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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Cloud Music Inc.**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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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)**

### **PROPOSAL FOR ADOPTION OF 2022 PLAN AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice convening the EGM of the Company to be held at the Company's office located at No. 399 Wangshang Road, Binjiang District, Hangzhou, Zhejiang Province, People's Republic of China, 310052, on Thursday, 15 June 2023 at the earlier of (i) 3:00 p.m.; and (ii) immediately upon the conclusion of the AGM, is set out in this circular.

Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it to our Company's Hong Kong 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 but in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e., not later than 3:00 p.m. on Tuesday, 13 June 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://ir.music.163.com>).

References to time and dates in this circular are to Hong Kong time and dates.

24 May 2023

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## CONTENTS

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	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	5
<b>APPENDIX - SUMMARY OF THE PRINCIPAL TERMS OF THE 2022 PLAN</b> .....	9
<b>NOTICE OF EGM</b> .....	24

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## DEFINITIONS

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

“2016 Plan”	the share scheme adopted by the Company in 2016, the material terms of which are set out in Appendix IV to the Company’s prospectus dated 23 November 2021; following the Company’s listing of its securities on the Stock Exchange, the Company is able to continue granting share awards pursuant to the transitional arrangements for the New Chapter 17
“2022 Plan” or “Plan”	the revised 2022 restricted share unit plan of the Company proposed to be approved at the EGM, a summary of the principal terms of which is set out in the <u>Appendix</u> to this circular
“2022 Plan Rules”	the rules relating to the 2022 Plan, as amended from time to time
“Administrator”	the Board and/or any committee of the Board or other person to whom the Board has delegated its authority to administer the 2022 Plan in accordance with the 2022 Plan Rules
“AGM”	the annual general meeting of the Company for 2023, which will be held by the Company on the same date as, and prior to, the EGM (i.e., the AGM will be convened on Thursday, 15 June 2023 at 2:00 p.m.; the further details of which are set out in the AGM circular published by the Company dated 24 May 2023 and available on the websites of the Stock Exchange ( <a href="http://www.hkexnews.hk">http://www.hkexnews.hk</a> ) and the Company ( <a href="http://ir.music.163.com">http://ir.music.163.com</a> ))
“Approval Date”	the date on which the Shareholders approve the adoption of the 2022 Plan
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Award”	an award granted under the 2022 Plan by the Board to a Grantee, which may take the form of a Share Award

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## DEFINITIONS

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“Award Letter”	a letter issued by the Company on the Grant Date in respect of each grant of Awards in such form as the Administrator may from time to time determine setting out the terms and conditions of the Award
“Award Shares”	Shares underlying an Award, and may include existing or newly allotted and issued Shares
“Board”	the board of Directors of the Company
“Business Day(s)”	any day on which the Stock Exchange is open for the business of dealing in securities
“Company”	Cloud Music Inc. (雲音樂股份有限公司), a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with stock code “9899”
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held for the Shareholders to consider and, if thought fit, approve, the adoption of the 2022 Plan
“Eligible Participant”	an Employee Participant, Related Entity Participant or Service Provider Participant
“Employee Participant”	any person who is an employee (whether full-time or part-time or other employment relationship), director or officer of any member of the Group on the Grant Date
“Grant Date”	the date on which the grant of an Award is made to a Grantee, being the date of the Award Letter in respect of such Award
“Grantee”	any Eligible Participant approved for participation in the 2022 Plan and who has been granted any Award
“Group”	the Company, its subsidiaries and consolidated affiliated entities
“Hong Kong”	Hong Kong Special Administrative Region

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## DEFINITIONS

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“Latest Practicable Date”	17 May 2023, being the latest practicable date prior to the publication of this circular for ascertaining certain information of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Chapter 17”	the amended Chapter 17 of the Listing Rules introduced by the Stock Exchange, which came into effect on 1 January 2023
“Related Entity Participants”	any person who is an employee (whether full-time or part-time or other employment relationship), director or officer of a holding company of the Company, a subsidiary of that holding company, or an associate company of the Company, as further detailed in the <u>Appendix</u> to this circular
“Service Provider Participant”	persons (including entities) providing services to the Group on a continuing basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the Administrator pursuant to criteria set out in the 2022 Plan Rules, as further detailed in the <u>Appendix</u> to this circular
“Service Provider Sublimit”	shall have the meaning as set out on page 14 of this circular
“SFO”	the Securities and Futures Ordinance
“Share(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Share Award”	an award in the form of a restricted share unit that vests in the form of the right to subscribe for and/or to be issued such number of Shares as the Administrator may determine, with or without a purchase price, in accordance with the terms of the 2022 Plan Rules
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Vesting Date(s)”

the date or dates, as determined from time to time by the Administrator, on which an Award (or part thereof) is to vest in the relevant Grantee and upon which the Grantee may exercise the Award as determined by the Administrator pursuant to the 2022 Plan Rules, unless a different Vesting Date is deemed to occur in accordance with the 2022 Plan Rules

