARE OPTION SCHEME

#### (a) Conditions of the New Share Option Scheme

The New Share Option Scheme shall take effect subject to:

- (i) the passing of a resolution by the Company in general meeting to approve the adoption of the New Share Option Scheme and to authorise the Board to grant Options under the New Share Option Scheme and to allot, issue, and otherwise deal with Shares in connection with the New Share Option Scheme; and
- (ii) the Hong Kong Stock Exchange granting approval for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the Options under the New Share Option Scheme

(the "**Conditions**").

An application will be made to the Hong Kong Stock Exchange for the approval referred to in (ii) above.



**(b) Term of the New Share Option Scheme**

Subject to the Conditions being satisfied, the New Share Option Scheme will be valid and effective for a period of 10 years, commencing on the Adoption Date (the “**Scheme Period**”), after which period no further Options will be granted or accepted, but the provisions of the New Share Option Scheme shall remain in full force and effect in order to give effect to the exercise of any Options granted and accepted prior to the expiration of the Scheme Period.

**4. GRANT AND ACCEPTANCE****(a) Making an Offer**

An offer to grant an Option will be made to an Eligible Person selected by the Board (“**Selected Person**”) by a letter, in such form as the Board may from time to time determine (“**Grant Letter**”). The Grant Letter will specify among other things the number of Shares comprised in the Option, the period within which the Option must be exercised, the subscription price and exercise criteria and conditions, length of the holding period during which Shares awarded following the exercise of the Option must continue to be held in accordance with applicable law and will require the Selected Person to undertake to hold the Option on the terms on which it is granted and to be bound by the provisions of the New Share Option Scheme.

**(b) Acceptance of an Offer**

A Selected Person accepts the grant of an Option by returning a notice of acceptance to the Board (“**Acceptance Notice**”) within the prescribed time and in such manner as specified in the Grant Letter. The Selected Person is not required to pay any amount on acceptance of the Option. Once accepted, the Option is granted as from the date on which it was offered to the Selected Person (“**Grant Date**”). Upon acceptance by the Selected Person, the Selected Person will become a “Participant”. Where the Selected Person does not return the Acceptance Notice within the time and in the manner prescribed, the Option will lapse.

**(c) Restrictions on Grant**

The Board may not grant any Options to any Selected Persons in any of the following circumstances:

- (i) the requisite approvals for that grant from any applicable regulatory authorities have not been granted;
- (ii) the securities laws, rules or regulations require that a prospectus or other offer documents be issued in respect of the grant of the Options or in respect of the New Share Option Scheme, unless the Board determines otherwise;

- (iii) where granting the Option would result in a breach by any member of the Group, or its directors of any applicable securities laws, rules or regulations;
- (iv) after a price sensitive event in relation to the Company's securities has occurred or a price sensitive matter in relation to the Company's securities has been the subject of a decision, until an announcement of such price sensitive information has been duly published in accordance with the Listing Rules;
- (v) within the period commencing one month immediately preceding the earlier of:
  - (a) the date of a meeting of the Board (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (b) the deadline to publish an announcement of the Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement; or
- (vi) such a grant would result in a breach of the limits of the New Share Option Scheme (as set out in paragraph 6 below).

**(d) Grants to Directors**

Where any Option is proposed to be granted to a Director (or other person, who, because of their office or employment with a member of the Group, is likely to possess inside or price sensitive information in relation to Shares), it shall not be granted on any day on which the Company's financial results are published and during the period of:

- (i) 60 days immediately preceding the publication date of the Company's annual results or, if shorter, the period from the end of the Company's relevant financial year up to the publication date of the Company's results; and
- (ii) 30 days immediately preceding the publication date of the Company's quarterly results (if any) and half-year results or, if shorter, the period from the end of the Company's relevant quarterly or half-year period up to the publication date of the Company's results.

**(e) Grants to Connected Persons**

Any grant of Options to a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must first be approved by all the independent non-executive Directors.

**(f) Grants to Substantial Shareholders**

Any grant of Options to a Selected Person who is a substantial shareholder of the Company or any of their respective associates, must be approved by the Shareholders in a general meeting if the Shares issued and to be issued upon exercise of all Options already granted and proposed to be granted to that person under the New Share Option Scheme and any options granted and to be granted under any other share option scheme(s) of the Company and/or its subsidiaries (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed Grant Date of such Options:

- (i) would represent in aggregate more than 0.1% of the number of Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of the Shares as stated in the Hong Kong Stock Exchange's daily quotation sheets on each relevant Grant Date, in excess of HK\$5 million.

