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PACIFIC ONLINE LIMITED

太平洋網絡有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 543)

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

The Board has resolved on 21 December 2020 to adopt the New Scheme with a term of 10 years commencing from the Adoption Date as an incentive to retain and encourage the Eligible Participants for the continual operation and development of the Group, pursuant to which the Restricted Shares will be comprised of (i) new Shares to be allotted and issued to Selected Participants under the general mandate or specific mandate sought from the Shareholders of the Company in general meetings from time to time; and/or (ii) existing Shares to be purchased by the Trustee from the market out of cash contributed by the Group. The Restricted Shares will be held in trust for the relevant Selected Participant until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the New Scheme.

The Board will implement the New Scheme in accordance with the terms of the Scheme Rules including to provide necessary funds to the Trustee for purchase of Shares up to the Scheme Mandate.

The New Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders' approval is required for the adoption of the New Scheme.

ADOPTION OF RESTRICTED SHARE AWARD SCHEME

Reference is made to the announcement of the Company dated 12 January 2011 in relation to the adoption of the 2011 Scheme. Given that the 2011 Scheme will be expired on 9 January 2021 and among the threshold of up to 2.5% of the then issued share capital of the Company which the Board can award, the Board had already awarded nearly half of it, the Board has resolved on 21 December 2020 to adopt the New Scheme with a term of 10 years commencing from the Adoption Date as an incentive to retain and encourage

the Eligible Participants for the continual operation and development of the Group, pursuant to which the Restricted Shares will be comprised of (i) new Shares to be allotted and issued to Selected Participants under the general mandate or specific mandate sought from the Shareholders of the Company in general meetings from time to time; and/or (ii) existing Shares to be purchased by the Trustee from the market out of cash contributed by the Group. The Restricted Shares will be held in trust for the relevant Selected Participant until such Shares are vested with the relevant Selected Participants in accordance with the provisions of the New Scheme.

The Board will implement the New Scheme in accordance with the terms of the Scheme Rules including to provide necessary funds to the Trustee for purchase of Shares up to the Scheme Mandate.

Listing Rules Implication

The New Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders' approval is required for the adoption of the New Scheme.

Pursuant to the Scheme Rules, existing Shares will be purchased by the Trustee and be held in trust for the relevant Selected Participants. Eligible Participants cover any directors (whether executive or non-executive and whether independent or not), any employee (whether full time or part-time), any consultant or adviser of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the opinion of the chief operating officer or the senior management of the Group, have contributed to the Company or the Group. The Board or the Management Committee may, at any time during the term of the New Scheme, make a grant of the Restricted Shares to any Selected Participant, as the Board or the Management Committee may in its sole and absolute discretion select subject to the Scheme Rules. Accordingly, if the Board or the Management Committee selects a Director as the Selected Participant, the grant of the Restricted Shares to the Director may constitute a connected transaction. However, given the grant of Restricted Shares to a Director will form part of the remuneration package of the relevant Director under the Director's respective service contract, such grant of Restricted Shares are exempted from all the reporting, announcement and independent shareholders' approval requirements under Rules 14A.73(6) and 14A.95 of the Listing Rules.

REASONS FOR THE ADOPTION OF THE NEW SCHEME

The Directors strongly believe that the future success of the Company is closely tied to the commitment and efforts of the Eligible Participants. Share award schemes are part of the Company's remuneration system. The Board proposes to adopt the New Scheme, which will gradually replace the 2011 Scheme will set to be expired soon, to maintain the degree to which the interests of the Eligible Participants are directly tied to the fortunes of the Company and the Shareholders. The awards to be made under the New Scheme enable the Selected Participants to see their fortunes more directly linked to that of the

Shareholders through the mechanism under the New Scheme. The Restricted Shares to be awarded will be calculated and awarded on the basis of specific pre-defined criteria that directly links to the Company's operating performance.

SUMMARY OF THE NEW SCHEME

A summary of the Scheme Rules is set out below.

Purposes and Objectives

The purpose of the New Scheme is to recognise and motivate the contribution of certain Eligible Participants and to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company.

Administration

The New Scheme shall be subject to the administration of the Board in accordance with the Scheme Rules.

Maximum Limit

The Board or the Management Committee shall not make any further award of Restricted Shares which will result in the aggregate number of restricted shares awarded by the Board or the Management Committee throughout the duration of the New Scheme to be in excess of 5% of the issued share capital of the Company as at the Adoption Date. The maximum number of Restricted Shares which may be awarded to a Selected Participant under the New Scheme shall not exceed 0.5% of the issued share capital of the Company as at the Adoption Date.