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LETTER FROM THE BOARD

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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)**

***Executive Directors:***

Mr. William Lei Ding (*Chairman and  
Chief Executive Officer*)  
Mr. Yong Li  
Ms. Yanfeng Wang

***Non-executive Directors:***

Mr. Yat Keung Li  
Mr. Dewei Zheng  
Mr. Feng Yu

***Independent Non-executive Directors:***

Mr. Ying Kit Caleb Lo  
Mr. Xianfeng Gu  
Mr. Zhong Xu

***Registered Office:***

P.O. Box 309, Ugland House  
Grand Cayman KY1-1104  
Cayman Islands

***Principal Place of Business in  
Hong Kong:***

5/F, Manulife Place  
348 Kwun Tong Road, Kowloon  
Hong Kong

24 May 2023

*To Shareholders*

Dear Sirs/Mesdames,

**PROPOSAL FOR ADOPTION OF 2022 PLAN AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with information about the ordinary resolutions to be proposed at the EGM for adopting the 2022 Plan, details of the EGM, and to ask you to consider and, if thought fit, approve the ordinary resolutions to adopt the 2022 Plan at the EGM.

**2. ADOPTION OF THE 2022 PLAN**

Reference is made to the announcement of the Company dated 18 August 2022 in relation to the adoption by the Board of the 2022 restricted share unit plan. The Board now proposes to amend certain provisions of this 2022 restricted share unit plan such that the plan rules will conform with the requirements of the New Chapter 17 rules, and the Company proposes to put forth the adoption of the revised 2022 restricted share unit plan (being the 2022 Plan) before Shareholders for approval at the EGM. Should the adoption of the 2022 Plan be approved by Shareholders, the 2022 Plan will constitute a share scheme under the New Chapter 17 rules.

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## LETTER FROM THE BOARD

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The purpose of the 2022 Plan is to promote the success and enhance the value of the Group's business by linking the personal interests of Eligible Participants to those of our Shareholders, provide Eligible Participants with an incentive for outstanding performance to generate superior returns to the Company and our Shareholders, and to provide flexibility to the Company to motivate, attract and retain these participants.

### **Size of and grants made under the 2022 Plan**

As at the Latest Practicable Date, there were 213,391,176 Shares in issue. Assuming there is no change in the number of issued Shares during the period from the Latest Practicable Date to the EGM, the maximum number of Shares issuable pursuant to the 2022 Plan and any other schemes of the Company (if any) in aggregate will be 10,462,280 Shares, which for illustration purposes, represents approximately 4.9% of the total number of Shares in issue on the date of approval of the 2022 Plan.

Operation of the 2022 Plan is conditional upon:

- (a) the passing of the ordinary resolutions by the Shareholders at the EGM to approve and adopt the 2022 Plan; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in the Shares to be allotted and issued pursuant to the Awards.

As of the Latest Practicable Date, the Company had not made any grants under the 2022 Plan and no Awards remained outstanding (i.e., granted and unvested) and no Shares had been issued pursuant to the 2022 Plan.

### **Trustee**

The Company has appointed Computershare Hong Kong Trustees Limited, an independent professional trust services company, as trustee to administer grants made under the 2022 Plan. As of the Latest Practicable Date and to the best knowledge of the Company, the trustee is not a connected person of the Company. Pursuant to the 2022 Plan Rules and the Listing Rules, the trustee is not entitled to exercise any voting rights attached to Award Shares underlying Awards unless and until the Awards are vested.

### **Explanation of the terms of the 2022 Plan**

Please see the Appendix to this circular for:

- (a) a summary of the principal terms of the 2022 Plan. This summary serves as an overview of these terms and does not constitute the full reproduction of the terms or a comprehensive list of all the rules under the 2022 Plan; and



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## LETTER FROM THE BOARD

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- (b) *in italics and as notes to the summary*, the views of the Directors and Remuneration Committee to the Board as to the appropriateness and reasonableness of particular terms and how they align with the purpose of the 2022 Plan.

