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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 licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in Huayi Tencent Entertainment Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**H.BROTHERS** | ENTERTAINMENT

**華 誼 騰 訊 娛 樂**

**華 誼 騰 訊 娛 樂 有 限 公 司**

**Huayi Tencent Entertainment Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 419)**

**PROPOSALS FOR (1) ADOPTION OF 2024 SHARE OPTION SCHEME  
AND TERMINATION OF 2022 SHARE OPTION SCHEME  
(2) AMENDMENTS TO SHARE AWARD SCHEME  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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A notice of the EGM to be held at Boardroom 3, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 21 June 2024 at 10:05 a.m. (or immediately after the conclusion of the AGM of the Company to be held at the same venue and on the same day, or any adjournment thereof) is set out on pages 56 to 59 of this circular. A form of proxy for use by the Shareholders at the EGM is enclosed. If you do not intend to attend the EGM in person, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM 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 should you so wish.

In case of any discrepancy or inconsistency between the English version and the Chinese version of this circular, the English version shall prevail.

5 June 2024

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## DEFINITIONS

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

“2021 Share Award Scheme”	the existing share award scheme adopted by the Company pursuant to a resolution passed by the then Board on 20 August 2021
“2022 Share Option Scheme”	the existing share option scheme adopted by the Company pursuant to a resolution passed by the then Shareholders at the annual general meeting held on 21 June 2022
“2024 Share Option Scheme”	the Company’s share option scheme proposed to be approved and adopted by the Shareholders at the EGM, a summary of the principal terms of which are set out in Appendix I to this circular
“2024 Share Schemes”	the 2024 Share Option Scheme and the Amended Share Award Scheme
“Adoption Date”	the date on which the 2024 Share Option Scheme is conditionally adopted by a resolution of the Shareholders at the EGM
“Amended Share Award Scheme”	the amended share award scheme of the Company brought about by the adoption of the proposed amendments to the 2021 Share Award Scheme, the principal terms of which are set out in Appendix II to this circular
“Amendment Date”	the date on which the amendments of the Share Award Scheme is conditionally approved by the resolutions at the EGM
“Articles of Association”	the articles of association of the Company as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“associated company”	has the meaning ascribed to it under the Takeovers Code
“Award”	a provisional award of the Awarded Shares made in accordance with the Amended Share Award Scheme
“Award Notice”	the notice to be sent to the Trustee upon the making of an Award
“Awarded Share(s)”	the Share(s) provisionally awarded to a Selected Participant pursuant to an Award
“Board”	the board of Directors

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## DEFINITIONS

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“Business Day(s)”	any day on which the Stock Exchange is open for business of dealing in securities
“close associate”	has the meaning ascribed thereto under the Listing Rules
“Company”	Huayi Tencent Entertainment Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Boardroom 3, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 21 June 2024 at 10:05 a.m. (or immediately after the conclusion of the AGM of the Company to be held at the same venue and on the same day, or any adjournment thereof) (or as the case may be)
“EGM Notice”	the notice convening the EGM dated 5 June 2024 which is set out on pages 56 to 59 of this circular
“Earliest Vesting Date”	the earliest date and other subsequent date(s), if any, on which the Trustee may vest the legal and beneficial ownership of the Awarded Shares (or the relevant portions thereof) or the net proceeds thereof in the relevant Selected Participant
“Eligible Participant(s)”	any person belonging to the following classes of participants:  (a) Employee Participant;  (b) Related Entity Participant;  (c) Service Provider,  and, for the purposes of the Amended Share Award Scheme, the Award may be made to any company wholly owned by one or more of the above participant(s) or any trust of which the settlor is the above participant

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## DEFINITIONS

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“Employee Participant(s)”	the employees, chief executive and directors (including executive, non-executive or independent non-executive directors) of any member of the Group (including persons who are granted options or awards under the 2024 Share Option Scheme or the Amended Share Award Scheme as an inducement to enter into employment contracts with the Company or any of its subsidiaries), provided that the Board shall have absolute discretion to determine whether or not one falls within such category
“Excluded Participant”	any person who is resident in a place where the award of the Awarded Shares and/or the award of the Returned Shares and/or the vesting and transfer of Shares pursuant to the terms of the Amended Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Board or a committee of the Board or the Trustee (as the case may be) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person
“Exercise Price”	the price per Share at which a Grantee may subscribe for Shares or (as the case may be) be transferred Treasury Shares on the exercise of an Option, as determined in accordance with the 2024 Share Option Scheme
“Grant Date”	the date of grant of an Award
“Grantee”	any Eligible Participant who accepts an Offer in accordance with the terms of the 2024 Share Option Scheme or (where the context so permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries from time to time
“Group Contribution”	mean such contribution in the form of money or otherwise made by the Company or any of its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	28 May 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“lock-up”	Restriction on selling, transferring, pledging and/or otherwise creating security and/or other third-party rights or encumbrances over such Shares
“Other Distributions”	has the meaning as defined in paragraph 4.3 of Appendix II of this circular
“Partial Lapse”	has the meaning as defined in paragraph 10.3 of Appendix II of this circular
“Personal Representative(s)”	the person or persons who, in accordance with the laws of succession applicable to a deceased Selected Participant, is or are entitled to collect and receive the Awarded Shares which have been vested in such Selected Participant and formed part of his estate
“Offer”	an offer for the grant of an Option made by the Board in accordance with the 2024 Share Option Scheme
“Offer Date”	the Business Day on which an Offer is made to an Eligible Participant
“Option(s)”	an option to subscribe for Shares (or to be transferred Treasury Shares) granted under the 2024 Share Option Scheme
“Option Period”	has the meaning as defined in paragraph 4(b) of Appendix I of this circular
“Related Entity”	a holding company, fellow subsidiary or an associated company
“Related Entity Participants”	directors and employees of holding companies, fellow subsidiaries or associated companies of the Company, provided that the Board shall have absolute discretion to determine whether or not one falls within such category

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## DEFINITIONS

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“Relevant Event”	any variation in the share capital of the Company arising from any capitalisation issue, sub-division, consolidation or reduction of share capital of the Company; or any rights issue or open offer of any share capital of the Company involving an offer of right to the existing Shareholders; or any other distribution of the Company’s equity securities without receipt of consideration (except where Shares are issued as consideration or part consideration in a transaction)
“Remuneration Committee”	the remuneration committee of the Company
“Residual Cash”	being cash remaining in the trust fund in respect of an Awarded Share (including interest income derived from deposits maintained with licensed banks in Hong Kong, and sale proceeds which have not been applied in the acquisition of Shares)
“Returned Shares”	such Awarded Shares which are not vested and/or are forfeited in accordance with the terms of the Amended Share Award Scheme (whether as a result of a Total Lapse or a Partial Lapse or otherwise), or were forfeited in accordance with the terms of the 2021 Share Award Scheme, or such Shares being deemed to be Returned Shares. For the avoidance of doubt, Returned Shares arrangement will only be applicable to Awards that are satisfied by existing issued Shares
“Scheme Mandate Limit”	the limit that the total number of Shares which may be issued together with Treasury Shares which may be transferred in respect of all Options and Awards to be granted under the 2024 Share Option Scheme, the Amended Share Award Scheme and any other share schemes of the Company must not in aggregate exceed 10% of the total number of Shares in issue (excluding the Treasury Shares) as at the Adoption Date and the Amendment Date
“Selected Participant”	any Eligible Participant for whom Shares have been provisionally set aside pursuant to an Award or (where the context so permits) his Personal Representative

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## DEFINITIONS

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“Service Provider(s)”	person(s) who provide(s) 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, including but not limited to person(s) who work(s) for the Company as independent contractors (including advisers, consultants, contractors, suppliers, agents, entities providing research, development or other technological support and service providers of any member of the Group) where the continuity and frequency of their services are similar to those provided by employees, but excluding placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions or professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity
“Service Provider Sublimit”	has the same meaning as defined in paragraph 13(a) of Appendix I of this circular
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.02 each in the shares of the Company (or of such other nominal value as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company)
“Shares Pool”	has the meaning as defined in paragraph 4.1 of Appendix II of this circular
“Shareholder(s)”	the holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) of the Company, whether incorporated in Hong Kong or elsewhere
“substantial shareholder(s)”	shall have the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission
“Total Lapse”	has the meaning as defined in paragraph 10.2 of Appendix II of this circular



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## DEFINITIONS

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“Treasury Shares”	Shares repurchased and held by the Company in treasury (if any), as authorised by the laws and regulations of the Cayman Islands and/or the Articles of Association
“Trust Deed”	the trust deed to be entered into by the Company as settlor and the Trustee as trustee in respect of Shares and other trust fund (if any) held or to be held by the Trustee subject to the terms thereof, as amended from time to time
“Trustee”	Tricor Trust (Hong Kong) Limited, a company incorporated under the laws of Hong Kong or such other trustee(s) as shall be appointed pursuant to and in accordance with the terms of the Trust Deed
“Vesting Date”	the date on which the legal and beneficial ownership of the Awarded Shares are vested in such Selected Participant pursuant to an Award
“Vesting Period”	the period commencing on the date on which the Awarded Shares have been provisionally set aside pursuant to an Award to such Selected Participant and ending on the Vesting Date (both dates inclusive)
“%”	per cent

**H. BROTHERS** | ENTERTAINMENT

**華 誼 騰 訊 娛 樂**

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**Huayi Tencent Entertainment Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 419)**

*Directors:*

Mr. ZHAO John Huan<sup>2</sup> (*Chairman*)  
Mr. CHENG Wu<sup>1</sup> (*Chief Executive Officer*)  
Mr. YUEN Hoi Po<sup>1</sup> (*President*)  
Mr. YUEN Kin<sup>3</sup>  
Mr. CHU Yuguo<sup>3</sup>  
Ms. WANG Song Song<sup>3</sup>  
Ms. PAN Min<sup>3</sup>

<sup>1</sup> *Executive Director*

<sup>2</sup> *Non-Executive Director*

<sup>3</sup> *Independent Non-executive Director*

*Registered office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
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Cayman Islands

*Principal place of business  
in Hong Kong:*

Suite 908, 9/F  
Tower Two, Lippo Centre  
89 Queensway  
Hong Kong

5 June 2024

*To the Shareholders*

Dear Sir/Madam,

**(1) PROPOSED TERMINATION OF 2022 SHARE OPTION SCHEME  
AND ADOPTION OF 2024 SHARE OPTION SCHEME  
(2) PROPOSED AMENDMENTS OF SHARE AWARD SCHEME  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is (i) to provide you with information on the 2024 Share Option Scheme and the Amended Share Award Scheme; and (ii) to give you the EGM Notice at which resolutions will be proposed to consider and, if thought fit, to approve the adoption of the 2024 Share Option Scheme and the amendments to the 2021 Share Award Scheme.

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## LETTER FROM THE BOARD

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### **PROPOSED TERMINATION OF THE 2022 SHARE OPTION SCHEME AND PROPOSED ADOPTION OF THE 2024 SHARE OPTION SCHEME**

In light of the amendments to the requirements under Chapter 17 of the Listing Rules which took effect on 1 January 2023, the Board has taken the opportunity to review the 2022 Share Option Scheme and proposes to terminate it by approval of the Shareholders at the EGM and to adopt the 2024 Share Option Scheme to comply with the requirements under the amended Chapter 17 of the Listing Rules (“Amended Rules”). The termination of the 2022 Share Option Scheme would be conditional upon the 2024 Share Option Scheme becoming effective.

#### **Termination of the 2022 Share Option Scheme**

The 2022 Share Option Scheme was adopted by the Company pursuant to an ordinary resolution passed by the Shareholders on 21 June 2022 for a period of 10 years from the date of its adoption.

Details of the 2022 Share Option Scheme are as follows:

**(i) *Scheme limit***

The total number of Shares which may be issued upon exercise of all options to be granted under the 2022 Share Option Scheme and any other share option schemes of the Group must not exceed such number of Shares representing 10% of the issued Shares as at the relevant date of approval of the adoption of the 2022 Share Option Scheme (being 21 June 2022).

**(ii) *Number of share options granted***

As at the Latest Practicable Date, no options had been granted under the 2022 Share Option Scheme. As a result, there were no outstanding options under the 2022 Share Option Scheme as at the Latest Practicable Date.

Upon termination of the 2022 Share Option Scheme, no further options will be granted thereunder. The Board confirms that it will not grant any further options under the 2022 Share Option Scheme prior to the EGM.

