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CLOUD MUSIC INC.

雲音樂股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 9899)

ADOPTION OF 2022 RSU PLAN

On 18 August 2022, our company adopted the 2022 restricted share unit plan (the “**RSU Plan**”). The key features of the RSU Plan are summarised below:

Purpose: To promote the success and enhance the value of our group’s business by linking personal interests of eligible participants to those of our shareholders, provide eligible participants with an incentive for outstanding performance to generate superior returns to our company and shareholders, and to provide flexibility to our company to motivate, attract and retain these participants.

Awards: Awards granted under the RSU Plan shall be restricted share units that may be settled for cash, shares of our company (the “**Shares**”) or a combination thereof.

Plan administration: The RSU Plan shall be administered by our board or any committee designated by our board (the “**plan administrator**”).

Eligible participants: Eligible participants shall be: (i) current directors or employees of our group; (ii) current directors or employees of our parent, a fellow subsidiary, or an associate of our company (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the “**Listing Rules**”); or (iii) service providers that, in the opinion of the plan administrator, provide services to our group on a continuing or recurring basis in our ordinary and usual course of business and that are in the interests of the long-term growth of our group or to which grants of awards under the RSU Plan would be in the interest of our company and our shareholders as a whole, and shall include artists, performers or other suppliers and service providers.

In determining whether these service provider participants provide services on a continuing or recurring basis in our group’s ordinary and usual course of business, the plan administrator will consider a range of factors including the nature and frequency of the services provided, and the current and anticipated contribution of their services to our group’s financial and business performance, among other indicators.

We have extended the scope of eligible participants under this RSU Plan to not only include our group's own directors and employees, but also those participants in categories (ii) and (iii), for the key reasons that: (a) our group is consolidated into our parent's wider group and maintaining a close relationship with our parent and fellow subsidiaries, and their directors and employees, is pivotal, to not only our collective brand and reputation, but also to enhancing our mutually-beneficial corporate and business relationship by further aligning the interests of our parent and its group (and their directors and employees) with that of our group; and (b) recognising that those in our service provider sub-categories, together with our users and our directors and employees, form the very bedrock of our Cloud Music platform and their presence is what makes our Cloud Village community the enriching and engaging place that it is for music enthusiasts to gather and collaborate – in other words, our eligible participants are who *make us possible*; they are the staff on which we write our music. This RSU Plan is a “thank you” to these people and represents our “hope” that they will continue with us on our journey as our group grows and develops in the future.

Plan limit and service provider sub-limit:

The maximum number of *new Shares* that may be issued pursuant to all awards made under the RSU Plan to eligible participants is 10,462,280 Shares, subject to an annual limit of 3% of the total number of Shares in issue at the relevant time.

The maximum number of *new Shares* that may be issued pursuant to all awards made under the RSU Plan to service provider participants is 2,077,569 Shares, subject to an annual limit of 1% of the total number of Shares in issue at the relevant time.

Individual limits:

Awards that are funded by *new Shares* granted to an individual grantee that exceeds the thresholds set out below within any 12-month period shall be conditional upon additional approval by our shareholders:

- (i) 0.1% of the total number of Shares in issue, where the grantee is a director, chief executive, substantial shareholder of our company, or an associate of any of them (as defined in the Listing Rules); and
- (ii) 1% the total number of Shares in issue, where the grantee is any other eligible participants.

Acceptance and purchase:	Unless otherwise specified in the award agreement, (i) a grant made under the RSU Plan must be accepted by the grantee within 60 days after the date of grant (inclusive), for nil monetary consideration, following which the portion of awards that are not accepted upon expiry of the acceptance period will automatically lapse; and (ii) the purchase price for acquiring the award share underlying a vested award shall be nil.
Minimum vesting period	No award shall have a vesting period shorter than 12 months other than in limited circumstances set out in the RSU Plan.
	The circumstances in which a vesting period earlier than 12 months may be accepted are: (i) immediately prior to a Corporate Transaction (as defined in the RSU Plan) taking place; and (ii) when the plan administrator considers it appropriate, in the interest of our group and aligned with the purpose of the RSU Plan, to be determined on a case-by-case basis.
Performance targets	The plan administrator may set performance criteria/targets in respect of awards granted based on, among others, transaction milestones, business or financial performance results of our company, individual performance appraisal and/or contribution to our group.
Voting and Dividend Rights	Except and until a grantee becomes a shareholder, a grantee shall not have any rights of a shareholder, including but not limited to dividend rights or voting rights attaching to the award shares.
Clawback	With respect to a grantee, upon the occurrence of any misconduct or breach by a grantee, or in other circumstances determined appropriate by the plan administrator, (i) unvested or outstanding awards held by that grantee shall automatically lapse; (ii) any award share reserved for or held for the benefit of, but not yet transferred to, that grantee shall be forfeited and no longer be entitled to by the grantee; and (iii) for award shares already transferred to the grantee, our company may require the grantee to transfer back the equivalent number or value of the award shares through shares, cash or a combination thereof.