### Document on display

A copy of the 2022 Plan Rules will be published on the websites of the Stock Exchange and the Company for display for a period of not less than 14 days before the date of the EGM and the 2022 Plan Rules will be made available for inspection at the EGM.

### 2016 Plan

Upon the Approval Date, the Company will cease to make further grants of awards over new Shares under the 2016 Plan and any further grants of awards over existing Shares under the 2016 Plan will comply with the applicable requirements under the New Chapter 17 for share schemes involving existing shares; all previously granted awards under the 2016 Plan that have not been settled by new Shares as of the Approval Date will continue to be valid and exchangeable for new Shares in accordance with the terms of the 2016 Plan and respective award letter. The Company anticipates that upon the Approval Date, an aggregate of 1,426,250 new Shares will remain to be issued by the Company pursuant to granted share awards under the 2016 Plan.

### 3. EGM

A notice convening the EGM to be held at the Company's office located at No. 399 Wangshang Road, Binjiang District, Hangzhou, Zhejiang Province, People's Republic of China, 310052, on Thursday, 15 June 2023 at the earlier of (i) 3:00 p.m.; and (ii) immediately upon the conclusion of the AGM, is set out on pages 24 to 25 of this circular. The EGM will be convened for the purpose of considering and, if thought fit, approving, among other things, the 2022 Plan.

Based on the information, belief and knowledge of the Company, no Shareholder has a material interest in the 2022 Plan and no Shareholder is required to abstain from voting for the relevant resolutions to approve the 2022 Plan at the EGM.

A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://ir.music.163.com>). Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong 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 but in any event not less than 48 hours before the time appointed for the holding of the EGM (*i.e.*, no later than 3:00 p.m. on Tuesday, 13 June 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meeting if they so wish.

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## LETTER FROM THE BOARD

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The record date for determining the entitlement of Shareholders to attend and vote at the EGM will be 15 June 2023. All transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 9 June 2023.

#### 4. 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 in this circular or this circular as a whole misleading.

#### 5. RECOMMENDATIONS

The Directors (including the independent non-executive Directors) are of the opinion that the proposed adoption of the 2022 Plan is in the best interests of the Company and Shareholders as a whole, and would therefore recommend Shareholders to vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully,  
For and on behalf of the Board  
**Cloud Music Inc.**  
**Mr. William Lei Ding**  
*Chairman of our Board*

*The following is a summary of the principal terms of the 2022 Plan Rules to be considered and approved by Shareholders at the EGM. It does not form part of, nor is it intended to be part of, the 2022 Plan Rules. The Directors reserve the right at any time prior to the EGM to make amendments to the 2022 Plan as they may consider necessary or appropriate provided that such amendments do not conflict in any material aspect with the summary set out in this Appendix.*

- Purpose:** To promote the success and enhance the value of the 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 the Company and Shareholders, and to provide flexibility to the Company to motivate, attract and retain these participants.
- Awards:** Awards granted under the 2022 Plan shall be restricted share units (being Share Awards) that may be settled for cash, Award Shares or a combination thereof.
- Plan administration:** The 2022 Plan shall be administered by the Administrator, being either the Board and/or any committee designated by the Board.
- Eligible participants:** Eligible Participants are determined by the Administrator from time to time to be eligible to participate as Grantees under the 2022 Plan, and shall fall under one or more of the below categories:
- (a) ***Employee Participant***, being an employee, director or officer of the Group on the Grant Date.
  - (b) ***Related Entity Participant***, being an employee, director or officer of the following: a “holding company” of the Company (as defined in the SFO); a “subsidiary” of a holding company of the Company (as recognised by applicable accounting standards) other than the Group; or an “associate” of the Company (as defined in the Listing Rules).

- (c) *Service Provider Participant*, being a person (including an entity) that falls under one of the below sub-categories and that provides services to the Group on a continuing basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group or to which grants of Awards under the 2022 Plan would be in the interest of the Company and Shareholders as a whole, as determined by the Administrator pursuant to the below criteria:

	<b>Category</b>	<b>Eligibility criteria for Service Provider Participant</b>
(i)	Artists	Provides the Group with high-quality songs and other content to be published on the platform and/or achieves certain targets (including number of users/subscribers, playback volume, etc.).
(ii)	Performers	
(iii)	Other suppliers and service providers	The suppliers and service providers would operate in the industries of music and entertainment, technology, e-commerce, internet content and media, and other business industries in which the Group operates from time to time.

