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**阅文集团**

**CHINA LITERATURE LIMITED**

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*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 772)**

## **PROPOSED ADOPTION OF SHARE OPTION PLAN**

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The Board hereby announces that the Board has resolved to propose the adoption of the Share Option Plan for the approval by the Shareholders.

The purposes of the Share Option Plan are to (i) provide incentives and rewards to the directors, employees, advisors, consultants and business partners of the Group for their contributions to, and continuing efforts to promote the interest of, the Company; (ii) recognize the contributions by the Eligible Participants with an opportunity to acquire a proprietary interest in the Company; (iii) encourage and retain such individuals for the continual operation and development of the Group; (iv) provide additional incentives for them to achieve performance goals; (v) attract suitable personnel for further development of the Group; and (vi) motivate the Eligible Participants to maximize the value of the Company for the benefits of both the Eligible Participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Eligible Participants directly to the Shareholders through ownership of Shares.

The Share Option Plan will constitute a share option scheme under Chapter 17 of the Listing Rules, and the adoption of the Share Option Plan is subject to the approval from (i) the Shareholders, and (ii) shareholders of Tencent in general meeting, respectively. The Company will convene a general meeting for the purposes of, among other things, seeking the approval from the Shareholders for the adoption of the Share Option Plan. A circular containing, among other things, the details of the proposed adoption of the Share Option Plan and a notice convening the general meeting will be dispatched to the Shareholders in accordance with the requirements of the Listing Rules.

## **SUMMARY OF KEY TERMS OF THE SHARE OPTION PLAN**

### **I. EFFECTIVENESS AND DURATION**

The Share Option Plan shall take effect on the date of the passing of the necessary resolution to adopt the Share Option Plan by the Board and the Shareholders.

The Share Option Plan shall be valid and effective for a period of 10 years commencing on the Adoption Date, after which period no further Options will be granted under the Share Option Plan, but the provisions of the Share Option Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Plan.

### **II. ADMINISTRATION**

The Board shall have the sole and absolute right to, among others, interpret and construe the provisions of the Share Option Plan, determine the Senior Grantees who will be offered Options under the Share Option Plan and the Subscription Price in relation to such Options in accordance with the provisions of the Share Option Plan. The Chairman shall have the sole and absolute right to, among other things, determine the Junior Grantees who will be offered Options under the Share Option Plan and the Subscription Price in relation to such Options in accordance with the provisions of the Share Option Plan.

The Administrative Committee shall be responsible for, among other things, applying to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Options under the Share Option Plan on the Stock Exchange and approving the draft announcement to be published by the Company in connection with the grant of Options.

### **III. ELIGIBILITY AND GRANT OF OPTIONS**

#### **(A) Eligibility and making and acceptance of an offer**

The Eligible Participants for the Share Option Plan include (i) any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any member of the Group; and (ii) any individual or entity that is either (a) a Business Partner, (b) a consultant, adviser or agent of any member of the Group, any Invested Entity or any Business Partner or (c) an employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any Invested Entity or any Business Partner, who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity.

The Board (in the case of Senior Grantees) or the Chairman (in the case of Junior Grantees) shall be entitled at any time during the operation of the Share Option Plan, at its/his sole and absolute discretion, to make an offer of Options to an Eligible Participant by letter in such form as the Board or the Chairman (as the case may be) may from time to time determine. An amount of RMB1.00 is payable by the Grantee to the Company upon acceptance of the offer of Options within three (3) days after such acceptance or other time as prescribed by the Company, and such remittance shall not be refundable and shall not be deemed to be a part payment of the Subscription Price.

**(B) Grant of Options to Director, chief executive, substantial shareholder, and their respective associates**

Any grant of Options to a connected person (as defined in the Listing Rules) of the Company, or any of his associates, shall also comply and be approved in accordance with the applicable requirements of the Listing Rules, including but not limited to:

- (i) if Options are granted to a Director, chief executive or substantial shareholder of the Company or any of their respective associates, such grant shall be subject to the approval by the independent non-executive Directors (and in the event that the Board offers to grant Options to an independent non-executive Director, the vote of such independent non-executive Director shall not be counted for the purposes of approving such grant); and
- (ii) if Options are granted to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) and that grant would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Plan and any other schemes in the 12-month period up to and including the Grant Date:
  - (a) representing in aggregate over 0.1%, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Grant Date; and
  - (b) having an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the Grant Date, in excess of HK\$5 million or such other sum as may from time to time be provided under the Listing Rules,

such grant shall be subject to, in addition to the approval of the independent non-executive Directors, the issue of a circular by the Company to the Shareholders and the approval of the Shareholders in general meeting of the Company by way of a poll convened and held in accordance with the Articles of Association at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour of the resolution concerning the grant of such Options at the general meeting, and/or such other requirements prescribed under the Listing Rules from time to time. Unless provided otherwise in the Listing Rules, the date of the Board meeting at which the Board proposes to grant the proposed Options to that Eligible Participant shall be taken as the Grant Date for the purpose of calculating the Subscription Price.

