
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Axera Semiconductor Co., Ltd. (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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Axera Semiconductor Co., Ltd.
愛芯元智半導體股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600)

- (1) REPORT OF THE BOARD OF DIRECTORS FOR 2025;**
(2) 2025 ANNUAL REPORT;
(3) RE-APPOINTMENT OF AUDITOR FOR 2026;
(4) 2026 EXECUTIVE DIRECTORS' REMUNERATION PACKAGE;
(5) 2026 NON-EXECUTIVE DIRECTORS' REMUNERATION PACKAGE;
(6) 2026 INDEPENDENT NON-EXECUTIVE DIRECTORS' REMUNERATION PACKAGE;
(7) PROPOSED GRANT OF GENERAL MANDATE TO ISSUE SHARES;
(8) PROPOSED GRANT OF GENERAL MANDATE TO REPURCHASE H SHARES;
(9) PROPOSED ADOPTION OF THE H SHARE OPTION SCHEME;
(10) PROPOSED ADOPTION OF THE H SHARE AWARD SCHEME;
(11) PROPOSED AUTHORISATION TO THE BOARD OF DIRECTORS
AND/OR THE DELEGATEE(S) TO HANDLE MATTERS RELATING
TO THE H SHARE OPTION SCHEME;
(12) PROPOSED AUTHORISATION TO THE BOARD OF DIRECTORS AND/OR THE
DELEGATEE(S) TO HANDLE MATTERS RELATING TO THE H SHARE AWARD SCHEME;
AND
(13) NOTICE OF ANNUAL GENERAL MEETING

Capitalised terms used on this cover shall have the same meanings as those defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

Notice convening the Annual General Meeting to be held at Conference Room, 1st Floor, Zhanxiang Center, No. 505 Zhangjiang Road, Pudong New Area, Shanghai, PRC on Friday, June 26, 2026 at 10:00 a.m. is set out in pages AGM-1 to AGM-4 of this circular. Proxy form for use at the Annual General Meeting is also enclosed in this circular. Such proxy form is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.axera-tech.com).

If you intend to attend the AGM by proxy, you are required to return the duly completed form of proxy attached hereto according to the instructions printed thereon not less than 24 hours before the time appointed for the holding of the AGM (i.e. before 10:00 a.m. on Thursday, June 25, 2026) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM (and any adjournment thereof) if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

June 4, 2026

CONTENTS

| | <i>Page</i> |
|--|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD | 6 |
| I. INTRODUCTION | 7 |
| II. RESOLUTIONS | 7 |
| 1. REPORT OF THE BOARD OF DIRECTORS FOR 2025 | 7 |
| 2. 2025 ANNUAL REPORT | 7 |
| 3. RE-APPOINTMENT OF AUDITOR FOR 2026 | 7 |
| 4. 2026 EXECUTIVE DIRECTORS' REMUNERATION PACKAGE | 7 |
| 5. 2026 NON-EXECUTIVE DIRECTORS' REMUNERATION PACKAGE | 8 |
| 6. 2026 INDEPENDENT NON-EXECUTIVE DIRECTORS' REMUNERATION PACKAGE | 8 |
| 7. PROPOSED GRANT OF GENERAL MANDATE TO ISSUE SHARES | 8 |
| 8. PROPOSED GRANT OF GENERAL MANDATE TO REPURCHASE H SHARES .. | 8 |
| 9. PROPOSED ADOPTION OF THE H SHARE OPTION SCHEME | 8 |
| 10. PROPOSED ADOPTION OF THE H SHARE AWARD SCHEME | 29 |
| 11. PROPOSED AUTHORISATION TO THE BOARD OF DIRECTORS AND/OR THE DELEGATEE(S) TO HANDLE MATTERS RELATING TO THE H SHARE OPTION SCHEME | 44 |
| 12. PROPOSED AUTHORISATION TO THE BOARD AND/OR THE DELEGATEE(S) TO HANDLE MATTERS RELATING TO THE H SHARE AWARD SCHEME | 45 |
| III. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENTS | 47 |
| IV. VOTING BY POLL | 47 |
| V. CLOSURE OF REGISTER OF MEMBERS | 47 |
| VI. RECOMMENDATION | 47 |
| VII. RESPONSIBILITY STATEMENT | 48 |
| APPENDIX I EXPLANATORY STATEMENT FOR THE SHARE REPURCHASE MANDATE | 49 |
| APPENDIX II THE H SHARE OPTION SCHEME | 53 |
| APPENDIX III THE H SHARE AWARD SCHEME | 83 |
| NOTICE OF ANNUAL GENERAL MEETING | AGM-1 |

DEFINITIONS

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

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| “2025 Annual Report” | the annual report of the Company for the year ended December 31, 2025, which has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.axera-tech.com) |
| “Actual Selling Price” | according to the instruction, the cash value to be allocated and payable to the Grantees with respect to the Awarded Shares vested, at which corresponding relevant Target Shares with respect to the Awarded Shares vested are sold by the Trustee (net of brokerage, the Stock Exchange trading fee, SFC transaction levy, Accounting and Financial Reporting Council transaction levy, stamp duty and any other applicable costs) under the H Share Award Scheme |
| “Adoption Date” | the date on which the H Share Option Scheme and H Share Award Scheme are approved by the Shareholders at the AGM |
| “AGM” or “Annual General Meeting” | the annual general meeting of the Company to be convened and held at Conference Room, 1st Floor, Zhanxiang Center, No. 505 Zhangjiang Road, Pudong New Area, Shanghai, PRC on Friday, June 26, 2026 at 10:00 a.m., or where the context so admits, any adjournment thereof |
| “Articles of Association” | the articles of association of the Company as amended, supplemented or otherwise modified from time to time |
| “Award Letter” | a letter issued by the Company to each Grantee in such form as the Board and/or the Delegatee(s) may from time to time determine, specifying the name of the Grantee, the number of Awarded Shares granted, the vesting criteria and conditions, the vesting date, the grant price, the conditions for the lapse of Awarded Shares and such other terms and conditions to be determined by the Board and/or the Delegatee(s) that are not inconsistent with the H Share Award Scheme |
| “Award” | award(s) granted by the Board and/or its authorized person to a grantee under the H Share Award Scheme, which may vest in the form of Awarded Shares or the actual selling price of the Awarded Shares in cash in accordance with the terms of the H Share Award Scheme |
| “Awarded Shares” | the H Shares granted pursuant to the H Share Award Scheme |
| “associates” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors of the Company |
| “Business day” | a day on which the Stock Exchange is open for the business of dealing in securities |
| “CCASS” | the Central Clearing and Settlement System established and operated by the Hong Kong Exchanges and Clearing Limited |

DEFINITIONS

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| “China” or the “PRC” | the People’s Republic of China, but for the purpose of this circular, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan of the PRC |
| “close associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Company” | Axera Semiconductor Co., Ltd. (愛芯元智半導體股份有限公司) (previously known as Axera Semiconductor (Ningbo) Co., Ltd. (愛芯元智半導體(寧波)有限公司), Axera Semiconductor (Shanghai) Co., Ltd. (愛芯元智半導體(上海)有限公司) and Shanghai Zhiaixin Semiconductor Technology Co., Ltd. (上海智碲芯半導體科技有限公司)), a company incorporated in the PRC with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 600) |
| “Company Law” | the Company Law of the PRC |
| “core connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Delegatee(s)” | the Board committee(s) and/or person(s) delegated by the Board |
| “Director(s)” | director(s) of the Company |
| “Eligible Participant(s)” or “Participant(s)” | includes Employee Participant(s), Related Entity Participant(s) and Service Provider Participant(s) |
| “Employee Participants” | Director(s)(including independent non-executive Director(s)), senior management and employee(s) (whether full time or part time employees) of the Company and/or of any of its subsidiaries (including persons who are granted Awards or Options under the H Share Option Scheme or H Share Award Scheme as an inducement to enter into employment contracts with these companies) |
| “employees” | employee(s) who have entered into formal employment contracts with the relevant members of the Group |
| “Exercise Price” | the price at which each H Share subject to an Option may be subscribed on the exercise of that Option as determined by the Board and/or the Delegatee(s), but subject to the provisions of the H Share Option Scheme, or (where applicable) such price as from time to time adjusted pursuant to the terms of the H Share Option Scheme |
| “Grant Date” | the date on which the Awarded Shares are granted to a Grantee, being the date of issuance of the Award Letter |
| “Grant Price” | the grant price of each Target Share in relation to Awarded Shares to be determined by the Board and/or the Delegatee(s) when granting Awarded Shares |

DEFINITIONS

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| “Grantee(s)” | any Participant(s) who accepts an Offer in accordance with the terms of the H Share Option Scheme, any Participant(s) who is granted the Awarded Shares in accordance with the terms of the H Share Award Scheme, holder of any outstanding Option or Award, or (where the context so permits) a Personal Representative of such grantee |
| “Group” | the Company and its subsidiaries |
| “H Share Award Scheme” | H share award scheme proposed to be adopted by the Company which is subject to the resolution being passed and approved by the Shareholders at the AGM |
| “H Share Option Scheme” | H share option scheme proposed to be adopted by the Company which is subject to the resolution being passed and approved by the Shareholders at the AGM |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Individual Limit” | has the meaning as defined in the paragraph headed “Chapter 5 Grant of Option” in Appendix II to this circular or “Chapter 5 Source of Funds and Source of Target Shares” in Appendix III to this circular for the H Share Option Scheme and the H Share Award Scheme respectively |
| “Issue Mandate” | a general mandate proposed to be granted to the Board or the Delegatee(s) for exercising the power of the Company to allot, issue and/or deal with (including any sale or transfer of Treasury Shares, if permitted under the Listing Rules) Shares not exceeding 20% of the total number of Shares in issue (excluding Treasury Shares) as at the date of passing the relevant resolution, subject to the conditions set out in the resolution proposed at the Annual General Meeting for approving such general mandate |
| “Latest Practicable Date” | June 1, 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular |
| “Listing Date” | February 10, 2026, on which dealings in H Shares first commenced on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time |
| “Offer” | an offer of the grant of an Option made in accordance with the terms of the H Share Option Scheme |

DEFINITIONS

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| “Offer Date” | in relation to any Option, the date on which an Offer of such Option is made to an Eligible Participant subject to and in accordance with the terms of the H Share Option Scheme and which must be a Business Day, provided that the date on which the Board and/or the Delegatee(s) resolves to make an Offer should be taken as the offer date for the purpose of calculating the exercise price |
| “Option(s)” | a right to subscribe for H Shares pursuant to the H Share Option Scheme |
| “Option Period” | in respect of any Option, a period to be determined and notified by the Board and/or the Delegatee(s) to the Grantee during which the Option may be exercised, which period shall expire in any event not later than the last day of the 10-year period after the Offer Date (subject to the provisions for early termination), for the avoidance of doubt, such period may, if the Board and/or the Delegatee(s) so determines, be set at different lengths for different Grantees and the Board and/or the Delegatee(s) may also set conditions and/or restrictions on the exercise of such Option during the period an Option may be exercised |
| “Other Schemes” | all the schemes or arrangements involving the grant by the Company or any member of the Group of awards, options over Shares or other securities of the Company to, or for the benefit of, specified participants of such schemes or arrangements which, in the opinion of the Stock Exchange, is analogous to a share scheme as described in Chapter 17 of the Listing Rules, other than the H Share Option Scheme and the H Share Award Scheme (as the case may be). As at the Latest Practicable Date, the Company does not have any share schemes subject to the provisions of Chapter 17 of the Listing Rules |
| “Personal Representative(s)” | in case of the death, physical or mental disability or incapacity of a Grantee or other events which, in the opinion of the Board, deprive a Grantee of his capacity to act (other than in the case of insolvency, bankruptcy or liquidation of the Grantee), such person(s) recognised by the Company as the representative(s) to be assigned or vested with the Award(s) or Option(s) granted to such Grantee or otherwise acting on behalf of the Grantee in consequence of such events by operation of law and subject to provision of such evidence as to his or her entitlement as may from time to time be required by and to the satisfaction of the Board and/or the Delegatee(s) |
| “PRC” or “China” | The People’s Republic of China which shall, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Related Entity(ies)” | the holding company(ies), fellow subsidiary(ies) or associated company(ies) of the Company |
| “Related Entity Participant(s)” | director(s) and employee(s) (whether full time or part time employees) of the Related Entities |

DEFINITIONS

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| “Remuneration Committee” | the Remuneration and Appraisal Committee of the Company |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SAFE” | State Administration of Foreign Exchange of the PRC |
| “Service Provider Participant(s)” | service provider engaged by the Company and/or any of its subsidiaries, being IP and software vendors, as more particularly described in the section headed “Proposed Adoption of the H Share Option Scheme” in this circular |
| “Service Provider Sublimit” | the total number of Shares which may be issued in respect of all options and awards involving issue of new H Shares that may be granted under the H Share Option Scheme and the H Share Award Scheme and any Other Schemes to the Service Provider Participants |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong |
| “Share(s)” or “H Share(s)” | ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and subscribed for and traded in HK dollars |
| “Share Repurchase Mandate” | a general mandate to be granted to the Board for exercising the power of the Company to repurchase the Shares not exceeding 10% of the total number of Shares in issue (excluding Treasury Shares) as at the date of passing the relevant resolution, subject to the conditions set out in the resolution proposed at the Annual General Meeting for approving such general mandate |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | the Code on Takeovers and Mergers issued by SFC, as amended, supplemented or otherwise modified from time to time |
| “Target Share(s)” | H Share(s) of the Company involved in the H Share Award Scheme |
| “Treasury Share(s)” | has the meaning ascribed to it under the Listing Rules |
| “Trust” | the trust constituted under the Trust Deed |
| “Trust Deed(s)” | the trust management agreement(s) to be entered into between the Company and the Trustee pursuant to the H Share Award Scheme |
| “Trustee” | the trustee(s) to be appointed by the Company for the purpose of the Trust |
| “%” | per cent |

LETTER FROM THE BOARD



Axera Semiconductor Co., Ltd.
愛芯元智半導體股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600)

Executive Directors:

Dr. QIU Xiaoxin (*Chairperson of the Board*)
Mr. SUN Weifeng
Mr. SHI Xiaoye
Mr. WANG Yuan

Non-executive Directors:

Mr. ZHOU Siyuan
Mr. GU Kaining
Ms. BAI Ting
Mr. WANG Chen

Independent non-executive Directors:

Ms. TAN Ren
Mr. LI Jun
Mr. WANG Xin
Prof. CHEN Xin

Head Office, Registered Office and

Principal Place of Business in the PRC:
Room 59, 17th Floor, Kechuang Building No.
777 Zhongguan West Road
Zhuangshi Subdistrict, Zhenhai District
Ningbo
Zhejiang
PRC

Principal place of business in Hong Kong:

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

June 4, 2026

To the Shareholders

Dear Sir or Madam,

- (1) REPORT OF THE BOARD OF DIRECTORS FOR 2025;**
(2) 2025 ANNUAL REPORT;
(3) RE-APPOINTMENT OF AUDITOR FOR 2026;
(4) 2026 EXECUTIVE DIRECTORS' REMUNERATION PACKAGE;
(5) 2026 NON-EXECUTIVE DIRECTORS' REMUNERATION PACKAGE;
(6) 2026 INDEPENDENT NON-EXECUTIVE DIRECTORS' REMUNERATION PACKAGE;
(7) PROPOSED GRANT OF GENERAL MANDATE TO ISSUE SHARES;
(8) PROPOSED GRANT OF GENERAL MANDATE TO REPURCHASE H SHARES;
(9) PROPOSED ADOPTION OF THE H SHARE OPTION SCHEME;
(10) PROPOSED ADOPTION OF THE H SHARE AWARD SCHEME;
(11) PROPOSED AUTHORISATION TO THE BOARD OF DIRECTORS
AND/OR THE DELEGATEE(S) TO HANDLE MATTERS RELATING
TO THE H SHARE OPTION SCHEME;
(12) PROPOSED AUTHORISATION TO THE BOARD OF DIRECTORS AND/OR THE
DELEGATEE(S) TO HANDLE MATTERS RELATING TO THE H SHARE AWARD SCHEME;
AND
(13) NOTICE OF ANNUAL GENERAL MEETING

LETTER FROM THE BOARD

I. INTRODUCTION

The purpose of this circular is to provide shareholders with information on certain resolutions to be proposed at the Annual General Meeting.

II. RESOLUTIONS

1. REPORT OF THE BOARD OF DIRECTORS FOR 2025

An ordinary resolution will be proposed at the AGM to consider and approve the report of the Board for the year ended December 31, 2025, the full text of which is set out in the 2025 Annual Report.

2. 2025 ANNUAL REPORT

An ordinary resolution will be proposed at the AGM to consider and approve the 2025 Annual Report. The 2025 Annual Report has been published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.axera-tech.com).

3. RE-APPOINTMENT OF AUDITOR FOR 2026

In accordance with the Articles of Association, KPMG will retire as the auditor of the Company at the Annual General Meeting and has indicated its willingness to be re-appointed as the auditor of the Company for the year following the conclusion of the Annual General Meeting.

An ordinary resolution will be proposed at the Annual General Meeting to approve the re-appointment of KPMG as the auditor of the Company and to authorise the Board to fix its remuneration.

The preliminary estimated audit fee for the audit services in respect of the financial year ending December 31, 2026 is approximately RMB3 million. The estimated audit fee was determined after taking into account factors including the complexity and scale of the Group's business operations, the expected scope of the audit work, the audit timetable and the level of resources required for the audit engagement.

The estimated audit fee is based on the information currently available as at the Latest Practicable Date. The final audit fee may be adjusted if there is a material change in the basis or assumptions upon which the estimated audit fee was determined, including any material change in the scope of the audit work or other relevant circumstances arising in the course of the audit. Save for such material changes, the final audit fee is not expected to differ materially from the estimated audit fee disclosed above.

4. 2026 EXECUTIVE DIRECTORS' REMUNERATION PACKAGE

An ordinary resolution will be proposed at the Annual General Meeting to approve the Executive Directors' remuneration package for the year ending December 31, 2026. The remuneration of executive Directors shall be determined based on their positions within the Company, individual merit and the Company's overall performance.

LETTER FROM THE BOARD

5. 2026 NON-EXECUTIVE DIRECTORS' REMUNERATION PACKAGE

An ordinary resolution will be proposed at the Annual General Meeting to approve the non-executive Directors' remuneration package for the year ending December 31, 2026. The non-executive Directors shall not be entitled to any remuneration or allowance for their roles as Directors.

6. 2026 INDEPENDENT NON-EXECUTIVE DIRECTORS' REMUNERATION PACKAGE

An ordinary resolution will be proposed at the Annual General Meeting to approve the independent non-executive Directors' remuneration package for the year ending December 31, 2026. The 2026 annual remuneration of independent non-executive Directors shall not exceed HK\$300,000 per person before tax.

7. PROPOSED GRANT OF GENERAL MANDATE TO ISSUE SHARES

In order to provide the Company with the flexibility to issue Shares in a timely manner, a special resolution will be proposed at the Annual General Meeting to approve the granting of the Issue Mandate to the Board to allot, issue or deal with (including the sale or transfer of any Treasury Shares) additional H Shares not exceeding 20% of the total number of Shares in issue (excluding any Treasury Shares, if applicable) as at the date of passing of the relevant resolution, respectively. As at the Latest Practicable Date, the Company had 588,936,581 H Shares in issue, and there are no Treasury Shares. Subject to the passing of the resolution for the granting of the Issue Mandate and on the basis that the total number of the issued Shares of the Company remains unchanged as at the date of the AGM, the Company will be allowed to allot and issue up to a maximum of 117,787,316 H Shares under the Issue Mandate.

8. PROPOSED GRANT OF GENERAL MANDATE TO REPURCHASE H SHARES

In order to provide the Board with flexibility to repurchase H shares in appropriate circumstances, a special resolution will be proposed at the Annual General Meeting to approve the grant of the Share Repurchase Mandate to the Board to repurchase on the Stock Exchange not more than 10% of the total number of H shares in issue as at the date of passing of the proposed special resolution at the AGM, and to determine whether such repurchased H Shares shall be held as Treasury Shares by the Company or otherwise be cancelled. As at the Latest Practicable Date, the Company had 588,936,581 H Shares in issue. Subject to the passing of the resolution for the granting of the Share Repurchase Mandate and on the basis that the total number of the issued Shares of the Company remains unchanged as at the date of the AGM, the Company would be entitled to repurchase up to 58,893,658 H Shares under the Share Repurchase Mandate, representing 10% of the total number of H Shares in issue (excluding any Treasury Shares).

As at the Latest Practicable Date, the Company had no Treasury Shares. Appendix I to this circular contains the explanatory statement required under the Listing Rules to provide Shareholders with the necessary information reasonably required to enable them to make an informed decision on whether to vote for or against the grant of the Share Repurchase Mandate.

9. PROPOSED ADOPTION OF THE H SHARE OPTION SCHEME

The Board proposed the adoption of the H Share Option Scheme, which will be valid and effective for a period of ten (10) years commencing on the Adoption Date. The provisions of the H Share Option Scheme will comply with the requirements of Chapter 17 of the Listing Rules. The proposed adoption of the H Share Option Scheme and the proposed authorisation to the Board or the Delegatee(s) to handle matters relating to the H Share Option Scheme are subject to the approval of the Shareholders by special

LETTER FROM THE BOARD

resolution(s) at the AGM. As at the Latest Practicable Date, the Company had no specific intention to grant any Options under the H Share Option Scheme.

The full text of the H Share Option Scheme is set out in the Appendix II to this circular. Set forth below are the principal terms of the H Share Option Scheme:

(1) Purposes of the H Share Option Scheme

The purpose of the H Share Option Scheme is to: (i) facilitate the achievement of the Company's long-term sustainable development and performance objectives; (ii) closely align the interests of the Grantees with those of the Shareholders, investors, and the Company to enhance corporate cohesion, and promote the maximization of the Company's value; (iii) improve the Company's incentive mechanisms to attract, motivate, and retain Directors, senior management, and employees who have made material contributions to the Company's continuous operation, development, and long-term growth; and (iv) recognize and affirm the contributions made or to be made by Eligible Participants to the Company.

(2) Duration and Termination

The H Share Option Scheme shall be valid and effective for the scheme period (being a term of ten (10) years commencing on the Adoption Date unless sooner terminated. The H Share Option Scheme may be terminated at any time by the Board at its absolute discretion without Shareholders' approval, provided that the Board will only exercise such discretion under specific circumstances where the Board determines appropriate, such as, but not limited to where the Board is of the view that the H Share Option Scheme can no longer serve its designated purposes or when a new share scheme is proposed to be adopted to replace the H Share Option Scheme.

After the expiry or termination of the H Share Option Scheme, no further Options shall be offered or granted, but in all other respects the provisions of the H Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the vesting and exercise of any Options granted under the H Share Option Scheme prior thereto or otherwise as may be required in accordance with the provisions of the H Share Option Scheme, and Options granted prior to such expiry or termination shall continue to be valid and exercisable in accordance with the H Share Option Scheme and their terms of grant.

(3) Participants and the basis of determining the eligibility of Participants

The Board considers that the adoption and implementation of the H Share Option Scheme will motivate more people to contribute to the Group's development. The H Share Option Scheme, which allows grant by the Company of share-based incentive in the form of options, will enable the Group to attract, retain and motivate high-caliber participants to promote the sustainable development of the Group in line with the performance goals of the Group, and as such, it is in the interests of the Group as a whole that more and wider categories of people be eligible for the H Share Option Scheme so as to incentivize them to contribute to the Group's growth and development. Furthermore, the Board considers that the Participants will share the same interests and objectives with the Group upon the grant of options, which is in turn beneficial to the long-term development of the Group. In addition, the adoption of the H Share Option Scheme is in line with modern commercial practice that full-time or part-time employees, Directors (including the independent non-executive director(s)) and senior management of the Group and connected entities and the Shareholders be given incentives to

LETTER FROM THE BOARD

work towards the goal of enhancing the enterprise value and attaining the long-term objectives of the Company for the benefit of the Group as a whole.

Eligible Participants under the H Share Option Scheme include the following three categories:

- (1) Employee Participants;
- (2) Related Entity Participants; and
- (3) Service Provider Participants.

Employee Participants

In assessing the eligibility of Employee Participants, the Board will consider all relevant factors as appropriate, including, among others:

- (i) his/her skills, knowledge, experience, expertise and other relevant personal qualities;
- (ii) his/her performance, time commitment, responsibilities or employment conditions and the prevailing market practice and industry standard;
- (iii) his/her contribution made or expected to be made to the growth of the Group;
- (iv) his/her length of engagement or employment with the Group; and
- (v) his/her educational and professional qualifications, and knowledge in the industry.

Related Entity Participants

In assessing the eligibility of the Related Entity Participants, the Board will consider all relevant factors as appropriate, including, among others:

- (i) the positive impacts (including support, assistance, guidance, advice, efforts and/or contributions) brought by, or expected from, the Related Entity Participant on the Group's business development in terms of an increase in revenue or profits, an addition of expertise to the Group and/or other aspects in support of the development and growth of the Group's business;
- (ii) the actual degree of involvement in and/or cooperation with the Group and length of collaborative relationship the Related Entity Participant has established with the Group via its role and position held with the Related Entity;
- (iii) the number, scale and nature of the projects which promote the business, development and growth of the Group in which the Related Entity Participant is involved;
- (iv) whether the Related Entity Participant has referred or introduced opportunities to the Group which have materialised into further business relationships;

LETTER FROM THE BOARD

- (v) whether the Related Entity Participant has assisted the Group in tapping into new markets and/or increased its market share; and
- (vi) the materiality and nature of the business relation between the Related Entity of which the Related Entity Participant holds office or position on the one hand and the Group on the other hand, and the Related Entity Participant's contribution in such Related Entity which may benefit the core business of the Group through a collaborative relationship.

Furthermore, the Board will use the following specific benchmarks in measuring the contributions of Related Entity Participants when determining their eligibility:

- (i) the actual or reasonably expected incremental revenue or profits attributable to the collaborative relationship between the relevant Related Entity Participant and the Group, as measured by reference to the Group's audited or management financial information;
- (ii) whether the Related Entity Participant has provided, or is reasonably expected to provide, specialised knowledge, technical expertise, or industry know-how that materially supplements or enhances the Group's existing capabilities;
- (iii) the number and value of business opportunities, client referrals, or new market introductions attributable to the efforts of the Related Entity Participant, including whether such opportunities have materialised into executed commercial arrangements;
- (iv) the frequency, regularity and scale of the Related Entity Participant's involvement in the Group's projects or operations, and the length of the collaborative relationship (measured in years); and
- (v) the degree to which the Related Entity Participant's services or contributions relate to the core business of the Group, and whether such contributions could be readily replaced by alternative third-party providers on comparable terms.

With reference to the scope of the Eligible Participants and the corresponding eligibility criteria, and considering the Company's hiring practices and organisational structures, the Directors (including the independent non-executive Directors) are of the view that it would be in the Group's interest to permit the Company such flexibility in granting Options to the Related Entity Participants in recognition of their contribution to the Group's long-term growth and development, given those which will be selected are those which maintain a close collaborative business relationship with the Group. It also enables the Group to preserve its cash resources and use share-based incentives to encourage persons outside of the Group to contribute to the Group. A sustainable and stable relationship with the Related Entity Participants is vital for the Group and the inclusion of non-employee participants under the H Share Option Scheme would align their interest with the interest of the Group and incentivise them to provide better services to create more opportunities for and/or contribute to the success of the Group in the long run, and thus promoting the growth and development of the Group, and enabling the purpose of the H Share Option Scheme to be achieved. Therefore, the Directors consider that the inclusion of the Related Entity Participants aligns with the long-term interests of the Company and the Shareholders.

On top of the above, the Board will take into account different factors when assessing the eligibility of and contribution (or potential contribution) made or to be made by the Related Entity Participants. It is not necessary for a Related Entity Participant to meet every benchmark mentioned

LETTER FROM THE BOARD

above. Nevertheless, the Board shall be satisfied that the Related Entity Participant's overall contribution to the Group (whether existing or anticipated) is material in nature and directly aligned with the Group's long-term growth objectives. The Board also has the discretion to impose different terms and conditions (including but not limited to performance targets) on the Options to be granted to the Related Entity Participants, which provides the Board with greater flexibility to impose appropriate conditions in light of the particular circumstances of each grant so that it would become a more meaningful reward for the contribution or potential contribution made by the Related Entity Participants.

The Company has not granted any share awards or share options to Related Entity Participants previously. The specific reasons why it is necessary to include Related Entity Participants in both the H Share Option Scheme and the H Share Award Scheme are as follows:

- (i) Prior to the Company's listing on the Stock Exchange, the Group's incentive arrangements were primarily structured through contractual and cash-based mechanisms that were appropriate for a private company. Now that the Company has become a publicly listed company on the Stock Exchange, it is both appropriate and necessary to establish a comprehensive, market-standard equity incentive framework that leverages the liquidity and transparency of the Company's listed H Shares. The listing provides the Company with a publicly traded equity currency that can be used to align the interests of all key contributors (including Related Entity Participants) with those of the public Shareholders. Equity-based incentives are significantly more effective for a listed company than for a private company, as participants can realise tangible value through a liquid secondary market, thereby enhancing the motivational and retention effects of both the H Share Option Scheme and the H Share Award Scheme;
- (ii) The Company operates in the semiconductor industry, which is characterised by an extended value chain requiring close and sustained collaboration among entities across design, manufacturing, packaging, and testing. The Group's success depends substantially on the contributions of key personnel within its Related Entities (including holding companies, fellow subsidiaries, and associated companies) whose strategic guidance, resource sharing, and operational support are integral to the Group's development;
- (iii) The Company reasonably anticipates that it may in the future acquire equity interests in investee companies whose operations complement and support the Group's business. Including Related Entity Participants at this stage provides the Company with flexibility to incentivise key personnel of such future investee companies from the inception of any such investment, without the need to seek further Shareholders' approval to amend the scope of the Schemes at a later date;
- (iv) Granting share-based incentives to Related Entity Participants enables the Group to conserve cash resources while meaningfully aligning the interests of these participants with those of the Company and the broader Shareholder base. Upon acquiring a direct ownership interest in the Company, Related Entity Participants will be motivated to contribute more actively to the Group's growth; and
- (v) Having regard to the scope of eligible participants adopted by comparable listed semiconductor companies on the Stock Exchange, the Board considers that the inclusion of Related Entity Participants is consistent with prevailing industry practice.