*Relationship with Group:* Suppliers would be persons or entities that supply the Group with goods on a regular or recurring basis (for example, merchandisers that the Group collaborates with for events), with which the Group would consider important to maintain a close business relationship on an ongoing basis, and in turn, it would be beneficial to the Group's business relationship to grant such supplier with proprietary ownership in the Company and to encourage the supplier to have a vested shareholding interest in the Group and in the Group's future development.

Category	Eligibility criteria for Service Provider Participant
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*Relationship with Group:* Service providers would be persons or entities that provide services to the Group on a regular or recurring basis (for example, providing services in backend technology, payment or logistics, data security, talent provision, consulting, event hosting, or long-term platform promoters and collaborators), with which the Group would consider important to maintain a close collaborative relationship on an ongoing basis, that in turn, it would be beneficial to the collaboration between the Group and the service provider to grant such service provider proprietary ownership in the Company and to encourage the service provider to have a vested shareholding interest in the Group and the Group's future development.

*Significance to Group:* In addition, a supplier or service provider that would be considered eligible to be a Service Provider Participant would be or is anticipated to be going forward, a significant business partner, or otherwise significant to the Group's business, with reference to, among other metrics, revenue generation, volume of revenue generation/subscription numbers/participation, online traffic and audience exposure, acquisition of new target customers/users/talent or directing of recurring customers/users/talent, collaboration opportunities with or in respect of talent, research and development, engineering or technical contribution, the design or development or delivery of products/services provided by the Group, or is otherwise significant to the Group, including from a financial, business or operational perspective.

**Additional criteria for determining the eligibility of a Service Provider Participant**

Where a service provider qualifies for one of the above service provider types and meets the initial eligibility criteria to fall within the above categories, the below will be considered:

Whether one qualifies as a Service Provider Participant: Whether a potential service provider will be eligible to qualify as a Service Provider Participant will be determined by the Administrator based on qualitative and quantitative performance indicators to be on a case-by-case basis in accordance with the above eligibility criteria.

Whether a service provider provides services to the Group on a continuing basis: In assessing whether a service provider provides services to the Group on a continuing basis, the Administrator will take into account factors such as: (i) length and type of services provided or will be provided to the Group, recurrence and regularity of such services; (ii) how the selection metrics benchmark against comparable metrics used to determine other Eligible Participants who have been granted awards under the Company's share incentive plans; (iii) the Group's objectives in engaging the service provider and how granting awards to the service provider would align with the purpose of the 2022 Plan or benefit the Group; and (iv) remuneration packages of comparable listed peers with respect to similar service providers, if any, based on available industry information.

*Notes:*

*The Directors (including the independent non-executive Directors) consider the proposed categories of Related Entity Participant and Service Provider Participant to be in line with industry norms and that the proposed scope for “Eligible Participants” (including the selection of Eligible Participants) to be appropriate and aligns with the purpose of this scheme. In particular:*

- (a) our Group is consolidated into the wider group of our parent company, NetEase, Inc. (SEHK: 9999). We recognise that maintaining a close relationship with our parent and our fellow subsidiaries, and their directors and employees, is pivotal, to not only maintaining and enhancing 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;*
- (b) Service Provider Participants are those service provider sub-categories that we consider to be particularly important to the success of our Group’s business and future development, including: (i) by contributing to our Group’s music platform and services/products as content creators, and thereby enhancing the stickiness of our platform/services/products among users and within the markets in which our Group operates; (ii) by contributing to our Group’s operations and business structure/model (e.g., through the expertise and contribution of service providers, the user engagement and business opportunities and growth brought about through collaborators); and (iii) would enable our Group to preserve its cash resources, and instead, use share incentives to attract persons of talent outside of our Group, whilst also aligning their interests with that of our Group and our Shareholders through them owning a proprietary interest in our Company and becoming future Shareholders; and*
- (c) this scope is consistent with the scope of grantees approved by our Company under past share schemes, as well as, to the best of our knowledge, the practices of peer companies that operate in similar or comparable industries to that of our Group (for example, music and entertainment, technology or internet industries) or other companies listed in Hong Kong and their remuneration or compensation packages,*

*and accordingly, the Directors (including the independent non-executive Directors) consider it appropriate to enhance the long-term relationship with these Eligible Participants by aligning their interests with that of our Company and Shareholders. Based on the above, the Directors (including the independent non-executive Directors) believe that the proposed scope for “Eligible Participants” is in line with the purpose of the 2022 Plan.*

*In doing this, we recognise 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 2022 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.*

**Scheme Mandate  
Limit and Service  
Provider Sublimit:*****Scheme Mandate Limit:***

The maximum number of *new* Shares that may be issued pursuant to all Awards made under the 2022 Plan to Eligible Participants is 10,462,280 Shares (representing approximately 4.9% of the Company's total issued share number as at the Latest Practicable Date), subject to an annual limit of 3% of the total number of Shares in issue at the relevant time.

