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If you have sold or transferred all your shares in China Literature Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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CHINA LITERATURE LIMITED

阅文集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 772)

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND PURCHASE SHARES
RE-ELECTION OF RETIRING DIRECTORS
ELECTION OF DIRECTOR
AMENDMENTS TO THE 2020 RESTRICTED SHARE UNIT SCHEME
AMENDMENTS TO THE SHARE OPTION PLAN
RSU MANDATE TO ISSUE SHARES UNDER
THE 2020 RESTRICTED SHARE UNIT SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

The notice convening the Annual General Meeting to be held at Niccolo Room, Level 25, The Murray, Hong Kong, a Niccolo Hotel, 22 Cotton Tree Drive, Central, Hong Kong at 3 p.m. on Monday, May 22, 2023 is set out on pages 47 to 53 of this circular.

A proxy form for use at the Annual General Meeting is enclosed with this circular. The proxy form can also be downloaded from websites of the Company and Hong Kong Exchanges and Clearing Limited. Shareholders are encouraged to exercise their rights to appoint the chairman of the Annual General Meeting as their proxy to vote on their behalf by returning the completed 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 no less than 48 hours before the time appointed for the holding of the Annual General Meeting (or any adjournment or postponement thereof).

April 28, 2023

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	7
APPENDIX I — DETAILS OF PROPOSED RE-ELECTION OF RETIRING DIRECTORS AND ELECTION OF DIRECTOR AT THE AGM	22
APPENDIX II — EXPLANATORY STATEMENT	25
APPENDIX III — SUMMARY OF THE 2020 RESTRICTED SHARE UNIT SCHEME	30
APPENDIX IV — SUMMARY OF THE SHARE OPTION PLAN	38
NOTICE OF ANNUAL GENERAL MEETING	47

DEFINITIONS

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

“2020 Restricted Share Unit Scheme”	a restricted share unit scheme of the Company adopted on May 15, 2020 as amended from time to time
“Amended Rules”	the amendments to the Listing Rules relating to share schemes of listed issuers, which took effect on 1 January 2023 pursuant to the Consultation Conclusions
“Amendment Date”	the date on which the amendments to the 2020 Restricted Share Unit Scheme and the amendments to the Share Option Plan approved by the Shareholders
“Administrative Committee”	in the case of the 2020 Restricted Share Unit Scheme, the committee comprising of any two executive Directors from time to time, and in the case of the Share Option Plan, 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
“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at Niccolo Room, Level 25, The Murray, Hong Kong, a Niccolo Hotel, 22 Cotton Tree Drive, Central, Hong Kong at 3 p.m. on Monday, May 22, 2023, or any adjournment thereof and notice of which is set out on pages 47 to 53 of this circular
“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
“associated company(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Award”	an award of RSUs granted to a Participant pursuant to the 2020 Restricted Share Unit Scheme
“Board”	the board of Directors
“Business Day”	means a day on which the Stock Exchange is open for the business of dealing in securities

DEFINITIONS

“Buy-back Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to purchase Shares not exceeding 10% of the number of the issued Shares as at the date of passing of the relevant Shareholders’ resolution granting the Buy-back Mandate
“Chairman”	the chairman of the Board
“Company”	China Literature Limited (阅文集团), an exempted company incorporated in the Cayman Islands with limited liability on April 22, 2013, whose shares are listed on the main board of the Stock Exchange with stock code 772
“Companies Act”	the Companies Act Chapter 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Consultation Conclusions”	consultation conclusions on the proposed amendments to listing rules relating to share schemes of listed issuers and housekeeping rule amendment published by the Stock Exchange in July 2022
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	individual(s) or entity(ies) who may be eligible to participate under the Share Option Plan
“Employee”	an employee of any subsidiary of the Group or any Related Entity under the 2020 Restricted Share Unit Scheme
“Excluded Person”	(i) at the time of the proposed grant of an award, any connected person of the Company other than directors or substantial shareholders of any subsidiary of the Group, or (ii) any participant who is resident in a place where the award of the RSUs and/or the vesting and transfer of the Shares underlying the vested RSUs pursuant to the terms of the 2020 Restricted Share Unit Scheme is not permitted under the laws and regulations of such place such that in the view of the Board or the Chairman, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such participant under the 2020 Restricted Share Unit Scheme

DEFINITIONS

“General Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to allot, issue and/or deal with Shares not exceeding 20% of the number of issued Shares as at the date of passing of the relevant Shareholders’ resolution granting the General Mandate
“Grant Date”	the date of the grant letter in writing for each grant of Options to an Eligible Participant
“Grantee”	in the case of the 2020 Restricted Share Unit Scheme, any Participant who accepts a grant in accordance with the terms of the 2020 Restricted Share Unit Scheme, or (where the context so permits) any person who is entitled to any award in consequence of the death of the original Grantee; and in the case of the Share Option Plan, 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
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Junior Grantee(s)”	any Grantee(s) other than a Senior Grantee. For the avoidance of doubt, in the case of the Share Option Plan, the Junior Grantees (i) include any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any subsidiary of the Group, other than the Director or the 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; and (ii) do not include non-employees
“Latest Practicable Date”	April 18, 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company as amended from time to time
“Option”	the right to subscribe for a specified number of Shares in issue at the Subscription Price
“Participants”	<p>in the case of the 2020 Restricted Share Unit Scheme, includes the following:</p> <ul style="list-style-type: none">(i) any Employee (whether full time or part time) or directors (including executive, non-executive and independent non-executive directors) of any subsidiary of the Group or any Related Entity; and(ii) any Service Provider <p>who, in the sole opinion of the Board, has contributed or will contribute to the growth and development of the Group and qualifies by in the interests of the long term growth of the Group</p>
“Related Entity”	the holding companies, fellow subsidiaries or associated companies of the Company
“RMB”	the lawful currency of the People’s Republic of China
“RSU Mandate”	a specific mandate proposed to be granted to the Directors at the Annual General Meeting to issue new Shares that may be issued upon vesting of the RSU awards to be granted pursuant to the 2020 Restricted Share Unit Scheme, and to authorise the Board to allot and issue, procure the transfer of, and otherwise deal with such new Shares pursuant to the vesting of the RSUs that are granted under the 2020 Restricted Share Unit Scheme as and when the RSUs vest and to delegate such power in accordance with the terms of the Restricted Share Unit Scheme
“RSU(s)”	restricted share unit(s) conferring the grantee a conditional right upon vesting of the award to obtain, as determined by the Board or the Chairman, either a Share or an equivalent value in cash with reference to the market value of a Share on the date on which such Share is sold as determined by the trustee in its absolute discretion, less any tax, fees, levies, stamp duty and other charges applicable

DEFINITIONS

“Senior Grantee(s)”	in the case of the 2020 Restricted Share Unit Scheme, the grantee(s) who is either (i) a Director, or (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 date of grant, and in the case of the Share Option Plan, the Grantee(s) who is either (i) a Director, (ii) a Service Provider, or (iii) an individual that is an employee (whether full time or part time), executives, officers, or directors (including executive, non-executive and independent non-executive directors) of any Related Entity
“Service Provider”	any person who provides services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group. For the avoidance of doubt, Service Providers should exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions. They should also exclude professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Share(s)”	ordinary share(s) of nominal value of US\$0.0001 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option Plan”	the share option plan for Eligible Participants which was adopted by the Shareholders on May 24, 2021 as amended from time to time
“Share Scheme(s)”	share award scheme(s) and/or share option scheme(s) involving issuance of new Shares adopted and to be adopted by the Company from time to time, including the 2020 Restricted Share Unit Scheme and the Share Option Plan
“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

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, as amended from time to time
“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
“Trust”	the trust declared by the Trust Deed
“Trust Deed”	a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time)
“Trust Funds”	has the meaning as defined in the Trust Deed
“Trustee(s)”	any person(s) who is/are officially appointed by the Board as the trustee or trustees pursuant to the Trust Deed from time to time to administer the 2020 Restricted Share Unit Scheme
“%”	per cent

LETTER FROM THE BOARD



CHINA LITERATURE LIMITED

阅文集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 772)

Executive Directors:

Mr. Cheng Wu
Mr. Hou Xiaonan

Non-Executive Directors:

Mr. James Gordon Mitchell
Mr. Cao Huayi
Mr. Cheng Yun Ming Matthew
Mr. Zou Zhengyu

Independent Non-Executive Directors:

Ms. Yu Chor Woon Carol
Ms. Leung Sau Ting Miranda
Mr. Liu Junmin

Registered office:

The offices of Maples Corporate
Services Limited
PO Box 309, Umland House
Grand Cayman KY1-1104
Cayman Islands

*Head office and principal
place of business in China:*

N3 Lujiazui Binjiang Center,
No. 5169 Binjiang Avenue,
Pudong New Area,
Shanghai
People's Republic of China

*Principal place of business
in Hong Kong:*

Room 1503-04, ICBC Tower
3 Garden Road
Central Hong Kong

April 28, 2023

To the Shareholders

Dear Sir or Madam

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES AND PURCHASE SHARES
RE-ELECTION OF RETIRING DIRECTORS
ELECTION OF DIRECTOR
AMENDMENTS TO THE 2020 RESTRICTED SHARE UNIT SCHEME
AMENDMENTS TO THE SHARE OPTION PLAN
RSU MANDATE TO ISSUE SHARES UNDER
THE 2020 RESTRICTED SHARE UNIT SCHEME
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to give you the notice of the Annual General Meeting and the following proposals to be put forward at the Annual General Meeting: (a) granting of the General Mandate to issue Shares and the Buy-back Mandate to purchase Shares; (b) the re-election of the

LETTER FROM THE BOARD

retiring Directors; (c) the election of Director; (d) approving the amendments to the 2020 Restricted Share Unit Scheme; (e) grant of RSU Mandate to use Shares under the 2020 Restricted Share Unit Scheme; and (f) approving the amendments to the Share Option Plan.

GENERAL MANDATE TO ISSUE SHARES

In order to ensure flexibility and discretion are given to the Directors to issue any new Shares when the Directors consider desirable for the Company to do so, approval is sought from the Shareholders at the Annual General Meeting, pursuant to the Listing Rules, for the grant of the General Mandate to the Directors to issue Shares. At the Annual General Meeting, an ordinary resolution numbered 5(A) will be proposed to grant the General Mandate to the Directors to exercise the powers of the Company to allot, issue and deal with the additional Shares not exceeding 20% of the number of issued Shares as at the date of passing of the Shareholders' resolution in relation to the General Mandate for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution).