LETTER FROM THE BOARD

Having considered the nature of the Group's business, the extended value chain in the semiconductor industry, and the importance of sustaining close collaborative relationships with key personnel within Related Entities, the independent non-executive Directors are satisfied that the inclusion of Related Entity Participants in both the H Share Option Scheme and the H Share Award Scheme is appropriate and in the long-term interests of the Company and its Shareholders. The specific benchmarks for measuring contributions, together with the safeguards provided by the Scheme Limit, Service Provider Sublimit, and Individual Limit, ensure that grants will only be made to those Related Entity Participants who have made, or are expected to make, material contributions to the Group. The independent non-executive Directors believe that such inclusion aligns with the overarching purposes of both the H Share Option Scheme and the H Share Award Scheme, namely to attract, motivate and retain individuals who contribute meaningfully to the Group's sustained growth and long-term success, and is consistent with market practice among comparable listed companies in the semiconductor industry.

As a result, the Board (including independent non-executive Directors) considers that the proposed categories of and assessment criteria for the Related Entity Participants are in line with the purpose of the H Share Option Scheme, the Company's business needs and the industry norm, desirable and necessary from a commercial perspective and help maintain and/or enhance the competitiveness of the Group. Through the grant of the Options, such participants and the Group will have a common goal in the growth and development of the Group's business, and could participate in the future prospect of the Group and share the additional reward through their sustainable contribution, which is in the interest of the Company and the Shareholders as a whole.

Service Provider Participants

The Company is a provider of AI inference SoCs, delivering cutting-edge perception and computing platforms for edge and endpoint AI applications. The revenue was primarily derived from the sales of on-device computing products, with a growing contribution from smart vehicle SoCs and edge AI inference products, and our suppliers primarily consisted of foundries, assembly contractors, IP and software vendors, and other service providers.

In assessing the eligibility of the Service Provider Participants, the Board has considered all relevant factors as appropriate, including, among others, (a) the individual performance of the Service Provider Participants; (b) the frequency of collaboration and the length of business relationship with the Group; (c) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (d) the track record in the quality of services provided to and/or cooperation with the Group and the ability to maintain the quality of services; (e) the scale of business dealings and/or collaboration with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the Service Provider Participants; (f) the actual contribution or potential contribution towards the long-term development and success of the Group; and (g) the remuneration packages of comparable listed peers for similar service providers based on available information in the industry.

LETTER FROM THE BOARD

Based on the above criteria, the Board has categorized the Service Provider Participants to include IP and software vendors. These are specialised software companies that develop application-layer software, middleware, toolchains, development frameworks and industry-specific solutions that are built upon, optimised for, or designed to interoperate with the Group's AI semiconductor chips and computing platforms. IP and software vendors are essential to building and expanding the Group's software ecosystem, which is a critical determinant of the commercial adoption and market competitiveness of the Group's semiconductor products. In the AI semiconductor industry, hardware value is substantially enhanced by a robust and diverse software ecosystem, and IP and software vendors serve as the primary bridge between the Group's chip-level capabilities and the end-user applications deployed across sectors such as intelligent vision, autonomous driving, smart retail, industrial IoT and edge AI. The Group collaborates with IP and software vendors on a regular and recurring basis through joint development programmes, SDK integration, software optimisation and co-marketing initiatives. The nature of such collaboration is long-term and deeply embedded in the Group's product strategy, and the degree of IP and software vendors' integration into the Group's platform ecosystem is comparable to that of internal software engineering teams. The Group maintains sustained engagements with IP and software vendors due to the iterative and ongoing nature of software development, platform updates and cross-generational product compatibility requirements.

For the avoidance of doubt, our Service Provider Participants exclude any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

Notwithstanding the foregoing, no person shall be regarded as an Eligible Participant if, as at the date of grant, any of the following circumstances exists in respect of such person:

- (i) has been publicly censured or declared as an unsuitable person by a securities regulatory authority within the preceding 12 months;
- (ii) has been subject to administrative penalties imposed by a securities regulatory authority for material violations of laws or regulations within the preceding 12 months;
- (iii) is subject to any prohibition from participating in this H Share Option Scheme as prescribed by applicable laws and regulations;
- (iv) has committed any other serious breach of the Group's internal rules and policies, or has been determined by the Board to have caused material harm to the interests of the Group; or
- (v) falls within any other circumstances as determined by the Board for the purpose of safeguarding the interests of the Group and ensuring compliance with applicable laws and regulations in connection with the operation of this H Share Option Scheme.

The Service Provider Participants comprise two sub-categories: (i) IP vendors, being specialised providers that license semiconductor intellectual property cores (such as processor cores, interface protocols, memory controllers and signal processing blocks), proprietary design blocks and related technology to the Group for integration into the Group's AI inference SoC chip designs; and (ii) software vendors, being specialised companies that develop application-layer software, middleware, toolchains, development frameworks and industry-specific solutions that are built upon, optimised for, or designed to interoperate with the Group's AI semiconductor chips and computing platforms. Both of them share certain fundamental characteristics that make equity-based incentives more appropriate than solely monetary compensation, while also presenting category-specific considerations as elaborated below.

LETTER FROM THE BOARD

First, the value of contributions made by both IP vendors and software vendors is inherently long-term and compounding in nature, which renders monetary compensation structurally inadequate as the sole form of incentive. In the case of IP vendors, the semiconductor IP cores licensed to the Group are integrated into SoC products whose commercial lifecycle typically spans multiple years from initial chip design through volume production and end-of-life support. Monetary compensation for IP vendors compensates for discrete deliverables at a fixed point in time and does not adequately align the IP vendor's economic interest with the long-term commercial success of the Group's products incorporating such IP. In the case of software vendors, each additional application, tool or solution developed for the Group's platform increases the overall ecosystem value and strengthens the Group's competitive moat in a compounding manner. Monetary compensation for software vendors (such as fixed service fees or project-based payments) likewise rewards discrete deliverables but fails to capture or incentivise the cumulative, compounding nature of ecosystem development. By contrast, equity-based incentives with time-based vesting directly tie the returns of both IP vendors and software vendors to the sustained growth of the Company's enterprise value, which is itself driven in significant part by the quality of the Group's IP portfolio and the breadth of its software ecosystem. This creates a virtuous cycle whereby both categories of Service Provider Participants are motivated to continuously invest in developing, optimising and supporting the Group's platforms over the long term, thereby driving hardware adoption, which in turn increases the Company's share price and the value of their equity incentives.

Second, the AI semiconductor industry is characterised by intense competition for access to both cutting-edge IP cores and high-quality software ecosystem partners. Leading IP vendors are selective in allocating their engineering resources and priority support across competing semiconductor platforms, and software vendors similarly face a choice in allocating their development resources across competing platforms. Granting equity participation gives both sub-categories of Service Provider Participants a direct ownership interest in the Company, creating a powerful incentive for them to prioritise the Group's platform and allocate their best engineering talent, latest technology and development resources to the Group's chip development programmes and ecosystem expansion, rather than diverting such resources to competing semiconductor companies. Monetary compensation alone does not create this degree of platform loyalty or preferential resource allocation.

Third, unlike monetary compensation which typically compensates for past or current services, equity incentives align both sub-categories of Service Provider Participants' forward-looking interests with those of the Company and its Shareholders. IP vendors who hold equity in the Company are incentivised to proactively develop next-generation IP tailored to the Group's platform roadmap and to provide ongoing optimisation and technical support beyond their baseline contractual obligations. Software vendors who hold equity are incentivised not merely to fulfil existing contractual obligations but to proactively identify new application opportunities, expand into adjacent market verticals and invest in continuous improvement of their software offerings on the Group's platform. In both cases, this forward-looking alignment contributes to the long-term growth of the Group's business and the maximisation of Shareholder value in a manner that fixed monetary payments cannot achieve.

The Company has reviewed the share incentive schemes of comparable Hong Kong-listed semiconductor and technology companies, and considers that it is common market practice for such companies to include service providers as eligible participants under their share schemes. The structure of the Schemes, including the application of a separate Service Provider Sublimit capped at 1% of total Shares in issue, is consistent with the approach adopted by peer companies and provides an appropriate safeguard against excessive dilution.

LETTER FROM THE BOARD

The Company has sought legal advice on the H Share Award Scheme and H Share Option Scheme and understands that although participants in the H Share Award Scheme and H Share Option Scheme are not limited to executives and employees of the Group, the adoption of the H Share Award Scheme and H Share Option Scheme does not constitute an offer to the public, and the prospectus requirements of the Companies (Winding Up and Miscellaneous Provision) Ordinance are not applicable.

Rationale for including Related Entity Participants and Service Provider Participants in the H Share Option Scheme

In respect of Related Entity Participants:

The Board and the independent non-executive Directors are of the view that including Related Entity Participants in the H Share Option Scheme is necessary for the reasons set out below.

- (i) the Group's success is heavily dependent on the efforts and cooperation of key external parties, including Related Entity Participants, who maintain a close relationship with the Group and are capable of materially influencing its business, reputation, operations, and performance. Extending the grant of Options to Related Entity Participants enables the Company to reinforce their commitment to the Group and offer a meaningful incentive that fosters greater engagement in the pursuit of the Group's business objectives;
- (ii) the Company operates in a dynamic and capital-intensive semiconductor industry in which strategic investments in complementary businesses and technologies may be undertaken as part of the Group's long-term growth strategy. It is reasonably anticipated that the Company may in the future acquire equity interests in investee companies whose operations support the Company's development and competitiveness. Including Related Entity Participants as Eligible Participants at this stage provides the Company with the flexibility to incentivize and align the interests of key personnel of such future investee companies with those of the Company from the inception of any such investment, without the need to seek further Shareholders' approval to amend the scope of the H Share Option Scheme at a later date;
- (iii) the grant of Options to Related Entity Participants facilitates the maintenance of stable and lasting relationships with key partners and helps conserve the Group's cash resources through the use of equity-based incentives to attract and retain external talent and collaborators. By acquiring a direct ownership interest in the Company through such Options, Related Entity Participants will become Shareholders of the Company, thereby aligning their interests with those of the Company and the broader Shareholder base; and
- (iv) having regard to the nature of the Group's business model and the scope of participants adopted by comparable listed companies on the Stock Exchange, the Board and the independent non-executive Directors consider that the inclusion of Related Entity Participants in the H Share Option Scheme is consistent with the Group's operational needs and prevailing industry practice. The selection criteria established for Related Entity Participants are likewise aligned with the objectives of the H Share Option Scheme.

LETTER FROM THE BOARD

In respect of Service Provider Participants:

The Board (including the independent non-executive Directors) considers that the inclusion of Service Provider Participants in the H Share Option Scheme is both appropriate and necessary. The Group's ongoing performance is partially dependent on the engagement and support of key external parties, and Service Provider Participants furnish critical expertise and professional services that underpin the Group's day-to-day operations and long-term development prospects. Extending option grants to Service Provider Participants serves to strengthen their allegiance to the Group, encourage a more active role in advancing the Group's business objectives, cultivate durable and stable partnerships with important collaborators, and preserve the Group's liquidity by deploying equity-based arrangements as a tool for securing and retaining external talent. Upon obtaining a direct ownership stake in the Company by way of such Options, these participants will become Shareholders of the Company, ensuring that their interests are brought into alignment with those of the Company and Shareholders as a whole.

The services provided by Service Provider Participants are, in substance, akin to those performed by employees, given the regular and continuing nature of their work. In respect of IP and software vendors, the sustained and deeply embedded nature of their collaboration across the Group's product commercialisation and ecosystem development represents a permanent and vital contribution to its operations, analogous to the role performed by internal teams responsible for product delivery, platform management and market development. The ongoing and recurring character of such engagements is consistent with the Note to Rule 17.03A(1), which contemplates persons retained by the issuer as independent contractors whose regularity and continuity of service mirror those of employees.

The Company confirms that it does have internal staff who perform functions that are related to, but distinct from, those performed by the Service Provider Participants (being IP and software vendors engaged). The following sets out the comparison between the roles of the Group's internal staff and the Service Provider Participants:

In respect of functions related to IP vendors:

The Group maintains an internal chip design team comprising SoC architects, digital/analog design engineers, verification engineers and physical design engineers. The role of the internal chip design team is to define the Group's proprietary SoC architecture, integrate various IP blocks into a unified chip design, conduct full-chip verification and validation, and manage the tapeout and production process. By contrast, the IP vendors serve as external licensors of discrete, pre-designed and pre-verified semiconductor IP cores (such as processor cores, interface protocols, memory controllers and signal processing blocks) that the Group's internal team integrates into its proprietary SoC designs. The IP vendors do not participate in defining the Group's overall chip architecture, full-chip integration, system-level verification or production management. The internal team is responsible for the "system-level" design decisions and the holistic product, whereas IP vendors provide specialised, modular building blocks that would be uneconomical and inefficient for the Group to develop in-house given the significant R&D investment, specialised expertise and long development cycles required for each IP core. The relationship is therefore complementary rather than duplicative: the internal team requires access to best-in-class external IP to remain competitive in time-to-market and chip performance, and the IP vendors' contributions are incorporated into (but do not substitute for) the work performed by the Group's internal engineers.

LETTER FROM THE BOARD

In respect of functions related to software vendors:

The Group maintains an internal software engineering team responsible for developing the Group's core platform software, including the proprietary operating system kernel, hardware abstraction layers, chip-level drivers, compiler toolchains, neural network inference engines, and the foundational software development kit (SDK). The internal software engineering team's role is to build and maintain the core software infrastructure that enables the Group's chips to function, and to provide the baseline development environment upon which third-party applications can be built. By contrast, the software vendors develop application-layer software, industry-specific solutions, middleware and specialised toolchains that run on top of the Group's platform software and are tailored to specific end-market verticals such as intelligent vision, autonomous driving, smart retail, industrial IoT and edge AI. The software vendors expand the breadth and depth of the Group's software ecosystem by creating diverse, market-facing applications and solutions that drive commercial adoption of the Group's semiconductor products across multiple industry verticals.

Independent Non-Executive Directors as Eligible Participants

Independent non-executive Directors are eligible to participate in the H Share Option Scheme as Eligible Participants. The Board is of the view that their inclusion is consistent with the overarching purpose of the H Share Option Scheme, namely to attract and retain individuals who are capable of making a meaningful contribution to the Group's sustained growth and long-term success. Retaining the ability to grant Options to independent non-executive Directors affords the Company the means to offer a competitive remuneration package. In reaching this view, the Company has also had regard to the significant role that independent non-executive Directors play in the development and business of the Group, particularly through the provision of informed guidance and strategic recommendations to the Board drawing upon their respective industry expertise, professional experience, and diverse backgrounds. The Company further recognizes that share-based remuneration constitutes an effective mechanism for ensuring that the interests of Shareholders are aligned with those of all members of the Board, including the independent non-executive Directors.

The Company considers that the independence and objectivity of the independent non-executive Directors will not be compromised by any Options that may be granted under the H Share Option Scheme, for the following reasons:

- (a) Each independent non-executive Director is required to satisfy, and continue to comply with, the independence criteria prescribed under Rule 3.13 of the Listing Rules;
- (b) In determining whether to grant Options to independent non-executive Directors, the Board will have due regard to paragraph E.1.9 of the Corporate Governance Code set out in the Listing Rules, which provides that an issuer should not ordinarily remunerate independent non-executive directors by reference to performance-related elements tied to their shareholdings. Where the proposed Grantee is an independent non-executive Director, the Board will only proceed with a grant of Options if it is satisfied that doing so will not give rise to any bias in decision-making or otherwise impair the objectivity and independence of the Grantee in the discharge of his or her duties as an independent non-executive Director; and

LETTER FROM THE BOARD

- (c) The Company has taken into account the valuable contribution that independent non-executive Directors are capable of making to the development and business of the Group, including by offering informed counsel and strategic recommendations to the Board on the strength of their respective industry knowledge, professional experience, and varied backgrounds. Share-based remuneration serves as an important tool for aligning the interests of Shareholders with those of all Board members, including the independent non-executive Directors.

As at the Latest Practicable Date, the Company does not have any plan or intention to grant Options to the independent non-executive Directors. The inclusion of independent non-executive Directors as Eligible Participants is designed to afford the Company flexibility to maintain competitive remuneration arrangements and is in keeping with the fundamental objective of the H Share Option Scheme, being the attraction and retention of individuals who contribute meaningfully to the long-term growth and continued success of the Group.

Specific reasons for including Related Entity Participants and Service Provider Participants as Eligible Participants for both the H Share Option Scheme and the H Share Award Scheme

The Company has included Related Entity Participants and Service Provide Participants as Eligible Participants under both the H Share Option Scheme and the H Share Award Scheme for the following reasons:

- (i) **Complementary incentive instruments:** Options and awards serve fundamentally different incentive functions and are suited to different strategic objectives. Options incentivise participants to drive sustained share price appreciation over the medium to long term, as value is only realised upon exercise at a price above the exercise price, thereby closely aligning the interests of participants with those of Shareholders. Share awards, by contrast, provide a more immediate and tangible form of recognition and reward that is less dependent on share price movements and can be deployed to retain key contributors or to reward the achievement of specific operational milestones. The availability of both instruments affords the Board the flexibility to design bespoke incentive arrangements calibrated to the nature of the services rendered, the strategic importance of the relationship, and the specific circumstances and motivations of each Related Entity Participant and Service Provider Participant.
- (ii) **Differentiated risk/reward profiles to diverse participant characteristics:** Related Entity Participants and Service Provider Participants encompass a broad spectrum of individuals and entities with varying risk appetites, compensation expectations, and time horizons. Certain participants may prefer the leveraged upside potential inherent in options, while others may place greater value on the certainty and downside protection afforded by share awards. Furthermore, participants who provide services on a project-specific or shorter-term basis may be more appropriately incentivised through share awards with tailored vesting conditions, whereas those engaged in longer-term strategic collaborations may benefit from options that reward sustained value creation. Maintaining eligibility under both schemes enables the Board to exercise informed discretion in selecting the most suitable incentive tool, or a combination thereof, having regard to the particular profile and contribution of each participant.
- (iii) **Operational flexibility to respond to evolving business needs:** The Group's business activities involve ongoing collaboration with related entities and engagement of external service providers across a range of functions. The nature and scope of these relationships may evolve over time, and the most effective form of incentive for a particular participant may change accordingly.

LETTER FROM THE BOARD

Dual eligibility ensures that the Board retains the operational flexibility to adjust incentive arrangements in response to changing business circumstances without the need to seek further Shareholder approval solely to extend eligibility from one Scheme to another.

- (iv) **Administrative efficiency:** Maintaining a consistent scope of Eligible Participants across both schemes avoids unnecessary administrative complexity, reduces the risk of inadvertent gaps in incentive coverage, and ensures a coherent and unified governance framework for the administration of share-based incentives. This consistent approach also facilitates clear and transparent disclosure to Shareholders regarding the categories of persons who may participate in the Company's equity incentive arrangements.

(4) Vesting Period

The vesting period in respect of any Options under the H Share Option Scheme shall not be less than 12 months (or such other period as the Listing Rules may prescribe or permit from time to time). Options granted to Employee Participants may be subject to a shorter vesting period as determined by (i) the Remuneration Committee if such Employee Participant is a Director or a senior manager (as defined under Rule 17.01A of the Listing Rules) of the Company, or (ii) the Board if such Employee Participant is not a Director or a senior manager (as defined under Rule 17.01A of the Listing Rules) of the Company, under any of the following circumstances:

- (a) grants of "make-whole" options to a new Eligible Participant to replace the share awards or share options that such Eligible Participant of the H Share Options Scheme forfeited when leaving his or her previous employer;
- (b) the grant of Options to Employee Participants whose employment is terminated by reason of death, disability or any force majeure event;
- (c) the time for granting awards may be delayed due to administrative or compliance requirements, which typically necessitate granting awards in batches within a year. In such cases, the vesting period may be adjusted to take into account the time when the awards would have been granted if not for such administrative or compliance requirements;
- (d) grants of awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months or release in batches with the first batch vesting within 12 months after the grant date, and the final batch vesting after 12 months following the grant date;
- (e) grants of awards with performance-based vesting conditions as determined by the Board, in lieu of time-based vesting criteria; and
- (f) grants of awards with a total vesting and holding period of more than 12 months

Hence, the Board and the Remuneration Committee are of the view that the vesting period (including the circumstances in which a shorter vesting period may apply) could motivate and provide incentives to the Employee Participants and to attract and retain the best available personnel for the Group, which is appropriate, and aligns with the market practice and the purpose of the H Share Option Scheme.

LETTER FROM THE BOARD

(5) Performance targets and clawback mechanism

Unless otherwise determined by the Board or specified in the grant, there is generally no performance target that needs to be achieved before the exercise of an Option granted to a Grantee, provided that:

- (a) In respect of any Participant who is a Director or senior manager (as defined under Rule 17.01A of the Listing Rules) of the Company, the Remuneration Committee may, or in respect of any other Participant, the Board may, establish performance targets against the attainment of which the Options (as the case may be) granted to the such participants concerned. The Directors (or, as the case may be, the Remuneration Committee) shall have the authority, after the grant of any Option (as the case may be) which is performance linked, to make fair and reasonable adjustments to the prescribed performance targets during the vesting period if there is a change in circumstances, provided that any such adjustments shall be less stringent than the original performance targets and are considered fair and reasonable by the Directors (or, as the case may be, the Remuneration Committee).
- (b) Proposed performance targets include business, financial, operations and creation of capital value for the Group's business segments (such as increase in revenue and net profit) as well as that for the participants based on individual performance indicators relevant to their roles and responsibilities. The Directors (or, as the case may be, the Remuneration Committee) will conduct assessment at the end of a performance period by comparing the performance of the business segments and the individual performance of the participants with the pre-agreed targets to determine whether the targets and the extents to which the targets have been met.

The Board may at its discretion specify any conditions (including performance targets (if any)) which must be satisfied before the Options may be exercised. The Board considers that the purpose of granting Options is to remunerate or compensate employees and it may not always be appropriate to impose performance target or expressly set out a generic set of performance targets in the H Share Option Scheme, as each participant will play different roles and contribute in different ways to the Group, and new performance targets may be taken into account and/or imposed depending on the development of the industry segment and the macro environment. The Board would like to retain flexibility in setting the terms and conditions of each grant to facilitate the aim to offer incentives to attract quality personnel that are valuable to the development of the Group and for the benefit of the Group and the Shareholders as a whole.

In circumstances where it, in the absolute opinion of the Board, may be regarded as inequitable for any Options to be vested or retained and/or (in case such Option has been exercised) the underlying H Shares issued and allotted upon exercise of such Option to be held (as the case may be) by any Grantee, including but not limited to where there has been a material misstatement or omission in the financial reports of the Group or if the relevant Grantee has committed any fraud or serious misconduct, such Option if any, and (in case such Option has been exercised) the underlying H Shares issued and allotted upon exercise of such Option if any, shall be subject to clawback. For the avoidance of doubt, any Options, (in case such Option has been exercised) the underlying H Shares issued and allotted upon exercise of such Options may be subject to clawback pursuant to the Company's policy on clawback, as amended from time to time.

LETTER FROM THE BOARD

The Board considers that the clawback mechanism allowing the Company to clawback the Options granted to Grantees culpable of misconduct is appropriate, as it would not be beneficial to the Group for the relevant Grantee continuing to benefit from the Options granted under the circumstances that would trigger the clawback mechanism, which is in line with the purpose of the H Share Option Scheme and in the interests of the Group and the Shareholders as a whole. Under such circumstances, unless the Board or the authorized person(s), in their absolute discretion, decides otherwise, any unexercised Option shall lapse immediately (regardless of whether such Options has been vested). With regard to the underlying Shares issued, allotted and granted to the grantees pursuant to the H Share Option Scheme (in case such Option has been exercised), the Company shall have the rights to recourse to the selected participant (i) all proceeds generated from the sale or transfer of the underlying Shares (in case such Option has been exercised) issued, allotted and granted to the grantee through the grantee's exercise of Option pursuant to the H Share Option Scheme; and/or (ii) request to effect the seizure and forfeiture of all the relevant Shares by the grantee's exercise of Option.

(6) Basis of determination of the Subscription Price of Options

Grantees to whom Options shall be granted are entitled to subscribe for the number of H Shares at the Subscription Price as determined on the Offer Date. The basis for determining the Subscription Price of Options (being the exercise price of the Option) is in accordance with Rule 17.03E of the Listing Rules, which is also summarized under the paragraph headed "Chapter 6 Exercise Price" in the Appendix II to this circular. It is expected that Grantees will endeavour to contribute to the development of the Group so as to bring about an increased value of the Shares and capitalise on the benefits of the Options, which in turn in the interest of the Group and the Shareholders as a whole.

(7) Source of Shares

The source of the Shares underlying the Options to be granted under the H Share Option Scheme will be satisfied by way of (i) issue and allotment of new H Shares; and/or (ii) transfer of Treasury Shares, if any.

(8) Scheme Limit

As at the Latest Practicable Date, there were 588,936,581 H Shares in issue and there were no Treasury Shares in issue. Assuming that (a) no further Shares will be allotted, issued, repurchased or cancelled prior to the AGM and (b) the resolutions regarding the proposed adoption of the H Share Option Scheme with the relevant Scheme Limit (as defined below) are passed at the AGM, the total number of H Shares which may be issued in respect of all Options that may be granted under the H Share Option Scheme (excluding Options that have lapsed pursuant to the rules of the H Share Option Scheme) and all share options and share awards that may be granted under any Other Schemes would be no more than 58,893,658 H Shares (the "**Scheme Limit**"), representing no more than 10% of the total number of H Shares in issue (excluding any Treasury Shares) as at the Adoption Date.

As at the Latest Practicable Date:

- (i) the Company does not have any share schemes subject to the requirements of Chapter 17 of the Listing Rules, save for the H Share Award Scheme which is now being proposed to the Shareholders for consideration and approval at the AGM, the details of which are set out in Appendix III to this circular; and

LETTER FROM THE BOARD

- (ii) the Company did not hold any Treasury Shares. The Company currently does not have the intention to use Treasury Shares for the H Share Award Scheme. However, the Company may in the future acquire H Shares through the exercise of the Share Repurchase Mandate, which may be held as treasury shares. In such event, the Company may utilize such Treasury Shares for the purpose of satisfying Options granted under the H Share Option Scheme, subject to compliance with the Listing Rules and applicable laws and regulations.

The Scheme Limit may be refreshed by the Shareholders at general meeting after three years from the later date of (i) the date of Shareholders' approval for the last refreshment and (ii) the Adoption Date, provided that:

- (i) the total number of H Shares which may be issued in respect of all Options, if any, and/or incentives and/or awards involving issuance of new H Shares of the Company which may be granted under the H Share Option Scheme, H Share Award Scheme or Other Schemes under the Scheme Limit as "refreshed" shall not in aggregate exceed 10% of the total number of the H Shares in issue (excluding Treasury Shares (if any)) as at the new approval date in compliance with Rule 17.03B; and
- (ii) a circular on the proposed refreshed Scheme Limit and/or refreshed Service Provider Sublimit (as defined below) has been sent to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules, including but not limited to the number of options or awards that were already granted under the existing Scheme Limit and/or the existing Service Provider Sublimit and the reason for the refreshment.

The basis for determining the Scheme Limit includes (i) the potential dilution effect of the voting rights arising from grants to the Eligible Participants; (ii) the importance of striking a balance between achieving the purpose of the H Share Option Scheme and any Other Schemes (including the H Share Award Scheme) and protecting the Shareholders from the dilution effect of the voting rights from granting a substantial amount of options or share awards to the Eligible Participants; and (iii) the expected contribution to the development and growth of the Group attributable to the Eligible Participants. Taking into account the above, the Board considers that the Scheme Limit would not lead to an excessive dilution of voting rights of the existing Shareholders and is appropriate and reasonable.

(9) Service Provider Sublimit

Within the Scheme Limit, the maximum number of new H Shares which may be allotted and issued in respect of all options and share awards to be granted under the H Share Option Scheme and Other Schemes (including the H Share Award Scheme) involving issuance of new H Shares of the Company to Service Provider Participants, shall not exceed 1% of the total number of issued H Shares of the Company (excluding Treasury Shares, if any) as at the date of Shareholders' approval of the Scheme Limit (the "**Service Provider Sublimit**"). Assuming (a) no further Shares will be allotted, issued, repurchased or cancelled prior to the AGM; and (b) the resolutions regarding the proposed adoption of the H Share Option Scheme with the relevant Scheme Limit are passed at the AGM, the total number of H Shares under the Service Provider Sublimit shall not exceed 5,889,365 H Shares, representing 10% of the Scheme Limit. The Service Provider Sublimit will be subject to separate approval by the Shareholders at the AGM, in compliance with Rule 17.03B(2) of the Listing Rules.

LETTER FROM THE BOARD

The basis for determining the Service Provider Sublimit includes (a) the potential dilution effect arising from the options and share awards to the Service Provider Participants; (b) the importance of striking a balance between achieving the purpose of the share incentive schemes and protecting the Shareholders from the dilution effect from granting a substantial amount of incentive shares to the Service Provider Participants; (c) the extent of use of Service Provider Participants in the Group's businesses; (d) the expected contribution to the development and growth of the Company attributable to the Service Provider Participants; and (e) the fact that the Company expects that a majority of options and share awards will be granted to the Employee Participants and as such there is a need to reserve a larger portion of the Scheme Limit for grants to the Employee Participants. Based on the above, the Board considers that the Service Provider Sublimit will not lead to an excessive dilution of shareholding of the existing Shareholders and is appropriate and reasonable.