Lapsed and cancelled awards:	<p>Unless otherwise specified in the award agreement, an award shall automatically lapse in the circumstances set out in the RSU Plan, including: (i) where the award is not accepted by the grantee within the acceptance period; (ii) an award that has scheduled to vest has not vested due to, for example, the grantee failing to satisfy the performance criteria; (iii) the grantee ceasing to qualify as an eligible participant; (iv) an award has been forfeited by the grantee; or (v) the award lapses under the clawback mechanism set out in the RSU Plan.</p> <p>The plan administrator may determine, from time to time, to cancel any granted but unvested or outstanding award where the plan administrator considers it appropriate or desirable to do so. Lapsed or cancelled award shares will return to the grant pool and not be counted towards the scheme limit or sub-limit to the extent permitted under applicable laws.</p>
Term of plan:	Ten (10) years commencing on the date on which the RSU Plan is adopted by our board unless terminated earlier.
Specific terms set out in the award agreement:	Conditions attached to awards granted under the RSU Plan shall be governed by award agreements, which shall set out, among others, individual grant details, vesting schedule and terms (including specific performance targets and forfeiture of awards), and manner in which awards may be satisfied upon vesting.
Amendment and termination:	<p>The plan administrator may terminate, amend or modify the RSU Plan with the approval of our board, provided that shareholders' approval be obtained for certain amendments specified in the RSU Plan or as required by applicable laws.</p> <p>Proposed amendments that would require additional shareholders' approval are those that (i) are of a material nature; (ii) change the terms corresponding to the provisions set out in Rule 17.03 of the Listing Rules (as amended from time to time) to the advantage of the grantee; or (iii) change the authority of the plan administrator to amend the terms of the RSU Plan.</p>
Other restrictions:	Grants of, and <i>new Shares</i> issued pursuant to, Awards under the RSU Plan shall be subject to, and on the condition of, applicable approval restrictions (including any additional approval requirements under the Listing Rules and listing approval from The Stock Exchange of Hong Kong Limited) and compliance with applicable laws.

The RSU Plan does not constitute a share option scheme under Chapter 17 of the Listing Rules. No shareholders' approval is required for the adoption of the RSU Plan.

Restricted share units settled by *new Shares* under the RSU Plan shall only be granted to eligible participants who are not connected persons of our company (as defined under the Listing Rules) and shall be issued by our company pursuant to the general mandate granted to our board by our shareholders from time to time in accordance with Rule 13.36(2) of the Listing Rules. No new awards in the form of restricted share units settled by *new Shares* may be granted to eligible participants under the RSU Plan after the second annual general meeting of our company held after 1 January 2023. Awards granted to connected persons of our company under the RSU Plan may only be in the form of restricted share units settled by *existing Shares* (or cash equivalent, or combination thereof), or where any award is to be settled by the issuance of *new Shares*, such award shall be made pursuant a specific mandate approved by our shareholders in accordance with Rule 13.36(1) and Chapter 14A of the Listing Rules.

Our company may propose to adopt a share incentive scheme under Chapter 17 of the Listing Rules (as amended from time to time) in the future, with such scheme rules to be put before our shareholders for approval, and if approved, our company may grant awards settled by *new Shares*, to eligible participants or to connected persons of our company, under such new plan that would comply with Chapter 17 of the Listing Rules.

Our company will make further announcement(s) in respect of the grant of awards under the RSU Plan or proposal to adopt a share incentive scheme under Chapter 17 of the Listing Rules (as amended from time to time) as and when necessary in compliance with the Listing Rules.

By Order of the Board of Directors of
Cloud Music Inc.
Mr. William Lei Ding
Chairman of the Board

Hong Kong, 18 August 2022

As at the date of this announcement, our company's board of directors comprises Mr. William Lei Ding, Mr. Yong Li and Ms. Yanfeng Wang as executive directors, Mr. Yat Keung Li, Mr. Dewei Zheng and Mr. Feng Yu as non-executive directors, and Mr. Ying Kit Caleb Lo, Mr. Xianfeng Gu and Mr. Zhong Xu as independent non-executive directors.