As at the Latest Practicable Date, 1,015,238,417 Shares have been fully paid and issued. Subject to the passing of the ordinary resolution numbered 5(A) and on the basis that no further Shares are issued or purchased after the Latest Practicable Date and up to the date of the Annual General Meeting, the Company will be allowed to issue a maximum of 203,047,683 Shares.

In addition, subject to a separate approval of the ordinary resolution numbered 5(C), the number of Shares purchased by the Company under ordinary resolution numbered 5(B) will also be added to extend the General Mandate as mentioned in ordinary resolution numbered 5(A) provided that such additional number of Shares shall represent up to 10% of the number of issued Shares as at the date of passing the Shareholders' resolutions in relation to the General Mandate and Buy-back Mandate. The Directors wish to state that they have no immediate plans to issue any new Shares pursuant to the General Mandate for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution).

BUY-BACK MANDATE TO PURCHASE SHARES

In addition, an ordinary resolution will be proposed at the Annual General Meeting to approve the granting of the Buy-back Mandate to the Directors to exercise the powers of the Company to purchase Shares representing up to 10% of the number of issued Shares as at the date of passing of the Shareholders' resolution in relation to the Buy-back Mandate for the period until the conclusion of the next annual general meeting of the Company (or such earlier period as stated in the resolution).

As at the Latest Practicable Date, there were 1,015,238,417 Shares in issue. Subject to the passing of the ordinary resolution numbered 5(B) and on the basis that no further Shares are issued or purchased after the Latest Practicable Date and up to the date of the Annual General Meeting, the Company will be allowed to buy back a maximum of 101,523,841 Shares pursuant to the Buy-back Mandate.

LETTER FROM THE BOARD

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed Buy-back Mandate is set out in Appendix II to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution at the Annual General Meeting.

RE-ELECTION OF RETIRING DIRECTOR

In accordance with article 16.18 of the Articles of Association, one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to but not less than one-third) will retire from office by rotation and will be eligible for re-election and re-appointment at every annual general meeting, provided that every Director shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. James Gordon Mitchell and Mr. Cao Huayi will retire at the Annual General Meeting and, being eligible, will offer themselves for re-election as Directors at the Annual General Meeting. Mr. Cheng Yun Ming Matthew, though being eligible, will not offer himself for re-election at the Annual General Meeting due to other work commitment.

Mr. Cheng Yun Ming Matthew has confirmed that he has no disagreement with the Board during his respective terms of office, and that there are no matters relating to his retirement that need to be brought to the attention of the Shareholders.

The Company would like to take this opportunity to express its gratitude to Mr. Cheng Yun Ming Matthew for his valuable contribution to the Company during his respective terms of office.

Details of Mr. James Gordon Mitchell and Mr. Cao Huayi who are subject to re-election at the Annual General Meeting are set out in Appendix I to this circular in accordance with the relevant requirements of the Listing Rules.

ELECTION OF DIRECTOR

As Mr. Cheng Yun Ming Matthew will not offer himself for re-election, the nomination committee of the Board has recommended that Mr. Xie Qinghua be appointed as non-executive Director.

The biographical detail of Mr. Xie Qinghua as required to be disclosed by the Listing Rules are set out in Appendix I to this circular.

The proposed election of Director will be submitted as ordinary resolution at the Annual General Meeting for Shareholder's consideration and approval.

LETTER FROM THE BOARD

AMENDMENTS TO THE 2020 RESTRICTED SHARE UNIT SCHEME

Pursuant to the Amended Rules and the 2020 Restricted Share Unit Scheme, alterations to the terms and conditions of a share scheme which are of a material nature must be approved by the Shareholders in general meeting. As the proposed amendments to the 2020 Restricted Share Unit Scheme are of a material nature, such proposed amendments will be subject to, among others, Shareholders' approval.

(A) Provisions of the 2020 Restricted Share Unit Scheme

The key changes entailed by the proposed amendments to the 2020 Restricted Share Unit Scheme are set out below:

- (a) to amend the definition of the Participants as (i) any Employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any subsidiary of the Group or any Related Entity and (ii) any Service Provider;
- (b) to require the Trustee to abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given;
- (c) to specify that initially and subject to otherwise determined by the Board/Chairman (as the case may be) at its/his absolute discretion at the relevant time for each individual grant of RSUs, a Grantee is not required to pay any grant or purchase price or make any other payment to the Company to accept the RSUs granted pursuant to the 2020 Restricted Share Unit Scheme;
- (d) to specify the clawback mechanism that in the case that a Participant commits a misconduct or is involved in a material misstatement in the Company's financial statements, all unvested RSUs of such Participant shall automatically lapse;
- (e) to specify that where the Company cancels Awards granted to a Participant, and makes a new grant to the same Participant, such new grant may only be made under a scheme with available scheme mandate limit approved by shareholders as referred to in Rule 17.03B or Rule 17.03C of the Listing Rules, such Awards cancelled will be regarded as utilized for the purpose of calculating the scheme limit of the 2020 Restricted Share Unit Scheme and that the total number of shares which may be issued in respect of all options and awards to be granted under all of the Share Schemes under the scheme mandate as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the refreshed scheme mandate;
- (f) to include a Service Provider Sublimit of not exceeding 0.5% of the number of Shares in issue as at the Amendment Date to all Share Schemes (which include the 2020 Restricted Share Unit Scheme);

LETTER FROM THE BOARD

- (g) to include a scheme mandate limit of not exceeding 10% of the number of Shares in issue as at the adoption date of the 2020 Restricted Share Unit Scheme to all Share Schemes (which include the 2020 Restricted Share Unit Scheme);
- (h) to require Shareholders' approval for refreshment of scheme limit of the 2020 Restricted Share Unit Scheme after three years from the date of Shareholders' approval for the last refreshment (or the Amendment Date);
- (i) to require independent Shareholders' approval for refreshment of scheme limit of the 2020 Restricted Share Unit Scheme within a three-year period from the date of Shareholders' approval for the last refreshment (or the amendment date of the 2020 Restricted Share Unit Scheme);
- (j) to require approval by the Shareholders for grant of RSUs to a Director (other than an independent non-executive Directors) or chief executive of the Company, or any of their respective associates, if the maximum number of Shares which may be issued and to be issued in respect of all RSUs and awards granted under the Share Schemes (which includes the 2020 Restricted Share Unit Scheme) in any 12-month period will exceed 0.1% of the Shares in issue;
- (k) to require approval by the Shareholders for grant of RSUs to a substantial Shareholder, or any of their respective associates, if the maximum number of Shares which may be issued and to be issued in respect of all RSUs, options and awards granted under the Share Schemes (which includes the 2020 Restricted Share Unit Scheme) in any 12-month period will exceed 0.1% of the Shares in issue;
- (l) to include a minimum vesting period of not less than 12 months or such other period as the Listing Rules may prescribe or permit;
- (m) to specify that the 2020 Restricted Share Unit Scheme does not provide for any performance target that must be achieved before the Award(s) can be vested;
- (n) to specify that the Board may at any time at their absolute discretion cancel any Award granted but not vested and where the Company cancels Awards and new Awards are to be issued to the same Grantee, the issue of such new Awards may only be made under the 2020 Restricted Share Unit Scheme with available scheme limit of the 2020 Restricted Share Unit Scheme;
- (o) to require approval by the Shareholders for any alterations to the terms and conditions of the 2020 Restricted Share Unit Scheme which are of a material nature or any alterations to the provisions of the 2020 Restricted Share Unit Scheme relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Participants must be approved by Shareholders in general meeting;

LETTER FROM THE BOARD

- (p) to specify the adjustment of the purchase price (if any) and/or the number of Shares subject to Awards granted under the 2020 Restricted Share Unit Scheme in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital;
- (q) to require amended terms of the 2020 Restricted Share Unit Scheme or the RSUs to comply with the relevant requirements of Chapter 17 of the Listing Rules;
- (r) to require approval by the Shareholders for any change to the authority of the Directors, the Trustee or Administrative Committee to alter the terms of the 2020 Restricted Share Unit Scheme;
- (s) to require the Company to provide to all Participants details relating to amendments in the terms of the 2020 Restricted Share Unit Scheme during the life of the 2020 Restricted Share Unit Scheme immediately upon such amendments taking effect; and
- (t) to include other housekeeping amendments for the purpose of making consequential amendments in line with the proposed amendments to the 2020 Restricted Share Unit Scheme, and to better align the wording with that of the Amended Rules.

Details of the proposed amendments to the 2020 Restricted Share Unit Scheme are set out in Appendix III to this circular.

The provisions of the 2020 Restricted Share Unit Scheme have clearly stated that it is to recognize the contributions by the Participants with an opportunity to acquire a proprietary interest in the Company, which will align their interest with the Group's, incentivizing them to maximize the value of the Company for the benefits of both the Participants and the Company. The Board and the Chairman are of the view that the discretion in determining the eligibility of Participants and vesting schedule gives the Company more flexibility to provide higher incentives to the Participants, which is in line with the purpose of the 2020 Restricted Share Unit Scheme.

(B) Service Provider Sublimit

As at the Latest Practicable Date, there were 1,015,238,417 Shares in issue. Subject to the passing of the resolution approving the amendments to the 2020 Restricted Share Unit Scheme and on the basis that no further Shares are issued or purchased before the Annual General Meeting, the Company will be allowed to issue a maximum of 5,076,192 Shares to the Service Providers under Share Schemes of the Group, representing approximately 0.5% of the number of issued Shares as at the date of passing of the Shareholders' resolution in relation to the amendments to the 2020 Restricted Share Unit Scheme.

LETTER FROM THE BOARD

The basis for determining the Service Provider Sublimit includes (i) the potential dilution effect arising from grants to the Service Providers, (ii) the importance of striking a balance between achieving the purpose of the Share Schemes and protecting the Shareholders from the dilution effect from granting a substantial amount of awards and options to the Service Providers, (iii) the expected contribution to the development and growth of the Company attributable to the Service Providers. Given the above, the Board considers that the Service Provider Sublimit would not lead to an excessive dilution of shareholding of the existing Shareholders.