#### **Adoption of the 2024 Share Option Scheme**

The Board proposes to recommend to the Shareholders to approve the 2024 Share Option Scheme which will be valid for 10 years from the Adoption Date, so that Options may be granted to the Eligible Participants pursuant to the terms thereof. A summary of the principal terms of the 2024 Share Option Scheme is set out in Appendix I to this circular.

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## LETTER FROM THE BOARD

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The purpose of the 2024 Share Option Scheme is for the Company to attract, retain and motivate talented Eligible Participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Participants and for such other purposes as the Board may approve from time to time.

The effectiveness of the 2024 Share Option Scheme is conditional upon:

- i. the passing of an ordinary resolution to approve the adoption of the 2024 Share Option Scheme by the Shareholders at the EGM; and
- ii. the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in such number of Shares to be allotted and issued by the Company pursuant to the exercise of Options which may be granted under the 2024 Share Option Scheme.

As at the Latest Practicable Date, there were an aggregate of 13,585,338,609 Shares in issue. Assuming no Shares will be issued or repurchased from the Latest Practicable Date to the date of the EGM on which the 2024 Share Option Scheme is expected to be conditionally approved and adopted by the Shareholders, the maximum number of Shares that can be issued upon exercise of the Options that may be granted under the 2024 Share Option Scheme and any other scheme(s) is 1,358,533,860, representing not more than 10% of the Shares in issue (excluding Treasury Shares).

### ***Exercise Price***

The Exercise Price in respect of any Option shall, subject to any adjustments made pursuant to the rules of the 2024 Share Option Scheme, be at the discretion of the Directors, provided that it must be at least the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and
- (c) the nominal value of the Shares on the Offer Date;

provided that in the event of fractional prices, the Exercise Price per Share shall be rounded upwards to the nearest whole cent.

### ***Value of Options***

The Board considers that it is not practicable to state the value of all Options that can be granted under the 2024 Share Option Scheme as if they had been granted on the Latest Practicable Date prior to the approval of the 2024 Share Option Scheme as the variables crucial to the calculation of the value of such Options cannot be ascertained at this stage. Such variables include

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## LETTER FROM THE BOARD

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but are not limited to the Exercise Price, vesting period, any performance targets set and any other terms and conditions that the Board may impose with respect to the Options. With a scheme life of 10 years, the Board is of the view that it is premature and inappropriate to state the value of the Options for the time being in this circular, as any calculation of such will not be meaningful and may be misleading to the Shareholders in the circumstances.

### **PROPOSED AMENDMENTS TO 2021 SHARE AWARD SCHEME**

The 2021 Share Award Scheme was adopted by the Board on 20 August 2021. Details of the 2021 Share Award Scheme are set out in the announcement of the Company dated 20 August 2021. As at the Latest Practicable Date, 92,500,000 Shares had been granted under the 2021 Share Award Scheme, representing approximately 0.68% of the total issued Shares as at the same date. Any unvested award Shares granted under the 2021 Share Award Scheme prior to the EGM shall continue to be valid in accordance with the 2021 Share Award Scheme. As at the Latest Practicable Date, there were no unvested award shares granted under the 2021 Share Award Scheme.

The Board has proposed to seek approval from Shareholders at the EGM for certain amendments to be made to the 2021 Share Award Scheme to, among other things, bring it in line to reflect the latest amendments to the requirements under Chapter 17 of the Listing Rules which took effect on 1 January 2023.

As the proposed amendments to the Share Award Scheme are considered to be material in nature, the Amended Share Award Scheme will be subject to approval by the Shareholders at the EGM. In the event that the proposed amendments to the Share Award Scheme are not approved by Shareholders at the EGM, the Company would only operate the existing 2021 Share Award Scheme and grant or vest the Awards under the same to the extent permitted by the Listing Rules.

### **Proposed amendments to the 2021 Share Award Scheme**

In light of the Amended Rules, the Board has proposed to seek approval from the Shareholders at the EGM for the Amended Share Award Scheme to bring it in line with the Amended Rules. The key changes entailed by the proposed amendments include, without limitation, the following:

- (i) to revise the scope of Eligible Participants to include (i) Employee Participants; (ii) Related Entity Participants; and (iii) Service Providers;
- (ii) to allow for the grant of awards using new Shares (including grant of awards using Treasury Shares) in addition to existing Shares to be purchased from the Stock Exchange or off-market (as previously allowed under the 2021 Share Award Scheme);
- (iii) to adopt the Scheme Mandate Limit and the Service Provider Sublimit;
- (iv) to include the requirement of independent Shareholders' approval for refreshment of the Scheme Mandate Limit and Service Providers Sublimit;

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## LETTER FROM THE BOARD

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- (v) to adopt a maximum limit for Shares which may be awarded under the Amended Share Award Scheme and other share schemes of the Company, being 10% of the total issued Shares of the Company as at the Amendment Date (excluding any Shares which are the subject matter of any Awards that have already lapsed in accordance with the terms of the 2021 Share Award Scheme);
- (vi) to include the requirement for 1% individual limit;
- (vii) to include the requirement for 0.1% individual limit for grant of Awards (excluding options) to Directors other than independent non-executive Directors and chief executive, or any of their associates in the 12-month period up to and including the date of such grant;
- (viii) to include the requirement for 0.1% individual limit for grant of Options or Awards to an independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates in the 12-month period up to and including the date of such grant;
- (ix) to elaborate on the provisions for adjustment of awards granted under the Amended Share Award Scheme in the event of a capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital;
- (x) clarification that the Board or a committee of the Board may set performance targets and/or clawback mechanism as part of the vesting conditions of the Awards;
- (xi) to adopt a minimum vesting period of 12 months save where the grant of Awards to Employee Participants are subject to a shorter vesting period under specific circumstances, and to require approval by the independent non-executive Directors for Awards (excluding any independent non-executive Director who is a proposed recipient of the grant of Awards) granted to Directors, chief executive or substantial shareholder of the Company;
- (xii) adding requirement to seek Shareholders' approval for any alteration of the Amended Share Award Scheme which are of material nature or relating to matters set out in Rule 17.03 of the Amended Rules to the advantage of Eligible Participants; and
- (xiii) to include other amendments for house-keeping purposes and to better align the wording of the Amended Share Award Scheme with that of the Listing Rules.

A summary of the principal terms of the Amended Share Award Scheme is set out in Appendix II to this circular.

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## LETTER FROM THE BOARD

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### **Adoption conditions for the Amended Share Award Scheme**

The adoption of the proposed amendments to the 2021 Share Award Scheme is conditional upon:

- (A) the passing of an ordinary resolution by the Shareholders at a general meeting to approve the proposed amendments to the 2021 Share Award Scheme and authorising the Directors to grant Awards thereunder and to allot, issue and deal with Shares pursuant to the grant of any Awards in accordance with the terms and conditions of the Amended Share Award Scheme; and
- (B) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, such number of Shares representing the Scheme Mandate Limit to be allotted and issued by the Company pursuant to the grant of Awards in accordance with the terms and conditions of the Amended Share Award Scheme.

### **FURTHER INFORMATION UNDER THE 2024 SHARE SCHEMES**

#### *Participants and Eligibility*

Eligible Participants include the Employee Participants, the Related Entity Participants and the Service Providers.

In determining the eligibility of the Employee Participant(s), the Board will consider all relevant factors as appropriate, including:

- (i) his/her skills, knowledge, experience, expertise relevant to the Group's business;
- (ii) his/her performance, length of services, responsibilities or employment terms and the prevailing market practice and industry standard;
- (iii) the amount of support, assistance, guidance, advice, efforts and contributions he/she has exerted and given towards the success of the Group and/or the amount of potential support, assistance, guidance, advice, efforts and contributions the Participant is likely to be able to give or make towards the success of the Group in the future; and
- (iv) his/her educational and professional qualifications, and knowledge in the industry in which the Group is currently having operations or the industry in which the Group is going to develop.

In determining the eligibility of the Related Entity Participant(s), the Board will consider all relevant factors as appropriate, including:

- (i) the responsibility taken up or to be taken up by the Related Entity Participant(s) towards the success of the Group's business;

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## LETTER FROM THE BOARD

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- (ii) the extent of benefits and synergies brought by, or expected to be brought by, the Related Entity Participant on the Group's business development in terms of financial performance or financial position;
- (iii) whether the Related Entity Participant has referred or introduced opportunities to the Group which have materialised into further business relationships; and
- (iv) the materiality and nature of the business relations of the Related Entity with the Group and the Related Entity Participant's contribution in such Related Entity of the Group which may benefit the principal businesses of the Group through a collaborative relationship.

Amongst the Service Providers eligible for the granting of Options, (i) contractors, suppliers and agents and entities providing research, development or other technological support are to directly contribute to the long-term growth of the Group's business by taking roles or providing services that are in a continuing and recurring nature in its ordinary and usual course of business. The contractors, suppliers and agents and entities providing research, development or other technological support are connected with the Group's day-to-day operations in the areas of digitized operation services in healthcare industry, smart healthcare services platform and entertainment and media, and their performances will contribute to the operating performance and financial results of the Group; and (ii) advisers, consultants and service providers are those who would play significant roles in the Group's business development by contributing their skills, experience, knowledge and expertise in the business activities of the Group on a continuing and recurring basis. Such advisers, consultants and service providers, possessing industry-specific knowledge or expertise or valuable experience or deep understanding or insight in the business, financial or commercial areas of the Group, would provide advisory, consultancy and technology services to the Group on areas that form part of or are directly ancillary to the businesses conducted by the Group from time to time, as disclosed in the Company's financial statements and reports (including but not limited to (i) provision of online drug prescription and circulation service and digitized marketing service in the healthcare industry; (ii) healthcare and wellness services; (iii) marketing of pharmaceutical products; (iv) development of entertainment, culture and media businesses; and (v) content production and distributions in Hong Kong, the PRC, Korea, United States and globally). Their continuing and recurring engagement and cooperation with the Group would benefit the Group with frequent and successive strategic advice and guidance in its ordinary and usual course of business, which are substantively comparable to contributions of highly-skilled or executive employees of the Group.

In assessing the eligibility of the Service Provider(s), the Board will consider all relevant factors as appropriate, including:

- (a) in respect of contractors, suppliers and agents and entities providing research, development or other technological support:
  - (i) the scale of the Service Provider's business dealings with the Group in terms of purchases or sales attributable to him/her/it;



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## LETTER FROM THE BOARD

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- (ii) the performance of the Service Provider and track record;
  - (iii) the benefits and strategic value brought by the Service Provider to the Group's development and future prospects in terms of the financial return attributable to the Service Provider's collaboration with the Group;
  - (iv) the scale of the Service Provider's collaboration or business dealings with the Group and the length of business relationships between the Service Provider and the Group; and
  - (v) the business opportunities and external connections that the Service Provider has introduced or will potentially introduce to the Group.
- (b) in respect of advisers and consultants:
- (i) the expertise, professional qualifications and industry experience of the Service Provider;
  - (ii) the performance of the Service Provider and track record;
  - (iii) the prevailing market fees chargeable by other service providers;
  - (iv) the benefits and strategic value brought by the Service Provider to the Group's development and future prospects in terms of the financial return attributable to the Service Provider's collaboration with the Group;
  - (v) the Group's length of engagement of or scale of collaboration or business dealings with the Service Provider; and
  - (vi) the Service Provider's actual or potential contribution to the Group in terms of a reduction in costs or an increase in revenue or profit.

### ***Reasons for inclusion of Related Entity Participants and Service Providers as Eligible Participants***

The Group's businesses of smart healthcare services platform are carried out under VIE contractual arrangements by operating companies in mainland China, and the directors and chief executives of such operating companies are primarily responsible for the operations of the aforesaid businesses. The Group makes investment in investee companies in the field of entertainment and media business which are associated companies of the Group. The Group does not actively take part in the management of those associated companies, which are handled by their respective chief executive and directors. Whether such investments by the Group can become fruitful depends on, among other thing, how well these associated companies are managed.

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## LETTER FROM THE BOARD

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Considering the Company's hiring practices and organisational structures and that Service Providers and Related Entity Participants have contributed to the long-term growth of the Company's businesses, the Board is of the view that it would be in the Company's interest to also have the flexibility to grant Options and/or Awards to Related Entity Participants and Service Providers in recognition of their contributions to the Group. The Directors (including the independent non-executive Directors) also consider that it is beneficial to include the Related Entity Participants and Service Providers since a sustainable and stable relationship with them is essential to the business development of the Group, and that the grant of Options and/or Awards to these non-employee participants will align their interests with the Group's, incentivizing them to provide better services to, create more opportunities for and/or contribute to the success of the Group in the long run.