Any proposed change in the terms of an Option granted to a Participant who is a substantial shareholder of the Company or any of its associates must also be approved by the Shareholders in a general meeting.

At a general meeting to approve the proposed grant of an Option or change to the terms of an Option previously granted as described in this paragraph 4(f), the vote to approve the grant of such Option or amendment to the terms of such Option must be taken on a poll in accordance with the relevant provisions of the Listing Rules. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at the general meeting. Where a connected person votes against the resolution, the intention to do so must be stated in the circular that is required to be issued pursuant to the Listing Rules.

## 5. SUBSCRIPTION PRICE

The price per Share at which a Participant may subscribe for Shares upon exercise of an Option (“**Subscription Price**”) will, subject to any adjustment under the terms of the New Share Option Scheme (described further in paragraph 13 below), be a price determined by the Board and set out in the Grant Letter, but in any event shall be at least the higher of:

- (i) the closing price of the Shares, as stated in the Hong Kong Stock Exchange’s daily quotation sheet on the Grant Date (which must be a Business Day); and
- (ii) the average closing price of the Shares as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the five Business Days immediately preceding the Grant Date.

## 6. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

### (a) Share Option Scheme Limit

Subject to paragraphs 6(b), 6(c) and 6(d) below, the maximum number of Shares in respect of which Options may be granted under the New Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company and/or its subsidiaries, will be such amount so that the aggregate number of Shares underlying the New Share Option Scheme and any other share option scheme(s) of the Company and/or any of its subsidiaries (excluding options that have lapsed in accordance with the rules of the New Share Option Scheme and any other schemes) will not exceed 2.5% of the number of Shares in issue as of the Adoption Date (that is, 302,226,591 Shares based on the number of Shares in issue as at the Latest Practicable Date and assuming there is no change in the number of Shares in issue prior to the Adoption Date) (the “**New Share Option Scheme Limit**”).

### (b) Refreshment of New Share Option Scheme Limit

Subject to paragraph 6(d) below, the Company may seek approval by the Shareholders in a general meeting to refresh the New Share Option Scheme Limit provided that the aggregate number of Shares in respect of which Options may be granted under the New Share Option Scheme and in respect of which options may be granted under any other share option scheme(s) of the Company and/or any of its subsidiaries must not exceed 2.5% of the total number of Shares in issue as at the date of such Shareholders’ approval. Options previously granted under the New Share Option Scheme and options under any other scheme(s) of the Company or any of its subsidiaries, whether outstanding, cancelled, lapsed in accordance with the applicable rules or already exercised, will not be counted for the purposes of calculating the limit as refreshed.

For the purposes of seeking the approval of the Shareholders under this paragraph 6(b), the Company must follow the relevant provisions of the Listing Rules, which may require the Company to prepare and send to the Shareholders a circular, containing the information required under Rule 17.02(2)(d) of the Listing Rules and a disclaimer required under Rule 17.02(4) of the Listing Rules.

**(c) Grant of Options beyond New Share Option Scheme Limit**

The Company may seek separate approval from the Shareholders in a general meeting for the granting of Options beyond the New Share Option Scheme Limit provided that the Options in excess of the New Share Option Scheme Limit are granted only to Selected Persons who are specifically identified before such approval is sought.

For the purposes of seeking the approval of the Shareholders under this paragraph 6(c), the Company must follow the relevant provisions of the Listing Rules, which may require the Company to send a circular to the Shareholders containing a generic description of the specified Selected Persons who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting such Options to those Selected Persons with an explanation as to how the terms of the Options serve the stated purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

**(d) Maximum Number of Shares Issued Pursuant to the Exercise of Options**

The limit on the total number of Shares which may be issued upon the exercise of all the outstanding Options granted and yet to be exercised under the New Share Option Scheme, together with all outstanding options granted and yet to be exercised under any other share option scheme(s) of the Company or any of its subsidiaries, must not exceed 5% of the number of issued Shares in the Company from time to time. No Option may be granted if this limit is exceeded. Options lapsed or cancelled in accordance with the terms of the New Share Option Scheme or any other share option scheme(s) of the Company and/or any of its subsidiaries will not be counted for the purposes of calculating this 5% limit.

**(e) Participants' Maximum Holdings**

Unless shareholder approval is obtained, the Board must not grant to any Selected Person an Option which, if accepted and exercised in full, would result in the total number of Shares already issued and which may be issued to that Selected Person pursuant to the New Share Option Scheme and any other share option scheme(s) of the Company or any of its subsidiaries within any 12 month period up to and including the proposed Grant Date, (including exercised, cancelled and outstanding options under the New Share Option Scheme and any other share option scheme(s) of the Company and/or any of its subsidiaries), exceeding 0.25% of the total number of Shares in issue as of that proposed Grant Date.