Considering that there are no other share schemes over new Shares other than the 2020 Restricted Share Unit Scheme and Share Option Plan, the Group's hiring practice and organizational structures and that the Service Providers have contributed to the long term growth of the business of the Group, the Directors (including the independent non-executive Directors) are of the view that, despite the Company did not grant any share options or award shares to its Service Providers in the past, the Service Provider Sublimit is appropriate and reasonable given the nature of the innovation-driven industry and the Group's business needs, and such limit provides the Group with flexibility to provide equity incentives (instead of expending cash resources in the form of monetary consideration) to reward and collaborate with persons who are not employees or officers of the Group, but who may have exceptional expertise in their field or who may be able to provide valuable expertise and services to the Group, which is in line with the purpose of the 2020 Restricted Share Unit Scheme.

As at the Latest Practicable Date, the Company has not identified any proposed Grantees for the coming 12 months including those who may require the approval by the Shareholders in the AGM pursuant to this circular pursuant to Rule 17.04 of the Listing Rules.

As at the Latest Practicable Date, the movements in the number of RSUs under the 2020 Restricted Share Unit Scheme since its adoption are as follows:

	Number of RSUs
Granted	10,327,968
Forfeited	(1,626,679)
Vested	<u>(2,010,973)</u>
Outstanding balance as at the Latest Practicable Date ^{Note}	<u><u>6,690,316</u></u>

Note: The outstanding balance as at the Latest Practicable Date is the total number of RSUs granted deducted by the total number of RSUs forfeited or vested under the 2020 Restricted Share Unit Scheme, representing approximately 0.66% of the number of issued Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors is a trustee of the 2020 Restricted Share Unit Scheme or has any direct or indirect interest in the trustees of the 2020 Restricted Share Unit Scheme, if any. As at the Latest Practicable Date, to the best knowledge of the Directors and having made all reasonable enquiries, no Shareholder has any material interest in the 2020 Restricted Share Unit Scheme. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto.

LETTER FROM THE BOARD

RSU MANDATE

The 2020 Restricted Share Unit Scheme was adopted by the Company on May 15, 2020. The 2020 Restricted Share Unit Scheme funded by issuance of new Shares is subject to the provisions of Chapter 17 of the Listing Rules. The grant of RSUs to a Director and other connected persons of the Company will be subject to compliance with Chapter 14A and Rule 17.04 of the Listing Rules, including the applicable reporting, announcement, the independent non-executive Directors' approval and/or independent Shareholders' approval requirements under Chapter 14A and Rule 17.04 of the Listing Rules. For further details of the 2020 Restricted Share Unit Scheme, please refer to Appendix III to this circular.

To determine the grantees other than the employees of the Group including the consultants, the Board shall take into account (i) the contribution of such grantee to the growth and development of the Group, and (ii) his/her/its potential value to the Group due to such grantee's expertise, experience or business resources. The purposes of the grant to the grantees who are not the employees of the Group are to provide a means of compensating them through the grant of Options for their contribution to the Company's growth and profits, and to allow such non-employees to participate in such growth and profitability.

As of the Latest Practicable Date, 10,327,968 RSUs (including 1,626,679 forfeited RSUs and 2,010,973 vested RSUs) have been granted in accordance with the 2020 Restricted Share Unit Scheme. As of the Latest Practicable Date, the Company has not granted any RSUs to non-employees.

As of the Latest Practicable Date, the Company currently has not identified any proposed Grantees for the coming 12 months.

The Company will disclose in its annual report and/or interim report the following information in respect of the 2020 Restricted Share Unit Scheme:

In relation to RSUs granted and to be granted under the 2020 Restricted Share Unit Scheme to: (i) each of the Directors, chief executive or substantial shareholders of the Company; (ii) each participant with RSUs granted and to be granted in excess of the 1% individual limit; (iii) each related entity participant with options and awards granted and to be granted in any 12-month period exceeding 0.1% of the relevant class of Shares in issue; and (iv) other participants, related entity participants by category:

- (a) a table showing the following details of RSUs granted to each participant or category of participants:
 - name of the grantee or a description of each of the categories of grantees;
 - particulars of the outstanding RSUs at the beginning and at the end of the financial year/period, including the number of unvested RSUs, date of grant, vesting period and purchase price;

LETTER FROM THE BOARD

- particulars of the RSUs granted during the financial year/period, including (i) the number of RSUs, (ii) the date of grant, (iii) the vesting period, purchase price and performance targets (if any), (iv) the closing price of the shares immediately before the date on which the RSUs were granted, and (v) the fair value of RSUs at the date of grant and the accounting standard and policy adopted;
 - the number of RSUs vested during the financial year/period with the purchase price and (where the shares are listed) the weighted average closing price of the shares immediately before the dates on which the RSUs were vested;
 - the number of RSUs cancelled during the financial year/period together with the purchase price of the cancelled RSUs; and
 - the number of RSUs which lapsed in accordance with the terms of the 2020 Restricted Share Unit Scheme during the financial year/period.
- (b) the number of RSUs available for grant under the RSU Mandate at the beginning and the end of the financial year/period;
- (c) the number of shares that may be issued in respect of RSUs granted under the 2020 Restricted Share Unit Scheme of the issuer during the financial year/period divided by the weighted average number of shares of the relevant class in issue for the year/period; and
- (d) a summary of the 2020 Restricted Share Unit Scheme as required under Rule 17.09 of the Listing Rules;

Pursuant to the terms of the 2020 Restricted Share Unit Scheme, the total number of Shares underlying the 2020 Restricted Share Unit Scheme shall not in aggregate exceed 4.5% of the issued share capital of the Company as of June 30, 2020.

An ordinary resolution numbered 7 will be proposed at the Annual General Meeting to grant to the Directors the RSU Mandate specifying (i) the maximum number of new Shares that may be issued upon vesting of the RSU awards to be granted pursuant to the 2020 Restricted Share Unit Scheme, and (ii) that the Board has the power to allot and issue, procure the transfer of, and otherwise deal with such new Shares pursuant to the vesting of the RSUs that are granted under the 2020 Restricted Share Unit Scheme as and when the RSUs vest and to delegate such power in accordance with the terms of the 2020 Restricted Share Unit Scheme, during the period from the Annual General Meeting at which the RSU Mandate is passed until the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the end of the period within which the Company is required by any applicable laws or by the Articles of Association to hold its next annual general meeting; or (c) the date of which such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting. Upon the expiration of the RSU Mandate, the Company currently expects that, the Shareholders' approval will be sought in annual general meetings of the Company on an annual basis to grant a similar mandate to the Directors to facilitate the grant of RSUs under the 2020 Restricted Share Unit Scheme.

LETTER FROM THE BOARD

As of June 30, 2020, the number of issued Shares was 1,015,781,716. The maximum number of new Shares which may be issued under the RSU Mandate will be 45,710,177, representing approximately 4.5% of the issued Shares as at the Latest Practicable Date provided that the total number of Shares which may be issued in respect of all options and awards to be granted under all of the schemes of the Company under the must not exceed 10% of the Shares in issue as at the date of approval of the RSU Mandate.

AMENDMENTS TO THE SHARE OPTION PLAN

Pursuant to the Amended Rules and the Share Option Plan, alterations to the terms and conditions of the Share Option Plan which are of a material nature must be approved by the Shareholders in general meeting. As the proposed amendments to the Share Option Plan are of a material nature, the proposed amendments will be subject to, among others, Shareholders' approval.

(A) Provisions of the Share Option Plan

The key changes entailed by the proposed amendments to the Share Option Plan are set out below:

- (a) to amend the definition of the Eligible Participants as (i) any employee (whether full time or part time), executives or officers, directors (including executive, non-executive and independent non-executive directors) of any subsidiary of the Group or any Related Entity, and (ii) any Service Provider who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group;
- (b) to require Shareholders' approval for refreshment of scheme limit of the Share Option Plan after three years from the date of Shareholders' approval for the last refreshment (or the Amendment Date) and specify that the total number of shares which may be issued in respect of all options and awards to be granted under all of the Share Schemes under the scheme mandate as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the refreshed scheme mandate;
- (c) to require independent Shareholders' approval for refreshment of scheme limit of the Share Option Plan within a three-year period from the date of Shareholders' approval for the last refreshment (or the amendment date of the Share Option Plan);
- (d) to include a Service Provider Sublimit of not exceeding 0.5% of the number of Shares in issue as at the Amendment Date to all Share Schemes (which include the Share Option Plan);
- (e) to include a scheme mandate limit of not exceeding 10% of the number of Shares in issue as at the adoption date of the Share Option Plan to all Share Schemes (which include the Share Option Plan);

LETTER FROM THE BOARD

- (f) to specify that where the Company cancels Options granted to an Eligible Participant, and makes a new grant to the same Eligible Participant, such new grant may only be made under a scheme with available scheme mandate limit approved by shareholders as referred to in Rule 17.03B or Rule 17.03C of the Listing Rules, such Options cancelled will be regarded as utilized for the purpose of calculating the scheme limit of the Share Option Plan;
- (g) to require approval by the Shareholders for grant of Options to Director, chief executive of the Company or substantial Shareholder;
- (h) to require approval by the Shareholders for grant of Options to a substantial Shareholder, or any of their respective associates, if the maximum number of Shares which may be issued and to be issued in respect of all Options, options and awards granted under the Share Schemes (which includes the Share Option Plan) in any 12-month period will exceed 0.1% of the Shares in issue;
- (i) to include a minimum vesting period of not less than 12 months or such other period as the Listing Rules may prescribe or permit;
- (j) to specify that the Share Option Plan does not provide for any performance target that must be achieved before the Award(s) can be vested;
- (k) to specify the clawback mechanism that in the case that an Eligible Participant commits a misconduct or is involved in a material misstatement in the Company's financial statements, all Options of such Participant shall automatically lapse;
- (l) to require approval by the Shareholders for any alterations to the terms and conditions of the Share Option Plan which are of a material nature or any alterations to the provisions of the Share Option Plan relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants must be approved by Shareholders in general meeting;
- (m) to require amended terms of the Share Option Plan or the Options to comply with the relevant requirements of Chapter 17 of the Listing Rules;
- (n) to require approval by the Shareholders for any change to the authority of the Directors, or Administrative Committee to alter the terms of the Share Option Plan;
- (o) to require the Company Eligible to provide to all Eligible Participants details relating to amendments in the terms of the Share Option Plan during the life of the Share Option Plan immediately upon such amendments taking effect; and
- (p) to include other housekeeping amendments for the purpose of making consequential amendments in line with the proposed amendments to the Share Option Plan, and to better align the wording with that of the Amended Rules.