***Service Provider Sublimit***

The maximum number of *new* Shares that may be issued pursuant to all Awards made under the 2022 Plan to Service Provider Participants is 2,077,569 Shares (representing 19.9% of the Scheme Mandate Limit and 1.0% of the Company's total issued share number as at the Latest Practicable Date), subject to an annual limit of 1% of the total number of Shares in issue at the relevant time.

Award Shares underlying Awards that have lapsed in accordance with the terms of the 2022 Plan Rules shall not be counted for the purpose of calculating the Scheme Mandate Limit.

***Note:***

*The Service Provider Sublimit is determined based on the maximum possible number of new Shares that the Company intends to grant to Service Provider Participants and our Group's historical practice of granting awards to similar service providers and our Company's future business and development plan. The Directors (including the independent non-executive Directors) consider the Service Provider Sublimit to be appropriate and reasonable given the nature of the industries in which we operate and our Group's current and future business needs, and takes into account:*

- (i) the rationale behind the scope and eligibility criteria of Service Provider Participants, as detailed above;*
- (ii) that this sublimit provides our 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 directors of our Group, but who may have exceptional expertise in their field or who may be able to provide valuable expertise and services to our Group, which is in line with the purpose of the 2022 Plan; and*
- (iii) the fact that this sublimit represents a maximum limit, and our Company retains the flexibility to allocate Award Shares from this sublimit to satisfy Awards made to other Eligible Participants depending on business growth and needs in the future as and when appropriate. For example, where our Company considers that the business needs of our Group at a future point in time suggests that the full Service Provider Sublimit is no longer needed for Service Provider Participants and that it would be more appropriate and beneficial to serve the purpose of the 2022 Plan to allocate a portion of the Award Shares under this sublimit to other Eligible Participants.*



<b>Refreshing the Scheme Mandate Limit and Service Provider Sublimit:</b>	<p>There are no specific provisions under the 2022 Plan Rules to refresh the Scheme Mandate Limit or Service Provider Sublimit. Nevertheless, the Company may refresh these limits under Listing Rule 17.03C, which is summarised below:</p> <ul style="list-style-type: none"><li>(a) the Company may refresh these limits (i) after three years following the date that Shareholders first approve the 2022 Plan Rules; and (ii) three years after any subsequent refreshment, with the approval of Shareholders at general meeting; and</li><li>(b) the Company may refresh these limits within any three year period with the approval of Shareholders at general meeting, <i>provided that</i> (i) any controlling shareholder 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 applicable Listing Rules in relation to such refreshment, including Listing Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 (relating to, among others, special requirements for general meetings in respect of transactions that are subject to independent Shareholders' approval and abstentions from voting).</li></ul>
<b>Maximum entitlement of each Eligible Participant:</b>	<p>There is no specific maximum entitlement for each Eligible Participant under the 2022 Plan. Grants to individuals that exceed the thresholds set out in the New Chapter 17 will be subject to additional approval requirements as required under the New Chapter 17.</p>
<b>Further approval requirements:</b>	<p>Any Award over <i>new</i> Shares granted to a Director, chief executive of the Company or substantial shareholder of the Company, or any of their respective associates, will require approval from the independent non-executive Directors (other than the independent non-executive Director who is the Grantee).</p>

Additionally, Awards over *new* Shares granted to any individual Eligible Participant may be subject to further approval requirements (namely, further approval by Shareholders and/or approval by the remuneration committee to the Board and independent non-executive Directors), as required and in accordance with the New Chapter 17, and namely, Listing Rules 17.03D and 17.04, and includes:

<b>Grantee</b>	<b>Threshold triggering additional approval</b>	<b>Additional approval</b>
(a) Independent non-executive Director, substantial shareholder of the Company, or their associates	Where the <i>new</i> Shares issued and to be issued under all Awards granted to the individual grantee (excluding Awards lapsed under the 2022 Plan) within any 12-month period (including the date of the latest grant) represent in aggregate over 0.1% of the Shares in issue.	Requires approval from Shareholders at general meeting (with the grantee, their associates, and all core connected persons of the Company abstaining from the vote, and Listing Rules 13.40 to 13.42 must be complied with).
(b) Other Directors, chief executive of the Company, or their respective associates	Where the <i>new</i> Shares issued and to be issued under all Awards granted to the individual grantee (excluding Share Awards lapsed under the 2022 Plan) within any 12-month period (including the date of the latest grant) represent in aggregate over 0.1% of the Shares in issue.	Requires approval from Shareholders at general meeting (with the grantee, their associates, and all core connected persons of the Company abstaining from the vote, and Listing Rules 13.40 to 13.42 must be complied with).

Grantee	Threshold triggering additional approval	Additional approval
(c) Other Eligible Participants	Where the <i>new</i> Shares issued and to be issued under all Awards granted to the individual grantee (excluding Awards lapsed under the 2022 Plan) within any 12-month period (including the date of the latest grant) represent in aggregate over 1% of the Shares in issue.	Requires approval from Shareholders at general meeting (with the grantee, and their close associates, or where the grantee is a connected person, their associates abstaining from the vote).

**Acceptance period and purchase price:**

Unless otherwise specified in the Award Letter, (a) a grant made under the 2022 Plan must be accepted by the Grantee within 60 days after the Grant Date (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 (b) the purchase price for acquiring the Award Share underlying a vested award shall be nil.

**Vesting period:**

The Administrator may determine the vesting period and specify such period in the Award Letter. The vesting period of Awards funded by *new* Shares shall not be for a period less than 12 months from the grant date, except in limited circumstances set out in the 2022 Plan Rules; these circumstances only apply to Employee Participants and are consistent with the scenarios contemplated in FAQ 092-2022 issued by the Stock Exchange, and include where:

- (a) grants of “make whole” Awards to a new Employee Participant to replace the awards that the Employee Participant forfeited when leaving their previous employer;
- (b) grants to an Employee Participant whose employment is terminated due to death or disability or event of force majeure;

- (c) grants of Awards that are subject to the fulfilment of performance targets as determined in the conditions of the grantee's grant;
- (d) grants of Awards the timing of which is determined by administrative or compliance requirements not connected with the performance of the Employee Participant, in which case the vesting date may be adjusted to take account of the time from which the Award would have been granted if not for such administrative or compliance requirements;
- (e) grants of Awards with a mixed vesting schedule such that the Award vests evenly over a period of 12 months; or
- (f) grants of Awards with a total vesting and holding period of more than 12 months.

*Note:*

*The Directors is of the view that the vesting period (including the circumstances in which a shorter vesting period may apply), as detailed above, enables our Company to offer competitive remuneration and reward packages to Employee Participants, on an ad hoc basis, in such circumstances that would be justified and reasonable, which is also consistent with the Listing Rules and the former practice of our Company and peer companies in our industry. Accordingly, the above vesting period is considered appropriate and aligns with the purpose of the 2022 Plan.*

**Performance targets:**

The Administrator may set performance criteria/targets in respect of Awards granted based on, among others, transaction milestones, business or financial performance results of the Company, individual performance appraisal and/or contribution to the Group.

*Note:*

*The Directors consider that it is not practicable to expressly set out a generic set of performance targets in the 2022 Plan, since each Grantee will have a different position/role with respect to the Group and will contribute differently to the Group in both nature, duration and significance. The Administrator will have regard to the purpose of the 2022 Plan in making such determinations, with performance targets generally being in line with common key performance indicators in the industry of the 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 the Grantee, or in other circumstances determined appropriate by the 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, the Company may require the Grantee to transfer back the equivalent number or value of the Award Shares through Shares, cash or a combination thereof.

*Note:*

*The Directors are of the view that the above clawback mechanism enables our Company to clawback awards (or the Award Shares underlying such Awards) received by those Grantees that have, for example, seriously violated the policies of our Group, put our Group into disrepute, adversely harmed our Group, or otherwise exposed our Group to significant risk. In these circumstances, our Company would not consider it in our Company or our Shareholders' best interests to incentivise them with proprietary interests of our Company under the 2022 Plan, nor would our Company consider such Grantees benefiting under the 2022 Plan to align with the purpose of the 2022 Plan. As such, the Directors consider this clawback mechanism appropriate and reasonable.*

**Lapse of Awards:** Unless otherwise specified in the Award Letter, an Award shall automatically lapse in the circumstances set out in the 2022 Plan Rules, 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 lapsed under the clawback mechanism set out in the 2022 Plan.