For the purpose of obtaining Shareholder approval in the case where a proposed grant of Options will result in the said 0.25% limit being exceeded, the Company will send a circular to the Shareholders disclosing the identity of the Selected Person, the number and terms of the Options to be granted and Options previously granted to such Selected Person, and other information required under the Listing Rules. At the general meeting at which shareholder approval is to be sought, the Selected Person and his/her associates must abstain from voting.

## **7. RIGHTS ATTACHED TO OPTIONS**

Unless otherwise regulated by applicable law, a Participant does not have any rights as a shareholder with respect to any Shares underlying an Option before the Participant exercises the relevant Option.

## **8. RIGHTS ATTACHED TO SHARES**

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and will form a single class with the fully paid Shares in issue on the date of allotment or, if that is a day when the register of members of the Company is closed, the first day of the reopening of the register of members (the “**Registration Date**”). Accordingly, the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an Option does not carry any voting, dividend, transfer or other rights (including those arising on any liquidation of the Company), until the registration of the Participant or their nominee as the holder of the Share on the register of members of the Company.

## **9. ASSIGNMENT OF OPTIONS**

Options granted pursuant to the New Share Option Scheme will be personal to each Participant and are not assignable. Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favour of any third party over or in relation to any Option.

## **10. EXERCISE OF OPTIONS**

### **(a) General**

The period within which an Option may be exercised in accordance with the terms of the New Share Option Scheme (“**Option Period**”) will be notified by the Board to the Selected Person in the Grant Letter. The Board has absolute discretion to determine the Option Period,

except that the Option Period must not extend more than ten years after the Grant Date. Further, the period of time between the date of the Acceptance Notice and the commencement of the Option Period must not be shorter than six months.

The Board may make the exercise of the Options subject to the Participant achieving certain performance targets. The nature and the terms of such performance targets are determined in the discretion of the Board.

**(b) Award in Cash or Shares**

Within a reasonable period of time after the Company receives an exercise notice from a Participant, the Participant will receive at the Board's discretion, either Shares (subject to the receipt by the Company of the required Subscription Price in respect of the Shares), or an equivalent value in cash which is equal to the difference between the Subscription Price and the market value of the Shares on or about the date on which the Option is exercised, as the Board may determine.

**(c) Rights on a Takeover**

If a general offer to acquire the Shares (whether by takeover offer, merger or otherwise in a like manner) is made to all of the Shareholders (or the Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a Participant shall be entitled to exercise all or any of his/her Options, even if the relevant Option Period has not yet commenced, for a period of one month following receipt of the notice of the general offer given by the Company to the Participant by giving notice in writing to the Company, along with a remittance for the full aggregate amount of the Subscription Price if the Option is to be satisfied by way of Shares. All other Options shall automatically lapse to the extent not already exercised, upon the expiry of the one-month election period referred to above.

**(d) Rights on a Compromise or Arrangement**

If a compromise or arrangement between the Company and the Shareholders or its creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to the Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement, the Company shall inform the Participants, and a Participant shall be entitled to exercise all or any of his/her Options, even if the relevant Option Period has not yet commenced, by giving notice to the Company, along with a remittance for the full amount of the aggregate Subscription Price if the Option is to be satisfied by way of Shares, at any time not later than five Business Days prior to the record date for ascertaining entitlements to attend and vote at the proposed general meeting. All other Options shall automatically lapse to the extent not already exercised, upon the expiry of the election period referred to above.

**(e) Rights on a Voluntary Winding-Up**

If an effective resolution is passed during the Scheme Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement) a Participant may, by notice sent to the Company within 21 days after such resolution, elect to be treated as if his/her Options (to the extent not already exercised) had been exercised immediately before the passing of such resolution. Such notice must be accompanied with a remittance for the full amount of the aggregate Subscription Price for the Shares under the notice. No Shares will be allotted, and no cash alternative will be paid to the Participant, but the Participant will be entitled to receive out of the assets available in liquidation on an equal basis with the Shareholders, such sum as they would have received had the Participant held those Shares at the time of the resolution. All other Options shall automatically lapse to the extent not already exercised, upon the date of commencement of the winding-up of the Company.

