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CHINA LITERATURE LIMITED

阅文集团

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 772)

GRANT OF SHARE OPTIONS

This announcement is made pursuant to Rule 17.06A, 17.06B and 17.06C of the Listing Rules.

The Board hereby announces that on August 21, 2023, share options (the “**Share Options**”) to subscribe for an aggregate of 1,609,549 Shares are granted to certain eligible employees (the “**Grantees**”), including, Mr. Huang Yan, an executive Director and the vice president of the Company and 18 employees of the Company who are independent third parties of the Company, under the Share Option Plan, subject to acceptance of the Grantees. The following are the details of the Share Options granted:

Details of the Share Options are as follows:

Date of grant:	August 21, 2023
Number of Grantees:	19 Grantees (including Mr. Huang Yan and other 18 employees of the Company)
Exercise price of Share Options granted:	Each Share Option shall entitle the holder to subscribe for one Share upon exercise of such Share Option at an exercise price of HK\$32.06 per Share, representing the highest of: <ul style="list-style-type: none">(i) the closing price of HK\$30.85 per Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;(ii) the average closing price of HK\$32.06 per Share as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and(iii) the nominal value of a Share of US\$0.0001

Number of Share Options granted: An aggregate of 1,609,549 Share Options, among which, 504,090 Share Options were granted to Mr. Huang Yan and the remaining 1,105,459 Share Options were granted to other 18 employees of the Company (each Share Option shall entitle the Grantees to subscribe for one Share)

Validity period of the Share Options: Ten (10) years commencing from the date of grant

Vesting period of the Share Options: Vesting in tranches within four years from the date of grant:

- 25% shall vest on each anniversary of the date of grant for the next four years

Performance targets: The vesting of the Share Options is not subject to any performance targets.

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. The Share Options to be granted will give the Grantees an opportunity to have a personal stake in the Company and will help motivate the Grantees in optimizing their performance and efficiency. The number of Share Options to be granted are based on the work performance and potential of the Grantees and no additional performance target is imposed before the Share Options are vested to the Grantees. In view of the above, the remuneration committee of the Board (the “**Remuneration Committee**”) considered the grant of Share Options to Mr. Huang Yan aligned with the purpose of the Share Option Plan, and the Board considered the grant of Share Options aligned with the purpose of the Share Option Plan.

Clawback mechanism: The Share Options granted will be subject to the clawback mechanism as set out in the Share Option Plan. In the case that a Grantee commits a misconduct or is involved in a material misstatement in the Company’s financial statements, all Share Options of such Grantee shall automatically lapse. The Board may, at its absolute discretion, determine whether a Grantee commits a misconduct or is involved in a material misstatement in the Company’s financial statements. If the Board exercises its discretion under the Share Option Plan, it will give the relevant Grantee written notice of such determination and the Board’s interpretation of and determination pursuant to the Share Option Plan shall be final, conclusive and binding

Among the Share Options granted above, a total of 504,090 Share Options were granted to 1 Director, details of which are as follows:

Name	Position	Number of Share Options
Huang Yan (黄琰)	executive Director and vice president of the Company	504,090

The grant of Share Options to the Mr. Huang Yan has been approved by the Board including independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules, save that Mr. Huang Yan has abstained from approving the resolution relating to the grant of Share Option to him. None of the grant of Share Options will be subject to approval by independent shareholders of the Company.

REASONS FOR AND BENEFITS OF THE GRANT OF SHARE OPTIONS

The grant of Share Options is to provide incentives and rewards to Grantees of the Share Options for their contributions to and continuing efforts to promote the interests of the Company, and the grant of Share Options aligns the interests of the Grantees of the Share Options with that of the Company and the shareholders of the Company and reinforces commitment of the Grantees of Share Options to the Group.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries: (i) save as disclosed in this announcement, none of the Grantees is a Director, chief executive or substantial shareholder of the Company or an associate (as defined under the Listing Rules) of any of them; (ii) none of the Grantee has been granted and will be granted options and awards which exceed the individual limit of 1% as required under the Listing Rules; (iii) none of the Grantee is a related entity participant or service provider (as defined under the Listing Rules); and (iv) no financial assistance was provided by the Company to the Grantees for the purchase of Shares under the Share Option Plan.

NUMBER OF SHARES AVAILABLE FOR FUTURE GRANT

Subsequent to the above grant of Share Options, 11,600,368 Shares underlying the Share Options will be available for future grants under the Scheme Limit and 5,076,192 Shares will be available for future grants under the Service Provider Sublimit.

DEFINITION

“Share Option Plan”	a share option plan of the Company adopted on May 24, 2021 and amended by the Shareholder Resolution passed on May 22, 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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
“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

“Scheme Limit”	subject to the terms and conditions of the Share Option Plan, the total number of Shares which to be issued to the eligible participants pursuant to the Share Option Plan and other share schemes of the Company shall not in aggregate exceed 2.5% of the issued share capital of the Company as of May 24, 2021
“Service Provider Sublimit”	a sublimit for the total number of Shares to be issued to the service providers pursuant to the Share Option Plan and other share schemes of the Company shall not in aggregate exceed 5,076,192 Shares, representing approximately 0.5% of the total number of Shares as of May 22, 2023
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of USD0.0001 each
“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, August 21, 2023

As at the date of this announcement, the Board comprises Mr. Hou Xiaonan and Mr. Huang Yan as executive Directors; Mr. James Gordon Mitchell, Mr. Cao Huayi 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.