(10) Individual Limit

During any 12-month period (including the date of the grant of the Options), the maximum number of new H Shares which may be issued in respect of all Options that may be granted under the H Share Option Scheme (excluding options that have lapsed pursuant to the rules of the H Share Option Scheme) and Other Schemes (including the H Share Award Scheme) involving issuance of new H Shares that may be granted shall not exceed 1% of the number of H Shares in issue of the Company (excluding Treasury Shares) from time to time (the "**Individual Limit**"). Without the approval of a resolution by poll at the Shareholders' meeting, the Board and/or the Delegatee(s) shall not grant any additional options or awards involving issuance of new H Shares which would result in excess of the Scheme Limit.

Grant of Options under the H Share Option Scheme to connected persons of the Company shall comply with the following requirements:

- (a) unless otherwise provided by the Listing Rules, any grant of Options by way of issuing new H Shares to a Director, chief executive of the Company or a substantial Shareholder, or any of their respective associates, shall be subject to the approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of Options);
- (b) where any grant of Options to any independent non-executive Director, substantial Shareholders or any of their respective associates, would result in the new Shares issued and to be issued in respect of all options and awards granted under the H Share Option Scheme and any Other Schemes (excluding any options or other awards lapsed in accordance with the terms of the relevant schemes) 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 number of H Shares in issue (excluding any Treasury Shares), such further grant of options must be approved by the Shareholders at a general meeting in the manner set out below; and
- (c) for the purpose of seeking the approval of Shareholders referred to above, the Company shall despatch a circular to the Shareholders. The relevant Grantee, his/her associates and all core connected persons of the Company must abstain from voting in favor at such general meeting. The Company shall comply with the applicable requirements under the Listing Rules.

LETTER FROM THE BOARD

(11) Interests in the Options

The Grantee shall have no voting rights of the Shares underlying the Options until the Options are exercised by the Grantee.

(12) Lapse of Options

The right for the exercise of Options (if unexercised) shall terminate immediately upon the occurrence of such events (whichever occurs earlier):

- (a) the expiry of the Option Period (subject to compliance with applicable laws, rules and regulations including the Listing Rules and the relevant guidelines), subject to any alteration pursuant to the provisions of the rules of the H Share Option Scheme;
- (b) the expiry or Grantee's violation of any of the period requirement in relation to the exercise or the vesting of the Options, as set out in the H Share Option Scheme and/or determined by the Board or the Delegatee(s) in its discretion from time to time;
- (c) the Grantee ceases to be an Eligible Participant due to misconduct, bankruptcy or insolvency, composition with creditors, conviction of a criminal offence involving integrity or honesty, or any other ground entitling the employer to terminate the Grantee's employment at common law, under applicable laws, or under the service contract (the Options that has been grant but not yet exercised will lapse automatically, while the Options that have been exercised and the underlying H Shares issued and allotted shall be subject to clawback in accordance with the Company's policy on clawback, as amended from time to time);
- (d) expiry of any period determined by the Board or the Delegatee(s);
- (e) the Grantee fails to exercise the Options within the prescribed period;
- (f) for Service Provider Participants, the Option lapses on the date the Board or the Delegatee(s) determines, in its sole and absolute discretion, that the Grantee has breached or failed to comply with any contractual provision with a group member, has breached fiduciary duties owed at common law, or is no longer able to contribute to the growth and development of any group member;
- (g) failure to meet conditions specified by the Board or the Delegatee(s);
- (h) failure to accept the grant before the acceptance deadline specified in the grant or otherwise determined by the Board or the Delegatee(s); and
- (i) the Board or the Delegatee(s) resolves to exercise clawback rights.

LETTER FROM THE BOARD

(13) Reorganisation of Capital Structure

In the event of a capitalisation issue, bonus issue with price-dilutive element, rights issue, open offer with price-dilutive element, sub-division or consolidation of shares or reduction of capital of the Company, or any other event as specified from time to time in the Listing Rules, and in such circumstances an adjustment is permitted to be made to the exercise price or purchase price and/or the number of shares involved in options or awards granted under the share scheme of the listed issuer, and any options have been granted and remain exercisable, the following may be adjusted accordingly (if any):

- (a) the number of shares or par value involved in any Option (limited to unexercised Options);
- (b) the Exercise Price; and/or
- (c) the method of exercise of the option (if applicable),

or any combination thereof, as the auditors or a financial adviser engaged by the Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value, and in each case rounded to the nearest whole share. No adjustments shall be made on the issue of consideration shares in a transaction. Any adjustments to be made will comply with Rules 17.03(13) of the Listing Rules and any guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time, including but not limited to the adjustment mechanism under No. 16 and Appendix I of Frequently Asked Questions FAQ13. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by the Company.

To the extent not otherwise determined by the Board, the method of adjustment of number of Options so far as unexercised and the Exercise Price of Option are set out as below:

Capitalization issue or bonus issue with price-dilutive elements

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

Where: “ Q_0 ” represents the number of Option before the adjustment; “ n ” represents the ratio per Share resulting from the capitalization issue or bonus issue; “ Q ” represents the number of Option after the adjustment.

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

Where: “ P_0 ” represents the Exercise Price of Option before the adjustment; “ n ” represents the ratio per Share resulting from the capitalization issue or bonus issue; “ P ” represents the Exercise Price of Option after the adjustment.

LETTER FROM THE BOARD

Rights issue or open offer with price-dilutive elements

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

Where: “Q₀” represents the number of Option before the adjustment; “P₁” represents the closing price of the Shares as at the record date; “P₂” represents the subscription price of the rights issue or open offer; “n” represents the ratio of the rights issue or open offer; “Q” represents the number of Option after the adjustment.

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

Where: “P₀” represents the Exercise Price of Option before the adjustment; “P₁” represents the closing price of the Shares as at the record date; “P₂” represents the subscription price of the rights issue or open offer; “n” represents the ratio of the rights issue or open offer; “P” represents the Exercise Price of Option after the adjustment.

Consolidation of shares or share subdivision or reduction of the share capital

$$Q = Q_0 \times n$$

Where: “Q₀” represents the number of Option before the adjustment; “n” represents the ratio of share consolidation or share subdivision or reduction of share capital; “Q” represents the number of Option after the adjustment.

$$P = P_0 \div n$$

Where: “P₀” represents the Exercise Price of Option before the adjustment; “n” represents the ratio of share consolidation or share subdivision or reduction of share capital; “P” represents the Exercise Price of Option after the adjustment.

If there has been any alteration in the capital structure of the Company as referred to hereinabove, and the Board has resolved to make adjustments pursuant to such, the Company shall, upon receipt of the notice sent by the grantee, inform the grantee of such alteration and shall either inform the grantee of the adjustments to be made pursuant to the certificate obtained by the Company from its auditors or independent financial adviser (as the case may be) for such purpose, or if no such certificate has yet been obtained, inform the grantee of such fact and instruct the auditors or independent financial adviser (as the case may be) to issue the relevant certificate as soon as practicable pursuant to above.

If the Company conducts a Share consolidation or subdivision after the Scheme Limit or Service Provider Sublimit has been approved by Shareholders in general meeting, the maximum number of Shares that may be issued in respect of all Options to be granted under the H Share Option Scheme and all options and awards to be granted under any other share schemes, as a percentage of the issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.

LETTER FROM THE BOARD

(14) Transferability and Cancellation of Options

The Options are personal to the Grantee and shall not be transferable. The Grantee may not sell, transfer, mortgage, encumber, or otherwise dispose of any Option in any way, or create any interest in any option, or enter into any agreement to do so for any third party, unless approved by the H Share Option Scheme. For the avoidance of doubt, if the Grantee is a corporation, any change in its controlling shareholder or any material change in its management (as determined in the sole discretion of the Board) shall be deemed a sale or transfer of the aforementioned interests, unless otherwise determined in the sole discretion of the Board.

The Board or the Delegatee(s) in its absolute discretion may cancel an Option granted but not exercised with the approval of the Grantee of such Option. Options may be granted by the Company to a participant in place of his/her cancelled Options, provided that there are available Scheme Limit as approved by the Shareholders from time to time. The Options cancelled will be regarded as utilized for the purpose of calculating the Scheme Limit.

(15) Restrictions on the Time of Grant of Options

Where the Listing Rules and any code or provision of applicable law from time to time prohibit the trading of H Shares, the Board and/or the Delegatee(s) shall not grant any Options pursuant to the H Share Option Scheme. Without limiting the generality of the foregoing, no such instructions shall be issued nor any such grants made during the following periods:

- (i) from the time the Company becomes aware of information required to be disclosed under Rule 13.09 of the Listing Rules or inside information required to be disclosed under Part XIVA of the Securities and Futures Ordinance, until and including the trading day on which such information is publicly announced in accordance with the Listing Rules, the Securities and Futures Ordinance and/or applicable law;
- (ii) the period commencing 30 days immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules), as such date is first notified to the Stock Exchange; and (b) the deadline for the Company to announce its results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules) in accordance with the Listing Rules, and ending on (and including) the date of the results announcement, including any period of delay in publishing such results announcement;
- (iii) (where the Eligible Participant is a Director of the Company or a chief executive of the Company) during the 60-day period immediately preceding the date of publication of the annual results for any financial period of the Company, during the 30-day period immediately preceding the date of publication of the interim results for any financial period of the Company, or (whichever is shorter) from the end of the relevant financial period until the date of publication of the results;
- (iv) during any period in which the Eligible Participant (including a Director) is prohibited from dealing in Shares under the Listing Rules, the Securities and Futures Ordinance or any other applicable law or regulation;

LETTER FROM THE BOARD

- (v) where any necessary governmental or regulatory approvals have not been obtained; and
- (vi) where the grant of Options is prohibited by the Listing Rules, the Securities and Futures Ordinance or any other applicable laws or regulations, or would result in a breach of the Listing Rules, the Securities and Futures Ordinance or any other applicable laws or regulations.

No Options will be granted during the six months from February 10, 2026, the date on which H Shares were listed and on which dealings in H Shares were first permitted to commence on the Stock Exchange.

(16) Conditions precedent of the H Share Option Scheme

The adoption of the H Share Option Scheme is conditional upon:

- (i) the passing of special resolution(s) by the Shareholders at a general meeting of the Company to (1) approve and adopt the H Share Option Scheme; (2) authorise the Board and/or the Delegatee(s) to grant Options under the H Share Option Scheme; and (3) authorise the Board and/or the Delegatee(s) to allot and issue Shares in respect of any Options to be granted pursuant to the H Share Option Scheme; and
- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any H Shares on the Stock Exchange which may be issued in respect of all Options to be granted in accordance with the terms and conditions of the H Share Option Scheme.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued in respect of all options to be granted under the H Share Option Scheme.

10. PROPOSED ADOPTION OF THE H SHARE AWARD SCHEME

The Board proposed the adoption of the H Share Award Scheme. The provisions of the H Share Award Scheme will comply with the requirements of Chapter 17 of the Listing Rules. The proposed adoption of the H Share Award Scheme and the proposed authorization to the Board or the Delegatee(s) to handle matters relating to the H Share Award Scheme are subject to the approval of the Shareholders by special resolution(s) at the AGM. As at the Latest Practicable Date, the Company has no specific intention to grant any awards under the H Share Award Scheme. The full text of H Share Award Scheme are set out in Appendix III to the circular.

(1) Purpose of the H Share Award Scheme

The purposes of the H Share Award Scheme are: (1) promoting the achievement of long-term sustainable development and performance goals of the Company; (2) closely align the interests of the Eligible Participants with those of Shareholders, investors and the Company to enhance the cohesion of the Company and to facilitate the maximization of the value of the Company; and (3) improving the Company's incentive mechanism to attract, motivate and retain Eligible Participants who have made contributions to the sustainable operation, business development and long-term growth of the Company.

LETTER FROM THE BOARD

(2) Duration and Termination

Subject to condition precedents above and the early termination of the H Share Award Scheme in accordance with the rules of the H Share Award Scheme, the H Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the Adoption Date (the “**Scheme Period**”), after which no additional awards shall be granted, provided that the H Share Award Scheme will remain in full force in all other respects, if there are any Awarded Shares that are granted but unvested by the end of the H Share Award Scheme term, the H Share Award Scheme will be extended until such Awarded Shares have vested.

(3) Sources of Funds

- (i) The sources of funds for funding the H Share Award Scheme are (1) internal funds of the Company; and/or (2) amounts payable by the Grantees to the Company (or such other persons as the Board and/or the Delegatee(s) may instruct) in accordance with the terms of the respective Award Letter and/or the H Share Award Scheme in order to receive the Awarded Shares (the “**Scheme Funds**”). The Board and/or the Delegatee(s) shall ensure that the Trustee will obtain the necessary funds for the establishment of the Trust, the amount of which shall be the sum of the following:
 - (1) the amount for purchasing or acquiring the Target Shares under the H Share Award Scheme, or such equivalent amount as the Board and/or the Delegatee(s) may determine at their sole discretion; and
 - (2) expenses related to the purchase of the Target Shares (including brokerage fees, stamp duty, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee at that time), and other necessary expenses to complete the purchase of the Target Shares under the Scheme.

Subsequent to the approval of the H Share Award Scheme and/or its amendments at the general meetings, the Company shall, in accordance with the decision of the Board or the Delegatee(s) and subject to laws and regulations, (a) if the Company decides to use existing H Shares as Awarded Shares for granting, the Company will remit necessary funds to the Trustee of Awarded Share Trust or instruct Trustee to use cash income, and instruct the Trustee of Awarded Share Trust to purchase H Shares through on-market or off-market transactions; (b) if the Company decides to issue new H Shares as Awarded Shares for granting, the Company will issue new H Share(s) only to the Trustee when specified participants are identified under the H Share Award Scheme under Rule 17.01(1)(a).

(4) Source of Target Shares

The source of the Target Shares under the H Share Award Scheme shall be (1) H Shares acquired by the Trustee through on-market or off-market transactions at the prevailing market price by utilizing the Scheme Funds in accordance with the instructions of the Company and the relevant requirements under the H Share Award Scheme. The Board and/or the Delegatee(s) may, in accordance with the H Share Award Scheme, give instructions to the Trustee in relation to the acquisition of H Shares and specify any conditions or terms, including but not limited to the specified price or price range for the acquisition, the maximum amount of funds for the acquisition and/or the maximum number of H Shares to be acquired; and (2) the new H Shares allotted and issued by the Company (for the avoidance of doubt, including the transfer of Treasury Shares), which shall rank *pari passu* in all respects with the fully paid Shares in issue on the Adoption Date.

LETTER FROM THE BOARD

For the avoidance of doubt, in respect of the relevant information disclosure requirements, the awards to be granted under the H Share Award Scheme funded by new H Shares (including transfer of Treasury Shares) will be subject to Rules 17.06 to 17.09 of the Listing Rules, and the awards to be granted under the H Share Award Scheme funded solely by existing H Shares will be subject to Rule 17.12 of the Listing Rules.

(5) Scheme Limit

As at the Latest Practicable Date, there were 588,936,581 H Shares in issue and there were no Treasury Shares in issue. Assuming that (a) no further Shares will be allotted, issued, repurchased or cancelled prior to the AGM and (b) the resolutions regarding the proposed adoption of the H Share Award Scheme with the relevant Scheme Limit are passed at the AGM, the total number of Awarded Shares which may be issued under the H Share Award Scheme and all share options and awards that may be granted under any Other Schemes (including the H Share Option Scheme) involving the issuance of new H Shares would be no more than 58,893,658 H Shares (the “**Scheme Limit**”), representing no more than 10% of the total number of H Shares in issue (excluding Treasury Shares) as at the Adoption Date.

Assuming that (a) no further Shares will be allotted, issued, repurchased or cancelled prior to the AGM and (b) the resolutions regarding the proposed adoption of the H Share Award Scheme with the relevant Scheme Limit are passed at the AGM, the maximum number of awards to be funded by the existing H Shares under the H Share Award Scheme would be no more than 29,446,829 H Shares, representing no more than 5% of the total number of H Shares in issue as at the Adoption Date.

As at the Latest Practicable Date:

- (i) the Company does not have any share schemes subject to the requirements of Chapter 17 of the Listing Rules, save for the H Share Option Scheme which is now being proposed to the Shareholders for consideration and approval at the AGM, the details of which are set out in Appendix II to this circular; and
- (ii) the Company did not hold any Treasury Shares. The Company currently does not have the intention to use Treasury Shares for the H Share Award Scheme. However, the Company may in the future acquire H Shares through the exercise of the Share Repurchase Mandate, which may be held as treasury shares. In such event, the Company may utilize such Treasury Shares for the purpose of satisfying options granted under the H Share Award Scheme, subject to compliance with the Listing Rules and applicable laws and regulations.

The Scheme Limit may be refreshed by the Shareholders at general meeting after three years from the later date of (1) the date of Shareholders’ approval for the last refreshment and (2) the Adoption Date, provided that:

- (i) the total number of H Shares which may be issued in respect of all options, and/or incentives and/or awards involving issuance of new H Shares which may be granted under the H Share Award Scheme or any Other Schemes (including the H Share Option Scheme) under the Scheme Limit as “refreshed” shall not in aggregate exceed 10% of the total number of H Shares in issue (excluding Treasury Shares) as at the new approval date in compliance with Rule 17.03B; and

LETTER FROM THE BOARD

- (ii) a circular on the proposed refreshed Scheme Limit and/or refreshed Service Provider Sublimit has been sent to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules, including but not limited to the number of awards that were already granted under the existing Scheme Limit and/or the existing Service Provider Sublimit and the reason for the refreshment.

The basis for determining the Scheme Limit includes (i) the potential dilution effect of the voting rights arising from grants to the Eligible Participants; (ii) the importance of striking a balance between achieving the purpose of the share incentive schemes and protecting the Shareholders from the dilution effect of the voting rights from granting a substantial amount of share awards and options to the Eligible Participants; and (iii) the expected contribution to the development and growth of the Group attributable to the Eligible Participants. Taking into account the above, the Board considers that the Scheme Limit would not lead to an excessive dilution of voting rights of the existing Shareholders and is appropriate and reasonable.

(6) Service Provider Sublimit

Within the Scheme Limit, the maximum number of new H Shares which may be allotted and issued in respect of all options and awards to be granted under the H Share Award Scheme and Other Schemes (including the H Share Option Scheme) involving issuance of new H Shares of the Company to Service Provider Participants, shall not exceed 1% of the total number of issued H Shares of the Company (excluding Treasury Shares, if any) as at the date of Shareholders' approval of the Scheme Limit (the "**Service Provider Sublimit**"). Assuming (a) no further Shares will be allotted, issued, repurchased or cancelled prior to the AGM; and (b) the resolutions regarding the proposed adoption of the H Share Award Scheme with the relevant Scheme Limit are passed at the AGM, the total number of H Shares under the Service Provider Sublimit shall not exceed 5,889,365 H Shares, representing 10% of the Scheme Limit. The Service Provider Sublimit will be subject to separate approval by the Shareholders at the AGM, in compliance with Rule 17.03B(2) of the Listing Rules.

The basis for determining the Service Provider Sublimit includes (a) the potential dilution effect arising from share awards to the Service Provider Participants; (b) the importance of striking a balance between achieving the purpose of the share incentives and protecting the Shareholders from the dilution effect from granting a substantial amount of share awards to the Service Provider Participants; (c) the extent of use of Service Provider Participants in the Group's businesses; (d) the expected contribution to the development and growth of the Company attributable to the Service Provider Participants; and (e) the fact that the Company expects that a majority of share incentives will be granted to the Employee Participants and as such there is a need to reserve a larger portion of the Scheme Limit for grants to the Employee Participants. Based on the above, the Board considers that the Service Provider Sublimit will not lead to an excessive dilution of shareholding of the existing Shareholders and is appropriate and reasonable.

(7) Individual Limit

Unless approved by the Shareholders in the manner set out in the H Share Award Scheme, the total number of H Shares issued and to be issued involving issue of new H Shares (including transfer of Treasury Shares (if any)) in respect of all awards and options granted under the H Share Award Scheme and any Other Schemes (including the H Share Option Scheme) to each Eligible Participant in the 12-month period up to and including the date of such grant shall not in aggregate over 1% of the total number of H Shares in issue (excluding Treasury Shares (if any)) (the "**Individual Limit**").

LETTER FROM THE BOARD

Where any grant of share awards under the H Share Award Scheme to an Eligible Participant would result in the aggregate number of Shares issued and to be issued involving issue of new H Shares (including transfer of Treasury Shares (if any)) in respect of all awards and options granted under the H Share Award Scheme and any Other Schemes (including the H Share Option Scheme) to such Eligible Participant (excluding any options and awards lapsed in accordance with the terms of the H Share Award Scheme and any Other Schemes) in the 12-month period up to and including the date of such grant exceeding the Individual Limit, such grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person of the Company) abstaining from voting. The Company must send a circular to Shareholders.

Grant of Awards to connected persons shall comply with the following requirements:

- (i) unless otherwise provided by the Listing Rules, any grant of awards by way of issuing new H Shares to a Director, chief executive of the Company or a substantial Shareholder, or any of their respective associates, shall be subject to the approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of Awards);
- (ii) where any grant of awards to any Director (other than an independent non-executive Director) or chief executive of the Company, or any of their respective associates, by way of issuing new H Shares, would result in the new Shares issued and to be issued in respect of all awards granted under the H Share Award Scheme and any other options or awards granted under any Other Schemes (excluding any awards or other awards lapsed in accordance with the terms of the relevant schemes) 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 number of H Shares in issue (excluding any Treasury Shares), such further grant of awards must be approved by the Shareholders at a general meeting in the manner set out below;
- (iii) where a grant of awards to an independent non-executive Director or a substantial Shareholder or any of their respective associates, by way of issuing new H Shares, would result in the new Shares issued and to be issued in respect of all awards granted under the H Share Award Scheme or any other options and/or awards granted under any Other Schemes (excluding any awards, and other options and awards lapsed in accordance with the terms of the relevant schemes) 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 number of H Shares in issue (excluding any Treasury Shares), such further grant of awards must be approved by Shareholders at a general meeting of the Company in the manner set out below; and
- (iv) for the purpose of seeking the approval of Shareholders referred to above, the Company shall despatch a circular to the Shareholders. The Grantee, his/her associates and all core connected persons of the Company must abstain from voting in favor at such general meeting. The Company shall comply with the applicable requirements under the Listing Rules.

LETTER FROM THE BOARD

(8) Participants and the Basis of Determining the Eligibility of Participants

The Board considers that the adoption and implementation of the H Share Award Scheme will motivate more people to contribute to the Group's development. The H Share Award Scheme, which allow grant by the Company of share-based incentive in the form of share award, will enable the Group to attract, retain and motivate high-calibre participants to promote the sustainable development of the Group in line with the performance goals of the Group, and as such, it is in the interests of the Group as a whole that more and wider categories of people be eligible for the H Share Award Scheme so as to incentivise them to contribute to the Group's growth and development. Furthermore, the Board considers that the participants will share the same interests and objectives with the Group upon the grant of share award, which is in turn beneficial to the long-term development of the Group. In addition, the adoption of the H Share Award Scheme is in line with modern commercial practice that full-time or part-time employees, directors (including the independent non-executive Director(s)) and senior management of the Company and connected entities and the Shareholders be given incentives to work towards the goal of enhancing the enterprise value and attaining the long-term objectives of the Company for the benefit of the Group as a whole.

Eligible Participants under the H Share Award Scheme include the following three categories:

- (1) Employee Participants;
- (2) Related Entity Participants; and
- (3) Service Provider Participants.

Independent non-executive Directors of the Company are also eligible to participate in the H Share Award Scheme. For details of the selection criteria applicable to each category and the rationale and specific reasons for their inclusion, please refer to the relevant disclosure under the heading "9. Proposed Adoption of H Share Option Scheme" above.

Notwithstanding the foregoing, no person shall be regarded as an Eligible Participant if, as at the date of grant, any of the following circumstances exists in respect of such person:

- (i) has been publicly censured or declared as an unsuitable person by a securities regulatory authority within the preceding 12 months;
- (ii) has been subject to administrative penalties imposed by a securities regulatory authority for material violations of laws or regulations within the preceding 12 months;
- (iii) is subject to any prohibition from participating in this H Share Award Scheme as prescribed by applicable laws and regulations;
- (v) has committed any other serious breach of the Group's internal rules and policies, or has been determined by the Board to have caused material harm to the interests of the Group; or
- (vi) falls within any other circumstances as determined by the Board for the purpose of safeguarding the interests of the Group and ensuring compliance with applicable laws and regulations in connection with the operation of this H Share Award Scheme.

LETTER FROM THE BOARD

(9) Administration of the H Share Award Scheme

The H Share Award Scheme shall be subject to the administration of the following administrative bodies:

- (i) the general meeting of the Company is the highest authority of the Company and is responsible for considering and approving the adoption of the H Share Award Scheme, and the Board is the executive management body of the H Share Award Scheme. The Remuneration Committee is responsible for formulating and revising the H Share Award Scheme and submitting the same to the Board for consideration. Upon the consideration and approval of the H Share Award Scheme by the Board, the H Share Award Scheme will be implemented after being approved at the general meeting. The Board and/or the Delegatee(s) may handle and implement all relevant matters of the H Share Award Scheme within the authorisation of the general meeting;
- (ii) the independent non-executive Directors are the supervisory body of the H Share Award Scheme and shall express their opinions on whether the H Share Award Scheme is beneficial to the sustainable development of the Company and whether there is any prejudice to the interests of the Company and the Shareholders as a whole. The independent non-executive Directors are responsible for supervising whether the implementation of the H Share Award Scheme is in compliance with the relevant laws, regulations, regulatory documents and the relevant regulatory rules of the places where the Company is established and listed;
- (iii) any grant of awards to the Directors, or senior management of the Company must first be approved by the Remuneration Committee. The grant of awards to a Director or chief executive of the Company, or substantial Shareholder, or any of their respective associates by way of issuing new H Shares must further comply with the relevant provisions of the H Share Award Scheme and the requirements of Chapter 17 of the Listing Rules. Any grant of Awards to the Directors or any other connected persons of the Company shall comply with all applicable laws, rules and regulations, including the Listing Rules and any corresponding code or securities dealing restrictions adopted by the Company; and
- (iv) without prejudice to the general management power of the Board, the Board may delegate the authority to administer the H Share Award Scheme (including the power to grant awards under the H Share Award Scheme) to its designated Delegatee(s). The term of office, terms of reference and remuneration (if any) of the Delegatee(s) shall be determined by the Board from time to time in its absolute discretion.

The Company may also from time to time appoint the Trustee(s) in accordance with the Scheme and will, in a timely manner and enter into Trust Deed with the Trustee(s) to establish the Trust account.

(10) Grant of Awarded Shares

Subject to the terms and conditions of the H Share Award Scheme, the Board and/or the Delegatee(s) may at their absolute discretion and on such terms and conditions as the Board and/or the Delegatee(s) thinks fit, grant the Awarded Shares to any Eligible Participant at the Grant Price and the amount of the relevant Grant Price shall be determined by the Board and/or the Delegatee(s) and set forth in the Award Letter.

LETTER FROM THE BOARD

Any Awarded Shares that lapse or for any of the following reasons may, at the absolute discretion of the Board and/or the Delegatee(s), be re-granted.

- (i) where a Grantee fails to sign and return the acceptance form within the prescribed acceptance period, such that the Awarded Shares lapse and are returned to the Trust;
- (ii) where unvested Awarded Shares are returned to the Trust because the Grantee has failed to satisfy applicable vesting conditions (including performance targets);
- (iii) where a Grantee voluntarily surrenders or relinquishes his/her Awarded Shares prior to vesting, with the Board's consent; and
- (iv) where Awarded Shares are clawed back pursuant to the clawback mechanism.

After the Board and/or the Delegatee(s) has decided to make a grant of Awarded Shares to any Grantee, the Company shall issue an Award Letter to such Grantee, which shall set out details of the grant, including but not limited to the name of the Grantee, the number of Awarded Shares granted, the vesting criteria and conditions, the vesting date, Grant Price, and other terms and conditions to be determined by the Board and/or the Delegatee(s) that are not inconsistent with the H Share Award Scheme. The Grantee shall confirm in writing his/her acceptance of such grant.

The Board and/or the Delegatee(s) is entitled to impose any conditions (including a period of continued service within the Group after the Date of Grant, etc.) as it deems appropriate in its absolute discretion with respect to the vesting of the Awards to the Grantees from time to time, and shall notify the Trustee and such Grantee of the relevant vesting conditions of the Awarded Shares. Notwithstanding any other provisions of the H Share Award Scheme, the Board and/or the Delegatee(s) shall be at liberty to waive any vesting conditions set out in the Award Letter and/or imposed herein subject to applicable laws and regulations.

The Grantees may accept the offer of the grant of the Awarded Shares in the manner as set out in the Award Letter and the Grantees shall sign and return the acceptance form attached to the Award Letter by email prior to the specific date set out in the Award Letter. Once accepted, the awards are deemed as granted from the issuance date of the Award Letter. Upon acceptance, the Grantee will become a participant of the H Share Award Scheme. If a Grantee fails to sign and return the acceptance form attached to the Award Letter by email before the expiry of the acceptance period mentioned above, the Awarded Shares granted to such Grantee shall lapse immediately and remain part of the Trust.

(11) Vesting of Awarded Shares

Subject to all applicable laws, rules or regulations, the Board and/or the Delegatee(s) may determine the vesting criteria and conditions and the vesting periods for the Awarded Shares to be granted to each Grantee pursuant to the H Share Award Scheme. Save for any other resolution of the Board, the vesting period in respect of any Awarded Shares granted shall be no less than 12 months from (and including) the Grant Date (or such other period as the Listing Rules may prescribe or permit from time to time).