LETTER FROM THE BOARD

Details of the proposed amendments to the Share Option Plan are set out in Appendix IV to this circular.

The provisions of the Share Option Plan have clearly stated that it is to provide incentives and rewards to the directors and employees of the Group for their contributions to, and continuing efforts to promote the interest of, the Company, which will align the interests of the Eligible Participants directly to the Shareholders through ownership of Shares. The Board and the Chairman are of the view that the discretion in determining the eligibility of participants, the vesting schedule and the exercise price gives the Company more flexibility to provide higher incentives to the Eligible Participants, which is in line with the purpose of the Share Option Plan.

(B) Service Provider Sublimit

As at the Latest Practicable Date, there were 1,015,238,417 Shares in issue. Subject to the passing of the resolution approving the amendments to the Share Option Plan and on the basis that no further Shares are issued or purchased before the Annual General Meeting, the Company will be allowed to issue a maximum of 5,076,192 Shares to the Service Providers under Share Schemes of the Group, representing approximately 0.5% of the number of issued Shares as at the date of passing of the Shareholders' resolution in relation to the amendments to the Share Option Plan.

The basis for determining the Service Provider Sublimit includes (i) the potential dilution effect arising from grants to the Service Providers, (ii) the importance of striking a balance between achieving the purpose of the Share Schemes and protecting the Shareholders from the dilution effect from granting a substantial amount of awards and options to the Service Providers, (iii) the expected contribution to the development and growth of the Company attributable to the Service Providers. Given the above, the Board considers that the Service Provider Sublimit would not lead to an excessive dilution of shareholding of the existing Shareholders.

Considering that there are no other share schemes over new Shares other than the 2020 Restricted Share Unit Scheme and Share Option Plan, the Group's hiring practice and organizational structures and that the Service Providers have contributed to the long term growth of the business of the Group, the Directors (including the independent non-executive Directors) are of the view that, despite the Company did not grant any share options or award shares to its Service Providers in the past, the Service Provider Sublimit is appropriate and reasonable given the nature of the innovation-driven industry and the Group's business needs, and such limit provides the Group with flexibility to provide equity incentives (instead of expending cash resources in the form of monetary consideration) to reward and collaborate with persons who are not employees or officers of the Group, but who may have exceptional expertise in their field or who may be able to provide valuable expertise and services to the Group, which is in line with the purpose of the Share Option Plan.

As at the Latest Practicable Date, the Company has not identified any proposed Grantees for the coming 12 months including those who may require the approval by the Shareholders in the AGM pursuant to this circular pursuant to Rule 17.04 of the Listing Rules.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the movements in the number of Options under the Share Option Plan since its adoption are as follows:

	Number of Options
Granted	13,120,658
Forfeited	(71,395)
Cancelled	(3,806,250)
Exercised	Nil
	<hr/>
Outstanding balance as at the Latest Practicable Date^{Note}	9,243,013
	<hr/> <hr/>

Note: The outstanding balance as at the Latest Practicable Date is the total number of Options granted deducted by the total number of Options forfeited, cancelled or exercised under the Share Option Plan, representing approximately 0.91% of the number of issued Shares as at the Latest Practicable Date.

Subject to the terms and conditions of the Share Option Plan, the total number of Shares which may be issued upon exercise of all Options that may be granted under the Share Option Plan shall not in aggregate exceed 25,470,141 shares, representing 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 “**Option Scheme Limit**”), being May 24, 2021, unless the Company obtains the approval of the Shareholders to refresh the Option Scheme Limit in accordance with the Listing Rules.

The Option Scheme Limit has been approved by the Shareholders on May 24, 2021. The Company has applied for and the Stock Exchange has approved for the listing of, and permission to deal in, the new Shares not exceed 25,470,141 which may be issued and allotted pursuant to the Share Option Plan.

As at the Latest Practicable Date, none of the Directors is a trustee of the Share Option Plan or has any direct or indirect interest in the trustees of the Share Option Plan, if any. As at the Latest Practicable Date, to the best knowledge of the Directors and having made all reasonable enquiries, no Shareholder has any material interest in the Share Option Plan. As such, no Shareholder is required to abstain from voting on the resolution in relation thereto.

NOTICE OF ANNUAL GENERAL MEETING

Set out on pages 47 to 53 of this circular is the notice of the Annual General Meeting at which, inter alia, ordinary resolutions will be proposed to Shareholders to consider and approve the granting of the General Mandate to issue Shares and the Buy-back Mandate to purchase Shares, the re-election of the retiring Directors, the election of the Director, the amendments to the 2020 Restricted Share Unit Scheme, the RSU Mandate and the amendments to the Share Option Plan.

LETTER FROM THE BOARD

FORM OF PROXY

A form of proxy is enclosed for use at the Annual General Meeting. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://ir.yuewen.com>). Shareholders are encouraged to exercise their rights to appoint the chairman of the Annual General Meeting as their proxy to vote on your behalf by completing the form of proxy in accordance with the instructions printed thereon and return it to the Hong Kong share registrar of the Company, 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 fixed for holding the Annual General Meeting or any adjournment thereof.

VOTING BY POLL

There is no Shareholder who has any material interest in the proposed resolutions, therefore none of the Shareholders is required to abstain from voting at the Annual General Meeting.

Pursuant to Rule 13.39(4) of the Listing Rules and article 13.6 of the Articles of Association, any resolution put to the vote of the Shareholders at a general meeting shall be decided on a poll except where the chairman of the Annual General Meeting, 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. Accordingly, each of the resolutions set out in the notice will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative, shall have one vote for every fully paid Share of which he/she is the holder. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same way.

DOCUMENTS ON DISPLAY

Copies of the 2020 Restricted Share Unit Scheme and Share Option Plan are published at the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.yuewen.com/>) for 14 days from the date of this circular.

RECOMMENDATION

The Directors consider that the proposed resolutions for the granting of the General Mandate to issue Shares, the Buy-back Mandate to purchase Shares, the re-election of the retiring Directors, the election of the Director, the amendments to the 2020 Restricted Share Unit Scheme, the RSU Mandate and the amendments to the Share Option Plan to issue Shares are in the interests of the Group and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of all the resolutions to be proposed at the Annual General Meeting.

LETTER FROM THE BOARD

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.

Yours faithfully

By order of the Board

CHINA LITERATURE LIMITED

Mr. James Gordon Mitchell

Chairman of the Board and Non-executive Director

**APPENDIX I DETAILS OF PROPOSED RE-ELECTION OF
RETIRING DIRECTORS AND
ELECTION OF DIRECTOR AT THE AGM**

The following are the particulars of the Director (as required by the Listing Rules) proposed to be re-elected at the Annual General Meeting.

NON-EXECUTIVE DIRECTORS

Mr. James Gordon Mitchell

Aged 49, is a Non-Executive Director and the Chairman of the Board since June 2017. He is the chairman of the Nomination Committee, a member of the Remuneration Committee of the Company and a member of its Strategy and Investment Committee. Mr. Mitchell is a senior executive vice President and the chief strategy officer of Tencent Holdings, where he has worked since July 2011. He is also a director of certain other listed companies including Frontier Developments Plc (AIM: FDEV), NIO Inc. (listed on the New York Stock Exchange under symbol, NYSE: NIO) Tencent Music Entertainment Group (listed on the New York Stock Exchange under symbol, NYSE: TME and listed on the Stock Exchange under the stock code: 01698, respectively), Universal Music Group (listed on Euronext Amsterdam under symbol: UMG), and of several unlisted companies. Mr. Mitchell was a non-executive director of Yixin Group Limited (listed on the Stock Exchange under the stock code: 02858) from June 2017 to June 2020. Prior to joining Tencent, Mr. Mitchell was a managing director at Goldman Sachs. He is a CFA® and received a degree from Oxford University.

Mr. James Gordon Mitchell's directorship with the Company is subject to retirement by rotation at least once every three years pursuant to the relevant provisions under the Articles of Association. Mr. James Gordon Mitchell will not receive remuneration for his services as a non-executive Director. Such remuneration arrangement has been considered and approved by the Board in accordance with the Articles of Association with the recommendation from the remuneration committee of the Board, taking into account his duties and responsibilities.

As at the Latest Practicable Date, Mr. James Gordon Mitchell was interested in 281,352 Shares, representing approximately 0.03% of the issued share capital of the Company.

APPENDIX I DETAILS OF PROPOSED RE-ELECTION OF RETIRING DIRECTORS AND ELECTION OF DIRECTOR AT THE AGM

The following are the particulars of the Director proposed to be elected at the Annual General Meeting in accordance with the Listing Rules.

NON-EXECUTIVE DIRECTOR

Mr. Xie Qinghua

Aged 44, joined Tencent Group in December 2003, and currently serves as the corporate vice president of the Tencent Group. Mr. Xie Qinghua also currently serves as a non-executive director of Yixin Group Limited (listed on the Stock Exchange under the stock code: 2858) and a non-executive director of Tongcheng Travel Holdings Limited (listed on the Stock Exchange under the Stock Code: 0780). Mr. Xie Qinghua obtained a bachelor's degree in economics from Sun Yat-Sen University in 2001. Subject to shareholders' approval at the annual general meeting in relation to the appointment of Mr. Xie Qinghua, he will be appointed as a non-executive Director.

Mr. Xie Qinghua's directorship with the Company is subject to retirement by rotation at least once every three years pursuant to the relevant provisions under the Articles of Association. Mr. Xie Qinghua will not receive remuneration for his services as a non-executive Director. Such remuneration arrangement has been considered and approved by the Board in accordance with the Articles of Association with the recommendation from the remuneration committee of the Board, taking into account his duties and responsibilities.