More specifically, the Board (including the independent non-executive Directors) is of the view that:

- (i) the Related Entity Participants have always had a close working relationship with the Group, and are valuable human resources and have significant influence on the growth, development, business operation and the financial performance of the Group. It is therefore in the interest of the Company and the Shareholders, and is in line with the purposes of the 2024 Share Schemes to include the Related Entity Participants in recognition of their contribution to the Group; and
- (ii) the collaboration and long-term working relationship with the Service Providers, and the contribution of their specialized skills and connections in the industry such as digitized operation service in the healthcare industry, smart healthcare services platform, entertainment and media, and other areas in relation to the Group's business operation from time to time as disclosed in the Company's financial statements and reports (including but not limited to (i) provision of online drug prescription and circulation service and digitized marketing service in the healthcare industry; (ii) healthcare and wellness services; (iii) marketing of pharmaceutical products; (iv) development of entertainment, culture and media businesses; and (v) content production and distributions in Hong Kong, the PRC, Korea, United States and globally), is considered to be important to the success of the Group's future business and future developments. In particular, with the rapid expansion of the Group's overseas business in jurisdictions where it is not practical to set up local subsidiaries to hire local employees, the Group has engaged and intends to continue to engage Service Providers in such jurisdictions to provide consultancy, business and management services in order to support the Group's overseas business. Service Providers are crucial in supporting the Company's strategic initiatives by providing insights into market trends, competitor analysis, and emerging technologies, thereby guiding investment decisions, and maximizing returns on investment in the entertainment and media industry. Additionally, the Service Providers may also offer research and development support that can assist in market research, as well as product development for marketing on the smart healthcare services platform. While there may be no history of grant of share options or awards to the Service

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## LETTER FROM THE BOARD

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Providers, the inclusion of Service Providers is consistent with the Company's overarching objective of maintaining adaptability to changing market conditions, technological advancements, and operational efficiency. This underscores the Company's steadfast commitment to incentivizing key contributors and empowering Service Providers to actively participate in the Company's long-term growth while allowing the Group to keep its remuneration package competitive in order to attract and retain talents. The inclusion of the Service Providers as a category of the Eligible Persons would enable the Group to preserve its cash resources, and instead, use share incentives to attract persons of talent outside of the Group.

Therefore, the Board (including the independent non-executive Directors) considers that the proposed categories of the Related Entity Participants and the Service Providers are in line with the Company's business needs and the industry norm, desirable and necessary from a commercial perspective and help maintain or enhance the business needs of the Group. Through the grant of the Options or Awards, such Eligible Persons and the Group will have a common goal in the growth and development of the Group's business, and will enable the Company to attract persons of talent outside of the Group, whilst aligning their interests with and increasing their loyalty to the Group.

### *Vesting Period*

The vesting period of the Options and the Awarded Shares shall not be less than 12 months from the Offer Date or the Grant Date saved for certain circumstances permitted under the rules of the 2024 Share Option Scheme and the Amended Share Award Scheme as disclosed in the paragraph headed "7. Vesting Period of Options" in Appendix I to this circular and "9. Vesting of Awarded Shares" in Appendix II to this circular. The Board and the Remuneration Committee believe that its ability to provide for flexible accelerated exercisability or vesting of an Option or an Award in certain cases allows it to provide a competitive remuneration package to attract and retain individuals to provide services to the Group, and to provide for succession planning and the effective transition of employee responsibilities by incentivizing key employees to remain during critical transitions, ensuring continuity and stability facilitating knowledge transfer, mitigating disruption, attracting external talent by keeping its remuneration package competitive, and to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified. The Company should also be allowed discretions to formulate its own talent recruitment and retention strategies in response to changing market conditions and industry competition, and thus should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances.

Therefore, the Board and the Remuneration Committee are of the view that allowing a shorter vesting period in the circumstances prescribed in the paragraph headed "7. Vesting Period of Options" in Appendix I to this circular and "9. Vesting of Awarded Shares" in Appendix II to this circular is in line with the market practice and is appropriate and aligns with the purpose of the 2024 Share Schemes.

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## LETTER FROM THE BOARD

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

As at the Latest Practicable Date, there were 13,585,338,609 Shares in issue. Assuming that no further Shares will be allotted, issued, repurchased or cancelled prior to the EGM and after the resolutions regarding the proposed adoption of the 2024 Share Schemes are passed at the EGM, (i) the total number of Shares which may be issued and the number of Treasury Shares which may be transferred in respect of all Options and Awards under the 2024 Share Schemes and other share schemes of the Company that involve the issuance of new Shares and transfer of Treasury Shares (if any) would be no more than 1,358,533,860 Shares, representing no more than approximately 10% of the total number of Shares in issue (excluding the Treasury Shares) as at the Adoption Date or Amendment Date; and (ii) within the Scheme Mandate Limit, the total number of Shares that may be issued and the number of Treasury Shares which may be transferred under the 2024 Share Schemes and other share schemes of the Company that involve the issuance of new Shares and transfer of Treasury Shares (if any) to the Service Providers would be no more than 135,853,386 Shares, representing no more than approximately 1% of the total number of Shares in issue (excluding the Treasury Shares) as at the Adoption Date or Amendment Date.

The Service Provider Sublimit is determined after considering a number of factors, including (i) the potential dilution effect arising from grants to Service Providers, (ii) the importance of striking a balance between achieving the purpose of the 2024 Share Schemes and protecting the Shareholders from the dilution effect from granting a substantial amount of Options and Awarded Shares to the Service Providers, (iii) the extent of use of the Service Providers in the Group's businesses, the current payment and/or settlement arrangement with the Service Providers, (iv) the expected contribution to the development and growth of the Company attributable to the Service Providers and (v) the sublimit represents a maximum limit and that the Company retains the flexibility to allocate Options and Awarded Shares from this sublimit to satisfy Options and Awards to other Eligible Persons depending on business growth and needs in the future as and when appropriate. The dilution of Shareholders' interest resulting from the adoption of the 2024 Share Schemes will not be significant each year given that the grants of Options and Awards to be made pursuant to the Scheme Mandate Limit (and the Service Provider Sublimit) are expected to be spread out over the 10-year term of the 2024 Share Schemes (unless the Scheme Mandate Limit or the Service Provider Sublimit is sought to be refreshed, in which case further approval of the Shareholders will be required). Given the above, the Board considers that a Service Provider Sublimit of 1% would not lead to an excessive dilution of shareholding of the existing Shareholders. The Service Provider Sublimit is subject to separate approval by the Shareholders at the EGM.

Considering the Group's hiring practice, organizational structures and business growth and needs in the future and that the Service Providers have contributed to the long-term growth of the Company's businesses, the Board is of the view that, the Service Provider Sublimit is appropriate and reasonable given 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

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## LETTER FROM THE BOARD

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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 may be able to provide valuable expertise and services to the Group, which is in line with the purpose of the 2024 Share Schemes.

### *Basis of determining the exercise price of Share Options and purchase price of Award Shares*

Grantees to whom Share Options shall be granted, are entitled to subscribe for the number of Shares at the exercise price as determined on the Offer Date. The basis for determining the exercise price is also specified precisely in the rules of the 2024 Share Option Scheme, which is summarized under paragraph headed “8. Exercise Price” in the Appendix I to this circular. The Directors consider that such basis will serve to preserve the value of the Company and encourage the Eligible Participants to acquire proprietary interests in the Company.

The Selected Participant is not required to pay any purchase price to receive the Awarded Shares comprising an Award which will offer a favourable and accepted means of providing incentive to Selected Participants, and hence aligns with the purpose of the Amended Share Award Scheme.

### *Performance target and clawback mechanism*

Unless otherwise determined by the Board or a committee of the Board and stated in the Offer or specified in the Award Notice (as the case may be), a Grantee or Selected Participant (as the case may be) is not required to achieve any performance targets before the exercise of an Option or vesting of an Award (as the case may be) granted to him/her.

Under the 2024 Share Option Scheme and the Amended Share Award Scheme, the Board may impose clawback mechanism for the Company to recover or withhold any unvested Options or Awards granted to any participants. The Board believes that the aforesaid will provide the Board with more flexibility in setting the terms and conditions of the Award Shares under particular circumstances of each grant and facilitate the Board’s aim to offer meaningful incentives to attract and retain quality personnel that are valuable to the development of the Group and for the benefit of the Group and the Shareholders as a whole.

The Board believes that it is in the best interests of the Company to retain the flexibility to impose appropriate conditions in light of the particular circumstances of each grant, which would then be a more meaningful reward for the Eligible Participants’ contribution or potential contribution. Further, to impose performance targets as may be stipulated in the Offer letter or Award Notice on a case-by-case basis allow the Company to be in a better position to retain such Eligible Participants to continue serving the Group whilst at the same time providing these Eligible Participants further incentive in achieving the goals of the Group, and therefore aligns with the purposes of the 2024 Share Schemes.

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## LETTER FROM THE BOARD

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### GENERAL

An application will be made to the Listing Committee of the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be allotted and issued pursuant to the exercise of any Options or Award Shares that may be granted under the 2024 Share Option Scheme or the Amended Share Award Scheme.

None of the Directors is a trustee of the 2024 Share Option Scheme nor has a direct or indirect interest in the trustees of the 2024 Share Option Scheme, if any.

None of the Directors is a trustee of the Amended Share Award Scheme nor has a direct or indirect interest in the Trustee of the Amended Share Award. Upon the adoption of the 2024 Share Award Scheme, the Company shall enter into the Trust Deed to appoint the Trustee for the administration of the 2024 Share Award Scheme. The Trustee is a third party independent of the Company and not connected with any of its connected persons (as defined under the Listing Rules).

The Company had no intention to grant any Options under the 2024 Share Option Scheme or any Awards under the Amended Share Award Scheme as at the Latest Practicable Date.

### VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at the general meetings must be taken by poll except where the chairman of the 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. The chairman of the meeting will demand a poll for every resolution put to the vote at the EGM.

Mr. Yuen Hoi Po, an executive Director (“**Mr. Yuen**”) interested to approximately 17.65% (representing 2,397,340,107 Shares) of the Company’s equity interest as at the Latest Practicable Date (comprising 459,310,000 Shares directly held by him and 1,938,030,107 Shares are indirectly held by him via his controlled corporation namely, Smart Concept Enterprise Limited (“**Smart Concept**”)) and Smart Concept entered into a deed of undertaking by way of security with the Company and United Strength LS Limited (which is wholly-owned by Hony Capital Group, L.P.), to grant power of attorney to United Strength LS Limited to perform and/or exercise any and all of the voting and other rights he/it has attaching to the aforesaid Shares or otherwise capable of being exercised by Mr. Yuen or Smart Concept (as the case may be). Please refer to the announcement of the Company dated 7 March 2024 for further details of this arrangement.

### 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,

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## LETTER FROM THE BOARD

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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.

### RECOMMENDATION

The Directors consider that the adoption of the 2024 Share Option Scheme and the Amended Share Award Scheme (including the Scheme Mandate Limit and the Service Provider Sublimit) are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend Shareholders to vote in favour of the resolutions to be proposed at the EGM. So far as the Directors are aware of, at the Latest Practicable Date, none of the Shareholders is required to abstain from voting on any resolutions to be approved at the EGM.

### DOCUMENT PUBLISHED ON WEBSITES AND AVAILABLE FOR INSPECTION

The 2024 Share Option Scheme and the Amended Share Award Scheme will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.huayitencent.com](http://www.huayitencent.com) not less than 14 days before the date of EGM, and a copy of the 2024 Share Option Scheme and the Amended Share Award Scheme will be available for inspection at the EGM.

Yours faithfully,

For and on behalf of

**Huayi Tencent Entertainment Company Limited**

**CHENG Wu**

*Executive Director and Chief Executive Officer*

*This appendix summaries the principal terms of the 2024 Share Option Scheme but does not form part of nor is it intended to be part of the 2024 Share Option Scheme, nor should it be taken as effecting the interpretation of the rules of the 2024 Share Option Scheme.*

## **1. PURPOSE, DURATION AND ADMINISTRATION**

- (a) The purpose of the 2024 Share Option Scheme is for the Company to attract, retain and motivate talented Eligible Participants to strive for future developments and expansion of the Group and to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Eligible Participants and for such other purposes as the Board may approve from time to time.
- (b) Subject to paragraphs 2 and 20, the 2024 Share Option Scheme shall be valid and effective until close of business of the Company on the date which falls ten (10) years after the Adoption Date, after which period no further Options may be granted but the provisions of the 2024 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the 2024 Share Option Scheme.
- (c) The 2024 Share Option Scheme shall be subject to the administration of the Directors whose decision on all matters arising in relation to the 2024 Share Option Scheme or its interpretation or effect shall (save as otherwise provided in the 2024 Share Option Scheme) be final and binding on all persons who may be affected thereby.