LETTER FROM THE BOARD

Awarded Shares granted to Employee Participants may be subject to a shorter vesting period as determined by (i) the Remuneration Committee if such Employee Participant is a Director or a senior manager (as defined under Rule 17.01A of the Listing Rules) of the Company, or (ii) the Board if such Employee Participant is not a Director or a senior manager (as defined under Rule 17.01A of the Listing Rules) of the Company, under any of the following circumstances:

- (i) grants of “make-whole” awards to a new Eligible Participant to replace the share awards or share options that such Eligible Participant of the H Share Award Scheme forfeited when leaving his or her previous employer;
- (ii) the grant of awards to Employee Participants whose employment is terminated by reason of death, disability or any force majeure event;
- (iii) the time for granting awards may be delayed due to administrative or compliance requirements, which typically necessitate granting awards in batches within a year. In such cases, the vesting period may be adjusted to take into account the time when the awards would have been granted if not for such administrative or compliance requirements;
- (iv) grants of awards with a mixed or accelerated vesting schedule such as where the awards may vest evenly over a period of 12 months or release in batches with the first batch vesting within 12 months after the Grant Date, and the final batch vesting after 12 months following the Grant Date;
- (v) grants of awards with performance-based vesting conditions as determined by the Board, in lieu of time-based vesting criteria; and
- (vi) grants of awards with a total vesting and holding period of more than 12 months.

To ensure the practicability in fully attaining the purpose of the H Share Award Scheme, The Board and the Remuneration Committee are of the view that: (a) there are certain instances where a strict twelve-month vesting requirement would not work or would not be fair to the holders of Awards, such as those set out in the aforesaid paragraphs; (b) there is a need for the Company to retain flexibility in certain cases to provide a competitive remuneration package to attract and retain individuals to provide services to the Group, to provide for succession planning and the effective transition of employee responsibilities and to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (c) such vesting period is also consistent with the Listing Rules and peer companies in the Group’s industry. Accordingly, the above vesting period is considered appropriate and aligns with the purpose of the H Share Award Scheme.

Vesting of the Awarded Shares are subject to, among other things, the performance targets as described in “(13) Performance Targets and Clawback Mechanism” below and any other conditions as may be specified in the Award Letter. If a selected Grantee fails to meet any vesting condition applicable to the vesting of Awarded Shares, unless such vesting condition is waived by the Board and/or the Delegatee(s), Awarded Shares that would otherwise be vested during the vesting period shall not be vested and cannot be vested in respect of the Grantee and shall be returned to the Trustee for satisfying other awards under the H Share Award Scheme. In such case, the Board and/or the Delegatee(s) shall have the authority to give notice to and instruct the Trustee to sell the aforesaid unvested Awarded Shares on the open market at the market price or to grant to other Grantees within a reasonable period of time after the receipt of such notice, which shall be determined by the Board and/or the Delegatee(s) at their sole and absolute discretion.

LETTER FROM THE BOARD

The Board and/or the Delegatee(s) will, except in any unforeseen circumstances, direct and procure the Trustee to give a Vesting Notice (the “**Vesting Notice**”) to the relevant Grantee within such reasonable period as the Trustee and the Board and/or the Delegatee(s) may agree from time to time before any vesting date, and the Vesting Notice shall contain a confirmation of the satisfaction of the vesting conditions by the Grantee and the vesting date, a confirmation of the payment method of the Grant Price and a confirmation of the details of the Grantee’s bank account to pay the cash corresponding to the Actual Selling Price (after deducting the Grant Price and the taxes borne by the Grantee, if applicable) to the Grantee.

After the relevant Awarded Shares are duly vested in accordance with the aforementioned procedures, subject to compliance with the relevant laws, regulations, rules and regulatory documents of the places where the Company is established and listed, as well as the Articles of Association, the Trustee shall, as requested by the Grantee, sell all or part of the Awarded Shares that have been vested in the Grantee through on-floor trading at the prevailing market price and pay the cash corresponding to the Actual Selling Price (after deducting the taxes borne by the Grantee, if applicable) to the Grantee, and/or transfer all or part of the Awarded Shares that have been vested in the Grantee to the Grantee or the entity designated by the Grantee (if applicable).

(12) Purchase Price

The Board and/or the Delegatee(s) may in its absolute discretion determine whether to require the Grantees to pay any purchase price for obtaining the Awards and, if so required, determine the amount of the purchase price after taking into account the practices of comparable companies and the effectiveness of the Scheme in attracting talents and motivating the Grantees to contribute to the long-term development of the Group. For the avoidance of doubt the Board and/or the Delegatee(s) may determine the purchase price to be at nil consideration.

The Directors are of the view that the basis of determining the purchase price aligns with the purposes of the Scheme to encourage Eligible Participants to contribute to the Company’s long-term development and interests, and that the imposition of appropriate criteria for the purchase price will strengthen the alignment of the interest of the Grantees and the Group.

(13) Performance Targets and Clawback Mechanism

Vesting of the Awarded Shares shall be subject to the performance targets, if any, to be satisfied by the Grantees as determined by the Remuneration Committee from time to time. The Remuneration Committee shall have the authority, after the grant of any award which is performance-linked, to make fair and reasonable adjustments to the prescribed performance targets during the vesting period if there is a change in circumstances, provided that any such adjustments shall be less stringent than the original performance targets and considered fair and reasonable by the Remuneration Committee. The exception of less stringent adjustments is intended to: (a) protect the reasonable expectations of Grantees, who accept grants and commit their continued service on the basis of the performance targets communicated at the time of grant; (b) ensure that adjustments are made only in response to genuine changes in circumstances beyond the Grantees’ control (such as material macroeconomic shifts, regulatory changes, or industry-wide downturns) that render the original targets unduly onerous, so that the incentive structure remains meaningful and fair; (c) guard against abuse, as any adjustment must be determined by the Remuneration Committee to be fair and reasonable, with the reasons for such adjustment properly documented; and (d) preserve the principle that where original targets are considered too lenient, the appropriate course is to set more demanding targets for future grants rather than retroactively increasing the burden on Grantees under existing grants.

LETTER FROM THE BOARD

The performance targets may include (i) the annual results and performance of the Group or members of the Group; (ii) the achievement of milestones of important projects of the Group; (iii) the key performance indicators of the Eligible Participant's department and/or business unit; and (iv) the position held by the Eligible Participants and the results of their annual appraisal, etc., which may vary among the Grantees. The Remuneration Committee will conduct assessment from time to time by comparing the performance with the pre-set targets to determine whether such targets and the extents to which have been met. If, after the assessment, the Remuneration Committee determines that any prescribed performance targets have not been met, the unvested Awarded Shares shall lapse automatically.

The Board believes that the above will provide the Board with more flexibility in setting the performance targets under particular circumstances of each grant and facilitate the Board to offer suitable incentives to attract and retain quality personnel that are valuable to the development of the Group. Further, the Board is of the view that the setting of performance targets can provide ample motivations and incentives for the Grantees to improve their performance and contribute to the Group's overall development and business success. Considering the aforesaid, the Board considers that the performance targets are in line with the purpose of the H Share Award Scheme and in the interests of the Group and the Shareholders as a whole.

The H Share Award Scheme will also give the Board discretion (but not obligation) to impose that any Awarded Share shall be subject to a clawback under certain circumstances. Upon occurrence of such circumstances, the Board may (but is not obliged to) claw back such number of Awarded Share granted (to the extent not already vested) as the Board may consider appropriate. The Awarded Shares shall be subject to clawback upon the occurrence of any of the following events:

- (i) where any Eligible Participant ceases to be an Eligible Participant by reason of the termination of his or her employment or engagement on the grounds of fraud, dishonesty, or persistent or material misconduct committed by such person, or where such person is or becomes, or is reasonably expected to become, insolvent, or is adjudicated bankrupt, or enters into any general arrangement or composition with his or her creditors, or is convicted of any criminal offence involving his or her integrity or probity, or any other ground on which the employer is entitled to summarily terminate his or her employment;
- (ii) where the Eligible Participant joins a company which the Board and/or the Delegatee(s), in its absolute discretion, reasonably considers to be a competitor of the Group; and
- (iii) where any other clawback event specified in the Grant Letter occurs.

Upon the occurrence of any of the foregoing events in respect of a Grantee (and for the purposes of the above, whether such event shall be deemed to have occurred shall be determined by the Board and/or the Delegatee(s) in its absolute discretion), the Board and/or the Delegatee(s) may (but shall not be obliged to) notify the relevant Eligible Participant in writing of the clawback of such number of Awarded Shares that have been granted (to the extent not yet vested) as the Board and/or the Delegatee(s) considers appropriate. Any unvested Awarded Shares shall lapse automatically, and any associated interests shall be extinguished.

LETTER FROM THE BOARD

The Board is of the view that the clawback mechanism in the H Share Award Scheme provides a choice for the Board to claw back the equity incentives granted to Eligible Participants culpable of misconduct and provides the Board with more flexibility in setting the terms and conditions of the Awarded Share under particular circumstances of each grant, which would facilitate the objective to offer meaningful incentives to attract and retain quality personnel that are valuable to the development of the Group, and is in line with the purpose of the H Share Award Scheme and in the interests of the Company and the Shareholders as a whole.

(14) Interests in the Awarded Shares

During the Scheme Period, unless and until the Awarded Shares are vested and actually transferred to the Grantees in accordance with the H Share Award Scheme, the Grantees shall not deal with the Awarded Shares granted in any way, including but not limited to the sale, transfer, pledge, mortgage, encumber or to create any benefits for others, or to enter into any agreement to do any of the foregoing.

Any substantial or attempted deal with the Awarded Shares shall entitle the Company to cancel any Awarded Shares that have been granted to the Grantee but not yet vested in the Grantee, without any compensation. In this regard, the decision of the Board and/or the Delegatee(s) as to whether the Grantee has breached any of the above provisions shall be final.

During the Scheme Period, each Grantee shall be entitled to the dividends (if any) of the Target Shares based on his/her Awarded Shares, provided that such dividends shall only be paid to the Grantee when vesting.

For the avoidance of doubt, the Grantee shall have no rights (such as voting right, share allotment right and share subscription right) of the Target Shares except the right to dividend until the Awarded Shares are vested and transferred to the Grantee (where applicable).

The Trustee shall not exercise any voting rights attached to any Target Shares held by the Trustee under the H Share Award Scheme.

(15) Restrictions on Grant and Disposal

Where the Listing Rules and any code or provision of applicable law from time to time prohibit the trading of H Shares, the Board and/or the Delegatee(s) shall not grant any Awarded Shares pursuant to the H Share Award Scheme nor shall they issue any instructions to the Trustee under the H Share Award Scheme to acquire any H Shares. Without limiting the generality of the foregoing, no such instructions shall be issued nor any such grants made during the following periods:

- (i) from the time the Company becomes aware of information required to be disclosed under Rule 13.09 of the Listing Rules or inside information required to be disclosed under Part XIVA of the Securities and Futures Ordinance, until and including the trading day on which such information is publicly announced in accordance with the Listing Rules, the Securities and Futures Ordinance and/or applicable law;
- (ii) the period commencing 30 days immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules), as such date is first notified to the Stock Exchange; and (b) the deadline for the Company to announce

LETTER FROM THE BOARD

its results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules) in accordance with the Listing Rules, and ending on (and including) the date of the results announcement, including any period of delay in publishing such results announcement;

- (iii) (where the Eligible Participant is a Director of the Company or a chief executive of the Company) during the 60-day period immediately preceding the date of publication of the annual results for any financial period of the Company, during the 30-day period immediately preceding the date of publication of the interim results for any financial period of the Company, or (whichever is shorter) from the end of the relevant financial period until the date of publication of the results;
- (iv) during any period in which the Eligible Participant (including a Director) is prohibited from dealing in Shares under the Listing Rules, the Securities and Futures Ordinance or any other applicable law or regulation;
- (v) where any necessary governmental or regulatory approvals have not been obtained; and
- (vi) where the grant of Awarded Shares is prohibited by the Listing Rules, the Securities and Futures Ordinance or any other applicable laws or regulations, or would result in a breach of the Listing Rules, the Securities and Futures Ordinance or any other applicable laws or regulations.

(16) Reorganisation of Capital Structure

In the event of a capitalisation issue, bonus issue with price-dilutive element, rights issue, open offer with price-dilutive element, sub-division or consolidation of shares or reduction of capital of the Company, or any other event as specified from time to time in the Listing Rules, the number or par value of the shares involved in the unvested share awards shall be revised accordingly (if any), and the auditors or the independent financial advisor engaged by the Company shall, upon the Company's request, provide written certification to the Board that they consider such adjustments to be fair and reasonable in general or in relation to any individual incentive recipient, provided that (i) after any adjustment, the incentive recipient's share capital in the Company (rounded to the nearest whole number of shares); (ii) is the same as that they had before the relevant adjustment, and no adjustment results in the issue price of the shares being lower than their par value; and (iii) any such adjustment shall be made only in accordance with the requirements of Rule 17.03 (13) of the Listing Rules and the relevant guidance and interpretations of the Listing Rules issued by the Stock Exchange from time to time, including but not limited to the adjustment mechanism under No. 16 and Appendix I of Frequently Asked Questions FAQ13. The auditors or independent financial advisors (as the case may be) act as experts, not arbitrators, in this section, and their testimony is final and binding on the Company and its Grantees, barring any material error. The fees of the auditors or independent financial advisors (as the case may be) shall be borne by the Company.

To the extent not otherwise determined by the Board, the method of adjustment of the number of Award and the Purchase Price for Awarded Share to the extent outstanding is set out as below:

LETTER FROM THE BOARD

Capitalization issue or bonus issue with price-dilutive elements

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

Where: “Q₀” represents the number of Award before the adjustment; “n” represents the ratio per Share resulting from the capitalization issue or bonus issue; “Q” represents the number of Award after the adjustment.

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

Where: “P₀” represents the Purchase Price for Awarded Share before the adjustment; “n” represents the ratio per Share resulting from the capitalization issue or bonus issue; “P” represents the Purchase Price for Awarded Share after the adjustment.

Rights issue or open offer with price-dilutive elements

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

Where: “Q₀” represents the number of Award before the adjustment; “P₁” represents the closing price of the Shares as at the record date; “P₂” represents the subscription price of the rights issue or open offer; “n” represents the ratio of the rights issue or open offer; “Q” represents the number of Award after the adjustment.

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

Where: “P₀” represents the Purchase Price for Awarded Share before the adjustment; “P₁” represents the closing price of the Shares as at the record date; “P₂” represents the subscription price of the rights issue or open offer; “n” represents the ratio of the rights issue or open offer; “P” represents the Purchase Price for Awarded Share after the adjustment.

Consolidation of shares or share subdivision or reduction of the share capital

$$Q=Q_0 \times n$$

Where: “Q₀” represents the number of Award before the adjustment; “n” represents the ratio of share consolidation or share subdivision or reduction of share capital; “Q” represents the number of Award after the adjustment.

$$P=P_0 \div n$$

Where: “P₀” represents the Purchase Price for Awarded Share before the adjustment; “n” represents the ratio of share consolidation or share subdivision or reduction of share capital; “P” represents the Purchase Price for Awarded Share after the adjustment.

The auditors or an independent financial adviser engaged by the Company for such purpose shall, at the request of the Company, certify in writing to the Board, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital, rounded to the nearest whole Share, of the Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its

LETTER FROM THE BOARD

nominal value. If the Company conducts a Share consolidation or subdivision after the Scheme Limit or Service Provider Sublimit has been approved by Shareholders in general meeting, the maximum number of Shares that may be issued in respect of all Awards to be granted under the H Share Award Scheme and all share options and awards to be granted under any other share schemes, as a percentage of the issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.

(17) Transferability and Cancellation of Awarded Shares

During the Scheme Period, unless and until the Awarded Shares are vested and actually transferred to the Grantees in accordance with the H Share Award Scheme, the Grantees shall not deal with the Awarded Shares granted in any way, including but not limited to the sale, transfer, pledge, mortgage, encumber or to create any benefits for others, or to enter into any agreement to do any of the foregoing.

The Board and/or the Delegatee(s) may, at its sole discretion, cancel any unvested or expired Awarded Shares. Such cancellation shall be notified to the trustee and the relevant incentive recipient.

(18) Voting Rights and Dividends

Pursuant to the H Share Award Scheme, the Trustee holding unvested share awards, whether directly or indirectly, shall abstain from voting or exercising any voting rights in respect of any Shares held, whether directly or indirectly, under the trust or as nominee on matters that require approval of the Shareholders under the Listing Rules, unless otherwise required by applicable laws or regulations to vote in accordance with the beneficial owner's direction and such a direction is given.

Grantees shall not be entitled to any voting rights or dividend rights in respect of unvested share awards (including those arising on a liquidation of the Company) prior to vesting. However, Grantee(s) shall be entitled to any dividends on all vested share award(s). Dividends received on pre-vested share award(s) held by the Trustee shall be treated as cash income of the relevant trust.

Unvested share awards are personal to the Grantee and shall not be transferable, assignable, charged, pledged or otherwise encumbered or disposed of in any manner by the Grantee, whether voluntarily or involuntarily, to any third party. Any purported transfer, assignment, charge, pledge or other disposition of unvested share awards in contravention of this provision shall be null and void. Upon vesting, the Grantee shall be entitled to transfer the vested shares in accordance with applicable laws, regulations and the Listing Rules, subject to any restrictions or lock-up periods as may be imposed by the Board and/or the Delegatee(s) from time to time.

The new H Shares allotted and issued by the Company under the H Share Award Scheme are identical with other Shares in issue and shall rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment.

(19) Conditions precedent of the H Share Award Scheme

The adoption of the H Share Award Scheme is conditional upon:

- (i) the passing of special resolution(s) by the Shareholders at a general meeting of the Company to approve and adopt the H Share Award Scheme and/or its material amendments

LETTER FROM THE BOARD

in accordance with the Company's Articles of Association; authorise the Board and/or the Delegate(s) to handle matters relating to the H Share Award Scheme, including but not limited to the granting of Awards; and

- (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, any H Share on the Stock Exchange which may be issued in respect of all awards to be granted in accordance with the terms and conditions of the H Share Award Scheme.

Application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued in respect of all Awards to be granted under the H Share Award Scheme.

(20) Trustee

The Company will appoint the Trustee(s) and establish the Trust pursuant to the Trust Deed to facilitate the administration of the H Share Award Scheme. The Trustee will be a third party independent of the Company and its connected persons, and no Director is, nor shall ever be, a Trustee of the H Share Award Scheme or possesses any direct or indirect interest in the Trustee.

11. PROPOSED AUTHORISATION TO THE BOARD OF DIRECTORS AND/OR THE DELEGATEE(S) TO HANDLE MATTERS RELATING TO THE H SHARE OPTION SCHEME

In order to ensure the successful implementation of the H Share Option Scheme, the Board proposes that, subject to the approval of the H Share Option Scheme by the Shareholders at the AGM, it is proposed to the Shareholders to grant an authorisation to the Board and/or the Delegate(s) to handle matters in relation to the H Share Option Scheme with full authority, including but not limited to:

- (a) construe and interpret the rules of the H Share Option Scheme and the terms of the options granted under the H Share Option Scheme;
- (b) make or vary such arrangements, guidelines, procedures and/or regulations for the administration, interpretation, implementation and operation of the H Share Option Scheme, provided that they are not inconsistent with the rules of the H Share Option Scheme;
- (c) grant options to those eligible participants whom it shall select from time to time;
- (d) determine the number of options to be granted;
- (e) determine the terms and conditions of the options and make any such appropriate adjustments to the terms of the options granted as it deems necessary or appropriate;
- (f) determine whether and to what extent, and circumstances pursuant to which the Exercise Price of an option may be paid in, cash, Shares (other than H Shares), or other property, or an option may be lapsed, cancelled, forfeited and/or surrendered;
- (g) determine the commencement and/or termination date of an eligible participants' employment with any member of the Group;

LETTER FROM THE BOARD

- (h) where applicable, establish and administer performance targets in respect of the H Share Option Scheme;
- (i) approve the form of an Offer Letter (which does not need to be identical for every participant);
- (j) decide any other matters that need to be determined in connection with an offer and make any other determination and take any other actions as it deems necessary or desirable for the administration of the H Share Option Scheme;
- (k) take such other steps or actions to give effect to the terms and intent of the rules of the H Share Option Scheme and/or the options;
- (l) on behalf of the Company, approve, execute, refine, deliver, negotiate, agree on and agree to all such agreements, contracts, documents, regulations, matters and things (as the case may be) as it deems reasonable, necessary, desirable, appropriate or expedient, in order to implement and/or implement all transactions conducted accordingly, and make any reasonable alterations, amendments, changes, modifications and/or supplements as it deems necessary, desirable, appropriate or expedient. If there is a requirement to affix a company seal on any such agreement, contract or document, it has the right to sign the agreement, contract or document and affix the company seal in accordance with the Articles of Association in that case; and
- (m) to make necessary amendments to the Articles of Association in order to reflect the new shareholding structure of the Company after authorising the Company to issue H Shares pursuant to this resolution.

The aforementioned authorisation to the Board and/or the Delegatee(s) shall be valid for the Scheme Period. The proposed adoption of the H Share Option Scheme and the proposed authorisation to the Board to handle matters relating to the H Share Option Scheme are subject to the approval of the Shareholders by special resolution(s) at the AGM.

12. PROPOSED AUTHORISATION TO THE BOARD AND/OR THE DELEGATEE(S) TO HANDLE MATTERS RELATING TO THE H SHARE AWARD SCHEME

In order to ensure the successful implementation of the H Share Award Scheme, the Board proposed that subject to the approval of the H Share Award Scheme by the Shareholders at the AGM, the Shareholders also grant an authorisation to the Board and/or the Delegatee(s) to deal with matters in relation to the H Share Award Scheme, including

- (i) to authorise the Board and/or the Delegatee(s) to enter into the Trust Deed on behalf of the Company with the Trustee and to affix the Company seal onto such Trust Deed, pursuant to which the Trustee will provide trust services for the H Share Award Scheme;
- (ii) to authorise the Board and/or the Delegatee(s) to handle all the matters pertaining to the H Share Award Scheme, including:
 - a. explain the rules of the H Share Award Scheme and the relevant provisions;
 - b. make or modify the arrangements, guidelines, procedures and/or regulations for the management, interpretation, implementation and operation of the H Share Award Scheme, provided that such arrangements, guidelines, procedures and/or regulations shall not conflict with the rules of the H Share Award Scheme;

LETTER FROM THE BOARD

- c. grant awards to the Eligible Participants selected by it from time to time;
- d. approve the form and content of the Award Letter;
- e. determine, review, approve and adjust the Grant Date, the list of Grantees, Awarded Shares to be granted, the Grant Price and the vesting conditions;
- f. establish, evaluate and set the vesting conditions, and review the satisfaction of the vesting conditions;
- g. adjust, evaluate and review any change of the vesting conditions, or adjust the Vesting Date of any Awarded Shares in accordance with the terms of the H Share Award Scheme;
- h. determine, review, approve and adjust the conditions or circumstances for the lapse of Awarded Shares, and adjust, evaluate and review the effectiveness of any Awarded Shares;
- i. review and approve the resolution for any special circumstance not specified in the H Share Award Scheme;
- j. decide other matters related to the implementation of the H Share Award Scheme in accordance with the applicable laws and regulations;
- k. select and appoint banks, accountants, trustees, lawyers, consultants and other professionals (if any) for the purpose of the H Share Award Scheme;
- l. sign, execute, amend and terminate all documents related to the H Share Award Scheme, conduct all procedures, filings and approvals related to the H Share Award Scheme, and take other steps or actions to give effect to the provisions, intention and implementation of the rules of the H Share Award Scheme;
- m. make necessary amendments to the Articles of Association in order to reflect the new shareholding structure of the Company after authorising the Company to issue H Shares pursuant to this resolution;
- n. consider and approve all matters related to the trust arrangement;
- o. amend this H Share Award Scheme, provided that such amendments and/or revisions shall be made in accordance with the provisions of the H Share Award Scheme relating thereto and shall comply with Chapter 17 of the Listing Rules; and
- p. manage and conduct other matters necessary for the implementation of the Scheme, except those matters to be decided by the shareholders' meeting.

The aforementioned authorisation to the Board and/or the Delegatee(s) shall be valid for the Scheme Period. The proposed adoption of the H Share Award Scheme and the proposed authorisation to the Board to handle matters relating to the H Share Award Scheme are subject to the approval of the Shareholders by special resolution(s) at the AGM.

LETTER FROM THE BOARD

III. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENTS

Notice convening the Annual General Meeting containing the resolutions to be proposed at the Annual General Meeting are set out on pages AGM-1 to AGM-4 of this circular. Proxy form for use at the Annual General Meeting is also enclosed in this circular.

If Shareholders intend to appoint a proxy to attend the Annual General Meeting, Shareholders are required to complete and return the respective proxy form in accordance with the instructions printed thereon and return it by personal delivery or by post not less than 24 hours before the time fixed for holding the Annual General Meeting, or any adjournment thereof (as the case may be). The proxy form should be returned to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the Annual General Meeting or any adjourned meeting thereof (as the case may be) if they so wish.

IV. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the chairman of the Annual General Meeting will exercise his power under the Articles of Association to demand a poll in relation to all the proposed resolutions at the Annual General Meeting.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as of the Latest Practicable Date, no Shareholders were required to abstain from voting on the resolutions to be proposed at the AGM pursuant to the Listing Rules and/or the Articles of Association.

V. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the Shareholders to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from June 23, 2026 to June 26, 2026 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Annual General Meeting, Shareholders whose transfer documents have not been registered are required to deposit all properly completed share transfer forms together with the relevant share certificates to the Company's shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong for registration, no later than 4:30 p.m. on June 22, 2026.

VI. RECOMMENDATION

The Board considers that all the resolutions proposed at the Annual General Meeting are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of these proposed resolutions at the Annual General Meeting.

LETTER FROM THE BOARD

VII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

By Order of the Board
Axera Semiconductor Co., Ltd.
(愛芯元智半導體股份有限公司)
Dr. QIU Xiaoxin
Chairperson of the Board and Executive Director

In accordance with the Listing Rules, this appendix serves as the explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the special resolution(s) to be proposed at the Annual General Meeting for the grant of the Share Repurchase Mandate to the Directors.

SHARE REPURCHASE MANDATE

Reasons for repurchasing Shares

The Directors believe that the flexibility afforded by the Share Repurchase Mandate would be beneficial to and in the interest of the Company and its Shareholders in the long run. When exercising the Share Repurchase Mandate, the Directors may, subject to market conditions and the Company's capital management needs at the relevant time of the repurchases, resolve to cancel the Shares repurchased following settlement of any such repurchase or hold them as Treasury Shares. Shares repurchased for cancellation may, depending on market conditions and funding arrangements at such time, lead to an enhancement of the net asset value per Share and/or earnings per Share. Share repurchases will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

Registered Capital

As at the Latest Practicable Date, the registered capital of the Company was RMB588,936,581, comprising 588,936,581 H Shares with a par value of RMB1.00 each.

The Company may cancel such repurchased Shares or hold them as Treasury Shares for subsequent sale or transfer subject to market conditions and the Group's capital management needs at the relevant time of the repurchases.

To the extent that any Treasury Shares are deposited with the CCASS pending resale on the Stock Exchange, the Company will adopt appropriate measures to ensure that it does not exercise any Shareholders' rights or receive any entitlements which would otherwise be suspended under the applicable laws if those Shares were registered in the Company's own name as Treasury Shares. These measures may include approval by the Board that (i) the Company will not (or will procure its broker not to) give any instructions to Hong Kong Securities Clearing Company Limited to vote at general meetings for the Treasury Shares deposited with CCASS; and (ii) in the case of dividends or distributions, the Company will withdraw the Treasury Shares from CCASS, and either re-register them in its own name as Treasury Shares or cancel them, in each case before the record date for the dividends or distributions.

Exercise of the Share Repurchase Mandate

Subject to the passing of the relevant special resolution in relation to the grant of the Share Repurchase Mandate to the Board proposed at the Annual General Meeting, the Board will be granted the Share Repurchase Mandate until the earlier of: (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant special resolution at the Annual General Meeting; (b) the expiration of a period of twelve months following the passing of the relevant special resolution at the Annual General Meeting; or (c) the date on which the authority conferred by the relevant special resolution is revoked or varied by a special resolution of the Shareholders at a general meeting (the "**Relevant Period**"). The exercise of the Share Repurchase Mandate is subject to the approval of the relevant

PRC regulatory authorities as required by the laws, rules and regulations of the PRC being obtained (if applicable). In accordance with the Listing Rules, the Company will not repurchase the Shares if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which Shares were traded on the Stock Exchange.

The exercise in full of the Share Repurchase Mandate (on the basis of 588,936,581 H Shares in issue as at the Latest Practicable Date and no Shares will be allotted and issued or repurchased or cancelled by the Company on or prior to the date of the Annual General Meeting and the Company does not have any Treasury Shares) would result in a maximum of 58,893,658 H Shares that may be repurchased by the Company during the Relevant Period, being the maximum of 10% of the total number of Shares in issue (excluding Treasury Shares) as at the date of passing the relevant resolution.

Funding of Repurchases

The Company may only use funds that may lawfully be used for the repurchase of Shares under its Articles of Association, China laws and/or any other applicable laws, as the case may be.

GENERAL

An exercise of the Share Repurchase Mandate in full could have a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the latest published audited accounts contained in the annual report of the Company for the year ended December 31, 2025) at any time during the proposed buy-back period. However, the Directors do not propose to exercise the Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital needs of the Company or the gearing level of the Company. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regarded to the circumstances then prevailing, in the best interests of the Company.

The Directors have undertaken that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchase under the Share Repurchase Mandate in accordance with the Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC. The Directors confirm that neither this explanatory statement nor the proposed share repurchase mentioned above has any unusual features.

STATUS OF BOUGHT BACK SHARES

To the best knowledge of the Directors having made all reasonable enquiries, neither the Directors nor any of their respective close associates (as defined in the Listing Rules) have any present intention to sell any H Shares to the Company if the grant of the Share Repurchase Mandate is approved by the Shareholders. The Directors will exercise the power of the Company to repurchase Shares under the Share Repurchase Mandate in compliance with the Listing Rules and applicable laws and regulations of China. To the best knowledge of the Directors, there is nothing unusual about this explanatory statement and the Share Repurchase Mandate.