**11. LAPSE OF OPTIONS**

(a) An Option will lapse automatically (to the extent not already exercised) on the earliest of:

(i) the date the Participant's employment or service terminates for any reason, except:

(A) the employment or service is terminated by reason of the Participant's death, disability, redundancy, or the company employing the Participant ceases to be a member of the Group,

(B) the employment or service is terminated by reason of retirement, or

(C) the exercise of the Board's discretion to apply those exceptions set out in sub-paragraph (A) or (B) above;

(ii) the expiry of the Option Period;

(iii) the expiry of any applicable period relating to termination of the Participant's employment or service in the scenarios set out in sub-paragraph (A) or (B) above, or a compromise or arrangement between the Company and its members or creditors as more particularly described in paragraph 10(d) above, or a general offer to acquire the Shares made to the Shareholders in paragraph 10(c) above;

(iv) the date of commencement of the winding up of the Company; and

(v) a breach by the Participant of the prohibition on the sale, transfer, assignment, charging, mortgaging, encumbering, hedging or creation of any interest in favour of any third party of the Option.



- (b) Where the Participant's employment or service with the Company or its subsidiary terminates by reason of the Participant's death, disability, redundancy or the company of which he/she is an employee or director ceases to be a member of the Group, if the Options are exercisable, they can be exercised from the date of termination until the earlier of the expiry date of the Option Period and the day falling 12 months after the date of termination by the Participant or the legal representative(s) of the Participant (as the case may be). If the Option Period has not commenced at the date of termination, the number of Shares in respect of which the outstanding Option(s) may be exercised will be reduced (if necessary) by such number of Shares equal to the proportion that (A) the time between the date of termination and the commencement of the Option Period bears to (B) the entire period between the Grant Date and the commencement of the Option Period, subject to the extent any performance criteria set out in the Grant Letter have been fully satisfied at the date of termination.
- (c) Where the Participant's employment or service with the Company or its subsidiary terminates by reason of retirement, any outstanding Option(s) may be exercised during the Option Period subject to the criteria and conditions set out in the Grant Letter. If the Option Period has not commenced at the date of retirement, the number of Shares in respect of which the outstanding Option(s) may be exercised during the Option Period by the Participant will be reduced (if necessary) by such number of Shares equal to the proportion that (A) the time between the date of retirement and the commencement of the Option Period bears to (B) the entire period between the Grant Date and the commencement of the Option Period. Notwithstanding the foregoing, the Board may in its absolute discretion determine that the Option(s) may be exercised for such other period not ending later than 10 years from the Grant Date.

## **12. CANCELLATION OF OPTIONS**

The Board may cancel any Options granted but not exercised by a Participant on such terms as may be agreed with the Participant, in any way that the Board may see fit, and in a way which complies with the legal requirements for such cancellation.

The Board may grant new Options to that Participant if there are available unissued Options (excluding the cancelled Options) within the New Share Option Scheme Limit as renewed from time to time.

**13. REORGANISATION OF CAPITAL STRUCTURE**

If the Company's capital structure changes due to any capitalisation issue, rights issue, consolidation, sub-division or reduction of share capital (other than an issue of Shares as consideration in respect of a transaction), any one or more of the following adjustments will be made to all outstanding Options to the extent that it is granted and yet to be exercised (and not lapsed or cancelled):

- (i) the number of Shares subject to the New Share Option Scheme;
- (ii) the number of Shares subject to the outstanding Options; and/or
- (iii) the Subscription Price in relation to each outstanding Option,

provided that the following two criteria are met in respect of the adjustment(s):

- (1) the proportion of the issued share capital of the Company to which an Option entitles that Participant to subscribe after the relevant adjustment(s) must, unless the Board determines otherwise, be the same as that to which the Option entitled the Participant to subscribe immediately before such adjustment(s); and
- (2) the adjustment would not enable any Share to be issued at less than its nominal value (only where there is a nominal value to each Share).

In respect of any such adjustments, an independent financial advisor or the auditors of the Company must confirm to the Board in writing that the adjustments, in their opinion, satisfy the foregoing requirements. Within 28 days after the receipt of this confirmation, the Company must inform the Participant of this alteration and of any adjustment to be made in accordance with the confirmation obtained from the independent financial advisor or the auditors of the Company (as the case may be).

The costs of the independent financial advisor or the auditors of the Company will be borne by the Company.

**14. AMENDMENT OF THE NEW SHARE OPTION SCHEME**

Save as provided in the New Share Option Scheme, the Board may alter any of the terms of the New Share Option Scheme at any time.