Lapsed Award Shares will return to the grant pool and not be counted towards the Scheme Mandate Limit or Service Provider Sublimit.

- Cancellation of Awards:** The Administrator may determine, from time to time, to cancel any granted but unvested or outstanding award where the Administrator considers it appropriate or desirable to do so.
- Where the Company cancels an Award granted to an Eligible Participant and makes a new grant to the same Eligible Participant, such new grant, if funded by *new* Shares, may only be made under the 2022 Plan with available Scheme Mandate Limit (and the Service Provider Sublimit, if applicable) approved by Shareholders as referred to in Listing Rules 17.03B or 17.03C.
- Term of plan:** 10 years commencing on the date on which the 2022 restricted share unit plan was initially approved by the Board (being 18 August 2022) unless terminated earlier.
- Amendment:** The Administrator may terminate, amend or modify the 2022 Plan with the approval of our Board, *provided that*:
- (a) the amendment must comply with the New Chapter 17; and
  - (b) Shareholders' approval at general meeting is required for the following:
    - (i) any amendment or alteration to the terms and conditions of the 2022 Plan that is of a material nature or any amendment or alteration to those provisions that relate to the matters set out in Listing Rule 17.03 to the advantage of Eligible Participants;
    - (ii) any change to the authority of the Board or the Administrator to alter the terms of this plan; and
  - (c) any amendment or alteration to the terms of an Award the grant of which was subject to the approval of a particular body shall be subject to approval by that same body, provided that this requirement does not apply where the relevant alteration takes effect automatically under existing terms of the 2022 Plan.
- Termination:** The 2022 Plan shall terminate on the earlier of: (a) the 10th anniversary of the date on which the 2022 restricted share unit plan was initially approved by the Board (being 18 August 2022); and (b) such date of early termination as determined by the Board, provided that such termination shall not affect any subsisting rights in respect of the Awards already granted to Eligible Participants.

**Restrictions on Awards and transferability:**

Except and until the Grantee becomes a Shareholder following the vesting of an Award, the Grantee shall not have any rights of a Shareholder, including but not limited to dividend rights or voting rights attaching to Award Shares.

Except required by law or waived by the Stock Exchange in accordance with the Listing Rules, no Award may be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of.

No Award shall be granted to any Eligible Participant during the following time periods:

- (a) in circumstances prohibited by the Listing Rules or at a time when the relevant Eligible Participant would be prohibited from dealing in the Shares by the Listing Rules (including the Model Code for Securities Transactions by Directors of Listed Issuers, set out in Appendix 10 to the Listing Rules) or by any other applicable rule, regulation or law;
- (b) where the Company is in possession of any unpublished inside information in relation to the Company, until (and including) the trading day after such inside information has been announced; and
- (c) during the periods commencing one month immediately before the earlier of: (x) the date of the board meeting for approving the Company's results for any year or interim (including quarterly) period, and (y) the deadline for the Company to announce such results, and ending on (and including) the date of the results announcement publication.

**Adjustments upon changes in capitalisation:**

In the event of any alteration in the capital structure of the Company by way of capitalisation (including as a result of a capitalisation issue, rights issue, share sub-division or consolidation, or reduction of capital), the Award Shares underlying each outstanding Award (whether granted or ungranted) shall be proportionately adjusted by the administrator upon its determination.

To the extent not otherwise determined by the Administrator in accordance with the above, the default method of adjustment for various alternations in share capital events are set out below:

***Capitalisation issue      Adjustment of number of Award Shares underlying outstanding Awards***

$$Q = Q_0 \times (1 + n)$$

Where:  $Q_0$  represents the number of outstanding Award Shares prior to adjustment;  $n$  represents the rate of increase per Share resulting from the capitalisation issue;  $Q$  represents the number of outstanding Award Shares after adjustment.

***Adjustment of Purchase Price of outstanding Awards (if any)***

$$P = P_0 \div (1 + n)$$

Where:  $P_0$  represents the Purchase Price before the adjustment;  $n$  represents the rate of increase per Share resulting from the capitalisation issue;  $P$  represents the Purchase Price after the adjustment.