If the Company conducts a Share repurchase, the Company will cancel the repurchased Shares and/or hold the repurchased Shares as Treasury Shares based on the circumstances at the time of repurchase (such as market conditions and/or capital management needs). All Shares held in treasury will retain their listed

status. With respect to the Shares repurchased for cancellation, the registered capital of the Company shall be reduced accordingly based on the total nominal value of Shares cancelled.

SHARES PRICES

The highest and lowest prices at which the Shares traded on the Main Board of the Stock Exchange since February 10, 2026 (the Listing Date) and up to the Latest Practicable Date were as follows:

| Month | Highest <i>HK\$</i> | Lowest <i>HK\$</i> |
|--|-------------------------------|------------------------------|
| 2026 | | |
| February | 36.90 | 22.10 |
| March | 29.48 | 17.88 |
| April | 24.50 | 18.60 |
| May | 25.16 | 18.40 |
| June (up to the Latest Practicable Date) | 18.46 | 17.25 |

SHARE REPURCHASE MADE BY THE COMPANY

During the period from the Listing Date to the Latest Practicable Date, the Company had not bought back any of the Shares (whether on the Stock Exchange or otherwise).

DISCLOSURE OF INTERESTS

If as a result of a share repurchase by the Company, a substantial shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the Company or become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge of the Company, the Directors are not aware of any consequences which would arise under the Takeovers Code as a result of an exercise of the proposed Share Repurchase Mandate of the Company.

Assuming that there is no issue of shares between the Latest Practicable Date and the date of a repurchase, an exercise of the general mandate to repurchase Shares whether in whole or in part will not result in the percentage of the shares held by the public being less than the relevant prescribed minimum percentage as required by the Stock Exchange. Moreover, the Directors will not make Shares repurchase on the Stock Exchange if such repurchase would result in the requirements under Rule 8.08 of the Listing Rules not being complied with.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their close associates presently intends to sell Shares to the Company under the Share Repurchase Mandate in the event that the Share Repurchase Mandate is approved by the Shareholders and the conditions (if any) to which the Share Repurchase Mandate is subject are fulfilled.

The Company has not been notified by any core connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the Share Repurchase Mandate is approved by its Shareholders and the conditions (if any) to which the Share Repurchase Mandate is subject are fulfilled.

Chapter 1 DEFINITIONS

1.1 Unless the context otherwise requires, the following terms shall have the following meanings:

| Term | Definition |
|--------------------------|---|
| Adoption Date | being the date on which the Scheme is approved at the general meeting |
| Auditor | the auditor of the Company from time to time |
| Board | the Board of Directors of our Company |
| Business Day | any day on which the Stock Exchange is open for business of dealing in securities |
| Articles of Association | articles of association of Axera Semiconductor Co., Ltd. (as amended from time to time) |
| chief executive | has the meaning ascribed to it under the Listing Rules (as amended from time to time) |
| associate(s) | has the meaning ascribed to it under the Listing Rules (as amended from time to time) |
| close associate | has the meaning ascribed to it under the Listing Rules (as amended from time to time) |
| Company | Axera Semiconductor Co., Ltd. (愛芯元智半導體股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (stock code: 0600) |
| connected person(s) | has the meaning ascribed to it under the Listing Rules (as amended from time to time) |
| core connected person(s) | a director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or a close associate of any of them |
| Employee Participant(s) | director(s) (including independent non-executive director(s)), senior management and employee(s) (whether full-time or part-time employees) of the Company and/or any of its subsidiaries (including persons who are granted Options under the Scheme as an inducement to enter into employment contracts with these companies) |

| Term | Definition |
|-------------------------|--|
| Grantee(s) | any Participant who accepts a grant in accordance with the terms of the Scheme and holder of any outstanding Option, or (where the context so permits) a Legal Representative of such Grantee |
| Group | the Company and its subsidiaries from time to time, and “members of the Group” shall be construed accordingly |
| H Share(s) | overseas listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars |
| HK\$ | Hong Kong dollars, the lawful currency of Hong Kong |
| Hong Kong | the Hong Kong Special Administrative Region of the PRC |
| inside information | has the meaning ascribed thereto under the Securities and Futures Ordinance |
| Listing Rules | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time) |
| Option | a right granted to a Personal Representative to subscribe for H Shares pursuant to the Scheme |
| Option Period | in respect of any Option, the Board will determine and notify the Personal Representative of the period during which the Option may be exercised, which period shall expire in any event not later than the last day of the 10-year period after the grant date and, for the avoidance of doubt, the Board may also, if it decides to fix different time periods for Options in respect of different Personal Representatives, set conditions and/or restrictions on the exercise of such Option during the period when an Option may be exercised |
| Other Schemes | other than the Scheme, all the schemes or arrangements involving the grant by the Company or any member of the Group of options over Shares or other securities of the Company to, or for the benefit of, specified participants of such schemes or arrangements which, in the opinion of the Stock Exchange, is analogous to a Share Scheme as described in Chapter 17 of the Listing Rules |
| Eligible Participant(s) | Employee Participants, Related Entity Participants or Service Provider Participants as determined from time to time by the Board or the Delegatee |

| Term | Definition |
|---------------------------------|--|
| Personal Representative | in case of the death, physical or mental disability or incapacity of the Personal Representative or other event which, in the opinion of the Board, deprives the Personal Representative of his/her capacity to act (other than in the event of insolvency, bankruptcy or liquidation of the Personal Representative), a person recognised by the Company to act as an agent for the purpose of obtaining an assignment of the Options granted to such Personal Representative (if exercisable but not yet exercised) or to obtain other rights to exercise such Options (if exercisable but not yet exercised) on behalf of the Personal Representative as a result of such events by operation of law, subject to provision of such evidence as to his or her entitlement as may from time to time be required by and to the satisfaction of the Board |
| Exercise Period | the period during which the Personal Representative may exercise the Option |
| Related Entity(ies) | the holding company(ies), fellow subsidiary(ies) or associated company(ies) of the Company |
| Related Entity Participant(s) | director(s) and employee(s) (whether full-time or part-time employees) of the Related Entities |
| Remuneration Committee | The Remuneration and Appraisal Committee of the Board |
| Scheme | the 2026 H Share Option Scheme of Axera Semiconductor Co., Ltd. |
| Scheme Mandate Limit | has the meaning ascribed thereto under paragraph 9.1 |
| Scheme Period | the period commencing on the Adoption Date and expiring on the day falling one day immediately before the tenth anniversary of the Adoption Date (both dates inclusive), which may be terminated earlier in accordance with the provisions of the Scheme |
| Service Provider Participant(s) | service provider(s) engaged by the Company and/or any of its subsidiaries, being IP and software vendors |
| Share(s) | ordinary share(s) in the share capital of the Company and any other shares arising from any subdivision, consolidation or reclassification of such shares |

| Term | Definition |
|----------------------------|--|
| Shareholder(s) | holder(s) of the Share(s) |
| Stock Exchange | the Stock Exchange of Hong Kong Limited |
| Exercise Price | the price per Share in respect of which Option may be subscribed upon exercise of the Option, as determined by the Board, subject to paragraph 6 and 11 or, where applicable, as adjusted from time to time in accordance with the rules of the Scheme |
| subsidiary(ies) | has the meaning ascribed to it under the Listing Rules |
| substantial shareholder(s) | has the meaning ascribed to it under the Listing Rules |
| Takeovers Code | The Hong Kong Code on Takeovers and Mergers of issued by the Securities and Futures Commission of Hong Kong, as amended, supplemented or otherwise modified from time to time |
| Vesting Date | in respect of any Option, the earliest date on which the Personal Representative may exercise the Option (or portion thereof) granted to him/her, as specified in the grant letter, pursuant to which Shares (or different portions thereof) may be subscribed for in accordance with the terms of such Option |
| Vesting Period | in respect of any Option, the period commencing from the date on which the Personal Representative accepts such Option granted to him/her and ending on the Vesting Date (both dates inclusive) |
| % | per cent |

1.2 In the Scheme, unless the context otherwise requires:

- 1.2.1 Words denoting the singular shall include the plural, and vice versa;
- 1.2.2 Words importing one gender or the neuter shall include all gender and neuter meanings;
- 1.2.3 The headings are inserted for convenience only and shall not limit, alter, expand or otherwise affect the understanding of any provision of the rules of the Scheme;
- 1.2.4 References to paragraphs or sub-paragraphs are to the corresponding paragraphs or sub-paragraphs of the rules of the Scheme;
- 1.2.5 References to any law, statutory provision or regulatory provision (including any provision of the Listing Rules) shall be construed as references to the relevant law, statutory provision or regulatory provision as amended, consolidated or re-enacted, or the operation of which is varied, with or without modification, from time to time before or after the Adoption Date, respectively, by any other law, statutory provision or regulatory provision (including any provision of the Listing Rules), and shall include, any subordinate legislation enacted from time to time under the relevant legislation before or after the Adoption Date;

- 1.2.6 References to persons shall include individuals, firms, bodies corporate, companies, unincorporated associations, governments, States or State agencies, joint ventures, organisations or partnerships, sole proprietorships, institutions, guilds, enterprises, branches and any other kind of entity (whether or not having separate legal personality);
- 1.2.7 The word “including” shall be deemed to be followed by the phrase “but not limited to”;
- 1.2.8 References to any decisions, directions and other acts of the Board shall be deemed to be decisions, directions and acts of the Board made in its absolute discretion and in any reference to the discretion of the Board, the word “discretion” shall be deemed to be qualified by the preceding term “absolute”; and
- 1.2.9 If any payment due is to be made on a day that is not a Business Day or if any act is to be done on a day that is not a Business Day, the due date of such payment or act shall be automatically postponed to the next Business Day; and if any period during which a Party is obliged to do any act or is entitled to any benefit is a day that is not a Business Day, such period shall automatically be extended to the next Business Day.

Chapter 2 CONDITIONS

- 2.1** The Scheme shall take effect subject to:
- 2.1.1 the passing by the Shareholders at the general meeting of the Company of the necessary resolution adopting the Scheme and authorising the Board or authorising persons to (i) grant Options under the Scheme in accordance with the rules of the Scheme and (ii) allot, issue and deal in the relevant number of Shares to be issued upon the exercise of any Option granted under the Scheme; and
- 2.1.2 the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares which may be allotted and issued by the Company pursuant to the Options which may be granted in accordance with the terms and conditions of the Scheme.
- 2.2** The approval for the listing and permission granted by the Listing Committee as referred to in paragraph 2.1.2 shall include any approval for listing and permission granted subject to the fulfilment of any condition precedent or condition subsequent.

Chapter 3 PURPOSES AND OBJECTIVES

- 3.1** The purpose of the Scheme is to: (i) facilitate the achievement of the Company’s long-term sustainable development and performance objectives; (ii) closely align the interests of the Personal Representatives with those of Shareholders, investors, and the Company to enhance corporate cohesion, and promote the maximization of the Company’s value; (iii) improve the Company’s incentive mechanisms to attract, motivate, and retain directors, senior management, and employees who have made material contributions to the Company’s continuous operation, development, and long-term growth; and (iv) recognize and affirm the contributions made or to be made by Eligible Participants to the Company.

Chapter 4 MANAGEMENT

- 4.1** The Scheme shall be administered by the Board and the decisions of the Board (except as otherwise provided in the Scheme) on all matters relating to the Scheme and the rules of the Scheme or the interpretation or effect thereof (subject to all applicable laws, rules and regulations (including the Listing Rules) and the requirements of any competent authority, except for matters which are subject to the approval of the Remuneration Committee, the independent non-executive directors and/or the Shareholders, as the case may be, as required by the Scheme or the Listing Rules) shall be final and binding on all persons who may be affected thereby, provided that, where applicable, a prior written statement has been received from the Auditor or independent financial adviser (if provided in paragraph 10).
- 4.2** Subject to the rules of this Scheme, the Articles of Association, all applicable laws, rules and regulations (including the Listing Rules and the relevant guidelines), the Board or any committee of the Board or person authorised by the Board shall from time to time have general powers to deal with the following matters, without limiting the generality of any other powers and authorisations that the Board or such committees or such persons may have under the rules of the Scheme:
- 4.2.1 to interpret and construe the rules of the Scheme and the terms of grant made under the Scheme;
 - 4.2.2 to make grants to such Eligible Participants as it may from time to time select;
 - 4.2.3 to determine the terms and conditions of the grant and impose any restrictions and/or limits on him/her;
 - 4.2.4 to determine and impose performance targets (if any) to be properly fulfilled by the Personal Representative before the Options can be exercised, and to determine whether such performance targets have been properly fulfilled (except that in the case of any Personal Representative who is a director or senior management personnel (as defined under Rule 17.01A of the Listing Rules) of the Company, the decision of the Board is subject to the opinion of the Remuneration Committee as to whether and why the performance targets and/or clawback mechanism are necessary and how the Options are consistent with the purpose of the Scheme in such circumstances);
 - 4.2.5 to develop and implement a clawback policy, and determine whether the Options and underlying Shares are subject to clawback (as defined in paragraph 5.15) (except that in the case of any Personal Representative who is a director or senior management personnel (as defined under Rule 17.01A of the Listing Rules) of the Company, the decision of the Board is subject to the opinion of the Remuneration Committee as to whether and why the performance targets and/or clawback mechanism are necessary and how the Options are consistent with the purpose of the Scheme in such circumstances);
 - 4.2.6 to make such appropriate and equitable adjustments to the terms of Options granted under the Scheme as it may deem necessary;
 - 4.2.7 to make such other decisions or determinations as it shall deem appropriate for the administration of the Scheme; and

- 4.2.8 on behalf of the Company, to approve, execute, amend, deliver, negotiate, agree upon and consent to all relevant agreements, contracts, documents, rules, matters and affairs (as the case may be) as deemed reasonable, necessary, desirable, appropriate or expedient for the purpose of giving effect to and/or implementing all transactions contemplated hereunder, and to make any reasonable alterations, amendments, changes, modifications and/or supplements thereto as it may consider necessary, desirable, appropriate or expedient. Where the affixing of the Company's seal is required to any such agreement, contract or document, it shall be entitled to sign such agreement, contract or document and affix the Company's seal thereto in accordance with the Articles of Association.
- 4.3 In respect of the Scheme, no director, member of any committee of the Board or person authorised by the Board to administer the Scheme shall be personally liable for any contract or other instrument signed by or on his/her behalf, or for any error of judgement made in good faith, and the Company shall indemnify and hold harmless the Board, any member of any committee of the Board or any person authorised by the Board to administer or interpret the Scheme from any costs or expenses (including legal fees) or liabilities (including any sums paid in settlement of claims with the approval of the Board) arising from any acts or omissions related to the Scheme, unless such costs, expenses or liabilities result from the person's own wilful neglect of duty, fraud, or dishonesty.
- 4.4 In administering the Scheme, the Company shall comply with all applicable laws, regulations and rules, including but not limited to the Listing Rules, relevant guidelines and the Articles of Association from time to time.

Chapter 5 GRANT OF OPTIONS

- 5.1 Pursuant to and subject to the terms of the Scheme and all applicable laws, rules and regulations (including the Listing Rules and related guidelines), the Board shall have the right to make grants to any Eligible Participant selected by it in its absolute discretion at any time within 10 years after the Adoption Date to subscribe for such number of Shares as the Board may determine at the Exercise Price (subject to paragraphs 5.5 to 5.7 and 5.9). In making a grant to a participant, the Board may, in its absolute discretion, impose such terms, conditions, limits and/or restrictions as it may deem appropriate (including but not limited to any performance targets to be achieved and the minimum period for which an Option must be held before it can be exercised in individual cases in accordance with paragraph 5.13), provided that such terms, conditions and/or restrictions shall not be inconsistent with any other terms and conditions of the Scheme and applicable laws, rules and regulations (including the Listing Rules and related guidelines).
- 5.2 The eligibility of any Eligible Participant for a grant shall be determined by the Board from time to time based on the Board's views on such participant's contribution to the development and growth of the Group. In assessing whether to grant Options to any participant, the Board will consider a number of factors, including but not limited to the nature and extent of the contribution made or capable to be made by such participant to the Group, their special skills, technical knowledge or experience that are beneficial to the continuous development of the Group, the positive impact brought or expected to be brought by such participant to the business, development and success of the Group (including support, assistance, guidance, advice, effort and/or contribution), and whether the grant of Options to such participant constitutes an appropriate incentive to motivate such participant to continue to contribute to the progress of the Group.

- 5.2.1 In assessing the eligibility of Employee Participants, the Board will consider all relevant factors, where applicable, including but not limited to:
- (A) his/her skills, knowledge, experience, expertise and other relevant personal qualities;
 - (B) his/her performance, time commitment, responsibilities or employment conditions and prevailing market practices and industry standards;
 - (C) his/her contribution expected to be made to the growth of the Group with reference to his/her past contributions;
 - (D) his/her length of engagement or employment with the Group; and
 - (E) his/her educational and professional qualifications, and knowledge of the industry.
- 5.2.2 In assessing the eligibility of Related Entity Participants, the Board will consider all relevant factors, where applicable, including, among others:
- (A) the positive impact (including support, assistance, guidance, advice, effort and/or contribution) expected to be brought by the Related Entity Participants on the business development of the Group, with reference to the positive impact brought by such Related Entity Participants in the past, in terms of bringing revenue or profit growth and more expertise to the Group and/or other aspects in support of the business development and/or growth of the Group;
 - (B) the extent of the Related Entity Participant's actual involvement in and/or cooperation with the Group, as well as the duration of the cooperative relationship established between such Related Entity Participant and the Group by virtue of his/her roles and positions held in the related entity;
 - (C) the number, scale, and nature of the projects in which the Related Entity Participant is involved that may promote the business, development, and growth of the Group;
 - (D) whether the Related Entity Participant has referred or introduced to the Group any opportunities for further business relationships, and whether such opportunities have been materialised;
 - (E) whether the Related Entity Participant has assisted the Group in expanding into new markets and/or increasing its market share; and
 - (F) the materiality and nature of business relationships between the related entity, of which the Related Entity Participant holds office or position on the one hand and the Group on the other hand, as well as the contributions made by such Related Entity Participant, through the cooperative relationship within such related entity, that may benefit the Group's core business.

Furthermore, the Board will use the following specific benchmarks in measuring the contributions of Related Entity Participants when determining their eligibility:

- (A) the actual or reasonably expected incremental revenue or profits attributable to the collaborative relationship between the relevant Related Entity Participant and the Group, as measured by reference to the Group's audited or management financial information;
- (B) whether the Related Entity Participant has provided, or is reasonably expected to provide, specialised knowledge, technical expertise, or industry know-how that materially supplements or enhances the Group's existing capabilities;
- (C) the number and value of business opportunities, client referrals, or new market introductions attributable to the efforts of the Related Entity Participant, including whether such opportunities have materialised into executed commercial arrangements;
- (D) the frequency, regularity and scale of the Related Entity Participant's involvement in the Group's projects or operations, and the length of the collaborative relationship (measured in years); and
- (E) the degree to which the Related Entity Participant's services or contributions relate to the core business of the Group, and whether such contributions could be readily replaced by alternative third-party providers on comparable terms.

5.2.3 In assessing the eligibility of the Service Provider Participants, the Board has considered all relevant factors as appropriate, including, among others:

- (A) the individual performance of the Service Provider Participants;
- (B) the frequency of collaboration and the length of business relationship with the Group;
- (C) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties);
- (D) the track record in the quality of services provided to and/ or cooperation with the Group and the ability to maintain the quality of services;
- (E) the scale of business dealings and/or collaboration with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the Service Provider Participants;
- (F) the actual contribution or potential contribution towards the long-term development and success of the Group; and
- (G) the remuneration packages of comparable listed peers for similar service providers based on available information in the industry.

Based on the above criteria, the Board has categorized the Service Provider Participants to include IP and software vendors. The Service Provider Participants comprise two sub-categories: (i) IP vendors, being specialised providers that license semiconductor intellectual property cores (such as processor cores, interface protocols, memory controllers and signal processing blocks), proprietary design blocks and related technology to the Group for integration into the Group's AI inference SoC chip designs; and (ii) software vendors, being specialised companies that develop application-layer software, middleware, toolchains, development frameworks and industry-specific solutions that are built upon, optimised for, or designed to interoperate with the Group's AI semiconductor chips and computing platforms.

For the avoidance of doubt, the Service Provider Participants exclude any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

5.3 Grants shall be made to each participant separately by way of written offer and shall:

- 5.3.1 specify the date on which the grant is made;
- 5.3.2 specify the participant's name and identification particulars (such as type and number of identity document, address, and position, if applicable);
- 5.3.3 specify the latest date for acceptance of the grant by the participants, which shall be a date no later than 30 Business Days (or such other period as the Board may determine) after (i) the date on which the grant is made; or (ii) the date on which the conditions of the grant (if any) are satisfied, whichever is later, or the grant shall be deemed to have been declined;
- 5.3.4 specify the manner of acceptance of the grant;
- 5.3.5 specify the maximum number of shares related to the grant;
- 5.3.6 specify the Exercise Price and payment method;
- 5.3.7 specify the earliest Vesting Date (and any subsequent Vesting Dates, if any) on which the participants may exercise their granted Options to subscribe for shares (or portions of shares, as the case may be), and the Option Period during which the Options may be exercised (or the corresponding Option Period for different portions of shares, as the case may be);
- 5.3.8 specify any performance targets (if any) that participants are required to achieve prior to the exercise of any Option;
- 5.3.9 specify the clawback (as defined in paragraph 5.16) mechanism (if any), pursuant to which the Company may recover or withhold any Option granted to any participant (if any) in the event of serious misconduct, material misstatement in the Company's financial statements or other special circumstances as determined by the Board;

- 5.3.10 specify any other terms and conditions that may be imposed by the Board, the Remuneration Committee and/or independent non-executive directors (as the case may be), which are inconsistent with the provisions of the Scheme and applicable laws and regulations (including the Listing Rules);
- 5.3.11 require the participant to prior statement in accordance with the terms on which such Options are granted to him/her and to be bound by the provisions of the Scheme; and
- 5.3.12 be made in such form as the Board may prescribe from time to time, subject to the foregoing provisions.
- 5.4** No grant of Options shall be made by the Board and/or authorised persons pursuant to the rules of the Scheme where dealings in the H Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time. Without limiting the generality of the foregoing, no such instruction shall be given and no such grant shall be made, during the following periods:
- 5.4.1 after information that are required to be disclosed under Rule 13.09 of the Listing Rules or inside information that are required to be disclosed under Part XIVA of the SFO has come to the knowledge of the Company until (and including) the trading day after such data has been publicly announced in accordance with the Listing Rules, the SFO and/or applicable laws;
- 5.4.2 during the period commencing 30 days immediately preceding (i) the date of the Board meeting to approve the Company's annual, semi-annual, quarterly or any other interim results (whether or not required under the Listing Rules), being the date first notified to the Hong Kong Stock Exchange pursuant to the Listing Rules and (ii) the deadline for the publication of any announcement of the Company's annual or semi-annual, quarterly or any other interim results (whether or not required under the Listing Rules) pursuant to the Listing Rules, whichever is earlier, and ending on the date of the results announcements. Such period shall include any period during which the publication of relevant results announcement is delayed;
- 5.4.3 (where the Selected Participant is a director (other than an independent non-executive director) or a chief executive of the Company) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company, during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company, or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;
- 5.4.4 in any circumstance where dealing in Shares by a Selected Participant (including directors of the Company) is prohibited under the Listing Rules, the SFO or any other applicable laws or regulations;
- 5.4.5 in any circumstance where any requisite approval from any governmental or regulatory authority has not been obtained; and
- 5.4.6 in any circumstance where the grant of Options is prohibited under, or would result in a breach of, the Listing Rules, the SFO or any other applicable laws or regulations.

- 5.5 Subject to paragraph 5.6 and 5.7, the total number of Shares issued and to be issued in respect of all Options granted under the Scheme and all share options and share awards under Other Schemes (including both exercised and outstanding Options and share options as well as vested and unvested share awards, but excluding any Option, share options or share awards that have lapsed pursuant to the terms of the Scheme or such Other Schemes) to each participant during any 12-month period up to and including the relevant grant date shall not exceed 1% of the total number of issued Shares (excluding treasury Shares) (the “**Individual Limit**”). Should any proposed grant to participants result in the Shares issued and to be issued in respect of all Options, share options and share awards granted and proposed to be granted (including both exercised and outstanding Options and share options as well as vested and unvested share awards, but excluding any Option, share options or share awards that have lapsed pursuant to the terms of the Scheme or such Other Schemes) to each participant during any 12-month period up to and including the relevant proposed grant date exceeding the Individual Limit, such proposed further grant of Options shall be subject to and conditional upon the following conditions:
- 5.5.1 such proposed grant of Options having been separately approved by the Shareholders in general meeting of the Company, with such participant and his/her close associates (or associates if the participant is a connected person) abstaining from voting;
 - 5.5.2 where required under the Listing Rules, the Company has first despatched a circular to the Shareholders within such time as may be required under the Listing Rules, disclosing such information required under the Listing Rules (which, if required, may include the participant’s identity, the number and terms of the Options to be granted (as well as the Options, share options or share awards previously granted to such participant during the aforesaid 12-month period), the purpose of granting the Options to the participant, and an explanation of how the terms of the Options achieve such purpose); and
 - 5.5.3 The number and terms of such Options to be granted to the such participant have been determined prior to the date on which Shareholder’s approval for such grant was sought. Accordingly, the Board resolved that the date on which such grant was proposed shall be deemed as the Grant Date for Exercise Price calculation purpose.
- 5.6 Unless otherwise required by the Listing Rules, and without prejudice to paragraph 5.7, each grant of Options to a director, the chief executive or substantial shareholder of the Company, or any of their respective associates shall be subject to approval by the independent non-executive directors (excluding any independent non-executive director who is a proposed Personal Representative of such Options).
- 5.7 Should 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 total number of Shares issued and to be issued in respect of all Options granted under the Scheme and all share options and all share awards granted under any Other Schemes (including both exercised and outstanding Options and share options as well as vested and unvested share awards, but excluding any Option, share options or share awards that have lapsed pursuant to the terms of the Scheme or such Other Schemes) to such person(s) during any 12-month period up to and including the relevant grant date exceeding 0.1% of the issued Shares, such further grant of Options shall be subject to and conditional upon the following conditions:
- 5.7.1 where required under the Listing Rules, the Company has despatched a circular containing information set forth in paragraph 5.8 to the Shareholders within such time as may be required under the Listing Rules; and

- 5.7.2 where required under the Listing Rules, such grant of Options has been approved by the Shareholders at the general meeting of the Company, at which the Personal Representative(s), his/her associate(s) and all core connected person(s) have abstained from voting in favour at such general meeting, and the Company has complied with Rules 13.40, 13.41 and 13.42 of the Listing Rules and other applicable requirements.
- 5.8** The circular to be despatched by the Company to the Shareholders pursuant to paragraph 5.7.1 shall contain the following information:
- 5.8.1 Details of the number and terms of Options to be granted to each participant (including the information specified in Rules 17.03(5) to 17.03(10) and Rule 17.03(19) of the Listing Rules) shall be determined prior to the general meeting at which the grant is sought. Accordingly, the Board resolved that the date on which such grant was proposed shall be deemed as the Grant Date for Exercise Price calculation purpose;
- 5.8.2 the opinions of the independent non-executive directors (excluding any independent non-executive director who is a proposed Personal Representative of Options) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and its Shareholders as a whole, along with their recommendations to the independent Shareholders as to vote; and
- 5.8.3 other information required under the Listing Rules (including Rules 17.02(2)(c) and 2.17 of the Listing Rules (where applicable)).
- 5.9** Any change to the terms of Options granted to a director, the chief executive or substantial shareholder of the Company, or any of their respective associates (where approval was required for the initial grant of Options), shall be approved by the Board, the Remuneration Committee, the independent non-executive directors and/or Shareholders in the manner as set out in Rule 17.04(4) of the Listing Rules (as the case may be), unless such change automatically becomes effective under the existing terms of the Scheme.
- 5.10** The requirements for the grant of Options to a director or the chief executive of the Company as set out in paragraph 5.6 to 5.8 of these Rules shall not apply to the circumstances where the participant is only a proposed director or chief executive of the Company (i.e. a candidate).
- 5.11** Any grant may be accepted during the period specified in the grant letter in respect of all or less the number of the Shares covered in the grant letter, provided that any smaller number of Shares must be clearly stated upon acceptance, and the Board may, if it deems appropriate, impose conditions in the grant letter requiring that acceptances may only be made in board lots or integral multiples thereof as traded on the Stock Exchange. If the grant of Options is not accepted for such purpose within the period specified in the grant letter (whether in respect of all or less the number of shares covered in the grant letter), such grant shall be deemed to have been irrevocably rejected and shall accordingly lapse (either in whole or as to the portion not accepted (as the case may be)).
- 5.12** The Personal Representative shall ensure and shall be deemed, upon acceptance of the grant, to have represented and undertaken to the Company that the acceptance of the grant, the vesting, holding and exercise of any Option granted to him/her, and the holding of Shares following such exercise, are and will remain valid and effective, and that the Personal Representative will comply with all applicable laws, rules and regulations governing such matters. The Board may require the participant to provide such evidence as it may reasonably require as a condition precedent to the making of the grant and the allotment of Shares upon the exercise of the Options.