## **2. CONDITIONS**

- (a) The 2024 Share Option Scheme is conditional upon:
  - (i) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in such number of Shares to be allotted and issued by the Company pursuant to the exercise of Options under the 2024 Share Option Scheme; and
  - (ii) the passing of the necessary resolution to approve the termination of the 2022 Share Option Scheme and the adoption of the 2024 Share Option Scheme by the Shareholders in general meeting.
- (b) Reference in paragraph 2(a)(i) to the Listing Committee of the Stock Exchange formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.



**3. ELIGIBLE PARTICIPANTS AND BASIS OF DETERMINING ELIGIBILITY**

Eligible Participants include the Employee Participants, the Related Entity Participants and the Service Providers.

The eligibility of any of the Eligible Participants to an Offer shall be determined by the Directors from time to time on the basis of the Directors' opinion as to the Eligible Participant's contribution to the development and growth of the Group. In assessing whether Options are to be granted to any Eligible Participant, the Board shall take into account various factors, including but not limited to, the nature and extent of contributions provided by such Eligible Participant to the Group, the positive impacts which such Eligible Participant has brought to the Group's business and development and whether granting Options to such Eligible Participant is an appropriate incentive to motivate such Eligible Participant to continue to contribute towards the betterment of the Group.

In determining the eligibility of the Employee Participant(s), the Board will consider all relevant factors as appropriate, including:

- (i) his/her skills, knowledge, experience, expertise relevant to the Group's business;
- (ii) his/her performance, length of services, responsibilities or employment terms and the prevailing market practice and industry standard;
- (iii) the amount of support, assistance, guidance, advice, efforts and contributions he/she has exerted and given towards the success of the Group and/or the amount of potential support, assistance, guidance, advice, efforts and contributions the Participant is likely to be able to give or make towards the success of the Group in the future;
- (iv) his/her educational and professional qualifications, and knowledge in the industry in which the Group is currently having operations or the industry in which the Group is going to develop.

In assessing the eligibility of the Related Entity Participant(s), the Board will consider all relevant factors as appropriate, including:

- (i) the responsibility taken up or to be taken up by the Related Entity Participant(s) towards the success of the Group's business;
- (ii) the extent of benefits and synergies brought by, or expected to be brought by, the Related Entity Participant on the Group's business development in terms of financial performance or financial position;
- (iii) whether the Related Entity Participant has referred or introduced opportunities to the Group which have materialised into further business relationships; and

- (iv) the materiality and nature of the business relations of the Related Entity with the Group and the Related Entity Participant's contribution in such Related Entity of the Group which may benefit the principal businesses of the Group through a collaborative relationship.

Amongst the Service Providers eligible for the granting of Options, (i) contractors, suppliers and agents and entities providing research, development or other technological support are to directly contribute to the long-term growth of the Group's business by taking roles or providing services that are in a continuing and recurring nature in its ordinary and usual course of business. The contractors, suppliers and agents and entities providing research, development or other technological support are connected with the Group's day-to-day operations in the areas of digitized operation services in healthcare industry, smart healthcare services platform and entertainment and media, and their performances will contribute to the operating performance and financial results of the Group; and (ii) advisers, consultants and service providers are those who would play significant roles in the Group's business development by contributing their skills, experience, knowledge and expertise in the business activities of the Group on a continuing and recurring basis. Such advisers, consultants and service providers, possessing industry-specific knowledge or expertise or valuable experience or deep understanding or insight in the business, financial or commercial areas of the Group, would provide advisory, consultancy, and technology services to the Group on areas that form part of or are directly ancillary to the businesses conducted by the Group from time to time, as disclosed in the Company's financial statements and reports (including but not limited to (i) provision of online drug prescription and circulation service and digitized marketing service in the healthcare industry; (ii) healthcare and wellness services; (iii) marketing of pharmaceutical products; (iv) development of entertainment, culture and media businesses; and (v) content production and distributions in Hong Kong, the PRC, Korea, United States and globally). Their continuing and recurring engagement and cooperation with the Group would benefit the Group with frequent and successive strategic advice and guidance in its ordinary and usual course of business, which are substantively comparable to contributions of highly-skilled or executive employees of the Group. In assessing the eligibility of the Service Provider(s), the Board will consider all relevant factors as appropriate, including:

- (a) in respect of contractors, suppliers and agents and entities providing research, development or other technological support:
  - (i) the scale of the Service Provider's business dealings with the Group in terms of purchases or sales attributable to him/her/it;
  - (ii) the performance of the Service Provider and track record;
  - (iii) the benefits and strategic value brought by the Service Provider to the Group's development and future prospects in terms of the financial return attributable to the Service Provider's collaboration with the Group;

- (iv) the scale of the Service Provider's collaboration or business dealings with the Group and the length of business relationships between the Service Provider and the Group; and
  - (v) the business opportunities and external connections that the Service Provider has introduced or will potentially introduce to the Group.
- (b) in respect of advisers and consultants:
- (i) the expertise, professional qualifications and industry experience of the Service Provider;
  - (ii) the performance of the Service Provider and track record;
  - (iii) the prevailing market fees chargeable by other service providers;
  - (iv) the benefits and strategic value brought by the Service Provider to the Group's development and future prospects in terms of the financial return attributable to the Service Provider's collaboration with the Group;
  - (v) the Group's length of engagement of or scale of collaboration or business dealings with the Service Provider; and
  - (vi) the Service Provider's actual or potential contribution to the Group in terms of a reduction in costs or an increase in revenue or profit.

#### 4. GRANT OF OPTIONS

- (a) Without prejudice to paragraph 13(c) below, the making of an Offer to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee).
- (b) An Offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as the Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the Option and the "**Option Period**" (which means, in respect of any particular Option, a period to be determined and notified by the Directors to the Grantee thereof and, in the absence of such determination, from the Offer Date to the earlier of (i) the date on which such Option lapses under the provisions of paragraph 12 below; and (ii) the expiry date of ten (10) years from the Offer Date of that Option) in respect of which the Offer is made and further requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the 2024 Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the Offer Date.

- (c) An Offer shall state, in addition to the matters specified in paragraph 4(b) above, the following:
- (i) the name, address and occupation of the Eligible Participant;
  - (ii) the number of Shares under the Option in respect of which the Offer is made and the Exercise Price for such Shares;
  - (iii) the Option Period in respect of which the Offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the Option comprised in the Offer;
  - (iv) the last date by which the offer must be accepted (which must not be later than 21 days from the Offer Date);
  - (v) the procedure for acceptance;
  - (vi) the performance target(s) (if any) that must be attained by the Eligible Participant before any Option can be exercised;
  - (vii) the clawback mechanism for the Company to recover or withhold any Option granted to any Eligible Participants (if any);
  - (viii) such other terms and conditions of the Offer as may be imposed by the Directors which in their opinion are fair and reasonable and not inconsistent with the 2024 Share Option Scheme; and
  - (ix) a statement requiring the Eligible Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the 2024 Share Option Scheme including, without limitation, the conditions specified in the 2024 Share Option Scheme.
- (d) Options will not be listed or dealt in on the Stock Exchange.

## **5. ACCEPTANCE OF OPTION**

- (a) An Offer shall have been accepted by an Eligible Participant in respect of all Shares under the Option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company within such time as may be specified in the Offer (which shall not be later than 21 days from the Offer Date). Such remittance shall in no circumstances be refundable.

- (b) Any Offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the Option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by the Company together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the Offer Date). Such remittance shall in no circumstances be refundable.
- (c) Upon an Offer being accepted by an Eligible Participant in whole or in part in accordance with paragraphs 5(a) or 5(b) above, an Option in respect of the number of Shares of which the offer was so accepted will be deemed to have been granted by the Company to such Eligible Participant on the Offer Date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraphs 5(a) or 5(b), it will be deemed to have been irrevocably declined.
- (d) The Option Period of an Option must not be more than ten (10) years after the Offer Date of that Option.

## **6. RESTRICTIONS ON GRANT OF OPTIONS**

- (a) For so long as the Shares are listed on the Stock Exchange:
  - (i) an Offer may not be made after inside information (having the meaning defined in the SFO as amended from time to time) has come to the Company's knowledge until (and including) the trading day after it has announced the information. In particular, during the period commencing 30 days immediately preceding the earlier of:
    - (aa) the date of the board meeting (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, quarter or any other interim period (whether or not required under the Listing Rules); and
    - (bb) the deadline for the Company to announce its results for any year or half-year, quarter or any other interim period (whether or not required under the Listing Rules) and ending on the actual date of publication of the results announcement, no offer may be made; and

- (ii) the Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

## 7. VESTING PERIOD OF AN OPTION

- (a) The vesting period for the Options shall be determined by the Board or a committee of the Board, and save for the circumstances prescribed in paragraph 7(b), shall not be less than 12 months after the date of grant.
- (b) A shorter vesting period than the minimum as stated in sub-paragraph (a) above, may be granted to the Employee Participants at the discretion of the Board or a committee of the Board (or the Remuneration Committee where the arrangements relate to grant of Options to Directors and/or senior managers of the Group) only in any of the following circumstances:
  - (i) grants of “make-whole” Options to new Employee Participants to replace the share awards or options they forfeited when leaving the previous employer;
  - (ii) grants to an Employee Participant whose employment is terminated due to disability or occurrence of any uncontrollable event;
  - (iii) grants that are made in batches during a year for administrative and compliance reasons for delay, these Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Option would have been granted;
  - (iv) grants with a mixed or accelerated vesting schedule such as where the Option may vest evenly over a period of 12 months;
  - (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria; or
  - (vi) such circumstances as set out in paragraph 10(b),

each of which is considered appropriate and serves the purpose of the 2024 Share Option Scheme to provide flexibility to grant Options (1) as part of competitive terms and conditions to induce valuable talent to join the Group (sub-paragraphs 7(b)(i) and 7(b)(iv)); (2) to reward past contribution which may otherwise be neglected due to administrative or technical reasons (sub-paragraphs 7(b)(ii) and 7(b)(iii)); (3) to reward exceptional performers with accelerated vesting (sub-paragraph 7(b)(iv)); (4) to motivate exceptional performers based on performance metrics rather than time (sub-paragraph

7(b)(v)); and (5) in exceptional circumstances such as death, ill-health or retirement of Employee Participants to provide appropriate safeguard of the interests of the relevant Employee Participants so as to be in line with market standard (sub-paragraph 7(b)(vi)).

## **8. EXERCISE PRICE**

The Exercise Price in respect of any Option shall, subject to any adjustments made pursuant to paragraph 14, be at the discretion of the Board or a committee of the Board, provided that it must be at least the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day;
- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and
- (c) the nominal value of the Shares on the Offer Date;

provided that in the event of fractional prices, the Exercise Price per Share shall be rounded upwards to the nearest whole cent.

## **9. TRANSFERABILITY OF OPTIONS**

An Option must be personal to the Grantee and must not be transferable or assignable. No Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any Option or enter into any agreement to do so. Any breach of the foregoing by a Grantee shall entitle the Company to cancel any Option granted to such Grantee to the extent not already exercised.

## **10. EXERCISE PERIOD**

- (a) Subject to, *inter alia*, paragraph 4(b) above and the fulfilment of all terms and conditions set out in the Offer, including the attainment of any performance targets stated therein (if any), an Option shall be exercisable during the Option Period in whole or in part, or in the circumstances and in the manner as set out in paragraphs 10(b), (c) and (d) below, by giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the Option remains unexercised is less than one board lot or where the Option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Exercise Price for Shares in respect of which the notice is given. Within 21 days (or seven days in the case of an exercise pursuant to paragraph 10(c) below, or in the case of an exercise pursuant to paragraph 10(d) below the time limit specified therein) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial

advisers, the Company shall accordingly allot and issue the relevant number of Shares and/or transfer the relevant number of Treasury Shares to the Grantee (or, in the event of an exercise of Option by a personal representative, to the estate of the Grantee) fully paid and issue to the Grantee (or his/her estate in the event of an exercise by his/her personal representative as aforesaid) the relevant share certificate(s) in respect of the Shares so allotted and issued (and/or the Treasury Shares so transferred).