### **(C) Restrictions on the time of grant of Options**

For as long as the Shares are listed on the Stock Exchange, an Option must not be granted after inside information has come to the knowledge of the Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, an Option must not be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the meeting of the Board (as such date is first notified to the 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
- (ii) the deadline for the Company to publish an announcement of its 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,

For as long as the Shares are listed on the Stock Exchange, where any Option is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Company are published and during the period of:

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

## **IV. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION**

### **(A) Scheme Limit**

The total number of Shares which may be issued upon exercise of all Options that may be granted under the Share Option Plan and any other option scheme involving the issue or grant of options over Shares or other securities by the Company or any of its subsidiaries shall not in aggregate exceed 2.5% of the issued share capital of the Company as of the date of general meeting of the Company approving the adoption of the Share Option Plan (the "Scheme Limit") unless otherwise permitted by the Listing Rules or the Company obtains the approval of the Shareholders to refresh the Scheme Limit.

### **(B) Refreshment of Scheme Limit**

The Company may seek the approval of the Shareholders in general meeting to refresh the Scheme Limit such that the total number of Shares which may be issued upon exercise of all Options that may be granted under the Share Option Plan and any other option scheme/plan involving the issue or grant of options over Shares or other securities by the Company under the limit as refreshed shall not exceed 10% of the issued share capital of the Company as at the date of approval of the refreshed limit.

The Company may seek the approval of the Shareholders in general meeting to grant Options which will result in the number of Shares in respect of all the Options granted under the Share Option Plan and all the options granted under any other option scheme exceeding 10% of the issued share capital of the Company, provided that such Options are granted only to participants specifically identified by the Company before the approval of the Shareholders is sought.

**(C) Maximum number of Shares issued pursuant to Options**

The maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Plan and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued share capital of the Company from time to time.

**(D) Maximum entitlement of each Eligible Participant**

No Option may be granted to any Eligible Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Options already granted or to be granted to such Eligible Participant under the Share Option Plan (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the Grant Date of such new grant exceeding 1% in aggregate of the issued share capital of the Company as at the Grant Date of such new grant. Any grant of further Options above this limit shall be subject to the requirements provided under the Listing Rules.

**V. OPTION TERMS AND EXERCISE OF OPTIONS**

**(A) Subscription Price**

The Subscription Price shall be a price determined by the Board or the Chairman (as the case may be) and notified to any Grantee and will be the highest of:

- (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Grant Date of the relevant Options, which must be a Business Day;
- (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five (5) Business Days immediately preceding the Grant Date of the relevant Options; and
- (c) the nominal value per Share on the Grant Date.

## **(B) Vesting Schedule and Exercise Period**

The Board or the Chairman (as the case may be) may specify the exercise period and the vesting schedule of the Options in the grant letter. Unless the Options have been withdrawn and cancelled or been forfeited in whole or in part, the Grantee may exercise his rights under the Share Option Plan according to the vesting schedule set out in the relevant Grant Letter. The Option must be exercised no more than 10 years from the Grant Date. There is no minimum period for which an Option must be held before it can be exercised.

## **(C) Performance Target**

The Share Option Plan does not provide for any performance target that must be achieved before the Options can be exercised.

## **VI. TRANSFERABILITY**

Any Options shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Options. Any breach of the foregoing by the Grantee shall entitle the Company to cancel any Options or part thereof granted to such Grantee (to the extent not already exercised) without incurring any liability on the part of the Company.

## **VII. LAPSE**

Any Options shall lapse forthwith and not exercisable (to the extent not already exercised), with immediate effect or after such period the Board or the Chairman (as the case may be) may determine, on the earliest of:

- (a) the expiry of the exercise period of the Options;
- (b) subject to the compromise or arrangement (for the purpose of or in connection with reconstruction or amalgamation) becoming effective, the expiry of the exercise period relating to termination of employment of the Grantee or the listing of the Company's subsidiary which employs the Grantee ;
- (c) the date on which the Grantee ceases to be an Eligible Participant in accordance with the Share Option Plan;
- (d) the date of the commencement of the voluntary winding-up of the Company;
- (e) the date on which the Board or the Chairman (as the case may be) exercises the Company's right to cancel or forfeit the Options if the Grantee commits any breach of the provisions of paragraph VI above or the confidentiality clause of the Share Option Plan; and
- (f) the date on which the Options are cancelled in accordance with the Share Option Plan.



## **VIII. RANKING OF THE SHARES**

No dividends (including distributions made upon the liquidation of the Company) will be payable and no voting rights will be exercisable in relation to any Options that have not been exercised. Shares allotted and issued on the exercise of any Options will be subject to all provisions of the Articles of Association and will rank equally in all respects with the Shares in issue on the date of allotment and issuance. Such Shares will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment and issuance.

