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CHINA LITERATURE LIMITED

阅文集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 772)

GRANT OF RESTRICTED SHARE UNITS

This announcement is made by the Company pursuant to Rule 17.06A, 17.06B and 17.06C of the Listing Rules. The Board hereby announces that on May 23, 2023, the Company granted 2,187 RSUs in accordance with the terms of the 2020 RSU Scheme, subject to acceptance of the Grantee.

DETAILS OF THE RSUS GRANTED UNDER THE 2020 RSU SCHEME

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|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Date of grant: | May 23, 2023 |
| Number of Grantee(s): | 1, being an employee of the Group (the “ Grantee ”) |
| Number of RSUs granted: | 2,187, representing 2,187 Shares |
| Consideration for the grant of RSUs: | Nil |
| Closing price of the Shares on the date of grant: | HK\$31.10 per Share |
| Vesting period: | Vesting in tranches within 2 years from the date of grant: <ul style="list-style-type: none">• 50% shall vest on each anniversary of the date of grant for the next 2 years |
| Performance targets: | There are no performance targets attached to the grant of RSUs above. |
| Clawback mechanism: | The RSUs granted above are not subject to any clawback mechanism for the Company to recover but would be subject to tax withholding by the Company pursuant to the terms and conditions of the 2020 RSU Scheme. |

Performance Target

There is no performance target attached to the RSUs granted above. The Company is of the view that, taking into account (i) the grant of RSUs to the Grantee is a recognition for his past contributions to the Group, (ii) the ability of the Grantee to contribute to the overall operations, development and long-term growth of the Group; and (iii) the vesting schedule which the RSUs granted to the Grantee are subject to, the grant of RSUs to the Grantee aligns the interests of the Grantee with that of the Company and the shareholders of the Company and reinforces the Grantee's commitment to the Group, and thus aligns with the purpose of the Company's 2020 RSU Scheme.

Clawback

Without prejudice to the terms of the 2020 RSU 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.

REASONS FOR AND BENEFITS OF THE GRANT OF RSUS

The grant of RSUs is to incentivize the Grantee for the Grantee's contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing the Grantee with the opportunity to own equity interests in the Company.

To the best knowledge of the Directors, for the RSUs granted this time pursuant to the 2020 RSU Scheme, as at the date of this announcement, (i) none of the Grantee is a director, chief executive or substantial shareholder of the Company, nor an associate of any of them; (ii) none of the Grantee has been granted and will be granted RSUs which exceed the individual limit of 1% as required under the Listing Rules; (iii) none of the Grantee is a service provider or a related entity participant; and (iv) no financial assistance was provided by the Group to the Grantee for the purchase of Shares under the 2020 RSU Scheme.

NUMBER OF SHARES AVAILABLE FOR FUTURE GRANT

Upon the above grant of RSUs, 35,380,022 Shares underlying the RSUs will be available for future grants under the 2020 RSU Scheme. As at the date of this announcement, there is no service provider sublimit adopted under the 2020 RSU Scheme.

The Company confirms that the grant of the RSUs under the 2020 RSU Scheme shall be conducted in compliance with the requirements under the Chapter 17 of the Listing Rules.

DEFINITION

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| “2020 RSU Scheme” | a restricted share unit scheme of the Company adopted on May 15, 2020 which was amended on May 22, 2023 |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules |
| “Board” | the board of Directors of the Company |
| “Company” | China Literature Limited (阅文集团) (formerly known as China Reading Limited), an exempted company incorporated in the Cayman Islands with limited liability on April 22, 2013, with its Shares listed on the Main Board of the Stock Exchange on the Listing Date under the stock code 772 |
| “Director(s)” | the director(s) of the Company |
| “Grantee(s)” | the eligible person being granted the RSUs pursuant to the 2020 RSU Scheme |
| “Group” | the Company, its subsidiaries and its consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on Main Board of the Stock Exchange as amended, supplemented or otherwise modified from time to time |
| “Main Board” | the main board of the Stock Exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange |
| “related party participant” | has the meaning ascribed to it in the Listing Rules |

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| “RSU(s)” | restricted share unit(s) under the 2020 RSU Scheme |
| “service provider” | has the meaning ascribed to it in the Listing Rules |
| “Share(s)” | ordinary share(s) in the share capital of the Company with a par value of USD0.0001 each |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed to it in the Listing Rules |
| “substantial shareholder(s)” | has the meaning ascribed to it in the Listing Rules |
| “%” | percentage |

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

Hong Kong, May 23, 2023

As at the date of this announcement, the Board comprises Mr. Hou Xiaonan as executive Director; Mr. James Gordon Mitchell, Mr. Cao Huayi, Mr. Zou Zhengyu and Mr. Xie Qinghua as non-executive Directors; Ms. Yu Chor Woon Carol, Ms. Leung Sau Ting Miranda and Mr. Liu Junmin as independent non-executive Directors.