- (b) Where the Grantee is an Employee Participant:
- (i) in the event of his/her ceasing to be an Employee Participant by reason of his/her death, ill-health or retirement in accordance with his/her contract of employment before exercising the Option in full, his/her personal representative(s) or, as appropriate, the Grantee may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 10(a) above within a period of 12 months (or such longer period as the Board may determine) following the date of cessation of employment which date shall be the last day on which the Grantee was at work with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not, or such longer period as the Directors may determine or, if any of the events referred to in paragraph 10(c) or 10(d) occur during such period, exercise the Option pursuant to paragraph 10(c) or 10(d) respectively;
  - (ii) in the event of his/her ceasing to be Employee Participant for any reason other than (1) his/her death, ill-health or retirement in accordance with his/her contract of employment or (2) the termination of his/her employment on one or more of the grounds specified in paragraph 12(a)(iv) before exercising the Option in full, the Option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Directors otherwise determine in which event the Grantee may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 10(a) within such period as the Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 10(c) or 10(d) occur during such period, exercise the Option pursuant to paragraph 10(c) or 10(d) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not.
- (c) If a general or partial offer, whether by way of takeover offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in



full of the Options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantees shall, notwithstanding any other terms on which their Options were granted, be entitled to exercise the Options (to the extent that such Options have vested or 12 months have elapsed since the Grant Date of such Options, and such Options have not already been exercised) to the full extent or to the extent specified in the Grantees' notice to the Company in accordance with the provisions of paragraph 10(a) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

- (d) In the event of a resolution being proposed for the voluntary winding-up of the Company during the Option Period, a Grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two (2) Business Days before the date on which such resolution is to be considered and/or passed, exercise his/her Option (to the extent that such Option has vested or 12 months have elapsed since the Grant Date of such Option, and such Option has not already been exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 10(a) and the Company shall allot and issue to the Grantee the Shares (and/or transfer the Treasury Shares) in respect of which such Grantee has exercised his/her Option not less than one (1) day before the date on which such resolution is to be considered and/or passed whereupon he/she shall accordingly be entitled, in respect of the Shares allotted and issued and/or the Treasury Shares transferred to him/her in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all Options then outstanding shall lapse and determine on the commencement of the winding-up.

## **11. RANKING OF SHARES**

Shares to be allotted and issued (or Treasury Share to be transferred, as applicable) upon the exercise of an Option will be subject to the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date when the name of the Grantee is registered on the register of members of the Company (or the date of transfer of Treasury Shares, as the case may be) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the name of the Grantee is registered on the register of members of the Company, other than any dividend or distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date when the name of the Grantee is registered on the register of members of the Company (or the date of transfer of Treasury Shares, as the case may be). A Share allotted and issued (or Treasury Share transferred, as applicable) upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

**12. LAPSE OF OPTIONS**

- (a) The Option Period in respect of any Option shall automatically terminate and that Option (to the extent not already exercised) shall lapse on the earliest of:
- (i) the expiry of the Option Period;
  - (ii) the expiry of any of the periods referred to in paragraph 10(b), (c) and (d);
  - (iii) the date of commencement of the winding-up of the Company;
  - (iv) in respect of a Grantee who is an Employee Participant when an Offer is made to him/her, the date on which the Grantee ceases to be an Employee Participant by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of the Directors does not bring the Grantee or the Group into disrepute);
  - (v) in respect of a Grantee other than an Employee Participant when an Offer is made to him/her, the date on which the Directors shall at their absolute discretion determine that (aa) (1) such Grantee or his/her associate has committed any breach of any contract entered into between such Grantee or his/her associate and/or the relevant related entity and/or the service provider on the one part and the Group on the other part; or (2) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his/her creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever; and (bb) the Option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and
  - (vi) the date on which the Directors shall exercise the Company's right to cancel the Option by reason of a breach of paragraph 9 by the Grantee in respect of that or any other Option.
- (b) A resolution of the Directors or written communication on behalf of the Board to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 12(a)(iv) or that any event referred to in paragraph 12(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.

- (c) Transfer of employment of a Grantee who is an employee of the Group from one member of the Group to another member of the Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an employee of the Group is placed on such leave of absence which is considered by the directors of the relevant member of the Group not to be a cessation of employment of the Grantee.

### 13. MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION

- (a) The total number of Shares which may be allotted and issued (and, together with Treasury Shares which may be transferred, as applicable) upon exercise of all Options and awards to be granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company that involve(s) the issuance of new Shares and the transfer of Treasury Shares (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not in aggregate exceed the Scheme Mandate Limit; within the Scheme Mandate Limit, the total number of Shares which may be issued (and, together with Treasury Shares which may be transferred, as applicable) in respect of all options and awards to be granted to Service Providers under the 2024 Share Option Scheme and any other schemes of the Company (“**Service Provider Sublimit**”) must not in aggregate exceed 1% of the total number of Shares in issue (excluding Treasury Shares) as at the Adoption Date (Options lapsed in accordance with the terms of the 2024 Share Option Scheme will not be counted for the purpose of calculating such Scheme Mandate Limit and Service Provider Sublimit), provided that:
- (i) without prejudice to paragraph 13(a)(ii), the Company may seek approval of the Shareholders in general meeting to refresh the Scheme Mandate Limit (and the Service Provider Sublimit) under the 2024 Share Option Scheme after 3 years from the Adoption Date or the date of the Shareholders’ approval for the last refreshment provided that the total number of Shares which may be allotted and issued (and, together with Treasury Shares which may be transferred, as applicable) upon exercise of all Options to be granted under the 2024 Share Option Scheme and any other share scheme of the Company that involve(s) the issuance of new Shares and the transfer of Treasury Shares must not exceed 10% (and the Service Provider Sublimit as refreshed shall not exceed 1%) of the Shares in issue (excluding Treasury Shares) as at the date of approval of the refreshed limit. Options previously granted under the 2024 Share Option Scheme and any other share scheme of the Company (including those outstanding, cancelled, lapsed or exercised in accordance with the 2024 Share Option Scheme and any other share scheme of the Company) will not be counted for the purpose of calculating the limits as refreshed. Any “refreshment” within any three year period must be approved by independent Shareholders where (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), 13.39(7), 13.40, 13.41 and 13.42 of the Listing Rules; and

- (ii) without prejudice to paragraph 13(a)(i), the Company may seek separate Shareholders' approval in general meeting to grant Options under the 2024 Share Option Scheme beyond the Scheme Mandate Limit or, if applicable, the refreshed limit referred to in paragraph 13(a)(i) to Eligible Participants specifically identified by the Company before such approval is sought.
- (b) Subject to paragraph 13(c), the total number of Shares issued and which may fall to be issued (and, together with Treasury Shares which may be transferred, as applicable) upon exercise of the Options, share options or award granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company that involve(s) the issuance of new Shares and the transfer of Treasury Shares (including both exercised or outstanding Options, share options and awards but excluding any Options, share options and awards lapsed in accordance with the terms of their respective schemes) to each Grantee in any 12-month period up to and including the date of such grant shall not exceed 1% of the total number of Shares in issue (excluding Treasury Shares). Where any further grant of Options, share options or awards to a Grantee would result in the Shares issued and to be issued upon exercise of all Options granted and proposed to be granted to such person (including exercised, cancelled and outstanding Options, share options and awards but excluding any Options, share options and awards lapsed in accordance with the terms of their respective schemes) under the 2024 Share Option Scheme and any other share scheme(s) of the Company in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue (excluding Treasury Shares), such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his/her close associates (or his associates if the Grantee is a connected person) abstaining from voting. The number and terms (including the Exercise Price) of Options to be granted to such Grantee must be fixed before the Shareholders' approval.
- (c) Subject to the Scheme Mandate Limit:
- (i) any grant of Options to a Director, chief executive or a substantial shareholder of the Company, or any of their respective associates, shall be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options or awards);
  - (ii) where any grant of Options to an independent non-executive Director or a substantial shareholder of the Company, or any of their respective associates, would result in the Shares issued and to be issued in respect of all options granted and awards under the 2024 Share Option Scheme and any other share scheme(s) of the Company (excluding any options and awards lapsed in accordance with the rules of

the relevant scheme(s) of the Company) 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 total number of issued Shares (excluding Treasury Shares), such grant of Options shall be approved by Shareholders in general meeting in the manner as set out in sub-paragraph (iii) below;

- (iii) in the circumstances described in sub-paragraph (ii) above, the Company shall send a circular to the Shareholders containing such details and information as required under the Listing Rules. The Grantee, his associates and all core connected persons of the Company shall abstain from voting in favour at such general meeting. The Company shall comply with the relevant requirements under the Listing Rules.
- (d) For the purpose of seeking the approval of the Shareholders under paragraphs 13(a), 13(b) and 13(c), the Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

#### **14. ADJUSTMENTS TO THE EXERCISE PRICE**

- (a) In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable or the 2024 Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, reduction of the share capital of the Company or any other capitalisation issue, then, in any such case the Company (other than any made on capitalisation issue) shall request the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

- (i) the number or nominal amount of Shares to which the 2024 Share Option Scheme or any Option(s) relates (insofar as it is/they are unexercised); and/or
- (ii) the Exercise Price of any Option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the Grantee the same proportion of the issued share capital of the Company for which such Grantee would have been entitled to subscribe had he/she exercised all the Options held by him/her immediately prior to such adjustment;

- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of the Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with the Listing Rules and such applicable rules, codes and guidance notes and/or interpretation of the Listing Rules from time to time promulgated by of the Stock Exchange.

In respect of any adjustment referred to in this paragraph 14(a), other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

- (b) If there has been any alteration in the capital structure of the Company as referred to in paragraph 14(a), the Company shall, upon receipt of a notice from a Grantee, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 14(a).
- (c) In giving any certificate under this paragraph 14, the auditors or the independent financial adviser appointed under paragraph 14(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on the Company and all persons who may be affected thereby.

## **15. CANCELLATION OF OPTIONS**

- (a) Subject to paragraph 9 and Chapter 17 of the Listing Rules, any Option granted but not exercised may not be cancelled except with the prior written consent of the relevant Grantee and the approval of the Directors.
- (b) Where the Company cancels any Option granted to a Grantee but not exercised and issues new Option(s) to the same Grantee, the issue of such new Option(s) may only be made with available unissued Options (excluding, for this purpose, the Options so cancelled) within the Scheme Mandate Limit (and Service Provider Sublimit) or the limits approved by the Shareholders pursuant to paragraph 13(a)(i) or 13(a)(ii).

**16. PERFORMANCE TARGET**

Unless otherwise determined by the Directors and stated in the Offer to a Grantee, a Grantee is not required to achieve any performance targets before the exercise of an Option granted to him/her. Such performance target(s) (if any) may be based on, among others, business or financial performance results, transaction milestones, individual performance appraisal, results of strategic plans formulated by the Grantee, developments or breakthroughs in certain markets of the Group and/or the Grantee's contribution to the Group (via his/her/its position at the Group or at the Related Entity, or as a Service Provider Participant) and as evaluated by the Group over a specified evaluation period. The methods for assessing how the performance target(s) (if any) are satisfied include but not limited to setting specific targets, establishing a measurement period, evaluating actual performance against these targets, and making any necessary adjustments for exceptional circumstances according to changes in market conditions.

**17. SUFFICIENT SHARE CAPITAL**

The exercise of any Option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of the Company. Subject thereto, the Directors shall make available sufficient authorised but unissued share capital of the Company to allot and issue the Shares on the exercise of any Option.

**18. DISPUTES**

Any dispute arising in connection with the 2024 Share Option Scheme (whether as to the number of Shares, the subject of an Option, the amount of the Exercise Price or otherwise) shall be referred to the Board who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

**19. ALTERATION OF THE 2024 SHARE OPTION SCHEME**

- (a) Subject to paragraphs 19(b) and 19(d), the 2024 Share Option Scheme may be altered in any respect by a resolution of the Directors except that:
  - (i) the provisions of the 2024 Share Option Scheme which are of material nature pursuant to the Listing Rules; and
  - (ii) the provisions of the 2024 Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Shareholders in general meeting;

provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association for a variation of the rights attached to the Shares.

- (b) Any change to the terms of the Options granted to an Eligible Participant must be approved by the Board, the Remuneration Committee, the independent non-executive directors of the Company and/or Shareholders (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 of the Company and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the 2024 Share Option Scheme.
- (c) Any change to the authority of the Directors or the administrators of the 2024 Share Option Scheme in relation to any alteration to the terms of the 2024 Share Option Scheme must be approved by the Shareholders in general meeting.
- (d) The amended terms of the 2024 Share Option Scheme and/or any Options pursuant to this paragraph 19 must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

## **20. TERMINATION AND CLAWBACK MECHANISM**

The Company by resolution in general meeting may at any time terminate the operation of the 2024 Share Option Scheme and in such event no further Options will be offered, but in all other respects the provisions of the 2024 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the 2024 Share Option Scheme and Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the 2024 Share Option Scheme.