## **IX. ADJUSTMENT**

If there is any alteration in the capital structure of the Company while any Options remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:

- (a) the number of Shares (without fractional entitlements) subject to the Options so far as unexercised; and/or
- (b) the Subscription Price; and/or
- (c) the maximum number of Shares for which further Options may be granted under the Share Option Plan.

Except alterations made on a capitalization issue, any alteration to the number of Shares which is the subject of the Options and/or the Subscription Price shall be conditional on the auditors or the independent financial adviser appointed by the Company confirming by the issue of certificate to the Board that the alteration is in their opinion fair and reasonable, is made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such alteration shall remain the same as that to which he was entitled before such alteration. No such alteration shall be made to the effect which would be to enable any Share to be issued at less than its nominal value (where applicable) or which would result in the aggregate amount payable on the exercise of any Options in full being increased.

## **X. ALTERATION**

The Share Option Plan may be altered in any respect by resolution of the Board except that certain provisions relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstaining from voting). The amended terms of the Share Option Plan shall comply with the relevant requirements of the Listing Rules (including, without limitation, Chapter 17 of the Listing Rules).

Notwithstanding the foregoing, the Share Option Plan may be amended or altered in any aspect by resolution of the Board without the approval of the Shareholders or the Grantees to the extent such amendment or alteration is required by the Listing Rules and/or any applicable legal or regulatory requirements from time to time.

## **XI. TERMINATION**

The Board may at any time terminate the operation of the Share Option Plan before the end of its life and in such event no further Options will be offered but (save in the case of termination pursuant to paragraph I above) the provisions of the Share Option Plan shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant.

## **XII. CANCELLATION**

Unless otherwise provided for in the Share Option Plan, any cancellation of Options granted in accordance with the Share Option Plan but not exercised must be approved by the Grantee concerned in writing. In the event that the Board or the Chairman (as the case may be) elects to cancel any Options and issue new ones to the same Grantee, the issue of such new Options may only be made with the available unissued Options (excluding the cancelled Options) within the limit set out in paragraph IV above.

**As at the date of this announcement, the Share Option Plan remains subject to the approval of the Shareholders. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities.**

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Administrative Committee”	the committee comprising of one executive Director from time to time
“Adoption Date”	the day when the Share Option Plan is approved and adopted by the Shareholders
“Articles of Association”	the articles of association of the Company adopted on October 18, 2017 and effective on November 8, 2017, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rule
“Board”	the board of Directors
“Business Day”	a day on which the Stock Exchange is open for the business of dealing in securities
“Business Partner(s)”	business partner(s) of any member of the Group or Invested Entity
“Company”	China Literature Limited (阅文集团), an exempted company incorporated in the Cayman Islands with limited liability on April 22, 2013, whose share are listed on the main board of the Stock Exchange with stock code 772



“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	individual(s) or entity(ies) who may be eligible to participate in the Share Option Plan
“Grant Date”	the date of the grant letter in writing for each grant of Options to an Eligible Participant
“Grantee”	the Eligible Participant who accepts or is deemed to have accepted the offer of any Options in accordance with the terms of the Share Option Plan or (where the context so permits) a person entitled to any such Options in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries and consolidated affiliated entities from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Junior Grantee(s)”	any Grantee(s) other than a Senior Grantee
“Invested Entity”	any entity in which any member of the Group holds an equity interest, and shall, for the purpose of the Share Option Plan, exclude any members of the Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Senior Grantee(s)”	the Grantee(s) who is either (i) a Director, (ii) a member of the senior management of the Company as included in the latest annual report of the Company published on the website of the Stock Exchange immediately before the Grant Date, (iii) a Business Partner, or (iv) an individual or entity that is an employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors), consultant, adviser or agent of any Invested Entity or any Business Partner
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option Plan”	the share option plan for Eligible Participants which was resolved to be adopted by the Board and proposed to be adopted at the general meeting of the Company
“Share Option(s)” or “Option(s)”	the right to subscribe for a specified number of Shares in issue at the Subscription Price
“Share(s)”	ordinary share(s) of nominal value of US\$0.0001 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of Options calculated in accordance with the Share Option Plan
“Tencent”	Tencent Holdings Limited, the controlling Shareholder, a limited liability company organized and existing under the laws of the Cayman Islands and the shares of which are listed on the main board of the Stock Exchange with stock code 700
“%”	per cent.

By order of the Board  
**CHINA LITERATURE LIMITED**  
**Mr. James Gordon Mitchell**  
*Chairman of the Board and Non-executive Director*

Hong Kong, March 25, 2021

*As at the date of this announcement, the Board comprises Mr. Cheng Wu and Mr. Hou Xiaonan as executive Directors; Mr. James Gordon Mitchell, Mr. Wu Wenhui, Mr. Cao Huayi and Mr. Cheng Yun Ming Matthew as non-executive Directors; Ms. Yu Chor Woon Carol, Ms. Leung Sau Ting Miranda and Mr. Liu Junmin as independent non-executive Directors.*