- 5.13** The Board of Directors or its authorized person(s) may, within the scope permitted by all applicable laws, rules and regulations, determine the Vesting Period of the Options at its sole discretion. No Option shall vest within a period of less than 12 months (or such other period as may be prescribed or permitted by the Listing Rules from time to time). Under any of the following circumstances, the Vesting Period for Options granted to Employee Participants shall be the shorter of (i) the Vesting Period determined by the Remuneration Committee where the Employee Participant is a director or a senior manager (as defined in Rule 17.01A of the Listing Rules) of the Company; or (ii) the Vesting Period determined by the Board where the Employee Participant is not a director or a senior manager (as defined in Rule 17.01A of the Listing Rules) of the Company:
- 5.13.1 grants of “make-whole” Options to a new Eligible Participant to replace the share awards forfeited when leaving his or her previous employer;
 - 5.13.2 the grant of Options to Employee Participants whose employment is terminated by reason of death, disability or any force majeure event;
 - 5.13.3 the Options granted in tranches within a year for administrative or compliance reasons, including awards which would otherwise have been granted earlier but were deferred to subsequent tranches due to such administrative or compliance reasons. In such cases, the Vesting Period may be correspondingly shortened to reflect the time otherwise have been granted;
 - 5.13.4 the adoption of a mixed or accelerated vesting schedule, such as share awards may vest evenly over a period of twelve (12) months or release in batches with the first batch vesting within twelve (12) months after the Grant Date, and the final batch vesting after twelve (12) months following the Grant Date;
 - 5.13.5 grants of Awards with performance-based vesting conditions stipulated in the Scheme or in the grant letter, in lieu of time-based vesting criteria; and
 - 5.13.6 grants of Awards with a total vesting and holding period of more than twelve (12) months.
- 5.14** Unless otherwise determined by the Board and/or stipulated in the grant letter, the Personal Representative shall be required to satisfy the performance targets as set in the grant letter prior to exercising the Options granted:
- 5.14.1 for the participant who is a director or a senior manager (as defined in Rule 17.01A of the Listing Rules) of the Company, the Remuneration Committee may (or for any other participant, the Board or the relevant Board Committee duly authorised by the Board in this regard may) establish performance targets for granting the Options to such participant upon achievement thereof. Following the grant of any performance-linked Options, the Board (or, as the case may be, the Remuneration Committee or the relevant Board Committee duly authorised by the Board in this regard) shall have the authority, in the event of changes, to make equitable and reasonable adjustments to the established performance targets.

5.14.2 the proposed performance targets may include the Group's business, financial condition, operations, and capital value creation for its business segments (such as revenue and net profit growth), and individual performance metrics of participants based on their roles and responsibilities. The Board (or, as the case may be, the Remuneration Committee, the relevant Board Committee duly authorised by the Board in this regard or other relevant persons) shall conduct an evaluation at the end of the performance period by comparing relevant performance with the predetermined targets, to determine whether the performance targets have been achieved and the extent of such achievement.

5.15 Where the Board determines that the vesting of any Option and/or (where such Options have been exercised) the holding of the relevant Shares issued and allotted upon the exercise of such Options by any participant may be considered inequitable, including without limitation in circumstances involving material misstatements or omissions in the Group's financial reports, or any fraudulent or serious misconduct by the relevant participant, such Options (if any) and the relevant Shares issued and allotted upon the exercise of such Options (where such share options have been exercised) shall be subject to clawback. For the avoidance of doubt, notwithstanding any other provision of the rules of the Scheme, any Option and any Shares to be issued upon the exercise thereof may be subject to clawback in accordance with the Company's clawback policy as amended from time to time. Under such circumstances, unless the Board or the authorized person(s), in their absolute discretion, decides otherwise, any unexercised Option shall lapse immediately (regardless of whether such Options has been vested). With regard to the underlying Shares issued, allotted and granted to the Personal Representatives pursuant to the H Share Option Scheme (in case such Option has been exercised), the Company shall have the rights to recourse to the selected participant (i) all proceeds generated from the sale or transfer of the underlying Shares (in case such Option has been exercised) issued, allotted and granted to the Personal Representative through the Personal Representative's exercise of Option pursuant to the H Share Option Scheme; and/or (ii) request to effect the seizure and forfeiture of all the relevant Shares by the Personal Representative's exercise of Option.

Chapter 6 EXERCISE PRICE

6.1 Subject to the provisions of paragraph 6.2, the Exercise Price (to be adjusted in accordance with paragraph 10) shall be determined by the Board and notified to the participants, and shall not be less than the highest of the following:

6.1.1 the closing price of the H Shares as shown in the daily quotation sheets of the Stock Exchange on the grant date;

6.1.2 the average closing price of the H Shares as shown in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the grant date; and

6.1.3 the nominal value of the H Shares.

6.2 In the case of the grant of relevant Options pursuant to paragraphs 5.5, 5.7 or 9.5, for the purposes of paragraphs 6.1.1 and 6.1.2, the date of the Board meeting at which the grant of the Options is proposed shall be deemed to be the grant date of such relevant Options.

Chapter 7 Exercise of the Options

- 7.1 (A) The Options are personal to the Personal Representative and shall not be transferable. The Personal Representative shall not, in any manner whatsoever, whether for the benefit of any third party, sell, transfer, mortgage, charge, encumber or otherwise dispose of any Option, or create any interest in any Option, or enter into any agreement to effect any of the foregoing, save that: (i) the Grantee's Personal Representatives may exercise the Options in accordance with the provisions of the Scheme; and (ii) as otherwise provided in sub-paragraph (B) below. The Personal Representatives shall comply with all provisions of the rules of the Scheme, which shall apply *mutatis mutandis* to such Personal Representatives. For the avoidance of doubt, where the Personal Representative is a body corporate, any change of its controlling Shareholder or any material change in its management (as determined by the Board in its sole and absolute discretion) shall be deemed a sale or transfer of the aforesaid interests, unless otherwise determined by the Board in its sole and absolute discretion.
- (B) Provided that (i) the Board has expressly given its prior written consent (such consent to be granted or withheld in the Board's absolute discretion), and (ii) the Stock Exchange has granted its express waiver, the Personal Representative may be permitted to transfer the Options granted to and held by the Personal Representative to a vehicle designated by the Personal Representative for the benefit of the Personal Representative and/or any of his/her family members (for example, for estate planning or tax planning or such other purposes as the Board and the Stock Exchange may consider reasonable) (the "**Participant Vehicle**") (such as a trust or private company), so long as such transfer remains consistent with the purposes of the Scheme and complies with other provisions of Chapter 17 of the Listing Rules. When applying to the Board for the aforesaid consent and to the Stock Exchange for the aforesaid waiver, the Personal Representative shall provide to the Company the information regarding the beneficiaries or objects of discretion of such trust or the ultimate beneficial owners of such Participant Vehicle, the documentary evidence of the trust arrangements between the Personal Representative and the proposed Participant Vehicle, and such other information as the Board or the Stock Exchange may require, and the grantee shall also agree to the disclosure of such information in any public disclosures by the Company (including any announcements, circulars and/or reports to be published by the Company). The Participant Vehicle shall comply with all the provisions of the Scheme (including this paragraph 7.1), which shall apply *mutatis mutandis* to the Participant Vehicle.
- (C) The Company may, by notice, immediately revoke any Option granted to such Personal Representative (insofar as not yet exercised, whether vested or unvested) upon being reasonably satisfied that the Personal Representative has breached or attempted to breach the provisions of this paragraph 7.1. The revocation notice shall constitute a final notice and be binding on the Personal Representative. Provided that the Company has acted in good faith, the Personal Representative shall have no right to claim any loss or compensation from the Company, its officers, and/or members of the Board (or any of the foregoing person) in connection with such revocation.
- 7.2 Subject to compliance with the terms of the Scheme (including, without limitation, paragraph 7.3) and the terms and conditions specified in the grant (including the achievement of any performance targets (if any) specified in the offer), the Grantee (or his/her Personal Representative) may, during the Option Period, exercise the Options in such manner as stipulated in the grant or other manner as the Board may determine from time to time and the number of Shares in respect of which the Options are exercised; provided that the Board may, in its sole and absolute discretion where it considers appropriate, prescribe that the Options may only be exercised in board lots of Shares traded on the Stock Exchange or integral multiples thereof, unless the number of Shares in respect of the Options remaining unexercised is less than one board lot, or the Options have been fully exercised.

- 7.3** Subject to the terms of the Scheme and the terms and conditions contained in the grant (including the attainment of any performance targets (if any) specified therein), the Grantee (or his/her Personal Representative) may, during the Option Period, exercise the Options at any time in the manner prescribed in paragraph 7.2, provided that:
- 7.3.1 Subject to paragraphs 7.3.4, 7.3.9 and 8.1.3, if a Personal Representative (being an Employee Participant at the time of the grant) of an outstanding Option ceases to be an Employee Participant for any reason, then, unless otherwise determined by the Board in its sole and absolute discretion, the Personal Representative may exercise the Option (to the extent exercisable but not yet exercised) within six months (or such other period as the Board may determine) after the date of such cessation (being his/her last actual working day with the Company or any of its subsidiaries regardless of whether salary is paid in lieu of notice or not), provided that if any of the circumstances specified in paragraphs 7.3.5, 7.3.6, 7.3.7 or 7.3.8 occurs, such unexercised Options may be exercised only in the manners and within the corresponding period specified in those paragraphs;
- 7.3.2 Subject to paragraphs 7.3.3, 7.3.4, 7.3.9 and 8.1.3, if a Personal Representative (being a Related Entity Participant at the time of the grant) of an outstanding Option ceases to be a Related Entity Participant for any reason, then, unless otherwise determined by the Board in its sole and absolute discretion, the Personal Representative may exercise the Option (to the extent exercisable but not yet exercised) within six months (or such other period as the Board may determine) after the date of such cessation (being his/her last actual working day with the Related Entity where he/she was previously employed, served as a director, or held other positions regardless of whether salary is paid in lieu of notice or not, provided that if any of the circumstances specified in paragraphs 7.3.5, 7.3.6, 7.3.7 or 7.3.8 occurs, such unexercised Options may be exercised only in the manners and within the corresponding period specified in those paragraphs;
- 7.3.3 If a Personal Representative (being a Related Entity Participant at the time of the grant) of an outstanding Option ceases to be a Related Entity Participant due to the Related Entity where the Personal Representative was employed, served as a director, or held other positions ceasing to be a Related Entity, then, unless otherwise determined by the Board in its sole and absolute discretion, the Personal Representative may exercise the Options (to the extent exercisable but not yet exercised) not more than the Options that he/she was entitled to exercise on the date of such cessation within the relevant period as the Board may determine, and any unexercised Options shall lapse upon expiration of such period; provided that if any of the circumstances specified in paragraphs 7.3.5, 7.3.6, 7.3.7 or 7.3.8 occurs, such unexercised Options may be exercised only in the manners and within the corresponding period specified in those paragraphs;
- 7.3.4 In the event of the death of a Personal Representative of an outstanding Option or a Personal Representative (being an Employee Participant or a Related Entity Participant at the time of the grant) ceases to be an Employee Participant or a Related Entity Participant (as the case may be) prior to exercising all or any of the Options due to physical or mental disability or incapacity, or the occurrence of any other event deemed by the Board to impair capacity (excluding insolvency, bankruptcy or winding-up of the Personal Representative), and provided that no event constituting grounds for termination of employment or appointment under paragraph 8.1.3 has occurred, then, unless otherwise determined by the Board in its sole and absolute discretion, the Grantee or his/her Personal Representative may exercise the Options (to the extent exercisable but not yet exercised) not more than the Options that he/she was entitled to exercise as at the date of death or physical or mental disability

or incapacity or the occurrence of such other events within twelve months (or such other period as the Board may determine) after the date of death or physical or mental disability or incapacity or the occurrence of such other relevant event (which date shall be determined by the Board upon receiving written evidence from the Personal Representative satisfactory to the Board), provided that (i) for any Option that may have reached the earliest vesting date specified in the grant but remain unvested due to failure to meet the performance targets set forth in the grant, the Board may (but shall not be obliged to), by reference to the level of achievement of the prescribed performance targets and such other equitable factors, determine that the Grantee or his/her Personal Representative may exercise such Options in respect of the relevant number of Shares within such period as the Board deems appropriate, subject to any conditions or restrictions the Board may impose; and (ii) if any of the circumstances specified in paragraphs 7.3.5, 7.3.6, 7.3.7 or 7.3.8 occurs, such unexercised Options may be exercised only in the manners and within the corresponding period specified in those paragraphs;

- 7.3.5 In the event of a change of control of the Company occurring hereunder resulting in a general grant (whether by way of takeover grant, share repurchase grant, scheme of arrangement or other similar means, save for a privatisation grant as described in paragraph 7.3.6) being made to all Shareholders (or all relevant Shareholders except the grantor and/or its controlled persons and/or persons associated or acting in concert with the grantor), where (i) in the case of a scheme of arrangement, such arrangement is formally proposed to Shareholders prior to the Option expiry date or (ii) in any other cases, the grant (or revised grant) becomes or is declared unconditional prior to the Option expiry date, then, unless otherwise determined by the Board in its sole and absolute discretion, the Grantee (or his/her Personal Representative, as the case may be) may, by written notice to the Company, exercise the Options in whole or in part as specified in such notice within 14 days (or such other period as the Board may in its sole and absolute discretion determine, provided that such period shall not extend beyond the expiry of the original Option Period) after (i) in the case of a scheme of arrangement, the effective date thereof or (ii) in any other cases, the date when the grant (or revised grant) becomes or is declared unconditional, notwithstanding that the Option Period for such Options may not have commenced. For purposes of this paragraph 7.3.5, “control” shall have the meaning ascribed to it in the Takeovers Code as amended from time to time;
- 7.3.6 If a grant is made to all Shareholders (or all relevant Shareholders except the grantor and/or its controlled persons and/or persons associated or acting in concert with the grantor) to acquire and/or cancel Shares in connection with the Company’s privatisation proposal (whether by way of takeover grant, share repurchase grant, scheme of arrangement or other means, regardless of whether it involves a change of control of the Company), and (i) for a scheme of arrangement, such scheme is formally proposed to Shareholders prior to the Option expiry date or (ii) for other cases, the grant becomes or is declared unconditional prior to the Option expiry date, then, unless otherwise determined by the Board in its sole discretion, the Grantee (or his/her Personal Representative) may, by written notice to the Company, exercise the Options in whole or in part as specified in such notice hereafter (provided such exercise occurs before the time notified in writing by the Company but no later than the expiry of the original Option Period) and in any event (i) in the case of a scheme of arrangement, by the deadline for lodging Share transfers to qualify for entitlements under such scheme or (ii) in any other case, prior to the closing of the grant (or any revised grant), notwithstanding that the Option Period may not have commenced at such time. For purposes of this paragraph 7.3.6, “control” shall have the meaning ascribed to it in the Takeovers Code as amended from time to time;

- 7.3.7 If a compromise or arrangement is proposed between the Company (as one party) and its Shareholders and/or creditors (as the other party) for or in connection with a scheme of reorganisation of the Company or its amalgamation with any other company, the Company shall despatch notice thereof to all Personal Representatives on the same day it despatches the meeting notice to Shareholders to consider such compromise or arrangement or as soon as practicable thereafter. Thereupon, unless otherwise determined by the Board in its sole discretion, each Grantee (or his/her Personal Representative) shall have the right to exercise all or any of the Options (insofar as it is unexercised) at any time by written notice to the Company no later than four (4) Business Days prior to the proposed meeting date. Accordingly, the Company shall allot the relevant Shares (credited as fully paid) to the Personal Representative as soon as practicable and in any event no later than the Business Day immediately preceding the proposed meeting date referenced above. The Company may require any Grantee (or his/her Personal Representative) to transfer or dispose of Shares issued upon such Option exercise, to align the shareholding of such Grantee (or his/her Personal Representative) as closely as possible with what it would have been had the Shares been subject to the relevant compromise or arrangement;
- 7.3.8 If the Company issues a notice to its Shareholders convening a general meeting to consider and, if thought fit, approve a resolution for the Company's voluntary winding-up, the Company shall despatch notice thereof to all Personal Representatives on the same day it despatches the meeting notice to Shareholders or as soon as practicable thereafter. Thereupon, unless otherwise determined by the Board in its sole discretion, each Grantee (or his/her Personal Representative) shall have the right to exercise all or any of the Options (insofar as it is unexercised) at any time by written notice to the Company no later than four Business Days prior to the proposed general meeting date. Accordingly, the Company shall allot the relevant Shares (credited as fully paid) to the Personal Representatives as soon as practicable and in any event no later than the Business Day immediately preceding the proposed general meeting date referenced above;
- 7.3.9 If a Personal Representative (being an Employee Participant or Related Entity Participant as at the grant date) of an outstanding Option ceases to be such participant due to retirement under his/her employment/appointment contract terms or statutory requirements, and provided that no event constituting grounds for termination of employment or appointment under paragraph 8.1.3 has occurred, then, unless otherwise determined by the Board in its sole discretion, the Personal Representative shall have the right to exercise Options up to his or her entitlement (to the extent exercisable but not already exercised) within 12 months from the retirement date (or such other period as the Board may determine); subject to the condition that if any of the circumstances specified in paragraphs 7.3.5, 7.3.6, 7.3.7 or 7.3.8 occurs within such period, such outstanding Options may be exercisable only in the respective manners and within the corresponding period specified in those paragraphs;
- 7.3.10 If a Personal Representative of an outstanding Option was a Related Entity Participant as at the grant date, and subsequently ceases to qualify as a participant in the sole determination of the Board due to termination of the business relationship with the Company or its relevant Subsidiary (or otherwise), then, unless otherwise determined by the Board in its sole discretion, any outstanding Options held by such Personal Representative shall lapse immediately upon the Company's issuance of the termination notice to such Personal Representative; and

7.3.11 Regarding the Participant Vehicle:

- (A) The provisions of paragraphs 7.3 and 8.1 shall apply *mutatis mutandis* to such Participant Vehicle and all Options held thereby, as if such Options were still held by the respective individual Personal Representative who transferred them to the Participant Vehicle pursuant to paragraph 7.1(B). Upon the occurrence of any event specified in paragraph 7.3 concerning such Personal Representative, the Options shall lapse or become exercisable correspondingly upon the expiry of the period referred to in paragraph 7.3; and
- (B) All Options held by a Participant Vehicle shall lapse and terminate on the date when the Participant Vehicle ceases to be wholly owned by the relevant individual Personal Representative or any of his/her family members (or in the case of the Participant Vehicle being a trust and individual Personal Representative or any of his family members being his or her beneficiary or discretionary object, on the date when such individual Personal Representative or any of his/her family member ceases to be his/her beneficiary or discretionary object of the trust) (unless otherwise determined by the Board in its sole discretion).

7.4 Regarding paragraph 7:

7.4.1 Unless otherwise required by the context, any reference to the exercise of the Options shall mean the exercise of such Options to the extent exercisable but not already exercised;

7.4.2 Upon occurrence of any event specified in paragraph 7.3, and subject to compliance with applicable laws, rules and regulations (including the Listing Rules), the Board or its authorized persons may, in its sole discretion, make any determination concerning the exercise of the Options, notwithstanding the relevant grant terms of the Option, including without limitation:

- (A) the period during which such Options may be exercised, provided that such period shall not extend beyond the expiry of the original Option Period;
- (B) whether any applicable performance targets (if any) must be fully achieved as a condition precedent to the Personal Representative's entitlement to exercise such Options;
- (C) the extent to which the Options may be exercised, regardless of whether in whole or in part and whether only to the extent vested or unvested, provided that such scope shall not be less than the exercisable scope stipulated in the Option's terms;
- (D) the manner of exercising the Options;
- (E) whether any performance targets or other performance conditions set by the Board must be fulfilled as prerequisites for exercising the Options;
- (F) any conditions or restrictions applicable to the exercise of the Options;
- (G) if the Options are only partially exercisable (regardless of whether pursuant to these Rules or as determined by the Board), whether the balance of the Option shall lapse or remain exercisable in accordance with the offer terms or such other terms as the Board may deem appropriate; and

(H) supporting documents provided by the Grantee and/or Personal Representative to prove that the Personal Representative is physically or mentally disabled or incapacitated, or otherwise depriving him/her of his/her capacity and/or the Personal Representative of the authority and capacity to act on behalf of the Grantee.

7.4.3 Upon the occurrence of any event referred to in paragraph 7.3, the exercise of any Option shall be in the manner described in paragraph 7.2, to the extent applicable and not superseded by such arrangements as provided under paragraphs 7.3.1 to 7.3.11 or otherwise as determined by the Board.

7.5 Any Share to be allotted and issued upon exercise of an Option shall not carry voting rights until the registration of the Grantee (or his Personal Representative(s) or Participant Vehicle, as the case may be) as the holder thereof on the register of members of the Company. The Shares to be allotted upon the exercise of the Option shall be subject to the Articles of Association and any applicable laws, rules and regulations (including the Listing Rules and the relevant guidelines) for the time being in force and shall rank *pari passu* in all respects with the fully-paid Shares in issue as at the date of allotment (or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members) and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment (or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members), other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date shall be on or before the date of allotment.

Chapter 8 LAPSE AND CANCELLATION OF OPTIONS

8.1 The right for the exercise of Options (if unexercised) shall terminate immediately upon the occurrence of such events (whichever occurs earlier):

8.1.1 the expiry of the Option Period (subject to compliance with applicable laws, rules and regulations including the Listing Rules and the relevant guidelines), subject to any alteration pursuant to the provisions of the rules of the H Share Option Scheme;

8.1.2 the expiry or Personal Representative's violation of any of the period requirement in relation to the exercise or the vesting of the Options, as set out in the H Share Option Scheme and/or determined by the Board or the Delegatee(s) in its discretion from time to time;

8.1.3 the Personal Representative ceases to be an Eligible Participant due to misconduct, bankruptcy or insolvency, composition with creditors, conviction of a criminal offence involving integrity or honesty, or any other ground entitling the employer to terminate the Personal Representative's employment at common law, under applicable laws, or under the service contract (the Options that has been grant but not yet exercised will lapse automatically, while the Options that have been exercised and the underlying H Shares issued and allotted shall be subject to clawback in accordance with the Company's policy on clawback, as amended from time to time);

8.1.4 expiry of any period determined by the Board or the Delegatee(s);

8.1.5 the Personal Representative fails to exercise the Options within the prescribed period;

- 8.1.6 for Service Provider Participants, the Option lapses on the date the Board or the Delegatee(s) determines, in its sole and absolute discretion, that the Personal Representative has breached or failed to comply with any contractual provision with a group member, has breached fiduciary duties owed at common law, or is no longer able to contribute to the growth and development of any group member;
- 8.1.7 failure to meet conditions specified by the Board or the Delegatee(s);
- 8.1.8 failure to accept the grant before the acceptance deadline specified in the grant or otherwise determined by the Board or the Delegatee(s); and
- 8.1.9 the Board or the Delegatee(s) resolves to exercise clawback rights.
- 8.2** Neither the Company nor any of its officers nor members of the Board shall be liable to any Grantee, any Personal Representative of the Grantee and any Participant Vehicle for the lapse of any Option as specified in paragraph 8.1.
- 8.3** For the avoidance of doubt, regarding paragraphs 7.3 and 8.1,
- 8.3.1 the transfer of employment of a Personal Representative who is an Employee Participant from one member of the Group to another member of the Group or secondment to a Related Entity, and the transfer of employment of a Personal Representative who is a Related Entity Participant from one Related Entity to another Related Entity or secondment to any member of the Group shall not be deemed to be termination of employment; and
- 8.3.2 no leave taken by a Personal Representative who is an Employee Participant or a Related Entity Participant with the prior approval of the directors of the relevant members of the Group or a Related Entity shall be deemed to be termination of employment of the Personal Representative.
- 8.4** With the consent of the relevant Option Personal Representatives, the Board may, in its sole discretion, cancel any granted but outstanding options.
- 8.5** The Company may grant Options to Participants in lieu of their cancelled Options, provided that there is available Scheme Mandate Limit approved by Shareholders from time to time. For the purpose of calculating the Scheme Mandate Limit (including the Mandate Limit for Service Provider Participants), cancelled Options shall be deemed to have been utilised.

Chapter 9 MAXIMUM NUMBER OF SHARES AVAILABLE FOR SUBSCRIPTION AND SUB-LIMIT

- 9.1** Subject to refreshment as specified in paragraph 9.3 and adjustment as specified in paragraph 9.5, the maximum number of Shares which may be allotted and issued in respect of all Options to be granted under the Scheme (excluding Options that have lapsed pursuant to the rules of this Scheme) and all share options and all share awards to be granted under any Other Schemes (the “**Scheme Mandate Limit**”) must not in aggregate exceed 10% of the total number of Shares in issue of the Company (excluding any treasury Shares) as at the Adoption Date, unless the Company has obtained separate Shareholders’ approval pursuant to paragraph 9.5. Options cancelled in accordance with the rules of the Scheme and any other Share schemes of the Company shall be deemed to have been utilised for the purpose of calculating the Scheme Mandate Limit.

- 9.2** Within the Scheme Mandate Limit, the maximum number of shares which may be allotted and issued in respect of all Options (excluding Options that have lapsed pursuant to the rules of the Scheme) granted to Service Provider Participants under the Scheme and all share options and all share awards to be granted under any Other Schemes (the “**Service Provider Sub-limit**”) must not in aggregate exceed 1% of the total number of Shares in issue of the Company (excluding any treasury Shares) as at the Adoption Date. Options granted to Service Provider Participants that have been cancelled in accordance with the rules of the Scheme and any other Share schemes of the Company shall be deemed to have been utilised for the purpose of calculating the Scheme Mandate Limit.
- 9.3** For the purpose of calculating the Scheme Mandate Limit as specified in paragraph 9.1 and 9.2, Shares which are the subject matter of any Option, any share options and share awards that have already lapsed in accordance with the respective terms of the Scheme and any Other Schemes shall not be deemed to have been utilised and hence shall not be counted.
- 9.4** The Scheme Mandate Limit and Service Provider Sub-limit may be refreshed by ordinary resolution of the Shareholders in general meeting after three years from the Adoption Date or the date of Shareholders’ approval for the last refreshment, provided that:
- 9.4.1 the total number of Shares which may be issued in respect of all Options to be granted under the Scheme, all share options and all share awards to be granted under any Other Schemes under the Scheme Mandate Limit as refreshed (the “**New Scheme Mandate Limit**”) must not exceed 10% of the Shares in issue at the date of the Shareholders’ approval of such New Scheme Mandate Limit. Shares which are subject matter of any Option, any share options and share awards previously granted under the Scheme and any Other Schemes (including those exercised, outstanding, cancelled or lapsed in accordance with the terms of the Scheme or any Other Schemes) will not be counted for the purpose of calculating the total number of Shares subject to the New Scheme Mandate Limit. Where required by the Listing Rules, the Company must despatch a circular to its Shareholders within such time as may be specified in the Listing Rules, disclosing the number of Options, share options and share awards granted under the existing Scheme Mandate Limit and/or Service Provider Sub-limit, and the reason for the refreshment.
- 9.4.2 any refreshment to the Scheme Mandate Limit and/or Service Provider Sub-limit within any three-year period must be approved by the Shareholders, subject to the following:
- (A) 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
- (B) the Company must comply with the requirements under Rules 13.39(6), 13.39(7), 13.40, 13.41 and 13.42 and/or other applicable provisions of the Listing Rules.
- 9.4.3 the requirements under paragraphs 9.4.2(A) and 9.4.2(B) do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part (as a percentage of the total number of Shares in issue) of the Scheme Mandate Limit (or the New Scheme Mandate Limit, as the case may be) upon refreshment is the same as the unused part (rounded to the nearest integral whole Shares) of the Scheme Mandate Limit (or the New Scheme Mandate Limit, as the case may be) immediately before the issue of securities.

- 9.5** Without prejudice to paragraph 9.4, the Company may separately seek Shareholders' approval at a general meeting to grant Options under the Scheme in excess of the Scheme Mandate Limit (including Service Provider Sub-limit) or, if applicable, the refreshed limit as described in paragraph 9.4, provided that:
- 9.5.1 the Options in excess of the Scheme Mandate Limit are granted only to participants specifically identified by the Company before such approval is sought;
 - 9.5.2 the Company must despatch a circular to its Shareholders containing the name of each specified participant who may be granted such Options, the number and terms of the Options to be granted to each participant, and the purpose of granting Options to the specified participants with an explanation as to how the terms of the Options serve such purpose; and
 - 9.5.3 the number and terms of Options to be granted to such participant must be fixed before the general meeting is sought for the approval of the grant, and for this purpose, the date of the proposed grant as resolved by the Board shall be deemed as the Grant Date for the purpose of calculating the Exercise Price.
- 9.6** If the Company conducts a Share consolidation or subdivision after the Scheme Mandate Limit (or New Scheme Mandate Limit, as the case may be) has been approved by Shareholders at a general meeting, the maximum number of Shares that may be issued in respect of all Options to be granted under the Scheme and all share options and share awards to be granted under any Other Schemes under the Scheme Mandate Limit (or New Scheme Mandate Limit, as the case may be) as a percentage of the total number of the Share in issue at the date immediately before and immediately after such consolidation or subdivision shall be the same (rounded to the nearest integral whole Share).

Chapter 10 REORGANISATION OF CAPITAL STRUCTURE

- 10.1** In the event of a capitalisation issue, bonus issue with price-dilutive element, rights issue, open offer with price-dilutive element, sub-division or consolidation of shares or reduction of capital of the Company, or any other event as specified from time to time in the Listing Rules, and in such circumstances an adjustment is permitted to be made to the exercise price or purchase price and/or the number of shares involved in options or awards granted under the share scheme of the listed issuer, and any options have been granted and remain exercisable, the following may be adjusted accordingly (if any):
- 10.1.1 the number of shares or par value involved in any Option (limited to unexercised Options);
 - 10.1.2 the Exercise Price; and/or
 - 10.1.3 the method of exercise of the option (if applicable),

or any combination thereof, as the auditors or a financial adviser engaged by the Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular Personal Representative, to be in their opinion fair and reasonable, provided always that any such adjustments should give each Personal Representative the same proportion of the equity capital of our Company as that to which that Personal Representative was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value, and in each case rounded to the nearest whole share. No adjustments

shall be made on the issue of consideration shares in a transaction. Any adjustments to be made will comply with Rules 17.03(13) of the Listing Rules and any guidance or interpretation of the Listing Rules issued by the Stock Exchange from time to time, including but not limited to the adjustment mechanism under No. 16 and Appendix I of Frequently Asked Questions FAQ13. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Personal Representatives. The costs of the auditors or financial adviser (as the case may be) shall be borne by the Company.