***Rights issue                      Adjustment of number of Award Shares underlying outstanding Awards***

$$Q = Q_0 \times P_1 \times (1 + n) \div (P_1 + P_2 \times n)$$

Where:  $Q_0$  represents the number of outstanding Award Shares prior to adjustment;  $P_1$  represents the closing price of Shares on the record date;  $P_2$  represents the subscription price of the rights issue of Shares;  $n$  represents the ratio of the rights issue allotment;  $Q$  represents the number of outstanding Award Shares after adjustment.

***Adjustment of Purchase Price of outstanding Awards (if any)***

$$P = P_0 \times (P_1 + P_2 \times n) \div (P_1 \times (1 + n))$$

Where:  $P_0$  represents the Purchase Price before the adjustment;  $P_1$  represents the closing price as at the record date;  $P_2$  represents the subscription price of the rights issue of Shares;  $n$  represents the ratio of allotment;  $P$  represents the Purchase Price after the adjustment.



*Share consolidation, share subdivision or reduction of share capital*      *Adjustment of number of Award Shares underlying outstanding Awards*

$$Q = Q_0 \times n$$

Where:  $Q_0$  represents the number of outstanding Award Shares prior to adjustment;  $n$  represents the ratio of share consolidation, share subdivision or reduction of share capital;  $Q$  represents the number of outstanding Award Shares after adjustment.

*Adjustment of Purchase Price of outstanding Awards (if any)*

$$P = P_0 \div n$$

Where:  $P_0$  represents the Purchase Price before the adjustment;  $n$  represents the ratio of share consolidation, share subdivision or reduction of share capital;  $P$  represents the Purchase Price after the adjustment.

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## NOTICE OF EGM

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Cloud Music Inc. (“**Company**”) will be held at the Company’s office located at No. 399 Wangshang Road, Binjiang District, Hangzhou, Zhejiang Province, People’s Republic of China, 310052, on Thursday, 15 June 2023 at the earlier of (i) 3:00 p.m.; and (ii) immediately upon the conclusion of the AGM, for the purpose of considering, and if thought fit, passing with or without modifications, the resolutions set out below, to be passed as ordinary resolutions.

#### ORDINARY RESOLUTIONS

1. **“THAT** the adoption of the 2022 restricted share unit plan, named as the 2022 Plan (“**2022 Plan**”) proposed by the board (“**Board**”) of directors of the Company (“**Directors**”), a copy of which is produced to this meeting marked “A” and signed by the Chairman of the meeting for the purpose of identification, with the Scheme Mandate Limit (as defined in the 2022 Plan) of 10,462,280 shares of the Company (“**Shares**”), be and is hereby approved and adopted, and the Administrator (as defined in the 2022 Plan) be and are hereby authorised to grant the awards (“**Awards**”), and do all such acts and execute all such documents as the Administrator may consider necessary or expedient in order to give full effect to the 2022 Plan.”; and
2. **“THAT, conditional upon the passing of ordinary resolution 1**, the Service Provider Sublimit (as defined in the 2022 Plan) of 2,077,569 Shares, be and is hereby approved and adopted.”

Ordinary resolution 1 is not conditional upon the passing of ordinary resolution 2, but ordinary resolution 2 is conditional upon the passing of ordinary resolution 1. In the event that ordinary resolution 1 is passed but ordinary resolution 2 is not passed, the Company will adopt the 2022 Plan but the Board shall alter the 2022 Plan to remove references to the grant of Awards to service providers. In the event that ordinary resolution 2 is passed but ordinary resolution 1 is not passed, the 2022 Plan will not be adopted.

Unless indicated otherwise, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 24 May 2023 in relation of adopting the 2022 Plan.

By order of the Board  
**Cloud Music Inc.**  
**Mr. William Lei Ding**  
*Chairman of the Board*

Hong Kong, 24 May 2023

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## NOTICE OF EGM

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*Notes:*

1. All resolutions at this meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and vote instead of that shareholder. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by that shareholder.
3. In order to be valid, the form of proxy 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, must be deposited at the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the meeting (i.e., not later than 3:00 p.m. on Tuesday, 13 June 2023) or the adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Monday, 12 June 2023 to Thursday, 15 June 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 June 2023.
5. A circular containing further details concerning the proposed resolutions contained in this notice will be sent to all shareholders of the Company together with this notice.
6. References to time and dates in this notice are to Hong Kong time and dates.

*As at the date of this notice, 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.*