As at the Latest Practicable Date, Mr. Xie Qinghua was interested in 148,446 shares of Tencent, representing approximately 0.00% of the issued share capital of Tencent under Part XV of the SFO and comprising (i) 47,578 shares of Tencent, (ii) 100,798 shares underlying Tencent in respect of the awarded shares granted to Mr. Xie under share award schemes of Tencent, and (iii) 70 shares underlying Tencent in respect of the options granted to Mr. Xie under share option schemes of Tencent.

Save as disclosed above, as at the Latest Practicable Date, Mr. Xie Qinghua did not hold any other position with the Company or any other member of the Group, or any directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years and Mr. Xie Qinghua did not have any other relationship with any Director, senior management, substantial or controlling shareholders of the Company (as defined in the Listing Rules).

Save as disclosed herein, there is no other matter in relation to the election of Mr. Xie Qinghua that needs to be brought to the attention of the Shareholders and there is no other information relating to Mr. Xie which is required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

The election of Mr. Xie shall be subject to Shareholders' approval at the Annual General Meeting, pursuant to the letter of appointment to be entered into between the Company and Mr. Xie, Mr. Xie will be appointed as a non-executive Director for a term of three years commencing from the date of the Annual General Meeting, and he will be subject to rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association. Subject to the Shareholders approving the appointment of Mr. Xie at the Annual General Meeting, pursuant to the letter of appointment to be entered into between the Company and Mr. Xie, Mr. Xie will not receive any director's fee or any other emoluments.

The following is an explanatory statement required to be sent to the Shareholders under the Listing Rules in connection with the proposed Buy-back Mandate.

SHARE CAPITAL

As at the Latest Practicable Date, the number of issued Shares was 1,015,238,417 Shares of nominal value of US\$0.0001 each which have been fully paid. Subject to the passing of the resolution granting the Buy-back Mandate and on the basis that no further Shares are issued or purchased before the Annual General Meeting, the Company will be allowed to purchase a maximum of 101,523,841 Shares which represent 10% of the issued Shares during the period ending on the earlier of (i) the conclusion of the next annual general meeting of the Company; or (ii) the expiry of the period within which the next annual general meeting of the Company is required by any applicable laws or the Articles of Association to be held; or (iii) the passing of an ordinary resolution by Shareholders in general meeting of the Company revoking or varying such mandate.

REASONS FOR AND FUNDING OF BUY-BACKS

The Directors believe that it is in the best interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Company to purchase its Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Company's net asset value and/or its 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.

Buy-back of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. The Directors may not purchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, the Directors may make buy-backs with profits of the Company or out of a new issuance of shares made for the purpose of the buy-back or, if authorized by the Articles of Association and subject to the Act, out of capital and, in the case of any premium payable on the buy-back, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to the Act, out of capital.

The Directors have no present intention to buy-back any Shares and they would only exercise the power to buy-back in circumstances where they consider that the buy-back would be in the best interests of the Company. The Directors believe that if the Buy-back Mandate is exercised in full, it may not have a material adverse impact on the working capital and gearing position of the Company, as compared with the positions disclosed in the audited consolidated financial statements of the Company as at December 31, 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up. 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 or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

GENERAL

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, their respective close associates (as defined in the Listing Rules), have any present intention to sell any Shares to the Company if the Buy-back Mandate is approved by the Shareholders.

The Directors have undertaken to the 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 and the applicable laws of the Cayman Islands.

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

TAKEOVERS CODE

If as a result of a purchase of Shares pursuant to the Buy-back Mandate, 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 (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a result of any purchase of Shares pursuant to the Buy-back Mandate.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, Tencent is deemed to be interested in 577,646,091 Shares through its controlled corporations under the SFO, representing approximately 56.90% of the issued Shares. 230,705,634 Shares, 268,600,500 Shares, 78,337,470 Shares and 2,487 Shares are held by Qinghai Lake Investment Limited, THL A13 Limited, Tencent Mobility, and TAI FUNG SECURITIES LIMITED, all being direct/indirect wholly-owned subsidiaries of Tencent Holdings Limited, respectively. In the event that the Directors should exercise in full the Buy-back Mandate, such interests will be increased to approximately 63.22% of the issued Shares.

To the best knowledge and belief of the Directors, such increase would not give rise to an obligation to make a mandatory offer under the Takeovers Code. The Directors have no present intention to buy-back the Shares to the extent that will trigger the obligations under the Takeovers Code for Tencent Holdings Limited to make a mandatory offer. The Directors are not aware of any other consequences which may arise under the Takeovers Code as a result of any purchase by the Company of its Shares.

The Listing Rules prohibit a company from making buy-back on the Stock Exchange if the result of the buy-back would be that less than 25% (or such other prescribed minimum percentage as determined by the Stock Exchange) of the total number of issued shares of the Company would be in public hands. The Directors do not propose to buy-back Shares which would result in less than the prescribed minimum percentage of Shares in public hands.

SHARE BUY-BACK MADE BY THE COMPANY

For the year ended December 31, 2022, the Company purchased 10,681,200 Shares on the Stock Exchange for an aggregate consideration of HKD232,985,758 before expenses pursuant to the share buy-back mandate approved by our shareholders at the annual general meeting held on May 23, 2022. The bought-back Shares were subsequently cancelled. The purchase was effected by the Board for the enhancement of shareholder value in the long term. Details of the shares purchases are as follows:

Date for purchase	Purchase consideration per share		No. of shares Purchased	Aggregate consideration paid
	Highest price paid <i>HKD</i>	Lowest price paid <i>HKD</i>		
September 28, 2022	24.45	23.60	50,000	1,203,650.00
September 29, 2022	23.40	22.55	200,000	4,566,300.00
September 30, 2022	22.95	20.20	600,000	13,297,090.00
October 3, 2022	22.55	21.10	600,000	13,230,640.00
October 5, 2022	23.05	22.50	260,000	5,935,500.00
October 6, 2022	22.35	21.80	300,000	6,659,170.00
October 7, 2022	21.65	21.15	380,000	8,195,740.00
October 10, 2022	20.70	20.30	275,000	5,659,830.00
October 11, 2022	20.80	20.25	500,000	10,305,890.00
October 12, 2022	20.15	19.74	647,000	12,963,440.00
October 13, 2022	20.25	19.90	358,000	7,221,336.00
October 14, 2022	21.10	20.30	200,000	4,185,860.00
October 17, 2022	21.10	19.92	250,000	5,258,796.00
October 18, 2022	21.95	20.70	200,000	4,300,870.00
October 19, 2022	21.65	21.15	245,000	5,263,200.00
October 20, 2022	21.35	20.40	201,000	4,190,920.00
October 21, 2022	21.95	21.35	250,000	5,439,850.00
October 24, 2022	20.65	19.38	595,000	11,915,564.00
October 25, 2022	20.20	19.38	488,000	9,745,412.00
October 26, 2022	21.15	20.75	339,200	7,150,220.00
October 27, 2022	22.40	21.70	298,000	6,604,350.00
October 28, 2022	21.45	20.55	545,000	11,429,890.00
October 31, 2022	21.70	21.15	400,000	8,523,200.00
November 1, 2022	22.50	21.80	300,000	6,683,090.00
November 3, 2022	22.45	21.65	200,000	4,426,070.00
November 8, 2022	23.50	23.15	300,000	7,004,880.00
November 9, 2022	23.20	22.50	400,000	9,131,500.00
November 10, 2022	22.20	21.85	300,000	6,601,980.00
November 18, 2022	27.30	27.00	200,000	5,433,510.00
November 21, 2022	26.65	25.90	200,000	5,268,010.00
November 22, 2022	25.65	25.20	200,000	5,077,870.00
November 25, 2022	25.75	25.35	200,000	5,112,090.00
November 28, 2022	25.30	24.30	200,000	5,000,040.00
Total:			10,681,200	232,985,758

Save as disclosed above, no buy-backs of Shares have been made by the Company during the six months prior to the Latest Practicable Date (whether on the Stock Exchange or otherwise).

SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange prior to the Latest Practicable Date were as follows:

Month	Highest prices <i>HK\$</i>	Lowest prices <i>HK\$</i>
2022		
April	34.85	27.90
May	34.75	28.30
June	39.70	32.85
July	37.80	39.85
August	32.60	27.80
September	32.15	20.15
October	23.45	18.90
November	29.80	20.90
December	33.00	26.50
2023		
January	44.85	29.40
February	43.05	33.40
March	45.75	32.25
April (up to the Latest Practicable Date)	44.05	37.50

PURPOSES AND OBJECTIVES

The purposes of the 2020 Restricted Share Unit Scheme are to (i) recognise the contributions by the Participants with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain such individuals for the continual operation and development of the Group; (iii) provide additional incentives for them to achieve performance goals; (iv) attract suitable personnel for further development of the Group; and (v) motivate the Participants to maximise the value of the Company for the benefits of both the Participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Participants directly to the Shareholders through ownership of Shares.

The Participants of the 2020 Restricted Share Unit Scheme 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 subsidiary of the Group or any Related Entity; and (ii) any Service Provider who, in the sole opinion of the Board, has contributed or will contribute to the growth and development of the Group and qualifies by in the interests of the long term growth of the Group. For the avoidance of doubt, the Participants shall exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity. The basis of eligibility of any Participant to be granted RSUs under the 2020 Restricted Share Unit Scheme shall be determined by the Board/Chairman (as the case may be) from time to time on the basis of the Participant's contribution or potential contribution to the development and growth of the Group, or such other factors as the Board may deem appropriate.

EFFECTIVENESS AND DURATION

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme, the 2020 Restricted Share Unit Scheme shall be valid and effective for a period of ten years commencing on May 15, 2020, after which no awards will be granted, but the provisions of the 2020 Restricted Share Unit Scheme shall in all other respects remain in full force and effect and the awards granted during the term of the 2020 Restricted Share Unit Scheme may continue to be valid in accordance with their respective terms of grant.

RSU SCHEME LIMIT

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme, the total number of Shares underlying the 2020 Restricted Share Unit Scheme shall not in aggregate exceed 4.5% of the issued share capital of the Company as of June 30, 2020 ("**RSU Scheme Limit**"). Without prejudice to the foregoing, the total number of Shares underlying the RSUs to be granted under the 2020 Restricted Share Unit Scheme in any financial year will not exceed three per cent. (3%) of the issued Shares as at the beginning of that financial year.