The specific provisions of the New Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules, and the provisions set out in paragraph 17 below, cannot be altered to the advantage of Participants and changes to the authority of the Board in relation to any alteration of the terms of the New Share Option Scheme may not be made, in either case,

without the prior approval of the Shareholders in a general meeting. Any material alteration to the terms and conditions of the New Share Option Scheme, or any change to the terms of the Options granted, must also, to be effective, be approved by the Shareholders in a general meeting, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme. Alterations which operate to adversely affect the terms of any Option already granted will also require the Participant's consent. The amended terms of the New Share Option Scheme must comply with Chapter 17 of the Listing Rules.

#### **15. TERMINATION OF THE NEW SHARE OPTION SCHEME**

The Company may at any time by resolution passed at a general meeting of the Shareholders or at a meeting of the Board terminate the operation of the New Share Option Scheme and in such event no further Options will be granted or accepted but the provisions of the New Share Option Scheme will remain in force in all other respects. All Options granted and accepted prior to the termination of the New Share Option Scheme but not yet exercised will continue to be valid and exercisable subject to and in accordance with the terms of the New Share Option Scheme.

#### **16. ADMINISTRATION OF THE NEW SHARE OPTION SCHEME**

The Board has the power and authority to administer the New Share Option Scheme, including the power to construe and interpret the rules of the New Share Option Scheme and the terms of the Options granted under it. The Board may delegate the authority to administer the New Share Option Scheme to a committee of the Board. The Board may also appoint one or more independent third-party contractors to assist in the administration of the New Share Option Scheme and delegate such power and/or functions relating to the administration of the New Share Option Scheme as the Board thinks fit. Further, the Board may elect to engage one or more trustees in the process of granting, administration or exercise of any Options, and the Company or any of its subsidiaries may, from time to time, provide money to the trustees of any trust or any other person for the purposes of the New Share Option Scheme.

The Board's determinations under the New Share Option Scheme need not be uniform and may be made by it selectively with respect to persons who receive, or are eligible to receive, Options under the New Share Option Scheme. If a Director is a Participant, he/she may, notwithstanding his/her interest and subject to the Articles of Association, vote on any Board resolution concerning the New Share Option Scheme (other than in respect of his/her own participation in it), and may retain Options under it.

Each Participant waives any right to contest, amongst other things, the number of Shares comprising the Option (or the equivalent value of cash), the Subscription Price and the Board's administration of the New Share Option Scheme.

**17. MALUS AND CLAWBACK**

- (a) If, within two years after the exercise of an Option, the Board determines that any of the events described in paragraph 17(b) below has occurred, the Participant shall (as determined by the Board): (i) transfer to or to the order of the Company or as otherwise directed some or all of the Shares previously issued or transferred to the Participant under the New Share Option Scheme; (ii) repay to or to the order of the Company or the relevant subsidiary some or all of the cash amounts previously paid to the Participant under the New Share Option Scheme; and/or (iii) pay to or to the order of the Company or the relevant subsidiary an amount equal to the sale proceeds of or the value of some or all of the Shares issued or transferred to the Participant under the New Share Option Scheme.

If, before an Option has been exercised the Board determines that any of the events described in paragraph 17(b) below has occurred, the Board may direct that: (i) the Option shall be forfeited wholly or in part; (ii) the date on which the Option is treated as exercised will be delayed for such period the Board may determine; and/or (iii) exercise of the Option will be subject to any additional conditions imposed by the Board.

- (b) In exercising its discretion under paragraph 17(a) above, the Board shall consider the extent to which any of the following events have occurred:
- (i) the granting of any Option or its becoming exercisable was based on materially inaccurate financial statements or any other materially inaccurate performance metric criteria;
  - (ii) the performance forming the basis on which grant of the Option or its becoming exercisable has been proved not genuine;
  - (iii) any terms and conditions set out in the rules of the New Share Option Scheme and the Grant Letter in respect of such Option were not satisfied;
  - (iv) any other circumstances in which the Board considers that the conduct of the Participant has harmed the business or reputation of the Company or its subsidiary;  
or
  - (v) any other circumstances in respect of which the Board considers that the application or the operation of paragraph 17(a) above would otherwise be appropriate.

**18. MISCELLANEOUS**

The New Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Group directly or indirectly or, other than in relation to the rights attached to the Options themselves, give rise to any cause of action at law or in equity against the Company and its Subsidiaries.

The Company shall bear the costs of establishing and administering the New Share Option Scheme. A Participant shall pay all taxes and discharge all other liabilities to which he or she may become subject as a result of his or her participation in the New Share Option Scheme or the exercise of any Option.

The New Share Option Scheme and all Options granted hereunder shall be governed by and construed in accordance with the laws of Hong Kong and the Company and each Participant irrevocably submit to the exclusive jurisdiction of the courts of Hong Kong.