- 10.2** To the extent not otherwise determined by the Board, the method of adjustment of number of Options so far as unexercised and the Exercise Price of Option are set out as below:

Capitalization issue or bonus issue with price-dilutive elements

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

Where: “Q₀” represents the number of Option before the adjustment; “n” represents the ratio per Share resulting from the capitalization issue or bonus issue; “Q” represents the number of Option after the adjustment.

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

Where: “P₀” represents the Exercise Price of Option before the adjustment; “n” represents the ratio per Share resulting from the capitalization issue or bonus issue; “P” represents the Exercise Price of Option after the adjustment.

Rights issue or open offer with price-dilutive elements

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

Where: “Q₀” represents the number of Option before the adjustment; “P₁” represents the closing price of the Shares as at the record date; “P₂” represents the subscription price of the rights issue or open offer; “n” represents the ratio of the rights issue or open offer; “Q” represents the number of Option after the adjustment.

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

Where: “P₀” represents the Exercise Price of Option before the adjustment; “P₁” represents the closing price of the Shares as at the record date; “P₂” represents the subscription price of the rights issue or open offer; “n” represents the ratio of the rights issue or open offer; “P” represents the Exercise Price of Option after the adjustment.

Consolidation of shares or share subdivision or reduction of the share capital

$$Q = Q_0 \times n$$

Where: “Q₀” represents the number of Option before the adjustment; “n” represents the ratio of share consolidation or share subdivision or reduction of share capital; “Q” represents the number of Option after the adjustment.

$$P = P_0 \div n$$

Where: “P₀” represents the Exercise Price of Option before the adjustment; “n” represents the ratio of share consolidation or share subdivision or reduction of share capital; “P” represents the Exercise Price of Option after the adjustment.

- 10.3** If there has been any alteration in the capital structure of the Company as referred to hereinabove, and the Board has resolved to make adjustments pursuant to such, the Company shall, upon receipt of the notice sent by the Personal Representative, inform the Personal Representative of such alteration and shall either inform the Personal Representative of the adjustments to be made pursuant to the certificate obtained by the Company from its auditors or independent financial adviser (as the case may be) for such purpose, or if no such certificate has yet been obtained, inform the Personal Representative of such fact and instruct the auditors or independent financial adviser (as the case may be) to issue the relevant certificate as soon as practicable pursuant to above.
- 10.4** If the Company conducts a Share consolidation or subdivision after the Scheme Limit or Service Provider Sublimit has been approved by Shareholders in general meeting, the maximum number of Shares that may be issued in respect of all Options to be granted under the H Share Option Scheme and all options and awards to be granted under any other share schemes, as a percentage of the issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.

Chapter 11 SHARE CAPITAL

The exercise of any Option shall be subject to the Shareholders approving the necessary increase in the Company’s authorised share capital at a general meeting. Subject to such approval, the Board shall make available sufficient authorised but unissued share capital of the Company to comply with the prevailing requirements on the exercise of Options.

Chapter 12 DISPUTE

Any dispute arising in connection with the Scheme (whether in relation to the number of Shares which are the subject matter of any Option, the amount of the Exercise Price or otherwise) shall be referred to the decision of the Auditors or independent financial advisers, who shall act as experts and not as arbitrators, and whose decision shall, in the absence of manifest error, be final and binding.

Chapter 13 ALTERATION OF THE SCHEME AND TO THE OPTIONS

13.1 The Scheme may be altered in any respect by the Board except that:

- 13.1.1 any alteration to the terms and conditions of the Scheme which are of a material nature including the provisions of the paragraph 1.1 in the Scheme relating to the definitions of “participant”, “Employee Participant”, “Related Entity”, “Related Entity Participant” and “Personal Representative” are subject to approval by the Shareholders in general meeting;
- 13.1.2 any alteration to the provisions of the Scheme relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of Personal Representatives or prospective Personal Representatives are subject to approval by the Shareholders in general meeting;

- 13.1.3 any change to the authority of the Board or the administrators of the Scheme to alter the terms of the Scheme are subject to approval by the Shareholders in general meeting; and
- 13.1.4 no such alterations shall operate to materially and adversely affect any subsisting rights of any Personal Representative under any Option granted or agreed to be granted prior to such alterations except with the consent or sanction of such majority of the Personal Representatives (calculated on the basis of one vote per Share underlying the Option(s) held by such Personal Representatives for the time being), as would be required of the Shareholders under the Articles of Association for the time being of the Company for a variation of the rights attached to the Shares as if the Options constituted a separate class of share capital and as if the provisions under the Articles of Association for the time being of the Company applied *mutatis mutandis* thereto.
- 13.2** Notwithstanding any provisions of the rules of this Scheme or any terms or conditions stated in the Grant but subject always to compliance with applicable laws, rules and regulations (including the Listing Rules), the Company may at any time and at its sole and absolute discretion alter the terms and conditions of the Options granted to a participant, provided that any such alteration to the terms of Options granted to a participant must be approved by the Board, the Remuneration Committee, the independent non-executive directors and/or the Shareholders in the manner set out in the Listing Rules (as the case may be) if the initial grant of the Options requires such approval (except where the change takes effect automatically under the existing terms of the Scheme).
- 13.3** No participant shall make any claim or recourse against the Company, members of the Board, members of the Remuneration Committee, independent non-executive directors and/or Shareholders (or any of the foregoing) in respect of any amendment made to the Options granted to such participant under the Scheme, and the participant shall be deemed to have irrevocably waived any such rights (if any).
- 13.4** The amended terms of the Scheme or the Options must comply with the relevant requirements of Chapter 17 of the Listing Rules.

Chapter 14 CANCELLATION OF GRANTED OPTIONS

- 14.1** The Board may, in its sole discretion, cancel an Option granted but not exercised with the consent of the Personal Representative of such Option.
- 14.2** Options may be granted by the Company to a participant in lieu of his/her cancelled Options, subject to the available Scheme Mandate Limit as approved by the Shareholders from time to time. The Options cancelled will be deemed to have been utilised for the purpose of calculating the Scheme Mandate Limit.

Chapter 15 DURATION AND TERMINATION OF THE SCHEME

- 15.1** The Scheme is effective from the Adoption Date and shall be valid and effective for the Scheme Period unless sooner terminated. The Scheme may be terminated at any time by the Board in its sole discretion without Shareholders' approval, provided that the Board will only exercise such discretion under specific circumstances where the Board determines appropriate, such as, but not limited to where the Board is of the view that the Scheme can no longer serve its designated purposes or when a new share award scheme is proposed to be adopted to replace the Scheme.

- 15.2** Upon expiry or termination of the Scheme, no further Options shall be offered or granted under the Scheme, but the terms of the Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the vesting and exercise of any Option granted under the Scheme prior thereto or otherwise as may be required in accordance with the provisions of the Scheme, and Options granted prior to such expiry or termination shall continue to be valid and exercisable in accordance with the Scheme and the terms of the grant thereof.

Chapter 16 MISCELLANEOUS

- 16.1** Notwithstanding any provisions in any other paragraph of the Scheme:

16.1.1 the Scheme shall not form part of any contract of employment between the Company or any of its subsidiaries or any Related Entity (as one party) and any participant (as the other party) and the rights and obligations of any participant under the terms of his/her office or employment shall not be affected by his/her participation in the Scheme or any right which he/she may have to participate in it and the Scheme shall afford such participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

16.1.2 the Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

- 16.2** In no circumstances shall a person ceasing to be a participant for any reason be entitled to any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under any Option then held by him or otherwise in connection with the Scheme and by accepting an Option under the Scheme, such person shall be deemed to have irrevocably waived any such entitlement (to the extent there is any).

- 16.3** The Company shall bear the costs of establishing and administering the Scheme.

- 16.4** The Board shall have the power from time to time to develop or modify rules for the administration and operation of the Scheme, provided that such rules shall not be inconsistent with the provisions of the Scheme and all applicable laws, rules and regulations (including the Listing Rules).

- 16.5** Generally, a Personal Representative shall be entitled to receive copies of all notices and other documents sent by the Company to its Shareholders.

- 16.6** Any notice or other communication between the Company and a Personal Representative shall be addressed to a specific recipient and may be given by personal delivery, prepaid post or fax to the principal place of business (in the case of the Company), or otherwise notified to the Personal Representative from time to time; and in the case of the Personal Representative, his residential address (in the case of an individual) or business address (in the case of a company) as notified to the Company from time to time.

Address of the Company: Room 59, 17th Floor, Kechuang Building,
No. 777 Zhongguan West Road,
Zhuangshi Subdistrict, Zhenhai District,
Ningbo City, Zhejiang Province

- 16.7** Any notice or other communication between the Company and a Personal Representative shall be deemed to have been received in the following circumstances:
- 16.7.1 If served in person, at the time of service.
 - 16.7.2 If delivered by duly prepaid and addressed mail, on the second Business Day after the date of post.
 - 16.7.3 If sent by facsimile, on the day of transmission, provided that the sender holds a transmission report indicating that the facsimile has been properly sent and received.
- 16.8** If the Company sends a notice by post, it shall be sufficient proof of service to show that the envelope containing such notice was properly addressed, prepaid, and posted to a mailbox or post office.
- 16.9** The Personal Representatives shall be responsible for obtaining any governmental or other official consent as may be required by any country or jurisdiction (or the country in which the Company is incorporated) for the grant or exercise of the Options. The Company shall not be liable for any failure by the Personal Representative to obtain any such consent or for any taxes or other liabilities which may arise from the Personal Representatives' participation in the Scheme.
- 16.10** Each Grantee (or his/her Personal Representative) shall obtain all necessary consents as may be required to accept a grant or exercise any granted Option, so that the Company may allot and issue the Shares upon such exercise in accordance with the provisions of the Scheme. Upon accepting a grant or exercising any granted Option, the Personal Representative shall be deemed to have represented and undertaken to the Company that he/she has obtained all necessary consents. Compliance with this paragraph shall be a prerequisite for the Personal Representative's acceptance of the grant and exercise of the granted Option. The Personal Representative shall indemnify the Company in full from and against all claims, demands, liabilities, actions, legal proceedings, fees, costs, and expenses (whether incurred solely or jointly with another party or parties) that the Company may suffer or incur as a result of the Personal Representative's failure to obtain any necessary consents or to pay any taxes or other liabilities.
- 16.11** The Personal Representative shall be responsible for the payment of all taxes and the settlement of any other liabilities which may arise as a result of his/her participation in the Scheme, acceptance or exercise of any Option, or the allotment and issue of Shares upon the exercise of any granted Option.
- 16.12** By participating in the Scheme, each Personal Representative agrees that the Company may properly hold, process, store and use his/her personal information and data in PRC or Hong Kong or other regions for the purpose of executing, managing or implementing the Scheme, and such consent includes but is not limited to:
- 16.12.1 manage and keep a record for the selected Personal Representative;
 - 16.12.2 provide the personal data or information to the Group or third-party managers or administrators of the Scheme in Hong Kong or elsewhere;
 - 16.12.3 if applicable, disclose the personal information or data to any future acquirer or merger partner of the Company; and

16.12.4 Where an announcement or circular is required to be made pursuant to the Listing Rules or other applicable laws, rules or regulations for the purpose of granting the Options, or the disclosure of the identity of the Personal Representative, the vesting terms of the Options, the grant and/or future grant is required to be made in annual report of the Company pursuant to the Listing Rules, and all other data is required pursuant the Listing Rules or other applicable laws, rules or regulations, the Personal Representative may obtain a copy of his/her personal information upon request to the Company and shall have the right to request a correction if such personal information is inaccurate.

16.13 This Scheme shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China.

CHAPTER 1 DEFINITIONS

1.1 Unless the context otherwise requires, the following terms shall have the following meanings:

| Term | Definition |
|-------------------------|--|
| Actual Selling Price | according to the instruction, the cash value to be allocated and payable to the Grantees with respect to the Awarded Shares vested, at which corresponding relevant Target Shares with respect to the Awarded Shares vested are sold by the Trustee pursuant to Clause 7.8 of the Scheme |
| Adoption Date | being the date on which the Scheme is approved at the general meeting |
| Articles of Association | articles of association of Axera Semiconductor Co., Ltd. (as amended from time to time) |
| Award(s) | award(s) granted by the Board and/or its authorized person to a Grantee under the Scheme, which may vest in the form of Awarded Shares or the Actual Selling Price of the Awarded Shares in cash in accordance with the terms of the Scheme |
| Awarded Shares | the H Shares to be received by the Grantees upon vesting of the relevant Awards, which may be provided by the Company through the issuance of new H Shares in accordance with the provisions of Chapter 5 of the Scheme or by purchasing existing H Shares through on-market or off-market transactions, as determined by the Board and/or its Delegatee at their absolute discretion. For the avoidance of doubt, the issuance of new H Shares includes the transfer of Treasury Shares |
| Award Letter | a letter issued by the Company to the Grantees in respect of the matters referred to in Clause 6.2 |
| Board | the Board of Directors of the Company |
| Business Day | any day on which the Stock Exchange is open for business of dealing in securities |
| Company | Axera Semiconductor Co., Ltd. (愛芯元智半導體股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Stock Exchange (stock code: 0600) |
| connected person(s) | has the meaning ascribed to it under the Listing Rules (as amended from time to time) |

| Term | Definition |
|----------------------------|--|
| associate(s) | has the meaning ascribed to it under the Listing Rules (as amended from time to time) |
| close associate(s) | has the meaning ascribed to it under the Listing Rules (as amended from time to time) |
| Trust Account | account separately set up by the Trustee for the Company to record corporate basic information and information of corporate interest |
| Grant Date | the date on which the Awarded Shares are granted to a Grantee, being the date of issuance of the Grant Letter |
| Delegatee(s) | the Board committee(s) and/or person(s) authorized by the Board |
| Eligible Person(s) | participants of the Scheme as determined by the Board or the Delegatee(s) from time to time, including Employee Participants, Related Entity Participants and Service Provider Participants |
| Employee Participant(s) | director(s) (including independent non-executive director(s)), senior management and employee(s) (whether full time or part time employees) of the Company and/or any of its subsidiaries (including persons who are granted Share Awards under the Scheme as an inducement to enter into employment contracts with these companies) |
| Grantee(s) | Eligible Person(s) who are eligible under Chapter 4 of the Scheme to participate in the Scheme and have been granted Awarded Shares |
| Grant Price | the grant price of each Target Share in relation to Awarded Shares to be determined by the Board (or any committee or person duly authorised by the Board) when granting Awarded Shares |
| Group | the Company and its subsidiaries from time to time, and “member of the Group” shall be construed accordingly |
| H Share(s) | the overseas listed foreign shares in the share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars |
| 2026 H Share Option Scheme | the 2026 H Share Option Scheme of Axera Semiconductor Co., Ltd. (愛芯元智半導體股份有限公司) |
| inside information | has the meaning ascribed thereto under the SFO |

| Term | Definition |
|---------------------------------|--|
| Listing Rules | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (as amended from time to time) |
| PRC | the People's Republic of China, for the purpose of the Scheme, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region |
| Related Entity(ies) | the holding company(ies), fellow subsidiary(ies) or associated company(ies) of the Company |
| Related Entity Participant(s) | director(s) and employee(s) (whether full time or part time employees) of the Related Entities |
| Remuneration Committee | the Remuneration and Appraisal Committee of the Board |
| Scheme | the 2026 H Share Award Scheme of Axera Semiconductor Co., Ltd. |
| Incentive Scheme Funds | have the meaning ascribed to it under Clause 5.1(1) of the Scheme |
| Scheme Term | has the meaning ascribed to it under Clause (1) |
| Scheme Mandate Limit | has the meaning ascribed to it under Clause 5.2(2) |
| Service Provider Participant(s) | service provider(s) engaged by the Company and/or any of its subsidiaries, being IP and software vendors |
| Shareholder(s) | holder(s) of the Share(s) |
| SFO | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| Stock Exchange | the Stock Exchange of Hong Kong Limited |
| subsidiary(ies) | has the meaning ascribed to it under the Listing Rules |
| Target Share(s) | the H Share(s) of the Company underlying the Scheme |
| Tax | has the meaning ascribed to it under Clause 7.10 |
| Treasury Share(s) | has the meaning ascribed to it under the Listing Rules as amended from time to time. For the purpose of the Scheme, references to the new H Shares include treasury shares, and references to the issuance of new H Shares include the transfer of treasury shares |

| Term | Definition |
|-----------------|---|
| Trust | the trust established under the relevant Trust Deed |
| Trustee(s) | one or more trustee(s) appointed by the Company for the purpose of the Trust, which shall be an independent third party |
| Trust Deed | the trust deed entered into between the Company and the Trustee(s) pursuant to the Scheme (as may be restated, supplemented or amended from time to time) |
| Trust Property | the sum of the Incentive Scheme Funds and the properties resulting from profits and losses from the Target Shares invested and the management of the Trust |
| Vesting Date | the date on which Awarded Shares are vested to the relevant Grantees as determined by the Board and/or the Delegatee from time to time in accordance with Clause 6.5, as set out in the relevant Award Letter |
| Vesting Notice | has the meaning ascribed to it under Clause 7.7 |
| RMB or RMB0,000 | Renminbi Yuan, Renminbi 0,000, the lawful currency of the PRC |

CHAPTER 2

PURPOSE, TERMS AND BASIC PRINCIPLES OF THE SCHEME

2.1 The Company has formulated the Scheme in accordance with the Company Law of the People's Republic of China, the relevant regulatory rules of the places where the Company is incorporated and listed and other relevant laws, regulations, rules and regulatory documents, and the Articles of Association.

2.2 Purpose of the Scheme

- (1) to promote the achievement of long-term sustainable development and performance goals of the Company;
- (2) to closely align the interests of the Grantees with those of Shareholders, investors and the Company, thereby enhancing the cohesion of the Company and facilitating the maximisation of the value of the Company; and
- (3) to improve the Company's incentive mechanism to attract, motivate and retain directors, senior management and employees who have made significant contributions to the sustainable operation, development and long-term growth of the Company.

2.3 Trustee of the Scheme

- (1) For the purposes of incentives under the Scheme, the Board and/or the Delegatee may appoint one or more trustees and will enter into a trust deed with the Trustee from time to time, in respect of the Awarded Shares under the Scheme.

- (2) Pursuant to the Trust Deed, the Trust is established for the purpose of managing the Scheme, to assist in the management, granting and vesting of Awards. The Company may, subject to the compliance with the Company Law of the People's Republic of China, the relevant regulatory rules of the places where the Company is incorporated and listed and other relevant laws, regulations, rules and regulatory documents, and the Articles of Association, and pursuant to the relevant provisions of the Trust Deed, (1) instruct and arrange the Trustee to acquire existing H Shares as Target Shares in accordance with Clause 5.2(1); and/or (2) allot and issue new H Shares to the Trustee as Target Shares to satisfy the Awards upon vesting.

For the avoidance of doubt, if Awards are granted to the Grantees by issuing new H Shares, subject to the provisions of the Company Law of the People's Republic of China, the relevant regulatory rules of the places where the Company is incorporated and listed, and other relevant laws, regulations, rules and regulatory documents, as well as the Articles of Association, the Company may directly allot and issue new H Shares to the Grantees at the time of vesting of such awards.

2.4 Term of the Scheme

Subject to Clauses 2.6 and 10.5, the Scheme will be valid and effective for a period of ten (10) years from the Adoption Date (the "**Scheme Term**"), after which no additional Awarded Shares shall be granted, provided that the Scheme will remain in full force in all other respects. If there are any Awarded Shares that are granted but unvested by the end of the Scheme Term, the Scheme will be extended until such Awarded Shares have vested.

2.5 Basic Principles of the Scheme

(1) Compliance principle

The Company implements the Scheme in strict compliance with the requirements and procedures of the Company Law of the People's Republic of China, the relevant regulatory rules of the places where the Company is incorporated and listed and other relevant laws, regulations, rules and regulatory documents, and makes true, accurate, complete and timely information disclosure. No one shall exploit the Scheme to engage in fraudulent security activities such as insider trading and stock market manipulation.

(2) Voluntary participation principle

The Company implements the Scheme in accordance with the principles of discretionary decision of the Company and voluntary participation of Eligible Persons. The Company shall not force Eligible Persons to participate in the Scheme by way of apportionment, mandatory distribution or otherwise.

(3) Principle of no guaranteed returns

The Grantees acknowledge and agree that the disposal of the Awarded Shares vested to the Grantees (if applicable) by the Trustee under the Scheme may be affected by the fluctuation of the market share price, and the Company will not make any commitment on the Actual Selling Price and return.

2.6 Conditions Precedent of the Scheme

- (1) The implementation of the Scheme is conditional upon the general meeting approving and adopting the Scheme and/or its material amendments in accordance with the Articles of Association, and authorize the Board or Delegatee to handle matters relating to the Scheme, including but not limited to the granting of Awards; and
- (2) The Listing Committee granting the approval for the listing of, and permission to deal in, the new H Shares which may be issued by the Company in respect of all Awards granted under the Scheme.

CHAPTER 3 ADMINISTRATION OF THE SCHEME

- 3.1 Pursuant to the rules of this Scheme and the Trust Deed, unless otherwise stated in the Scheme, the general meeting of the Company is the highest authority of the Company and is responsible for considering and approving the adoption and/or amendment of the Scheme, and the Board of the Company is the executive management body of the Scheme. The Remuneration Committee is responsible for formulating and revising the Scheme and submitting the same to the Board for consideration. Upon the consideration and approval of the Scheme by the Board, the Scheme will be implemented after being approved at the general meeting. The Board and/or the Delegatee may handle and implement all relevant matters of the Scheme within the authorization of the general meeting.
- 3.2 The independent non-executive director shall supervise whether the Scheme is conducive to the sustainable development of the Company, whether there is prejudice to the interests of the Company and the Shareholders as a whole, and whether the implementation of the Scheme complies with the relevant laws, regulations and regulatory documents, as well as the relevant regulatory rules of the places where the Company is established and listed.
- 3.3 Unless otherwise provided under the Listing Rules, any grant of Awards to the directors, or senior management of the Group shall obtain the approval of the Remuneration Committee in advance, and any grant of Awards to the directors or chief executive of the Company by way of issuing new H shares shall further comply with the provisions of Clause 5.2(4) of the Scheme. Any grant of Awards to the directors or any other connected persons of the Company shall comply with all applicable laws, rules and regulations, including the Listing Rules and any corresponding code or securities dealing restrictions adopted by the Company.
- 3.4 The Trust is established to serve the Scheme, and pursuant to the relevant provisions of the Trust Deed and at the instruction of the Company, the Trustee shall acquire the relevant Target Shares in accordance with Clause 5.2(1) and shall hold any Awarded Shares so acquired in accordance with the terms of the Scheme and the provisions of the Trust Deed. For the purposes of the Scheme, the Trustee shall, in accordance with the terms of the Scheme and the provisions of the Trust Deed, carry out matters including the vesting and disposal of the Awarded Shares pursuant to the instructions given by the Board, the Delegatee and/or Grantees through the Company.
- 3.5 Without prejudice to the general management powers of the Board, the Board may delegate the power to manage the Scheme (including the power to grant Awards under the Scheme) to the Delegatee as it may designate. The term of office, scope of authority and remuneration (if any) of the Delegatee shall be determined by the Board from time to time at their sole discretion.

3.6 Subject to the compliance with the rules of the Scheme, the Listing Rules, and any applicable laws and regulations, the Board and/or the Delegatee (to the extent authorized by the Board) shall have the right from time to time to:

- (1) explain and construe the rules of the Scheme and the terms of the grants made hereunder;
- (2) make grants to such Eligible Participants as it may from time to time select;
- (3) determine, consider, approve and adjust the Grant Date, the list of Grantees, the number of Awarded Shares to be granted, the Grant Price and the vesting conditions;
- (4) establish, evaluate and set the vesting conditions, and review the satisfaction of such vesting conditions;
- (5) make such appropriate and equitable adjustments to the terms of Awards granted under the Scheme as it may deem necessary;
- (6) determine the settlement method of the vesting price;
- (7) allot and issue new Shares to the Trustee for holding, so as to fulfil the delivery obligations upon the vesting of share awards;
- (8) instruct and procure the Trustee to purchase existing H Shares (whether through on-market or off-market transactions) to fulfil the delivery obligations upon vesting of the Awards (provided that the Company shall ensure that sufficient funds are provided to the Trustee in such manner as determined by the Board to enable it to perform its duties in managing the Scheme);
- (9) without prejudice to the foregoing provisions, whether the H Shares underlying the Awards shall be acquired through purchases on the secondary market or through subscription for new H Shares, shall be determined by the Board after taking into account factors including the financial position and cash position of the Company and the prevailing market price of the H Shares at the relevant time;
- (10) make such other decisions or determinations as it shall deem appropriate for the administration of the Scheme; and
- (11) on behalf of the Company, to approve, execute, amend, deliver, negotiate, agree and consent to all relevant agreements, contracts, documents, rules, matters and affairs (as the case may be) as deemed reasonable, necessary, desirable, appropriate or expedient for the purpose of giving effect to and/or implementing all transactions contemplated hereunder, and to make any reasonable alterations, amendments, changes, modifications and/or supplements thereto as it may consider necessary, desirable, appropriate or expedient. Where the affixing of the Company's seal is required to any such agreement, contract or document, it shall be entitled to sign such agreement, contract or document and affix the Company's seal thereto in accordance with the Articles of Association.

3.7 For the avoidance of doubt, the decisions of the Board and/or the Delegatee shall be final and binding on all persons under the Scheme.

- 3.8 Without prejudice to the general management powers of the Board and/or the Delegatee, and to the extent not prohibited by the applicable laws and regulations, the Board and/or the Delegatee may, from time to time, appoint one or more Trustees for the grant, management or vesting of any Awarded Shares. For the avoidance of doubt, notwithstanding any provision of the Scheme, the Board (or the Delegatee designated by the Board) shall be the sole party entitled to give any instructions, orders or recommendations (directly or through its designated associate) to the Trustee.
- 3.9 For the purpose of the management of the Scheme, the Company shall comply with all disclosure related requirements, including the Listing Rules and all applicable PRC laws, regulations and rules.

CHAPTER 4 GRANTEES

4.1 Eligible Persons

- (1) The eligible persons who are entitled to participate in the Scheme include Employee Participants, Related Entity Participants and Service Provider Participants (the “**Eligible Persons**”).
- (2) The eligibility of any eligible participants for a grant shall be determined by the Board from time to time based on the Board’s views on such participant’s contribution to the development and growth of the Group. In assessing whether to grant Awarded Shares to any participant, the Board will consider a number of factors, including but not limited to the nature and extent of the contribution made or capable to be made by such participant to the Group, their special skills, technical knowledge or experience that are beneficial to the continuous development of the Group, the positive impact brought or expected to be brought by such participant to the business, development and success of the Group (including support, assistance, guidance, advice, effort and/or contribution), and whether the grant of Awarded Shares to such participant constitutes an appropriate incentive to motivate such participant to continue to contribute to the progress of the Group.

Employee Participants

In assessing the eligibility of Employee Participants, the Board will consider all relevant factors, where applicable, including but not limited to:

- (a) his/her skills, knowledge, experience, expertise and other relevant personal qualities;
- (b) his/her performance, time commitment, responsibilities or employment conditions and the prevailing market practice and industry standards;
- (c) the contribution expected to be made by him/her to the growth of the Group with reference to his/her past contributions;
- (d) the length of his/her engagement or employment with the Group; and
- (e) his/her academic and professional qualifications, and knowledge of the industry.

Related Entity Participants

In assessing the eligibility of Related Entity Participants, the Board will consider all relevant factors as appropriate, including, among others:

- (a) the positive impacts (including support, assistance, guidance, advice, efforts and/or contributions) expected to be brought by the Related Entity Participant on the Group's business development, with reference to the positive impact brought by such Related Entity Participant in the past, in terms of bringing revenue or profit growth and more expertise to the Group and/or other aspects in support of the business development and/or growth of the Group;
- (b) the extent of the Related Entity Participant's actual involvement in and/or cooperation with the Group as well as the duration of the cooperative relationship established between such Related Entity Participant and the Group by virtue of his/her roles and positions held in the related entity;
- (c) the number, scale and nature of the projects in which the Related Entity Participant is involved that may promote the business, development and growth of the Group;
- (d) whether the Related Entity Participant has referred or introduced to the Group any opportunities for further business relationships, and whether such opportunities have been materialised;
- (e) whether the Related Entity Participant has assisted the Group in expanding into new markets and/or increasing its market share; and
- (f) the materiality and nature of the business relationships between the related entity, in which the Related Entity Participant holds an office or position, and the Group, as well as the potential contributions made by such Related Entity Participant, through the cooperative relationship within such related entity, that may benefit the core business of the Group.

Furthermore, the Board will use the following specific benchmarks in measuring the contributions of Related Entity Participants when determining their eligibility:

- (a) the actual or reasonably expected incremental revenue or profits attributable to the collaborative relationship between the relevant Related Entity Participant and the Group, as measured by reference to the Group's audited or management financial information;
- (b) whether the Related Entity Participant has provided, or is reasonably expected to provide, specialised knowledge, technical expertise, or industry know-how that materially supplements or enhances the Group's existing capabilities;
- (c) the number and value of business opportunities, client referrals, or new market introductions attributable to the efforts of the Related Entity Participant, including whether such opportunities have materialised into executed commercial arrangements;

- (d) the frequency, regularity and scale of the Related Entity Participant's involvement in the Group's projects or operations, and the length of the collaborative relationship (measured in years); and
- (e) the degree to which the Related Entity Participant's services or contributions relate to the core business of the Group, and whether such contributions could be readily replaced by alternative third-party providers on comparable terms.