Details of the Options granted, including Options exercised or outstanding, under the 2024 Share Option Scheme must be disclosed in the circular to Shareholders seeking approval of any subsequent share option scheme to be established after such termination.

Unless the Board otherwise determined and provided in the Offer, in the event that prior to or on the date(s) of vesting, a Grantee ceases to be or is deemed to cease to be an Eligible Participant, the relevant Options shall, unless otherwise determined by the Board or its absolute discretion, lapse and automatically be forfeited or otherwise deemed to have been waived or given up by the Grantee forthwith. A Grantee shall be treated as having ceased to be an Eligible Participant if (including but not limited to):

- (i) such person has committed any act of fraud, dishonesty or serious misconduct;



- (ii) such person has been declared or adjudged to be bankrupt by a competent court or governmental body or has failed to pay his debts as they fall due or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his assets;
- (iii) such person has been convicted of any criminal offence;
- (iv) such person has been convicted of or is being held liable for any offence under or any breach of the SFO or other securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time;
- (v) the company by which such person is employed or of which such person is a director or chief executive (a) ceases to be a member of the Group (or if such person is employed in or appointed as a director or chief executive of more than one company within the Group, all such companies cease to be members of the Group); or (b) ceases to be an associated company of the Group;
- (vi) where such person ceases to be service providers of the Group after a notice of termination has been served by the relevant member of the Group, or that relevant member of the Group ceases to be a member of the Group; or
- (vii) such person is in breach of the 2024 Share Option Scheme or has done or failed to take any action or execute any document which the Board, in its absolute discretion, determines to be a breach of any provision of the 2024 Share Option Scheme.

The clawback of Options granted to the Directors and senior management of the Group, and any grants of Options to the Directors and senior management of the Group without clawback mechanism shall be further subject to the approval of the Remuneration Committee and satisfaction of any other requirements under the Listing Rules. The Options that are clawed back pursuant to this paragraph 20 (including the conditions (i) to (vii) mentioned above) shall be regarded as cancelled and the Options so cancelled shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit (or the Scheme Mandate Limit as refreshed, as the case may be).

For the avoidance of doubt, without prejudice to the above, no clawback provisions will apply to Options to the extent they have been vested.

*This appendix summaries the principal terms of the Amended Share Award Scheme but does not form part of nor is it intended to be part of the Amended Share Award Scheme, nor should it be taken as effecting the interpretation of the rules of the Amended Share Award Scheme.*

### **1. PURPOSE OF THE AMENDED SHARE AWARD SCHEME**

The purpose of the Amended Share Award Scheme is, through an award of Shares, to:

- (A) recognise and reward the contribution of certain Eligible Participants to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and
- (B) attract suitable personnel for further development of the Group.

### **2. ADMINISTRATION**

The Amended Share Award Scheme shall be subject to the administration of the Board whose decisions on all matters arising in relation to the Amended Share Award Scheme or its interpretation or effect shall be final, conclusive and binding on all persons who may be affected thereby, provided that such administration shall not prejudice the powers of the Trustee as provided under the Trust Deed.

The Board will also have final discretion on how the rules set forth in the Amended Share Award Scheme are applied and administered for Selected Participants who reside outside of Hong Kong for the purpose of complying with overseas securities laws and restrictions provided that such application and administration shall in all respects be subject to the Company's compliance of the Listing Rules at all times.

### **3. ELIGIBILITY**

The following classes of participants are eligible for participation in the Amended Share Award Scheme:

- (a) any Employee Participant;
- (b) any Related Entity Participant;
- (c) any Service Provider.

Amongst the Service Providers eligible for the granting of Awards, (i) contractors, suppliers and agents and entities providing research, development or other technological support are to directly contribute to the long-term growth of the Group's business by taking roles or providing services that are in a continuing and recurring nature in its ordinary and usual course of business. The contractors, suppliers and agents and entities providing research, development or other technological support are connected with the Group's day-to-day operations in the areas of digitized

operation services in healthcare industry, smart healthcare services platform and entertainment and media and their performances will contribute to the operating performance and financial results of the Group; and (ii) advisers, consultants and service providers are those who would play significant roles in the Group's business development by contributing their skills, experience, knowledge and expertise in the business activities of the Group on a continuing and recurring basis. Such advisers, consultants and service providers, possessing industry-specific knowledge or expertise or valuable experience or deep understanding or insight in the business, financial or commercial areas of the Group, would provide advisory, consultancy and technology services to the Group on areas that form part of or are directly ancillary to the businesses conducted by the Group from time to time, as disclosed in the Company's financial statements and reports (including but not limited to (i) provision of online drug prescription and circulation service and digitized marketing service in the healthcare industry; (ii) healthcare and wellness services; (iii) marketing of pharmaceutical products; (iv) development of entertainment, culture and media businesses; and (v) content production and distributions in Hong Kong, the PRC, Korea, United States and globally). Their continuing and recurring engagement and cooperation with the Group would benefit the Group with frequent and successive strategic advice and guidance in its ordinary and usual course of business, which are substantively comparable to contributions of highly-skilled or executive employees of the Group. In assessing the eligibility of the Service Provider(s), the Board will consider all relevant factors as appropriate, including:

- (a) in respect of contractors, suppliers and agents and entities providing research, development or other technological support:
  - (i) the scale of the Service Provider's business dealings with the Group in terms of purchases or sales attributable to him/her/it;
  - (ii) the performance of the Service Provider and track record;
  - (iii) the benefits and strategic value brought by the Service Provider to the Group's development and future prospects in terms of the financial return attributable to the Service Provider's collaboration with the Group;
  - (iv) the scale of the Service Provider's collaboration or business dealings with the Group and the length of business relationships between the Service Provider and the Group; and
  - (v) the business opportunities and external connections that the Service Provider has introduced or will potentially introduce to the Group.
- (b) in respect of advisers and consultants:
  - (i) the expertise, professional qualifications and industry experience of the Service Provider;

- (ii) the performance of the Service Provider and track record;
- (iii) the prevailing market fees chargeable by other services providers;
- (iv) the benefits and strategic value brought by the Service Provider to the Group's development and future prospects in terms of the financial return attributable to the Service Provider's collaboration with the Group;
- (v) the Group's length of engagement of or scale of collaboration or business dealings with the Service Provider; and
- (vi) the Service Provider's actual or potential contribution to the Group in terms of a reduction in costs or an increase in revenue or profit.

#### 4. POOL OF AWARDED SHARES

4.1 The Trustee may, at any time during the continuation of the Amended Share Award Scheme and the Trust Deed, set aside the appropriate number of Awarded Shares out of a pool of issued Shares, fully paid or credited as fully paid, for the time being and from time to time held by the Trustee pursuant to the Trust Deed (the "**Shares Pool**") comprising the following:

- (A) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the Group Contribution and Other Distributions
- (B) such Shares as may be subscribed for by the Trustee by utilising the Group Contribution and Other Distributions;
- (C) such Shares as may be allotted or issued to the Trustee as a holder of Shares, whether by way of scrip dividend or otherwise;
- (D) such Shares which remain unvested and revert to the Trustee (including the Returned Shares held by the Trustee);
- (E) such Shares which any person or company recommended by the Company may irrevocably donate or transfer to or irrevocably vest or caused to be vested in the Trustee to be held upon trusts and with and subject to the powers and provisions in the Trust Deed; and/or
- (F) such Shares vested and transferred to a Selected Participant but subject to lock-up, which are returned to the Share Pool according to the condition(s) set out in the Award Notice, to form part of the Trust Fund; and/or
- (G) Treasury Shares which shall be held by the broker after repurchase of such shares.

- 4.2 In the event that the Trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of (a) the closing market price on the date of such purchase, and (b) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.
- 4.3 The Trustee shall set aside from the Shares Pool the number of Awarded Shares that are subject to Awards which have been granted to the Selected Participants pending the transfer and vesting of the Awarded Shares under the Award. The Trustee shall hold the Awarded Shares so set aside during the Vesting Period on the terms of the Trust Deed. At any time during any particular financial year of the Company, the Board or a committee of the Board after having regard to all relevant circumstances and affairs of the Group (including without limitation the Group's business and operational conditions, its business plans and cashflow requirements currently and in the near future), may from time to time cause to be paid to the Trustee from the Company's resources such amount of moneys which may be utilised by the Trustee to subscribe for and/or purchase Shares which will constitute the Shares Pool. The Trustee may also utilise any dividends and other distributions declared and made in respect of any Awarded Shares ("**Other Distributions**") to subscribe for and/or purchase Shares which will constitute the Shares Pool.

## 5. MAXIMUM NUMBER OF SHARES

### (a) Scheme Mandate Limit and Service Provider Sublimit

The maximum number of Shares which may be issued (and, together with Treasury Shares which may be transferred, as applicable) in respect of all awards and options to be granted under the Amended Share Award Scheme and other share schemes of the Company that involve(s) the issuance of new Shares and the transfer of Treasury Shares will be 1,358,533,860 Shares, representing 10% of the total number of Shares in issue (excluding Treasury Shares) as at the Amendment Date ("**Scheme Mandate Limit**"), unless the Company obtains an approval from its Shareholders for refreshment of the Scheme Mandate Limit in accordance with paragraph 5(b) below.

Within the Scheme Mandate Limit, the maximum number of Shares which may be newly issued (and, together with Treasury Shares which may be transferred, as applicable) in respect of all awards and options granted to Service Provider Participants under the Amended Share Award Scheme and other share schemes of the Company that involve(s) the issuance of new Shares and the transfer of Treasury Shares will be 135,853,386 Shares, representing 1% of the total number of issued Shares (excluding Treasury Shares) as at the Amendment Date ("**Service Provider Sublimit**"), unless the Company obtains an approval from its Shareholders for a refreshment of this Service Provider Sublimit pursuant to paragraph 5(b) below.

For the avoidance of doubt, the Scheme Mandate Limit and the Service Provider Sublimit do not apply to Share Awards that are funded by existing Shares (such as Returned Shares) to be held by the Trustee, and there is no upper limit for Share Awards in this regard.

Awards lapsed in accordance with the terms of the Amended Share Award Scheme will not be regarded as utilised for the purpose of calculating the Scheme Mandate Limit or the Service Provider Sublimit.

The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Amended Share Award Scheme when such subscription and/or purchase will result in the Scheme Mandate Limit or the Service Provider Sublimit being exceeded.

**(b) Refreshment of the Scheme Mandate Limit and Service Provider Sublimit**

The Company may seek approval by its shareholders in general meeting for refreshing the Scheme Mandate Limit and/or the Service Provider Sub-limit after three years from the date of shareholders' approval for the last refreshment or the adoption of the Amended Share Award Scheme and in accordance with the applicable Listing Rules.

**6. MAXIMUM ENTITLEMENT OF EACH PARTICIPANT OTHER THAN ANY  
DIRECTOR, CHIEF EXECUTIVE OR SUBSTANTIAL SHAREHOLDER OF THE  
COMPANY**

The maximum number of Shares, in a 12-month period up to and including the date of award, which may be issued (and, together with Treasury Shares which may be transferred, as applicable) in respect of an Award or Awards to a Selected Participant together with any Shares to be issued under any options granted to such Selected Participant under any share option schemes of the Company shall not (i) in aggregate exceed 1% of the issued share capital (excluding Treasury Shares) of the Company; and (ii) exceed any limits applicable to such Selected Participant under the Listing Rules. Any further grant of Awards must be separately approved by the Shareholders in general meeting with such Eligible Participant and his or her close associates (or his or her associates if the Eligible Participant is a connected person) abstaining from voting. The Company must then send a circular to its Shareholders and the circular must disclose the identity of the Eligible Participants, the number and terms of the Awards to be granted and Awards previously granted to such Eligible Participant and the information required under the Listing Rules. The number and terms of the Awards to be granted to such Eligible Participant must be fixed before Shareholders' approval.

**7. AWARD OF AWARDED SHARES**

The Board shall, subject to and in accordance with the rules of the Amended Share Award Scheme, be entitled (but shall not be bound) to, at any time during the continuation of the Amended Share Award Scheme, make an Award to any of the Eligible Participants (as it shall in its absolute discretion select but excluding any Excluded Participant) such number of issued Shares, fully paid or credited as fully paid.