The Scheme Mandate may be refreshed subject to prior Board approval, but in any event, the total number of Restricted Shares that may be granted following the New Approval Date under the limit as renewed must not exceed 5% of the aggregate number of Shares in issue as at the New Approval Date. Returned Shares prior to the New Approval Date will not be counted for the purpose of determining the maximum aggregate number of Restricted Shares that may be granted following the New Approval Date under the refreshed Scheme Mandate.

Restrictions

No instructions, no allotment of Shares and no payments to purchase Shares shall be given to the Trustee when any Eligible Participants who is in possession of unpublished inside information (as defined under Part XIVA of the SFO) in relation to the Company. Further, the Board or the Management Committee will not make a grant of the Restricted Shares during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules and all applicable laws, rules and

regulations from time to time. The Board or the Management Committee shall not make any award of Restricted Shares to any Eligible Participant which, in the opinion of the Board or the Management Committee, may render such Eligible Participant (or parties acting in concert with such Eligible Participant) obliged to make a mandatory offer in accordance with Rules 26 of the Takeovers Code.

The maximum number of Restricted Shares that the Trustee can hold at any one time under the New Scheme is 2% of the issued share capital of the Company from time to time.

Operation

Pursuant to the Scheme Rules, the Board may, from time to time, at its absolute discretion or delegate its authority to the Management Committee to select the Selected Participant(s) (excluding any Excluded Participant) after taking into various factors as they deem appropriate for participation in the New Scheme as a Selected Participant and determines the number of Restricted Shares to be awarded. Members of the Management Committee shall be abstained from the decision making process should any conflict of interests arise. The Board shall, at its absolute discretion (i) procure the Company to allot and issue new Shares to the Selected Participants under the general mandate or specific mandate sought from the Shareholders in general meetings from time to time or (ii) cause to pay the Trustee the purchase price and the related expenses from the Company's resources for the Shares to be purchased by the Trustee. The Trustee shall apply the purchase price to purchase from the market the maximum number of Shares and shall hold such Shares until they are vested in accordance with the Scheme Rules and the Trust Deed. For the avoidance of doubt, all Shares purchased as aforesaid shall only be used for allocation to the Selected Participant(s) in accordance with the Scheme Rules.

The Selected Participant is not entitled to receive any income or distribution, such as dividend derived from the Restricted Shares allocated to him, prior to the vesting of the Restricted Shares in the Selected Participants. The said income or distributions shall be used by the Trustee for the payment of fees, costs and expenses of the Trust and in respect of the remainder for purchase of further Shares to be held upon trust as specified by the Board. When the Selected Participant has satisfied all vesting conditions specified by the Board at the time of making the award and become entitled to the Shares forming the subject of the award, the Trustee shall transfer the relevant vested Shares to that Eligible Participant.

Vesting and Lapse

Unless otherwise determined by the Board at its discretion, Restricted Shares held by the Trustee upon the Trust and which are referable to a Selected Participant shall not vest in the Selected Participant under the following circumstances:

- in the event of any failure of the Selected Participant to remain as an Eligible Participant on the date which the Restricted Shares are supposed to be vested to him;
- in the event that the Selected Participant fails to achieve the key performance indicator or such other condition(s) as specified in the grant letter issued pursuant to the New Scheme or the Selected Participant infringes any of the provisions of the Employee Handbook (if applicable);
- in the event that the Selected Participant(s) fails to return duly executed transfer documents prescribed by the Trustee for the relevant Restricted Shares within the stipulated period; and
- in the event of the death of Selected Participant.

Unless otherwise determined by the Board at its discretion, an award shall automatically lapse when (i) a Selected Participant fails to satisfy any condition as set out in the letter of grant, or (ii) the Subsidiary employing or engaging the Selected Participant ceases to be a Subsidiary, or (iii) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company). In any event, the relevant Restricted Shares awarded shall not vest on the relevant vesting date but shall become Returned Shares and shall be held as Returned Shares for the purposes of the New Scheme.

In the event (i) a Selected Participant is found to be an Excluded Participant or (ii) a Selected Participant fails to return duly executed transfer documents within the stipulated period, the relevant part of an award made to such Selected Participant shall automatically lapse forthwith and the relevant Shares awarded shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the New Scheme.

If there occurs an event of change in control (as specified in the Takeovers Code from time to time) of the Company, whether by way of offer, merger, scheme of arrangement or otherwise, all the awarded Restricted Shares shall immediately vest on the date when such change in control event becomes or is declared unconditional and such date shall be deemed the vesting date.

Where the Restricted Shares do not vest in accordance with the Scheme Rules, the Trustee shall hold such Shares for the benefit of one or more Selected Participants as it determines in its discretion, after having taken into account the recommendations of the Board.

Voting Rights

The Trustee shall not exercise the voting rights in respect of any Shares held under the Trust (including but not limited to the awarded Restricted Shares, and further Shares acquired out of the income derived therefrom).