Without prejudice to the foregoing, the total number of Shares to be issued to the Service Providers underlying the 2020 Restricted Share Unit Scheme and other Share Schemes shall not in aggregate exceed 5,076,192 Shares, representing approximately 0.5% of the total number of Shares as of the date of the AGM (the "**Service Provider Sublimit**").

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme,

- (a) and without prejudice to the terms and conditions of the 2020 Restricted Share Unit Scheme, the Company may seek approval of its shareholders at general meeting to refresh the RSU Scheme Limit or the Service Provider Sublimit after three years from the date of Shareholders' approval for the last refreshment (or the Amendment Date);
- (b) any refreshment within any three-year period under the above clause must be approved by Shareholders subject to the following provisions:
 - (i) any controlling Shareholders and their associates (or if there is no controlling Shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
 - (ii) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules;
- (c) the requirements under the above clause do not apply if the refreshment is made immediately after an issue of Shares by the Company to its shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the RSU Scheme Limit or the Service Provider Sublimit (as a percentage of the relevant class of Shares in issue) upon refreshment is the same as the unused part of the RSU Scheme Limit or the Service Provider Sublimit immediately before the issue of Shares, rounded to the nearest whole Share;
- (d) the total number of shares which may be issued in respect of all options and awards to be granted under all of the schemes of the Company under the scheme mandate as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the refreshed scheme mandate.

The total number of Shares which may be issued in respect of all RSUs to be granted under the 2020 Restricted Share Unit Scheme, and all options and awards to be granted under any other schemes of the Group as refreshed must not exceed 10% of the total issued Shares as at the date of approval of the 2020 Restricted Share Unit Scheme. Subject to the passing of the resolution approving the amendments to the 2020 Restricted Share Unit Scheme and on the basis that no further Shares are issued or purchased before the Annual General Meeting, the Company will be allowed to issue a maximum of 101,578,171 Shares under Share Schemes of the Group, representing approximately 10% of the number of issued Shares as at the date of passing of the Shareholders' resolution in relation to the amendments to the 2020 Restricted Share Unit Scheme or the maximum number of Shares in accordance with the Share Option Plan (whichever is lower).

Any Share covered by an Award (or any portion of an Award) which is forfeited, cancelled or expires (whether voluntarily or involuntarily) in accordance with the terms of the 2020 Restricted Share Unit Scheme shall be deemed not to have been issued for purposes of determining the RSU Scheme Limit or the Service Provider Sublimit. For the avoidance of doubt, where the Company cancels Awards granted to a Participant, and makes a new grant to the same Participant, such new grant may only be made under a scheme with available scheme mandate limit approved by Shareholders as referred to in Rule 17.03B or Rule 17.03C of the Listing Rules, such Awards cancelled will be regarded as utilized for the purpose of calculating the RSU Scheme Limit or the Service Provider Sublimit.

The Company may seek separate Shareholders' approval at general meeting for granting RSUs beyond the RSU Scheme Limit provided the RSUs in excess of the RSU Scheme Limit are granted only to Participants specifically identified by the Company before such approval is sought. In such event, the Company will send a circular to Shareholders containing the name of each specified Participant who may be granted such RSUs ("**RSU Selected Person**"), the number and terms of RSUs to be granted to each RSU Selected Person and the purpose of granting RSUs to the RSU Selected Person(s) with an explanation as to how the terms of the RSUs serve such purpose. The number and terms of RSUs to be granted to the RSU Selected Person(s) must be fixed before Shareholders' approval.

Without prejudice to the terms and conditions of the 2020 Restricted Share Unit Scheme, where any grant of RSUs under the 2020 Restricted Share Unit Scheme to a Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates would result in the Shares issued and to be issued in respect of all RSUs and awards granted (excluding any RSUs lapsed in accordance with the terms of the 2020 Restricted Share Unit Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such grant of RSUs must be approved by Shareholders in general meeting (with such Participant, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting). In such event, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

Where any grant of RSUs to an independent non-executive Director or a substantial Shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all RSUs, options and awards granted (excluding any Awards lapsed in accordance with the terms of the 2020 Restricted Share Unit Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of RSUs must be approved by Shareholders in general meeting (with such Participant, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting). In such event, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

The maximum number of Shares which may be awarded to any one Participant under the 2020 Restricted Share Unit Scheme may not exceed one per cent. (1%) of the issued Shares in issue.

ADMINISTRATION

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme, the 2020 Restricted Share Unit Scheme shall be subject to the administration of the Board in accordance with the terms and conditions of the 2020 Restricted Share Unit Scheme, and the Company appointed a trustee to assist with the administration and vesting of RSUs granted pursuant to the 2020 Restricted Share Unit Scheme. The Trustee holding unvested shares of a share scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

Subject to the terms and conditions of the 2020 Restricted Share Unit Scheme, the Board shall have the sole and absolute right to, among others, determine the Senior Grantees who will be granted awards under the 2020 Restricted Share Unit Scheme, the terms and conditions on which awards are granted to Senior Grantees and when the awards granted to Senior Grantees pursuant to the 2020 Restricted Share Unit Scheme may vest. The Chairman shall have the sole and absolute right to, among others, determine the Junior Grantees who will be granted awards under the 2020 Restricted Share Unit Scheme, the terms and conditions on which awards are granted to Junior Grantees and when the awards granted to Junior Grantees pursuant to the 2020 Restricted Share Unit Scheme may vest.

The Administrative Committee may (i) exercise the mandate granted by the Shareholders at general meetings of the Company and direct the Company to allot and issue Shares to the trustee to be held by the trustee to satisfy the RSUs upon vesting; and/or (ii) direct and procure the trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon vesting.

Any change to the terms of awards granted to a Participant must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the shareholders of the Company (as the case may be) if the initial grant of the awards was approved by the Board, the remuneration committee, the independent non-executive Directors and/or the shareholders of the Company (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the 2020 Restricted Share Unit Scheme.

GRANT AND VESTING

Subject to otherwise determined by the Board at its sole absolute discretion, the Senior Grantee is not required to pay any grant or purchase price or make any other payment to the Company to accept the RSUs granted; and subject to otherwise determined by the Chairman at his sole absolute discretion, the Junior Grantee is not required to pay any grant or purchase price or make any grant or purchase price or make any other payment to the Company to accept the RSUs granted.

Subject to the terms of the 2020 Restricted Share Unit Scheme and the specific terms and conditions applicable to each award, the vesting period shall be determined by the Board or the Chairman (as the case may be), and in no case the vesting period of shall be less than twelve (12) months or such period as the Listing Rules may prescribe or permit.

The RSUs which have vested shall be satisfied within a reasonable period from the vesting date of such RSUs, either by: (a) the Administrative Committee directing and procuring the relevant trustee to transfer the Shares underlying the RSUs; and/or (b) the Administrative Committee directing and procuring the trustee to pay to the grantee in cash an amount which is equivalent to the market value of the Shares.

The 2020 Restricted Share Unit Scheme does not provide for any performance target that must be achieved before the award(s) can be vested.

In the event a general offer for Shares (whether by way of voluntary offer, takeover, scheme of arrangement or otherwise) is made to all holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror), the Board may, prior to or immediately upon the offer becoming or being declared unconditional, determine at its absolute discretion whether any RSU shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall vest, it shall notify the grantee and the Company that the RSU shall vest and the period within which such RSU shall vest. In the absence of such determination by the Board, the RSUs shall continue to vest in accordance with their respective vesting timetable.

SHARE CAPITAL

The RSUs do not carry any right to vote at general meetings of the Company. No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an award pursuant to the 2020 Restricted Share Unit Scheme, unless and until such Shares underlying the RSUs are actually transferred to the Grantee upon the vesting of the RSUs. Unless otherwise specified by the Board in its sole and absolute discretion in the notice of grant, the Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an award or RSU. Shares allotted and issued on the delivery of any RSUs will be subject to all provisions of the articles of association of the Company and will rank equally in all respects with the Shares in issue on the date of allotment and issuance. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment and issuance.

RESTRICTIONS ON GRANT

No award may be granted to any Participant:

- (a) where the Company has information that must be disclosed under Rule 13.09 of the Listing Rules or where the Company reasonably believes there is inside information which must be disclosed under Part XIVA of the SFO, until such inside information has been published on the websites of the Stock Exchange and the Company;
- (b) after any inside information has come to the Company's knowledge until (and including) the trading day after the Company has announced the information;
- (c) within the period commencing 60 days (in the case of annual results), or 30 days (in the case of results for half-year, quarterly or other interim period) immediately preceding the earlier of (i) the date of a meeting of the Board (as such date is first notified to the Stock Exchange) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish its quarterly, interim or annual results announcement for any such period, and ending on the date of such announcement. In the event that the Company publishes any results announcement subsequent to the deadline for such results announcement under the Listing Rules (where applicable), such period shall end on the delayed publication date of the results announcement;

- (d) in any other circumstances where dealings by selected Participant (including Directors) are prohibited under the Listing Rules, the SFO or any other applicable law or regulation or where the requisite approval from any applicable regulatory authorities has not been granted;
- (e) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant or in respect of the 2020 Restricted Share Unit Scheme, unless the Board determines otherwise;
- (f) where the grant would result in a breach of any applicable securities laws, rules or regulations by any member of the Group or any of its directors; or
- (g) the grant would result in breach of the RSU Scheme Limit or other rules of the 2020 Restricted Share Unit Scheme.

TRANSFERABILITY

Any RSU granted pursuant to the 2020 Restricted Share Unit Scheme shall be personal to the grantee and shall not be assignable or transferable, except the assignment or transfer in compliance with Listing Rules and with prior written consent from the Board/Chairman as the case may be.

Notwithstanding the above, no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSU or any property held by the trustee on trust for the grantees, awards, Shares underlying any awards or RSUs or any interest or benefits therein.

CANCELLATION

The Board may at any time at their absolute discretion cancel any award granted but not vested. Where the Company cancels awards and new awards are to be issued to the same Grantee, the issue of such new awards may only be made under the 2020 Restricted Share Unit Scheme with available scheme limit.