Any grant of Awards to any Director, chief executive or substantial Shareholder of the Company, or any of his respective associates, shall be subject to the prior approval of the independent non-executive Directors of the Company (excluding any independent non-executive Director who is a proposed recipient of the grant of Awards). In addition:

- (A) where any grant of Awards (excluding grant of share options) to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of his respective associates, would result in the Shares issued and to be issued (or the Treasury Shares to be transferred, as applicable) in respect of all Awards granted (excluding any Awards lapsed in accordance with the terms of the Amended Share Award 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 (excluding Treasury Shares) at the date of such grant; or
- (B) where any grant of Awards to an independent non-executive Director or substantial Shareholder of the Company (or any of his respective associates) would result in the number of Shares issued and to be issued in respect of all (i) options; and (ii) awards involving issue of new Shares (regardless whether such awards are granted under the Amended Share Award Scheme or any other share scheme(s) of the Company) (excluding any options or awards lapsed in accordance with the terms of the Amended Share Award Scheme or any other share scheme(s) of the Company) to such person in the 12 month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue (excluding Treasury Shares), such further grant of Awards must be approved by Shareholders of the Company in general meeting in the manner.
- (C) In the circumstances described in 7(A) and 7(B) above, the Company must send a circular to the Shareholders. The Selected Participants, his/her associates and all core connected persons of the Company must abstain from voting in favour at such general meeting. The Company must comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules.

**8. DEALING RESTRICTIONS**

For so long as the Shares are listed on the Stock Exchange:

- (A) an Award or, as the case may be, any instruction of the Board or a committee of the Board to the Trustee to acquire Shares for the purpose of increasing the Shares in the Shares Pool may not be made or given after inside information has come to the Company's knowledge until (and including) the trading day after such inside information has been published in accordance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and
- (B) the Board or a committee of the Board may not make any Award to any Eligible Participant or give any instruction to the Trustee to acquire Shares for the purpose of increasing the Shares in the Shares Pool during the periods or times when such an Award is prohibited under the Listing Rules, any corresponding code or securities dealing restrictions adopted by the Company and all applicable laws from time to time. Without limiting the generality of the foregoing, no Award may be made and no instruction may be given by the Board or a committee of the Board to the Trustee to acquire Shares for the purpose of increasing the Shares in the Shares Pool during the period commencing 30 days immediately before the earlier of:
  - (a) the date of the board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
  - (b) the deadline for the Company to announce 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.
- (C) Without limiting the generality of paragraph (B), no Award may be made and no instruction may be given by the Board to the Trustee to acquire Shares with respect to a grant of an Award during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.



**9. VESTING OF AWARDED SHARES**

- 9.1 Subject to the terms of the Amended Share Award Scheme, the Trustee shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares (or the net sale proceeds thereof) to which such Selected Participant is entitled under the relevant Award as soon as practicable after the latest of:
- (a) the Earliest Vesting Date as specified in the Award Notice to which such Award relates;
  - (b) the receipt by the Trustee of the requisite information and documents stipulated by the Trustee within the stipulated period; and
  - (c) where applicable, the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related Award Notice have been attained or paid and notified to the Trustee by the Board or a committee of the Board in writing.
- 9.2 Notwithstanding the requirement that the Vesting Date in respect of any Award shall be not less than 12 months from the Grant Date under paragraph 9.4 below, but subject to the terms of the Amended Share Award Scheme, at any time prior to a Vesting Date, unless the Board or a committee of the Board otherwise determines, in respect of a Selected Participant who died, all the Awarded Shares of the Selected Participant shall be deemed to be vested on the Selected Participant on the day immediately prior to his death.
- 9.3 Notwithstanding the requirement that the Vesting Date in respect of any Award shall be not less than 12 months from the Grant Date under paragraph 9.4 below, in the event of a dissolution or liquidation of the Company, or if there is an event of change in control of the Company, or a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all the Shareholders (or all Shareholders other than the offeror, any persons controlled by the offeror and any persons acting in association or concert with the offeror), and such offer becomes or is declared unconditional prior to the vesting of the Awarded Shares in the relevant Selected Participants pursuant to the Amended Share Award Scheme, the Selected Participant shall be entitled to, subject to the direction of the Board or a committee of the Board, be vested with all of his Awarded Shares at any time before the expiry of the period of ten (10) Business Days following the date on which the offer becomes or is declared unconditional. For the purpose of this paragraph 9.3, “control” shall have the meaning as specified in The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC from time to time.

9.4 Subject to the Listing Rules, the Board or a committee of the Board may from time to time, at its discretion, determine the Earliest Vesting Date and other subsequent date(s), if any, upon which the Awarded Shares (or the net sale proceeds thereof) held by the Trustee upon trust and which are referable to a Selected Participant shall vest in that Selected Participant. The Vesting Date in respect of any Award shall be not less than 12 months from the Grant Date, provided that for Employee Participants, the Vesting Date may be less than 12 months from the Grant Date (including on the Grant Date) in the following circumstances:

- (A) grants of “make-whole” Awards to new Employee Participants to replace share awards such Employee Participants forfeited when leaving their previous employers;
- (B) grants to an Employee Participant whose employment is terminated due to death or disability or event of force majeure;
- (C) grants of Awards which are subject to the fulfilment of performance targets pursuant to the terms of the Amended Share Award Scheme;
- (D) grants of Awards the timing of which is determined by administrative or compliance requirements not connected with the performance of the relevant 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 Awards vest evenly over a period of 12 months;
- (F) grants of Awards with a total vesting and holding period of more than 12 months;  
or
- (G) such circumstances as set out in paragraph 9.2, 9.3 and 15.3

each of which is considered appropriate and serves the purpose of the Amended Share Award Scheme to provide flexibility to grant Awards (1) as part of competitive terms and conditions to induce valuable talent to join the Group; (2) to reward past contribution which may otherwise be neglected due to administrative or technical reasons; (3) to reward exceptional performers with accelerated vesting; (4) to motivate exceptional performers based on performance metrics rather than time; and (5) in exceptional circumstances such as death of the relevant Employee Participants or in case of takeover or winding up of the Company to provide appropriate safeguard of interests of the relevant Selected Participants so as to be in line with market standard.

**10. LAPSE OF AWARDS AND RETURNED SHARES**

10.1 In the event that any Selected Participant who is an Employee Participant or Related Entity Participant ceases to be an Employee Participant or Related Entity Participant by virtue of a corporate reorganisation of the Group or the Related Entity, then any Award made to such Selected Participant shall forthwith lapse and the Shares to satisfy such Award will not be regarded as utilised the purpose of the Scheme Mandate Limit.

10.2 In the event that prior to or on the Vesting Date:

- (i) a Selected Participant ceases to be an Employee Participant or Related Entity Participant other than (a) by reason of retirement (in which case the Awards shall continue to vest in accordance with the Vesting Date(s) set out in the Award Notice) or (b) for reason as provided in paragraph 9.2 above; or
- (ii) the Subsidiary or Related Entity by which a Selected Participant is employed or, in respect of a deceased or retired Selected Participant under paragraph 9.2, was employed immediately prior to his death or retirement, ceases to be a Subsidiary or Related Entity of the Company (or of a member of the Group); or
- (iii) the Board or a committee of the Board shall at its absolute discretion determine in respect of a Service Provider that:
  - (a) the Service Provider or his associate has committed any breach of any contract entered into between the Service Provider or his associate on one part and any member of the Group on the other part as the Board or a committee of the Board may in its absolute discretion determine; or
  - (b) the Selected Participant has been guilty of misconduct, or has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally, or has been convicted any criminal offence involving his integrity or honesty; or
  - (c) the Selected Participant could no longer make any contribution to the growth and development of any member of the Group by reason of the cessation of its relationship with the Group or by any other reasons whatsoever; or
- (iv) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company),

(each of the above event, an event of “**Total Lapse**”), unless the Board in its sole and absolute discretion determines otherwise, the Award shall automatically lapse forthwith and all the Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Amended Share Award Scheme.

10.3 In the event that prior to or on the Vesting Date:

- (i) a Selected Participant is found to be an Excluded Participant; or
- (ii) (subject to the terms of the Amended Share Award Scheme) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustee (or such later date as may be determined by the Board or a committee of the Board at its sole and absolute discretion having to all relevant circumstances) for the relevant Awarded Shares within the stipulated period (whether in the ordinary vesting pursuant to the vesting timetable set out in paragraph 9.4 above or on such other dates as provided in or determined in accordance with these rules of the Amended Share Award Scheme);

(each of the above event, an event of “**Partial Lapse**”), the relevant part of an Award (or such part of Award as determined by the Board in its sole and absolute discretion) made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date (or in the circumstances as set out in paragraph 9.4, shall no longer be deemed to have vested) but the Awarded Shares shall become Returned Shares and the dividends and other distributions declared and made in respect of the deemed vested Awarded Shares shall form part of the income of the trust fund for the purposes of the Amended Share Award Scheme.

10.4 In the event that the Board or a committee of the Board determines in its absolute discretion that any condition(s) and/or performance target(s) to be duly fulfilled by such Selected Participant as specified in the related Award Notice has not been duly fulfilled or has not been waived by the Board or a committee of the Board, the Board or a committee of the Board shall be entitled to determine that the Award made to such Selected Participant shall lapse forthwith and the relevant Awarded Shares shall not vest on the relevant Vesting Date but shall become Returned Shares for the purposes of the Amended Share Award Scheme.

10.5 If any Award shall lapse in accordance with this paragraph 10, the Board or a committee of the Board shall notify the Trustee in writing accordingly.

10.6 Where any Award is specified in the Award Notice to be satisfied by an allotment and issue of new Shares, the Board may in its sole discretion, determine to cancel the Award made to such Selected Participant where reasonable efforts have been made by the Company to obtain the approval of the Listing Committee of the Stock Exchange of the

listing of and permission to deal in the Shares to be allotted and issued pursuant to a relevant Award (“**Listing Approval**”), but such Listing Approval was not granted, and the Board shall notify the Selected Participant and the Trustee in writing accordingly.

#### **11. PERFORMANCE TARGETS**

Unless otherwise determined by the Board and specified in the Grant Notice, vesting of Awards is not subject to any performance target that needs to be achieved by the Selected Participant. Such performance target(s) (if any) may be based on, among others, business or financial performance results, transaction milestones, individual performance appraisal, results of strategic plans formulated by the Selected Participant, developments or breakthroughs in certain markets of the Group and/or the Selected Participant’s contribution to the Group (via his/her/its position at the Group or at the Related Entity, or as a Service Provider Participant) and as evaluated by the Group over a specified evaluation period. The methods for assessing how the performance target(s) (if any) are satisfied include but not limited to setting specific targets, establishing a measurement period, evaluating actual performance against these targets, and making any necessary adjustments for exceptional circumstances according to changes in market conditions.

#### **12. AMOUNT PAYABLE ON APPLICATION OR ACCEPTANCE OF AN AWARD**

No amount is payable on application or acceptance of an Award.

#### **13. PURCHASE PRICE OF AWARDED SHARES**

The Selected Participant is not required to pay any purchase price to receive the Awarded Shares comprising an Award.

#### **14. VOTING AND DIVIDEND RIGHTS**

14.1 The Trustee shall not exercise the voting rights in respect of any Shares held under the trust constituted by the Trust Deed (including but not limited to any Shares in the Shares Pool, the Awarded Shares, the Returned Shares, any bonus Shares and scrip Shares). In particular, the Trustee holding unvested Shares under the Amended Share Award 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.

14.2 Other Distributions during the Vesting Period shall be held by the Trustee in accordance with the terms of the Amended Share Award Scheme and the Trust Deed and treated and dealt with as income of the trust fund (under the Trust Deed) generally and, for administration of the Amended Share Award Scheme, the Trustee shall be entitled to use and/or transfer such Other Distributions in any manner as directed by the Board or a committee of the Board.

14.3 if a general or partial offer, whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner is made to all the Shareholders (or all Shareholders other than the offeror, any persons controlled by the offeror and any persons acting in association or concert with the offeror), and such offer becomes or is declared unconditional prior to the vesting of the Awarded Shares in the relevant Selected Participants, the Selected Participant shall be entitled to, subject to the direction of the Board or a committee of the Board, be vested with all of his Awarded Shares at any time before the expiry of the period of ten (10) Business Days following the date on which the offer becomes or is declared unconditional.

## **15. DURATION AND TERMINATION OF THE AMENDED SHARE AWARD SCHEME**

15.1 Subject to early termination, the Amended Share Award Scheme shall be valid and effective for a term of 10 years commencing from the date of adoption of the 2021 Share Award Scheme, and after the expiry of such 10-year term no further Awards may be made but these rules of the Amended Share Award Scheme shall remain in full force and effect to the extent necessary to give effect to any Awards made prior thereto and the administration of the trust property held by the Trustee pursuant to the Trust Deed.