Transferability

Unvested Restricted Shares held on trust by the Trustee shall not be assignable or transferable by the Selected Participants. A Selected Participant shall not in any way sell, transfer, charge, mortgage, encumber, pledge or create any interests in favour of any third party over or in relation to any unvested Restricted Shares.

Alteration

The Scheme Rules may be altered in any respect by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any Selected Participant except with the consent in writing of such Selected Participants is obtained amounting to three-fourths in nominal value of all Restricted Shares so held by the Trustee on that date, or the sanction of a special resolution passed at a meeting of such Selected Participants.

Duration and Termination

The New Scheme shall be effective from the Adoption Date and shall continue in full force and effect for a term of 10 years unless sooner terminated as determined by the Board. The termination shall not affect any subsisting rights of any Selected Participant hereunder.

Upon termination, all awarded Restricted Shares shall become vested on the Selected Participants so referable on such date of termination, subject to the receipt by the Trustee of the transfer documents duly executed by the Selected Participants within the stipulated period. Net sale proceeds (after making appropriate deductions) of the Returned Shares and such non cash income together with the residual cash and such other funds remaining in the Trust shall be remitted to the Company forthwith after the sale.

DEFINITION

Unless otherwise defined, the following expressions in this announcement have the following meanings:

“2011 Scheme”	the Restricted Share Award Scheme of the Company adopted by the Board on 10 January 2011 and expiring on 9 January 2021
“Adoption Date”	21 December 2020, being the date on which the Board adopted the New Scheme
“Board”	the board of directors of the Company
“Company”	Pacific Online Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 543)
“Eligible Participant”	any directors (whether executive or non-executive and whether independent or not), any employees (whether full time or part-time), any consultants or advisers of or to the Company or the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the opinion of the chief operating officer or the senior management of the Group, have contributed to the Company or the Group
“Employee Handbook”	the employee handbook adopted by the Company from time to time stipulating certain standards and rules to which its employees must strictly adhere
“Excluded Participant”	any Eligible Participant who is resident in a place where the settlement of the Reference Amount and the award of the Restricted Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the New Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such Eligible Participant
“Group”	the Company and its Subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Committee”	the committee formed by directors and senior management of the Company who are in charge of overseeing the day to day operations of the Group from time to time

“New Approval Date”	the date on which the refreshment of the Scheme Mandate is approved by the Board in accordance with the New Scheme
“New Scheme”	the Restricted Share Award Scheme of the Company adopted by the Board on Adoption Date whereby awards of Restricted Shares may be made to Eligible Participants (such Shares being purchased by the Trustee) pursuant to the Trust Deed and the Scheme Rules
“Reference Amount”	the sum determined by the Board or the Management Committee for the purchase of the Shares to be awarded under the New Scheme
“Restricted Shares”	the restricted Shares granted under the New Scheme and has the meaning ascribed to such term in the Scheme Rules
“Returned Shares”	such awarded Restricted Shares which are not vested and/or forfeited in accordance with the terms of the Scheme Rules
“Scheme Mandate”	the total number of Restricted Shares that may be granted pursuant to the New Scheme
“Scheme Rules”	the rules relating to the New Scheme adopted by the Board
“Selected Participant(s)”	means any of the Eligible Participant(s) selected by the Board or the Management Committee pursuant to Scheme Rules
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	holder(s) of the Share(s)
“Subsidiary(ies)”	subsidiary(ies) of the Company from time to time within the meaning of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Buy-backs
“Trust”	the trust constituted by the Trust Deed

- “Trust Deed” the trust deed entered into between the Company as settlor and the Trustee as trustee on 21 December 2020 in respect of the appointment of the Trustee for the administration of the New Scheme
- “Trust Period” the period beginning with the Adoption Date and ending upon the first to happen of the following, namely:
- (a) such date, being the 10th anniversary date of the Adoption Date; or
 - (b) the date when an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company); or
 - (c) the date as may be informed by the Company that the New Scheme shall be terminated
- “Trustee” Tricor Trust (Hong Kong) Limited, a company incorporated in Hong Kong, and to the best knowledge, information and belief of the Board after making all reasonable enquiries, an independent third party and not connected with the Company or any of its connected persons

By Order of the Board
Pacific Online Limited
Lam Wai Yan
Chairman

Hong Kong, 21 December 2020

As at the date of this announcement, the Board comprises 3 executive directors, namely, Dr. Lam Wai Yan, Mr. Ho Kam Wah and Mr. Wang Ta-Hsing; and 3 independent non-executive directors, namely, Mr. Tsui Yiu Wa, Alec, Mr. Thaddeus Thomas Beczak and Mr. Lam Wai Hon, Ambrose.