LAPSE

The unvested RSUs shall automatically lapse upon the earliest of:

- (a) the date on which the Participant ceases to be an eligible Participant in accordance with the terms of the Restricted Share Unit Scheme (including but not limited to, in the case that the Grantee has been guilty of misconduct or a material misstatement in the Company's financial statements; or
- (b) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company; or

- (c) the date on which the grantee commits a breach of the restrictions as set out in the paragraph headed “Transferability” above; or
- (d) the date on which the Participants are found to be an Excluded Person; or
- (e) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or
- (f) the Board has decided that the unvested RSUs shall not be vested for the grantee in accordance with the rules of the 2020 Restricted Share Unit Scheme and the terms and conditions as set out in the notice of grant.

CLAWBACK

Without prejudice to the forgoing terms of the 2020 Restricted Share Unit Scheme, in the case that a Participant commits a misconduct or is involved in a material misstatement in the Company’s financial statements, all unvested RSUs of such Participant shall automatically lapse. The Board may, at its absolute discretion, determine whether a Participant commits a misconduct or is involved in a material misstatement in the Company’s financial statements. If the Board exercises its discretion under this provision, it will give the relevant Grantee written notice of such determination and the Board’s interpretation of and determination pursuant to this provision shall be final, conclusive and binding.

REORGANIZATION OF CAPITAL STRUCTURE

Subject to the terms and conditions in the 2020 Restricted Share Unit Scheme, in the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of the Company, such corresponding alterations (if any) shall be made to:

- (a) the purchase price of the RSUs (if any); and/or
- (b) the number of Shares subject to the RSUs so far as unvested (without fractional entitlements).

Except alterations made on a capitalization issue, any alteration to the number of Shares which is the subject of the RSUs and/or the purchase 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 of any RSU in full being increased.

ALTERATION

The terms of the 2020 Restricted Share Unit Scheme may be altered, amended or waived in any respect by the Board provided that (i) such alteration, amendment or waiver shall not affect any subsisting rights of any Grantee thereunder; and (ii) any alterations to the terms and conditions of the 2020 Restricted Share Unit Scheme which are of a material nature or any alterations to the provisions of the 2020 Restricted Share Unit Scheme relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Participants must be approved by Shareholders in general meeting.

The amended terms of the 2020 Restricted Share Unit Scheme or the RSUs shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Directors, the Trustee or Administrative Committee to alter the terms of the 2020 Restricted Share Unit Scheme must be approved by the shareholders of the Company at general meeting.

The Company must provide to all Participants details relating to amendments in the terms of the 2020 Restricted Share Unit Scheme during the life of the 2020 Restricted Share Unit Scheme immediately upon such amendments taking effect.

TERMINATION OF THE 2020 RESTRICTED SHARE UNIT SCHEME

The 2020 Restricted Share Unit Scheme may be terminated at any time prior to the expiry of its term by the Board provided that such termination shall not affect any subsisting rights of any grantee. For the avoidance of doubt, no further awards shall be granted after the 2020 Restricted Share Unit Scheme is terminated but in all other respects the provisions of the 2020 Restricted Share Unit Scheme shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid.

I. PURPOSE OF THE SHARE OPTION PLAN

The purpose of the Share Option Plan is to provide incentives and rewards to the Directors and employees of the Group for their contributions to, and continuing efforts to promote the interest of, the Company.

II. 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.

III. ADMINISTRATION

Subject to the terms and conditions of the Share Option Plan, 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 are Eligible Participants that 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 are Eligible Participants that 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.

IV. 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 subsidiary of the Group or any Related Entity, and (ii) any Service Provider who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group and qualifies by in the interests of the long term growth of the Group. For the avoidance of doubt, the Eligible Participants shall exclude placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

Subject to compliance with the Listing Rules and subject to the terms of the Share Option Plan, 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/her 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

Any grant of Options to a Director, chief executive of the Company or substantial Shareholder, or any of their respective associates, must be approved by the independent non-executive Directors (excluding any independent non-executive director who is the Grantee of the 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 (and including the trading day after) 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.

In the event that the Company publishes any results announcement subsequent to the deadline for such results announcement under the Listing Rules (where applicable), such period shall end on the delayed publication 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.

V. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

(A) Option Scheme Limit and Service Provider Sublimit

Subject to the terms and conditions of the Share Option Plan, 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 “**Option Scheme Limit**”) unless otherwise permitted by the Listing Rules or the Company obtains the approval of the Shareholders to refresh the Option Scheme Limit.

Without prejudice to the foregoing, the total number of Shares to be issued to the Service Providers underlying the Share Option Plan and other Share Schemes shall not in aggregate exceed 5,076,192 Shares, representing approximately 0.5% of the total number of Shares as of the date of the AGM (the “**Service Provider Sublimit**”).

Any Share covered by any Option which is lapse, cancelled or expires (whether voluntarily or involuntarily) in accordance with the terms of the Share Option Plan shall be deemed not to have been issued for purposes of determining the Option Scheme Limit or the Service Provider Sublimit. For the avoidance of doubt, where the Company cancels Options granted to an Eligible Participant, and makes a new grant to the same Eligible Participant, such new grant may only be made under a scheme with available scheme mandate limit approved by shareholders as referred to in Rule 17.03B or Rule 17.03C of the Listing Rules, such Options cancelled will be regarded as utilized for the purpose of calculating the Option Scheme Limit or the Service Provider Sublimit.

The Company may seek separate Shareholders’ approval at general meeting for granting Options beyond the Scheme Limit provided the Options in excess of the Scheme Limit are granted only to Eligible Participants specifically identified by the Company before such approval is sought. In such event, the Company will send a circular to Shareholders containing the name of each specified Eligible Participant who may be granted such Options (“**Option Selected Person**”), the number and terms of Options to be granted to each Option Selected Person and the purpose of granting Options to the Option Selected Person(s) with an explanation as to how the terms of the Options serve such purpose. The number and terms of Options to be granted to the Option Selected Person(s) must be fixed before Shareholders’ approval. In respect of any options to be granted, the date of the board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the exercise price under the Share Option Plan.

(B) Refreshment

Subject to the terms and conditions of the Share Option Plan,

- (a) and without prejudice to the terms and conditions of the Share Option Plan, the Company may seek approval of its shareholders at general meeting to refresh the Option Scheme Limit or the Service Provider Sublimit after three years from the date of Shareholders' approval for the last refreshment (or the Amendment Date);
- (b) any refreshment within any three-year period under the terms and conditions of the Share Option Plan must be approved by Shareholders subject to the following provisions:
 - (i) any controlling Shareholders and their associates (or if there is no controlling Shareholder, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and
 - (ii) the Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules;
- (c) the requirements under the terms and conditions of the Share Option Plan do not apply if the refreshment is made immediately after an issue of Shares by the Company to its shareholders on a pro rata basis as set out in Rule 13.36(2) (a) of the Listing Rules such that the unused part of the Option Scheme Limit or the Service Provider Sublimit (as a percentage of the relevant class of Shares in issue) upon refreshment is the same as the unused part of the Option Scheme Limit or the Service Provider Sublimit immediately before the issue of Shares, rounded to the nearest whole Share;
- (d) The total number of shares which may be issued in respect of all options and awards to be granted under all of the schemes of the Company under the scheme mandate as "refreshed" must not exceed 10% of the Shares in issue as at the date of approval of the refreshed scheme mandate.

(C) Maximum number of Shares issued pursuant to Options

The maximum number of Shares which may be issued in respect of all Options to be granted under the Share Option Plan, and all options and awards to be granted under any other schemes of the Group as refreshed must not exceed 10% of the total issued Shares as at the date of approval of the Share Option Plan, being May 24, 2021. Subject to the passing of the resolution approving the amendments to the Share Option Plan and on the basis that no further Shares are issued or purchased before the Annual General Meeting, the Company will be allowed to issue a maximum of 101,880,567 Shares under Share Schemes of the

Group, representing approximately 10% of the number of issued Shares as at the date of passing of the Shareholders' resolution in relation to the amendments to the Share Option Plan or the maximum number of Shares in accordance with the 2020 Restricted Share Unit Scheme (whichever is lower).

(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 in respect of all Options, options and awards 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 representing in aggregate over 1% of the issued share capital of the Company in issue. Any grant of further Options above this limit shall be subject to the requirements provided under the Listing Rules.

Where any grant of Options to an independent non-executive Director or a substantial Shareholder, or any of their respective associates, would result in the Shares issued and to be issued in respect of all Options, options and awards granted (excluding any Options lapsed in accordance with the terms of the Share Option Plan) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of Options must be approved by Shareholders in general meeting (with such Eligible Participant, his/her associates and all core connected persons of the Company abstaining from voting in favour at such general meeting). In such event, the Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

VI. 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, and in all circumstances all Options shall automatically lapse and expire not later than the last day of the 10-year period after the Grant Date. 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 vesting period shall be determined by the Board or the Chairman (as the case may be) and in no case the vesting period shall be less than twelve (12) months or such period as the Listing Rules may prescribe or permit.

(C) Performance Target

The Share Option Plan does not provide for any performance target that must be achieved before the Option(s) can be vested or exercised.

VII. 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.

VIII. 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 by reason of the termination of his or her employment on the grounds that he or she has been guilty of serious misconduct or a material misstatement in the Company's financial statements, or appears either to be unable to pay or to have no reasonable prospect of being able to pay debts or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty;

- (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 VII 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.

IX. CLAWBACK

Without prejudice to the forgoing terms of the Share Option Plan, in the case that an Eligible Participant commits a misconduct or is involved in a material misstatement in the Company's financial statements, all Options of such Participant shall automatically lapse. The Board may, at its absolute discretion, determine whether an Eligible Participant commits a misconduct or is involved in a material misstatement in the Company's financial statements. If the Board exercises its discretion under this provision, it will give the relevant Grantee written notice of such determination and the Board's interpretation of and determination pursuant to this provision shall be final, conclusive and binding.

X. 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.

XI. CHANGES IN CAPITAL STRUCTURE

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.

XII. ALTERATION

The Share Option Plan may be altered in any respect by resolution of the Board provided that any alterations to the terms and conditions of the Share Option Plan which are of a material nature or any alterations to the provisions of the Share Option Plan relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Eligible Participants must be approved by the Shareholders in general meeting.