15.2 The Amended Share Award Scheme shall terminate on the earlier of:

- (i) on the 10th anniversary date of the adoption of the 2021 Share Award Scheme; and
- (ii) such date of early termination as determined by the Board or a committee of the Board and notified to the Trustee in writing, provided that such termination shall not affect any subsisting rights of any Selected Participant hereunder.

15.3 Upon termination of the Amended Share Award Scheme:

- (A) Notwithstanding the requirement that the Vesting Date in respect of any Award shall be not less than 12 months from the Grant Date under paragraph 9.2 above and subject to the decision of the Board or a committee of the Board and paragraph 9.4 above, all the Awarded Shares shall become vested in the Selected Participant (which shall only be applicable to Employee Participants for the purpose of paragraph 9.4 above) on such date of termination, save in respect of any event of the Total Lapse;
- (B) Returned Shares and such non-cash income remaining in the trust fund shall be sold by the Trustee, within twenty-one (21) Business Days (on which the trading of the Shares has not been suspended) of receiving notice of such termination of the Amended Share Award Scheme (or such longer period as the Board or a committee of the Board may otherwise determine);

(C) Residual Cash, net proceeds of sale referred to in paragraph 15.3(B) hereof and such other funds remaining in the trust constituted by the Trust Deed (after making appropriate deductions in respect of all disposal costs, liabilities and expenses in accordance with the Trust Deed) shall be remitted to the Company forthwith after the sale. For the avoidance of doubt, the Trustee may not transfer any Shares to the Company nor may the Company otherwise hold any Shares whatsoever (other than its interest in the proceeds of sale of such Shares pursuant to the preceding paragraph (B) above).

15.4 For the avoidance of doubt, the temporary suspension of the granting of any Award shall not be construed as a decision to terminate the operation of the Amended Share Award Scheme.

## **16. ADJUSTMENTS AND EFFECT OF ALTERATION OF CAPITAL STRUCTURE**

Upon the occurrence of a Relevant Event, the number of outstanding Awarded Shares that have been granted shall be adjusted in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits which the Selected Participants are potentially entitled under the relevant outstanding Awards, provided that:

- (i) any such adjustment must give a Selected Participant the same proportion of the Awarded Shares, rounded to the nearest whole share, as that to which that person was previously potentially entitled under an outstanding Award, but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value;
- (ii) all fractional Shares (if any) arising out such a Relevant Event shall be deemed as Returned Shares and shall not be transferred to the relevant Selected Participant on the relevant Vesting Date;
- (iii) in respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser or the Company's auditors must confirm to the Directors in writing that the adjustments satisfy the requirements set out under the Notes to Rule 17.03(13) of the Listing Rules.

**17. RANKING OF SHARES**

The Awarded Shares to be allotted and issued (or the Treasury Shares to be transferred, as applicable) pursuant to the rules of the Amended Share Award Scheme shall be identical to all existing issued Shares and shall be allotted and issued (or transferred) subject to all the provisions of the Articles for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company (or the date of transfer of Treasury Shares, as the case may be). For the avoidance of doubt, a Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

**18. TRANSFERABILITY**

An Award shall be personal to the Selected Participant and shall not be transferable or assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any security or adverse interest whatsoever in favour of any third party over or in relation to an Award or enter or purport to enter into any agreement to do so. Any breach of the foregoing by any Selected Participant shall entitle the Company to cancel the Award made to such Selected Participant, and the Board or a committee of the Board shall notify the Trustee in writing accordingly.

**19. CANCELLATION OF AWARDS**

If the Company cancels the Awarded Shares granted to a Selected Participant and makes a new grant to the same Selected Participant, such new grant may only be made under the Amended Share Award Scheme with available Scheme Mandate Limit approved by the Shareholders as mentioned in paragraph 5 above and granted in compliance with the terms of the Amended Share Award Scheme, the Listing Rules and the applicable laws or regulations. The Awarded Shares so cancelled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit (and the Service Provider Sub-limit thereunder as applicable).

**20. ALTERATION OF THE AMENDED SHARE AWARD SCHEME**

20.1 The rules of the Amended Share Award Scheme may be altered by the prior sanction of a resolution passed by the Board or a committee of the Board provided that no such alteration shall operate to affect adversely any rights of any Selected Participant in respect of his Awarded Shares which remain unvested except with the consent in writing of the majority of the Selected Participants whose Awarded Shares remained unvested on that date (but, for the avoidance of doubt, excluding for this purpose any such Shares in respect of which that date is a Vesting Date) as would be required of the holders of Shares under the Articles for a variation of the rights attached to such Shares. The amended terms of the rules of the Amended Share Award Scheme must comply with all applicable laws, rules and regulations (including without limitation the Listing Rules).



Any alteration to the Rules which are of material nature or relating to the matters as 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.

- 20.2 Change to the terms of the Awards granted to a Selected Participant must be approved by the Board, the Remuneration Committee, the independent non-executive directors of the Company and/or Shareholders (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 of the Company and/or the Shareholders (as the case may be). This requirement does not apply where the alterations take effect automatically under the existing terms of the Amended Share Award Scheme.
- 20.3 Any change to the authority of the directors of the Company or scheme administrators to alter the terms of the rules of the Amended Share Award Scheme must be approved by the Shareholders in general meeting.

**H.BROTHERS** | ENTERTAINMENT

**華誼騰訊娛樂**

華誼騰訊娛樂有限公司

**Huayi Tencent Entertainment Company Limited**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 419)**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting of Huayi Tencent Entertainment Company Limited (the “**Company**”) will be held at Boardroom 3, Mezzanine Floor, Renaissance Harbour View Hotel Hong Kong, 1 Harbour Road, Wanchai, Hong Kong on Friday, 21 June 2024 at 10:05 a.m. (or immediately after the conclusion of the annual general meeting of the Company to be held at the same venue and on the same day, or any adjournment thereof) on to consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolution of the Company:

**ORDINARY RESOLUTIONS**

1. “**THAT:**

- (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of and permission to deal in the shares of the Company to be issued and allotted pursuant to the exercise of options granted under the new share option scheme of the Company (the “**2024 Share Option Scheme**”), the rules of which are set out in the document marked “A” produced to the meeting and for the purposes of identification signed by any one Director or the company secretary of the Company thereof, the 2024 Share Option Scheme be and is hereby approved and adopted, and the directors of the Company (“**Directors**”) and/or their delegate(s) be and are hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the 2024 Share Option Scheme, including but without limitation:
  - (i) to administer the 2024 Share Option Scheme under which share options will be granted to the Eligible Participants eligible under the 2024 Share Option Scheme to subscribe for Shares, including but not limited to determining and granting the share options in accordance with the terms of the 2024 Share Option Scheme;
  - (ii) to modify and/or amend the 2024 Share Option Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the 2024 Share Option Scheme relating to the modification and/or amendment and subject to Chapter 17 of the Listing Rules;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (iii) to grant share options under the 2024 Share Option Scheme and to allot and issue from time to time such number of shares in the capital of the Company (“**Shares**”) as may be required to be allotted and issued (and/or to transfer such number of treasury shares of the Company (“**Treasury Shares**”), as applicable) in respect of the share options to be granted under the 2024 Share Option Scheme;
  - (iv) to make application at appropriate time or times to The Stock Exchange of Hong Kong Limited and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued in respect of the share options to be granted under the 2024 Share Option Scheme; and
  - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the 2024 Share Option Scheme;
- (b) the total number of Shares which may be issued (and, together with Treasury Shares which may be transferred, as applicable) in respect of all options and awards to be granted under the 2024 Share Option Scheme and any other schemes of the Company must not in aggregate exceed 10% (or such other percentage which may be specified by the Hong Kong Stock Exchange from time to time) of the total number of Shares in issue (excluding Treasury Shares) as at the date of adoption of the 2024 Share Option Scheme or the relevant date of approval of the refreshment of the Scheme Mandate Limit.
2. “**THAT** conditional upon the passing of resolution No.1, the Service Provider Sublimit (being 1% of the total number of Shares in issue (excluding Treasury Shares) as at the date of the adoption of the 2024 Share Option Scheme) on the total number of Shares that may be issued and Treasury Shares that may be transferred in respect of all options and awards to be granted to Service Provider(s) (as such term is defined under the 2024 Share Option Scheme) under the 2024 Share Option Scheme and any other schemes of the Company be and is hereby approved and adopted and the Directors be and are hereby authorised 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 may consider necessary, desirable or expedient to effect and implement the Service Provider Sublimit.”
3. “**THAT** subject to and conditional upon passing of the ordinary resolution No. 1 set out in the notice convening this meeting, the 2022 Share Option Scheme of the Company adopted by the Company on 21 June 2022 be and is hereby terminated upon the 2024 Share Option Scheme becoming effective (after the fulfilment of all the conditions as set out in the 2024 Share Option Scheme).”

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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4. “**THAT:**

- (a) subject to and conditional upon the Listing Committee of the Hong Kong Stock Exchange granting the approval for the listing of, and the permission to deal in, the Shares to be issued in respect of the awards granted under the amended share award scheme of the Company (the “**Amended Share Award Scheme**”), a copy of which is tabled at the meeting and marked “B” and initialled by the chairman of the meeting for identification purpose, the proposed amendments of the share award scheme of the Company adopted on 20 August 2021 (the “**2021 Share Award Scheme**”) to the Amended Share Award Scheme be and are hereby approved and adopted, and the directors of the Company or their delegate(s) be and are hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Amended Share Award Scheme, including but without limitation:
- (i) to administer the Amended Share Award Scheme under which award shares will be granted to the Eligible Participants eligible under the Amended Share Award Scheme to subscribe for Shares, including but not limited to determining and granting the award shares in accordance with the terms of the Amended Share Award Scheme;
  - (ii) to modify and/or amend the Amended Share Award Scheme from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Amended Share Award Scheme;
  - (iii) to grant awards of Shares under the Amended Share Award Scheme and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be allotted and issued (and/or to transfer such number of Treasury Shares, as applicable) in respect of the awards to be granted under the Amended Share Award Scheme;
  - (iv) to make application at appropriate time or times to The Stock Exchange of Hong Kong Limited and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of, and permission to deal in, any Shares which may hereafter from time to time be allotted and issued in respect of the awards to be granted under the Amended Share Award Scheme; and
  - (v) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the Amended Share Award Scheme;
- (b) the total number of Shares which may be issued (and, together with Treasury Shares which may be transferred, as applicable) in respect of all options and awards to be granted under the Amended Share Award Scheme and any other schemes of the

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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Company must not in aggregate exceed 10% (or such other percentage which may be specified by the Hong Kong Stock Exchange from time to time) of the total number of Shares in issue (excluding Treasury Shares) as at the date of approval of amendments to the 2021 Share Award Scheme or the relevant date of approval of the refreshment of the Scheme Mandate Limit.

5. “**THAT**, conditional upon the passing of resolution No.4, the Service Provider Sublimit (being 1% of the total number of Shares in issue (excluding Treasury Shares) as at the date of the amendments to the 2021 Share Award Scheme is approved) on the total number of Shares that may be issued and Treasury Shares that may be transferred in respect of all awards and options to be granted to Service Provider(s) under the Amended Share Award Scheme and any other schemes of the Company be and is hereby approved and adopted and the Directors be and are hereby authorised 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 may consider necessary, desirable or expedient to effect and implement the Service Provider Sublimit.”

By Order of the Board  
**Huayi Tencent Entertainment Company Limited**  
**Raymond HAU**  
*Company Secretary*

Hong Kong, 5 June 2024

*Notes:*

1. The Register of Members of the Company will be temporarily closed from 18 June 2024 to 21 June 2024, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the attendance at the Company’s extraordinary general meeting to be held on Friday, 21 June 2024, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on 17 June 2024.
2. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
3. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding the meeting.
4. Completion and return of the form of proxy will not preclude members from attending and voting at the aforesaid meeting and in such event, the form of proxy will be deemed to be revoked.

*As at the date hereof, the Board comprises:*

*Non-Executive Director: Mr. ZHAO John Huan (Chairman)*

*Executive directors: Mr. CHENG Wu (Chief Executive Officer), Mr. YUEN Hoi Po (President)*

*Independent non-executive directors: Mr. YUEN Kin, Mr. CHU Yuguo, Ms. WANG Song Song and Ms. PAN Min*