Any change to the terms of Options granted to an Eligible Participant must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders of the Company (as the case may be) if the initial grant of the Options was approved by the Board, the remuneration committee, the independent non-executive Directors and/or the Shareholders of the Company (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the Share Option Plan.

The amended terms of the Share Option Plan or the Options shall comply with the relevant requirements of 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.

The Company must provide to all Eligible Participants details relating to amendments in the terms of the Share Option Plan during the life of the Share Option Plan immediately upon such amendments taking effect.

XIII. 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 II 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.

APPENDIX IV **SUMMARY OF THE SHARE OPTION PLAN**

Details of the Options granted, including Options exercised or outstanding, under the Share Option Plan, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

XIV. 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 V above.

NOTICE OF ANNUAL GENERAL MEETING



CHINA LITERATURE LIMITED

阅文集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 772)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “**Annual General Meeting**”) of China Literature Limited (the “**Company**”) will be held at Niccolo Room, Level 25, The Murray, Hong Kong, a Niccolo Hotel, 22 Cotton Tree Drive, Central, Hong Kong at 3 p.m. on Monday, May 22, 2023 (or due to any reduced gathering restrictions imposed by law, the Directors may, in their absolute discretion in accordance with the Company’s articles of association, change the place of the Annual General Meeting at the same time and on the same date by way of an announcement without the need to give a new notice of Annual General Meeting) for the purposes of considering and, if thought fit, passing with or without modifications, the following resolutions as ordinary resolution.

Unless otherwise specified, capitalized terms used in this notice and the following resolutions shall have the same meanings as those defined in the circular of the Company dated April 28, 2023 (the “**Circular**”).

Ordinary Resolutions

1. To receive and adopt the audited consolidated financial statements of the Company for the year ended December 31, 2022 and the reports of the directors and auditors thereon.
2. To re-elect Directors and authorise the Board to fix the Director’s remuneration;
 - (a) To re-elect Mr. James Gordon Mitchell as a non-executive Director;
 - (b) To re-elect Mr. Cao Huayi as a non-executive Director;
 - (c) To authorise the Board to fix the remuneration of the directors of the Company.
3. To elect Mr. Xie Qinghua as a non-executive Director and authorise the Board to fix the Director’s remuneration.
4. To re-appoint PricewaterhouseCoopers as auditors of the Company to hold office until the conclusion of the next annual general meeting of the Company and to authorise the Board to fix their remuneration for the year ending December 31, 2023.

NOTICE OF ANNUAL GENERAL MEETING

5. To consider and, if thought fit, pass with or without modification the following resolutions as ordinary resolutions:

(A) “That:

- (i) subject to paragraph (iii) below, the exercise by the directors of the Company during the Relevant Period (as defined hereinafter) of all the powers of the Company to allot, issue and/or otherwise deal with additional shares of the Company or securities convertible into shares, or options, warrants or similar rights to subscribe for shares or such convertible securities of the Company and to make or grant offers, agreements and/or options (including bonds, warrants and debentures convertible into shares of the Company) which may require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall be in addition to any other authorization given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period (as defined hereinafter) to make or grant offers, agreements and/or options which may require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the directors of the Company during the Relevant Period (as defined hereinafter) pursuant to paragraph (i) above, otherwise than pursuant to paragraph (i) of this resolution, otherwise than pursuant to:
 - (1) any Rights Issue (as defined hereinafter);
 - (2) the grant or exercise of any option under any share option scheme of the Company (if applicable) or any other option, scheme or similar arrangements for the time being adopted for the grant or issue to the directors of the Company, officers and/or employees of the Company and/or any of its subsidiaries and/or other eligible participants specified thereunder of options to subscribe for Shares or rights to acquire Shares;
 - (3) any scrip dividend or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or

NOTICE OF ANNUAL GENERAL MEETING

(4) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares, shall not exceed the aggregate of:

(a) 20% of the number of issued shares of the Company as at the date of passing this resolution; and

(b) (if the Board is so authorised by resolution numbered 5(C)) the aggregate number of shares of the Company purchased by the Company subsequent to the passing of resolution numbered 5(B) (up to a maximum equivalent to 10% of the number of issued shares of the Company as at the date of passing resolution numbered 5(B)),

and the approval shall be limited accordingly; and

(iv) for the purpose of this resolution:

(a) “Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of the Company;

(2) the expiry of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or

(3) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution; and

(b) “Rights Issue” means an offer of shares of the Company or an issue of warrants, options or other securities giving rights to subscribe for shares of the Company, open for a period fixed by the directors of the Company to holders of shares of the Company on the register of members on a fixed record date in proportion to their then holdings of such shares of the Company (subject to such exclusions or other arrangements as the directors of the Company 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

NOTICE OF ANNUAL GENERAL MEETING

expense or delay which may be involved in determining the exercise 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:**

- (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as defined hereinafter) of all the powers of the Company to buy-back shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the shares of the Company may be listed and which is recognised for this purpose by the Securities and Futures Commission and the Stock Exchange under the Code on Share Buy-backs and, subject to and in accordance with all applicable laws and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), be and is hereby generally and unconditionally approved;
- (ii) the aggregate number of the shares to be bought-back pursuant to the approval in paragraph (i) of this resolution shall not exceed 10% of the number of issued shares of the Company as at the date of passing of this resolution, and the said approval shall be limited accordingly;
- (iii) subject to the passing of each of the paragraphs (i) and (ii) of this resolution, any prior approvals of the kind referred to in paragraphs (i) and (ii) of this resolution which had been granted to the directors of the Company and which are still in effect be and are hereby revoked; and
- (iv) for the purpose of this resolution:

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

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiry of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
- (c) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

(C) “**That** conditional upon the resolutions numbered 5(A) and 5(B) set out in this notice being passed, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and/or otherwise deal with new shares of the Company and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to the resolution numbered 5(A) set out in this notice be and is hereby extended by the addition to the number of the issued shares of the Company which may be allotted or agreed conditional or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the number of the issued shares of the Company bought-back by the Company under the authority granted pursuant to resolution numbered 5(B) set out in this notice, provided that such extended amount shall represent up to 10% of the number of issued shares of the Company as at the date of passing of the said resolutions.”

6. To consider and, if thought fit, approve the amendments to the 2020 Restricted Share Unit Scheme.
7. To consider and, if thought fit, pass, with or without amendments, the following resolutions as ordinary resolutions:

“**That:**

- (a) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to grant restricted share unit awards (“**RSUs**”) and to allot and issue, procure the transfer of, and otherwise deal with such new Shares pursuant to the vesting of the RSUs that are granted under the restricted share unit scheme of the Company adopted on May 15, 2020 (“**2020 Restricted Share Unit Scheme**”) as and when the RSUs vest be and is hereby approved;
- (b) the aggregate number of new shares of the Company to be issued under all RSUs granted under the 2020 Restricted Share Unit Scheme pursuant to the approval in paragraph (a) of this resolution shall not exceed 45,710,177 shares of the Company provided that the total number of Shares which may be issued in respect of all options and awards to be granted under all of the schemes of the Company under the must not exceed 10% of the Shares in issue as at the date of approval of the RSU Mandate;
- (c) for the purpose of this resolution, “Relevant Period” shall have the same meaning as assigned to it under paragraph (iv) of resolution 5(A) in the notice of this meeting of which this resolution forms a part; and

NOTICE OF ANNUAL GENERAL MEETING

- (d) the Directors be and are hereby authorized to delegate the power granted under paragraph (a) above.”
8. To consider and, if thought fit, approve the amendments to the Share Option Plan.
9. To consider and, if thought fit, approve the Service Provider Sublimit (as defined in both the 2020 Restricted Share Unit Scheme and the Share Option Plan) on the total number of Shares that may be issued in respect of all options and awards to be granted to service providers under all the share schemes of the Company (i.e. 0.5% of the number of issued Shares as at the date of passing of this resolution) and the directors of the Company be and are hereby authorized to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as the directors of the Company may consider necessary, desirable or expedient to effect and implement the Service Provider Sublimit.

By order of the Board
CHINA LITERATURE LIMITED
Mr. James Gordon Mitchell

Chairman of the Board and Non-executive Director

Hong Kong, April 28, 2023

Registered office:

The offices of Maples Corporate Services Limited
PO Box 309, Uglund House
Grand Cayman KY1-1104
Cayman Islands

*Head office and principal place
of business in China:*

N3 Lujiazui Binjiang Center,
No. 5169 Binjiang Avenue,
Pudong New Area,
Shanghai

People's Republic of China

Principal place of business in Hong Kong:

Room 1503-04, ICBC Tower
3 Garden Road
Central
Hong Kong

Notes:

- (i) A shareholder entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend, speak and vote in his/her stead. The proxy does not need to be a shareholder of the Company.
- (ii) Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment of it), 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.

NOTICE OF ANNUAL GENERAL MEETING

- (iii) In order to be valid, the completed form of proxy must be deposited at the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong), at least 48 hours before the time appointed for holding the above meeting or any adjournment thereof (as the case may be).
- (iv) The register of members of the Company will be closed from Wednesday, May 17, 2023 to Monday, May 22, 2023, both days inclusive, in order to determine the eligibility of shareholders to vote at the above meeting, during which period no share transfers will be registered. To be eligible to attend the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, May 16, 2023.
- (v) In respect of resolutions numbered 2 above, details of the directors of the Company proposed for re-election are set out in Appendix I to the Circular.
- (vi) In respect of the resolution numbered 5(A) above, the directors of the Company wish to state that they have no immediate plans to issue any new shares of the Company referred therein. Approval is being sought from the shareholders of the Company as a general mandate for the purposes of the Listing Rules.
- (vii) In respect of resolution numbered 5(B) above, the directors of the Company wish to state that they will exercise the powers conferred by the general mandate to purchase shares of the Company in circumstances which they deem appropriate and for the benefits of shareholders of the Company. The explanatory statement containing the information necessary to enable shareholders to make an informed decision on whether to vote for or against the resolution to approve the buy-back by the Company of its own shares, as required by the Listing Rules, is set out in Appendix II to the Circular.
- (viii) Pursuant to Rule 13.39(4) of the Listing Rules, voting for all the resolutions set out in this notice will be taken by poll at the above meeting.