Service Provider Participants

In assessing the eligibility of the Service Provider Participants, the Board has considered all relevant factors as appropriate, including, among others, (a) the individual performance of the Service Provider Participants; (b) the frequency of collaboration and the length of business relationship with the Group; (c) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (d) the track record in the quality of services provided to and/ or cooperation with the Group and the ability to maintain the quality of services; (e) the scale of business dealings and/ or collaboration with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the Service Provider Participants; (f) the actual contribution or potential contribution towards the long-term development and success of the Group; and (g) the remuneration packages of comparable listed peers for similar service providers based on available information in the industry.

Based on the above criteria, the Board has categorized the Service Provider Participants to include IP and software vendors. The Service Provider Participants comprise two sub-categories: (i) IP vendors, being specialised providers that license semiconductor intellectual property cores (such as processor cores, interface protocols, memory controllers and signal processing blocks), proprietary design blocks and related technology to the Group for integration into the Group's AI inference SoC chip designs; and (ii) software vendors, being specialised companies that develop application-layer software, middleware, toolchains, development frameworks and industry-specific solutions that are built upon, optimised for, or designed to interoperate with the Group's AI semiconductor chips and computing platforms.

For the avoidance of doubt, the Service Provider Participants exclude any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

- (3) If any of the following circumstances exists on the Grant Date, no person shall be regarded as an Eligible Person:
 - (a) having been publicly censured or declared by a securities regulatory authority to be an unfit person within the preceding 12 months;
 - (b) having been subject to any administrative penalty imposed by a securities regulatory authority within the preceding 12 months for any material violation of laws and regulations;

- (c) being subject to any circumstances in which participation in the Scheme is prohibited under laws and regulations;
- (d) having committed any other serious breach of the relevant rules of the Group or any act which, as determined by the Board, has caused material harm to the interests of the Group; or
- (e) any other circumstance as prescribed by the Board for the purpose of safeguarding the interests of the Group and ensuring compliance with the applicable laws and regulations relating to the operation of the Scheme.

4.2 Scope of the Grantees of the Scheme

- (1) The scope of the Grantees of the Scheme shall include all Eligible Persons who are granted awards under the Scheme and who have accepted such grants.
- (2) The Board and/or the Delegatee may select any qualified Eligible Person as a Grantee to participate in the Scheme. Unless so selected, no Eligible Person shall be entitled to participate in the Scheme.

4.3 If, prior to or on the Vesting Date, any of the following circumstances occurs such that the Grantee ceases to be an Eligible Person, unless otherwise specifically approved by the Board and/or the Delegatee, any Awarded Shares that have not yet vested shall immediately and automatically lapse and the lapsed Awarded Shares shall be returned to the Trust Account and shall continue to form part of the Trust. For the avoidance of doubt, Awarded Shares that have already vested shall not be affected by this Clause 4.3 and, subject to the Company Law of the People's Republic of China, the regulatory rules of the places where the Company is incorporated and listed and other relevant laws, regulations, rules and regulatory documents, as well as the Articles of Association, shall continue to be paid by the Trustee to the Grantee in accordance with Clause 7.8:

- (1) subject to the circumstances set out in Clause 4.3, where a Grantee elects to terminate the labor contract for personal reasons, including:
 - (a) where the labor contract expires and the Grantee chooses not to renew; or
 - (b) where the Grantee resigns within the validity period of the labor contract;
- (2) save for the circumstances set out in Clause 4.4, where the labor contract with the Group is terminated (including termination of the labor contract by mutual agreement or termination of the labor contract as decided by the Group);
- (3) any other circumstances as determined by the Board in which a person is not eligible to be a Grantee under the Scheme.

Where a Grantee retires, becomes disabled or dies:

- (a) in respect of any Awarded Shares for which the vesting performance conditions have been satisfied as at the date of occurrence of the relevant event but the Vesting Date has not yet arrived, such Awarded Shares shall continue to vest in accordance with the original vesting schedule.

- (b) in respect of any Awarded Shares for which the vesting performance conditions have not yet been satisfied, the Board and/or the Delegatee shall have the discretion to determine whether such Awarded Shares shall vest on a pro rata basis (that is, calculated based on the proportion of the actual service period rendered by the Grantee from the Grant Date up to the date of occurrence of the relevant event against the original vesting period) or vest in full, or to determine that all or part of such unvested Awarded Shares be cancelled.
- (c) where the Grantee dies, any Awarded Shares vested in accordance with the foregoing shall be inherited by his/her legal heirs in accordance with applicable laws.

Where a Grantee has not terminated his/her labor contract with the Group but has been demoted or downgraded:

- (a) the Board and/or the Delegatee shall have the discretion to adjust the unvested Awarded Shares of the Grantee based on the post-demotion or post-downgrading rank, position and the specific circumstances, including without limitation, reducing the number of unvested Awarded Shares on a pro rata basis in accordance with the incentive entitlement corresponding to the relevant rank following such demotion or downgrading.
- (b) any Awarded Shares retained after such reduction and adjustment shall continue to vest in accordance with the original vesting schedule, subject to the continued satisfaction of the relevant vesting performance conditions.
- (c) any Awarded Shares cancelled as a result of such reduction and adjustment shall be returned to the Trust Account.

4.4 If, prior to or on the Vesting Date, any of the following circumstances occurs such that the Grantee ceases to be an Eligible Person, unless otherwise specifically approved by the Board and/or the Delegatee, any Awarded Shares that have not yet vested shall immediately and automatically lapse and any Awarded Shares that have vested but in respect of which the Trustee has not yet completed payment to the Grantee in accordance with Clause 7.8 shall automatically lapse, provided that such lapsed Awarded Shares shall remain part of the Trust, including but not limited to:

- (1) having materially breached any agreement entered into between the Group and such Grantee (including but not limited to any applicable intellectual property ownership agreement, labor contract, non-competition agreement, confidentiality agreement and other similar agreement);
- (2) having disclosed the Group's trade secrets, or taken advantage of his/her position to seek improper benefits for himself/herself or others;
- (3) having engaged in any act that has caused or is likely to cause a material adverse impact on the name, reputation or interests of the Group;
- (4) having violated any laws or regulations and having been subject to penalties imposed by state authorities (including administrative detention) or having been held criminally liable in accordance with law; or
- (5) other circumstances as determined by the Company in which the labor contract is terminated as a result of the Grantee's breach of the Company's relevant policies.

- 4.5 The Grantee agrees, undertakes and warrants that: if he/she ceases to be an Eligible Person after the Vesting Date as a result of any of the circumstances set forth in Clause 4.4, and there are any Awarded Shares that have been vested but not yet paid to the Grantee by the Trustee in accordance with Clause 7.8 at that time, the Grantee will voluntarily abandon such Awarded Shares, which will be deemed as lapsed but remain part of the Trust. In addition, the Grantee agrees, undertakes and warrants that if he/she ceases to be an Eligible Person after the Vesting Date as a result of any of the circumstances set forth in Clause 4.4, and such circumstance has a material adverse effect on the interests of the Group, the Board and/or the Delegatee shall have the right to require the Grantee to return all or part of the amount that has been paid to him/her (as determined by the Board and/or the Delegatee).
- 4.6 If: (a) the Grantee is found to have engaged in serious misconduct (including but not limited to fraud and deception, persistent or serious misconduct, or being found guilty of any criminal offense); (b) the performance criteria for any granted, potentially vested or vested (as the case may be) Awards has been proven to be untrue; or (c) the Board or the Delegatee reasonably believes that the Grantee has seriously violated any internal policies or codes of conduct of any member of the Group, including breaches of the non-competition obligations or anti-corruption commitments imposed on the Grantee by the Group, and such breaches are considered to be material; then the Board and/or the Delegatee may have the absolute discretion to determine: (a) that any Awards granted but not yet fully paid shall immediately lapse, regardless of whether such Awards have been vested; and (b) with respect to any Awarded Shares delivered to the Grantee pursuant to any Awards granted under the Scheme, or Cash Returns or cash corresponding to the Actual Selling Price paid to the Grantee (after deducting any relevant Taxes that the Grantee is liable for, if applicable), the Grantee shall transfer back to the Company or its designated nominee(s) (1) an equivalent number of H Share(s); (2) an amount in cash equal to the market value of such H Share(s) or Actual Selling Price; or (3) a combination of (1) and (2).
- 4.7 The Grantees agree that no claim will be made against the Company, any other member of the Group, the Board, the Delegatee, the Trust or the Trustee in the event of any of the foregoing circumstances set forth from Clauses 4.3 and 4.6 occurs.
- 4.8 The Company shall from time to time notify the Trustee in writing of the date and reason of the cessation of such Grantee to be an Eligible Person, the lapse of any Awarded Shares that have not been vested or have been vested, and any amendment to the vesting terms and conditions of such Grantee (including the Awarded Shares granted).

CHAPTER 5 SOURCE OF FUNDS AND SOURCE OF TARGET SHARES

5.1 Source of Funds

- (1) The source of funds for the purchase of the Target Shares under the Scheme shall be: (i) the funds withdrawn by the Company from its own funds; and/or (ii) the amounts the Grantees are required to pay to the Company (or such other person as the Board and/or the Delegatee may designate) for acquiring the Awarded Shares in accordance with the terms of the Award Letter and/or the Scheme. The Board and/or the Delegatee shall ensure that the Trustee obtains the necessary funds for the establishment of the Trust, the amount of which shall be the sum of the following (the “**Award Scheme Funds**”):
- (a) the amount for purchasing or acquiring the Target Shares under the Scheme, or such equivalent amount as the Board and/or the Delegatee may determine at their sole discretion; and

- (b) expenses related to the purchase of the Target Shares (including brokerage fees, stamp duty, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee at that time), and other necessary expenses to complete the purchase of the Target Shares under the Scheme.
- (2) The source of funds for the purchase or issuance of the Target Shares under the Scheme shall be the Company's own funds, or the cash income of the Trust or the contributions from Eligible Persons as required from time to time (provided that such contributions are made from their lawful remuneration and/or their lawful own funds). Subsequent to the approval of the Scheme and/or its amendments at the general meeting, in accordance with the decision of the Board or the Delegatee and subject to laws and regulations, (a) if the Company decides to use existing H Shares as Target Shares for granting, the Company will remit necessary funds to the Trustee or instruct the Trustee to use cash income, and instruct the Trustee to purchase H Shares through on-market or off-market transactions; (b) if the Company decides to issue new H Shares as Target Shares for granting, the Company will issue new H Share(s) only to the Trustee when specified participants are identified under the H Share Award Scheme under Rule 17.01(1)(a).
- (3) The Board and/or the Delegatee may adjust the Award Scheme Funds from time to time as agreed in the Trust Deed.

5.2 Source, Maximum Number and Sub-limit of the Target Shares

- (1) Subject to Clause 5.3, the source of the Target Shares under the Scheme shall be:
 - (1) the H Shares acquired using the Award Scheme Funds at the prevailing market price through on-market trading and/or off-market trading in the secondary market in accordance with the relevant Trust Deed and according to the instructions of the Company and the relevant provisions of the rules of the Scheme by the Trustee. The Board and/or the Delegatee may, in accordance with Clause 3.8, give instructions to the Trustee in relation to the purchase of the H Shares and specify the terms and conditions, including but not limited to the specified price or price range for the purchase, the maximum amount of funds to be used for the purchase, the maximum number of the H Shares to be purchased and/or the specified date or timeframe, provided that such purchase or acquisition instructions shall comply with the applicable laws and regulations and the Listing Rules, including but not limited to any restriction on trading in H Shares related to lock-up periods or inside information, and avoid triggering the relevant provisions of a mandatory tender offer;
 - (2) the new H Shares allotted and issued by the Company (for the avoidance of doubt, including the transfer of Treasury Shares), such Shares will rank *pari passu* in all respects and with fully paid-up Shares in issue on the Allotment Date.
- (2) The maximum number of the shares that may be allotted and issued under the Scheme and other share award schemes (including the 2026 H Share Option Scheme) shall be 10% of the total issued share capital (excluding any Treasury Shares) as at the Adoption Date of the Scheme (the "**Scheme Mandate Limit**"). For H shares purchased through on-market transactions or off-market transactions for granting, the maximum number of shares shall be 5% of the total issued share capital (excluding any Treasury Shares) as at the Adoption Date of the Scheme.

- (3) Within the Scheme Mandate Limit, the maximum number of shares which may be allotted and issued upon exercise of all share awards (excluding share awards that have lapsed pursuant to the rules of the Scheme) granted to Service Provider Participants under the Scheme and all share awards and options to be granted under any other schemes (the “**Service Provider Sub-limit**”) shall not in aggregate exceed 1% of the total number of Shares in issue of the Company (excluding any Treasury Shares) as at the Adoption Date. Share awards granted to Service Provider Participants that have been cancelled in accordance with the rules of the Scheme and any other share schemes of the Company shall be deemed to have been utilised for the purpose of calculating the Scheme Mandate Limit.
- (4) Unless approved by the Shareholders in accordance with the manner set out in the Scheme, the total number of shares issued and to be issued by way of issuing new H Shares (including the transfer of Treasury Shares (if any)) in respect of share awards and options granted under the Scheme and any other share schemes of the Company to the Grantees during any 12-month period shall not exceed 1% of the total number of Shares in issue of the Company as at the Grant Date (excluding Treasury Shares (if any)) (“**Individual Limit**”). Where a grant of Awarded Shares under the Scheme to a Grantee would result in the total number of Shares issued and to be issued by way of issuing new H shares in respect of all share awards and options (if any) granted under the Scheme and any other share schemes of the Company (if any) to such Grantee (excluding options and share awards lapsed in accordance with the terms of the Scheme and any other share schemes of the Company (if any)) during the 12-month period ended on such grant date (such day inclusive) exceeding the aforesaid Individual Limit, such grant shall be subject to the separate approval by the Shareholders of the Company at the general meeting, at which time such Grantee and his/her close associates (or his/her associates if such Grantee is a connected person of the Company) shall abstain from voting on such resolution.
- (5) Grant of Awards to connected persons:
- (a) Under the Scheme, unless otherwise provided by the Listing Rules, any grant of Awards to a Director, Chief Executive or substantial Shareholder, or any of their respective associates by way of issuing new H Shares shall be subject to the approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of Options);
- (b) where any grant of Awards to any Director (other than an independent non-executive Director) or Chief Executive of the Company, or any of their respective associates, by way of issuing new H Shares, would result in the new Shares issued and to be issued in respect of all Awards granted under the Scheme and other awards granted under other share schemes (excluding any Awards or other awards or options lapsed in accordance with the terms of the Scheme or other share schemes) to such person in the 12-month period ended on such grant date (such day inclusive) representing in aggregate over 0.1% of the number of H Shares in issue (excluding any Treasury Shares), such further grant of Awards must be approved by the Shareholders at the general meeting in the manner set out below:
- i. the Grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by the Shareholders in general meeting, at which the Selected Participant, his/her associates and all core connected persons of the Company abstained from voting in favour of the relevant resolution granting the approval 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 and/or other applicable provisions of the Listing Rules.
 - (c) the requirements under paragraphs 5.2(6)(b)(i) and 5.2(6)(b)(ii) above do not apply if the refreshment is made immediately after an issue of securities by the Company to the Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part (as a percentage of the total number of Shares in issue) of the Scheme Mandate Limit (or the New Scheme Mandate Limit, as the case may be) upon refreshment is the same as the unused part (rounded to the nearest integral whole Shares) of the Scheme Mandate Limit (or the New Scheme Mandate Limit, as the case may be) immediately before the issue of securities.
- (7) Without prejudice to paragraph 5.2(6) above, the Company may separately seek Shareholders' approval at a general meeting to grant options under the Scheme in excess of the Scheme Mandate Limit or, if applicable, the refreshed limit as described in paragraph 5.2(6), provided that:
- (a) the options in excess of the Scheme Mandate Limit are granted only to participants specifically identified by the Company before such approval is sought;
 - (b) the Company must despatch a circular to its Shareholders containing the name of each specified participant who may be granted such options, the number and terms of the options to be granted to each participant, and the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose; and
 - (c) the number and terms of options to be granted to such participant must be fixed before the general meeting is sought for the approval of the grant, and for this purpose, the date of the proposed grant as resolved by the Board shall be deemed as the Grant Date for the purpose of calculating the Exercise Price.

5.3 Restrictions on the Purchase of the Target Shares

Under any of the following circumstances, the Company shall not instruct the Trustee to purchase the Target Shares and shall immediately notify the Trustee to cease the purchase of the Target Shares:

- (1) from the appearance of any inside information of the Company, to the publication date of such inside information;
- (2) from the 60th day immediately prior to the publication of the annual results, to the publication date of such annual results (both dates inclusive);
- (3) from the 30th day immediately prior to the publication of the interim results or quarterly results (if applicable), to the publication date of such interim results or quarterly results (both dates inclusive); or
- (4) other restrictive circumstances as stipulated by the relevant laws and regulations of the places where the Company is registered and listed, and the provisions of China Securities Regulatory Commission, the Securities and Futures Commission of Hong Kong and the stock exchange where the Company's securities are listed.

- 5.4 The Board and/or the Delegatee may, at any time after instructing the Trustee to purchase or acquire any Target Shares, instruct the Trustee in writing to cease or suspend the purchase of the Target Shares until further notice (without giving any reason).

CHAPTER 6 GRANT OF AWARDED SHARES

- 6.1 Subject to the terms and conditions of the Scheme, the Board and/or the Delegatee may, at their sole discretion and on such terms and conditions as they may think fit, grant Awarded Shares to any Eligible Person at the Grant Price determined by the Board and/or the Delegatee, and such Grant Price shall be paid by the Grantee in accordance with Clause 7.8 upon vesting of the Awarded Shares.
- 6.2 Any Awarded Shares that lapse or for any of the following reasons may, at the absolute discretion of the Board and/or the Delegatee(s), be re-granted.
- (1) where a Grantee fails to sign and return the acceptance form within the prescribed acceptance period, such that the Awarded Shares lapse and are returned to the Trust;
 - (2) where unvested Awarded Shares are returned to the Trust because the Grantee has failed to satisfy applicable vesting conditions (including performance targets);
 - (3) where a Grantee voluntarily surrenders or relinquishes his/her Awarded Shares prior to vesting, with the Board's consent; and
 - (4) where Awarded Shares are clawed back pursuant to the clawback mechanism.
- 6.3 The Company shall, after granting Awarded Shares, issue a Award Letter to the Grantee, which shall (among others):
- (1) specify the date on which the Grant is made;
 - (2) specify the participant's name and identification particulars (such as type and number of identity document, address, and position, if applicable);
 - (3) specify the latest date for acceptance of the Grant by the participants, which shall be a date no later than 30 Business Days (or such other period as the Board may determine) after: (i) the date on which the Grant is made; or (ii) the date on which the conditions of the Grant (if any) are satisfied, whichever is later, or the Grant shall be deemed to have been declined;
 - (4) specify the manner of acceptance of the Grant;
 - (5) specify the maximum number of Shares related to the Grant;
 - (6) specify the Exercise Price and payment method;
 - (7) specify the earliest Vesting Date (and any subsequent Vesting Dates, if any) on which the participants may exercise their Awarded Shares (or portions of shares, as the case may be), and the Awarded Shares Period of the Awarded Shares (or the corresponding Awarded Shares Period for different portions of shares, as the case may be);

- (8) specify any performance targets (if any) that participants are required to achieve prior to the exercise of any Awarded Shares;
- (9) specify the clawback (as defined in paragraph 7.6) mechanism (if any), pursuant to which the Company may recover or withhold any Awarded Shares granted to any participants (if any) in the event of serious misconduct, material misstatement in the Company's financial statements or other special circumstances as determined by the Board;
- (10) specify any other terms and conditions that may be imposed by the Board, the Remuneration Committee and/or independent non-executive Directors (as the case may be), which are inconsistent with the provisions of the Scheme and applicable laws and regulations (including the Listing Rules);
- (11) require the participants to undertake to hold the Awarded Shares in accordance with the terms on which such Awarded Shares are granted to him/her and to be bound by the provisions of the Scheme; and
- (12) be made in such form as the Board may prescribe from time to time, subject to the foregoing provisions.

6.4 The Board and/or the Delegatee is entitled to impose any conditions (including a period of continued service within the Group after the Grant Date) as it deems appropriate in its absolute discretion with respect to the vesting of the Awarded Shares to the Grantee from time to time, and shall notify the Trustee and such Grantee of the relevant vesting conditions of the Awarded Shares. Notwithstanding any other provisions of the Scheme, the Board and/or the Delegatee shall be at liberty to waive any vesting conditions set out in the Award Letter and/or referred to in this Clause 6.4 under and subject to applicable laws and regulations.

6.5 The Grantee may accept the offer to grant Awarded Shares in the manner set forth in the Award Letter and must sign and return by email the Acceptance Form attached to the Award Letter within five (5) business days from the issuance date of the Award Letter. Once accepted, Awarded Shares shall be deemed to have been granted as of the issuance date of the Award Letter. After acceptance, the Grantee will become a participant of the Scheme.

6.6 If the Grantee fails to sign and return by email the Acceptance Form attached to the Award Letter before the expiration of the acceptance period set forth in Clause 6.5 above, Awarded Shares granted to the Grantee will immediately lapse and will remain part of the Trust. In such case, the Board and/or the Delegatee shall, as soon as practicable after the expiration of the acceptance period set forth in Clause 6.5 above, notify the Trustee of the lapse of Awarded Shares.

6.7 The Board and/or the Delegatee shall inform the Trustee of the matters set forth in Clause 6.2 after the appointment of the Trustee and after any Awarded Shares has been granted to and formally accepted by the Grantee.

6.8 Restrictions on the Grant Date

No grant of Awarded Shares shall be made by the Board and/or authorised persons pursuant to the rules of the Scheme where dealings in the H Shares are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time. Without limiting the generality of the foregoing, no such instruction shall be given and no such grant shall be made, during the following periods:

- (1) after information that are required to be disclosed under Rule 13.09 of the Listing Rules or inside information that are required to be disclosed under Part XIVA of the SFO has come to the knowledge of the Company until (and including) the trading day after such data has been publicly announced in accordance with the Listing Rules, the SFO and/or applicable laws;
- (2) during the period commencing 30 days immediately preceding (i) the date of the Board meeting to approve the Company's annual, semi-annual, quarterly or any other interim results (whether or not required under the Listing Rules), being the date first notified to the Hong Kong Stock Exchange pursuant to the Listing Rules and (ii) the deadline for the publication of any announcement of the Company's annual or semi-annual, quarterly or any other interim results (whether or not required under the Listing Rules) pursuant to the Listing Rules, whichever is earlier, and ending on the date of the results announcements. Such period shall include any period during which the publication of relevant results announcement is delayed;
- (3) (where the Selected Participant is a director (other than an independent non-executive Director) or a chief executive of the Company) during the period of 60 days immediately preceding the publication date of the annual results for any financial period of the Company, during the period of 30 days immediately preceding the publication date of the interim results for any financial period of the Company, or, if shorter, the period from the end of the relevant financial period up to the publication date of the results;
- (4) in any circumstance where dealing in Shares by a Selected Participant (including Directors of the Company) is prohibited under the Listing Rules, the SFO or any other applicable laws or regulations;
- (5) in any circumstance where any requisite approval from any governmental or regulatory authority has not been obtained; and
- (6) in any circumstance where the granting of Awarded Shares is prohibited under, or would result in a breach of, the Listing Rules, the SFO or any other applicable laws or regulations.

6.9 No Awards shall be granted to any Eligible Person if:

- (1) it has not obtained the necessary approval from any competent regulatory authority;
- (2) securities laws or regulations require the issuance of a prospectus or other offering document in respect of the grant of the Awarded Shares or the Scheme, unless otherwise determined by the Board and/or the Delegatee;
- (3) the grant of the Awarded Shares would cause any member company of the Group or its directors to violate any applicable laws, rules, regulations and normative documents in any jurisdiction and the regulatory rules of the places where the Company is registered and listed;
- (4) the Board and/or the Delegatee are aware of any undisclosed inside information about the Group (as defined in the SFO), or any director reasonably believes that there is any inside information that needs to be disclosed in accordance with the Listing Rules and the inside information provisions of Part XIVA of the SFO (as defined in the Listing Rules), or the directors are prohibited from trading the securities of the Company under any code or

requirement of the Listing Rules and all applicable laws, rules or regulations from time to time; or

- (5) after the expiration of the Scheme Period or upon the early termination of the Scheme pursuant to Clause 10.5.

6.10 Purchase Price

The Board and/or the Delegatee may in its absolute discretion determine whether to require the Grantees to pay any Purchase Price for obtaining the Awards (provided that if the Awarded Shares are to be satisfied by the new issuance of H Shares, the Grant Price per share shall be no less than RMB1.00) and, if so required, determine the amount of the Purchase Price after taking into account the practices of the market and the effectiveness of the Scheme in attracting talents and motivating the Grantees to contribute to the long-term development of the Group.

For the avoidance of doubt, if the Award Shares are to be satisfied by H Shares purchased by the Trust through on-market and/or off-market transactions, the Board and/or the Delegatee may determine the Purchase Price to be at nil consideration.

CHAPTER 7 VESTING OF AWARDED SHARES

7.1 Subject to compliance with all applicable laws, rules and regulations, the Board and/or the Delegatee may, from time to time, determine the criteria and conditions for vesting and the vesting period for the vesting of Awarded Shares under the Scheme, during the term of the Scheme. Other than the situation as set out in Clause 7.2, the vesting period in respect of any Awarded Shares shall not be earlier than twelve (12) months from (and including) the Grant Date.

7.2 Awarded Shares granted to Employee Participants may be subject to a shorter vesting period as determined by (i) the Remuneration Committee if such Employee Participant is a Director or a senior manager (as defined under Rule 17.01A of the Listing Rules) of the Company, or (ii) the Board if such Employee Participant is not a Director or a senior manager (as defined under Rule 17.01A of the Listing Rules) of the Company, under any of the following circumstances:

- (1) the grant of “make-whole” awards to a new employee to replace the share awards forfeited when leaving his or her previous employer;
- (2) the grant of Awarded Shares to Employee Participants whose employment is terminated by reason of death, disability or any force majeure event;
- (3) the Awards granted in tranches within a year for administrative or compliance reasons, including Awards which would otherwise have been granted earlier but were deferred to subsequent tranches due to such administrative or compliance reasons. In such cases, the vesting period may be correspondingly shortened to reflect the time otherwise have been granted;
- (4) the adoption of a mixed or accelerated vesting schedule such as where the share awards may vest evenly over a period of 12 months or release in batches with the first batch vesting within 12 months after the Grant Date, and the last batch vesting after 12 months following the Grant Date;

- (5) the adoption of performance-based vesting conditions as stipulated in the Scheme or in the Award Letter, in lieu of time-based vesting conditions; and
 - (6) grants with a total vesting and holding period exceeding 12 months.
- 7.3** Unless otherwise notified in writing by the Board and/or the Delegatee, the vesting of each Grantee shall be conducted in accordance with the specific vesting conditions set forth in the Award Letter and the provisions of the Scheme.
- 7.4** Vesting of Awarded Shares shall be subject to the performance targets (if any) to be satisfied by the Grantees as determined by the Remuneration Committee from time to time. The Remuneration Committee shall have the authority, after the grant of any performance-linked Awards, to make fair and reasonable adjustments to the prescribed performance targets during the vesting period if there is a change in circumstances. The performance targets may include: (i) for the participant who is a director or a senior manager (as defined in Rule 17.01A of the Listing Rules) of the Company, the Remuneration Committee may (or for any other participant, the Board or the relevant Board Committee duly authorised by the Board in this regard may) establish performance targets for granting the Awarded Shares to such participant upon achievement thereof. Following the grant of any performance-linked Awarded Shares, the Board (or, as the case may be, the Remuneration Committee or the relevant Board Committee duly authorised by the Board in this regard) shall have the authority, in the event of changes, to make equitable and reasonable adjustments to the established performance targets during the vesting period, provided that any such adjusted performance targets shall be less stringent than the original performance targets, and such adjustments shall be deemed fair and reasonable by the Board (or, as the case may be, the Remuneration Committee or the relevant Board Committee duly authorised by the Board in this regard); (ii) the proposed performance targets may include the Group's business, financial condition, operations, and capital value creation for its business segments (such as revenue and net profit growth), and individual performance metrics of participants based on their roles and responsibilities. The Board (or, as the case may be, the Remuneration Committee, the relevant Board Committee duly authorised by the Board in this regard or other relevant persons) shall conduct an evaluation at the end of the performance period by comparing relevant performance with the predetermined targets, to determine whether the performance targets have been achieved and the extent of such achievement. The Remuneration Committee will conduct assessment from time to time by comparing the performance with the pre-set targets to determine whether such targets have been achieved and the extent of such achievement. If, after the assessment, the Remuneration Committee determines that any prescribed performance targets have not been met, the unvested Awarded Shares shall lapse automatically.
- 7.5** If a selected Grantee fails to meet any vesting condition applicable to the Awarded Shares granted, unless such vesting condition is waived by the Board and/or the Delegatee, the relevant Awarded Shares that would otherwise be vested during the vesting period shall not be vested and cannot be vested in respect of the Grantee and shall be returned to the Trustee for satisfying other Awards under the Scheme. In such case, the Board and/or the Delegatee shall have the authority to give notice to and instruct the Trustee to sell the aforesaid unvested Awarded Shares on the open market at the market price within a reasonable period of time after the receipt of such notice.

7.6 Notwithstanding the terms and conditions of the Scheme, the Remuneration Committee has the authority to provide that any share awards shall be subject to clawback upon the occurrence of any of the following events:

- (1) where any Grantee ceases to be a Grantee by reason of the termination of his or her employment or engagement on the grounds of fraud, dishonesty or persistent or material misconduct committed by such person, or where such person is or becomes, or is reasonably expected to become, insolvent, or is adjudicated bankrupt, or enters into any general arrangement or composition with his or her creditors, or is convicted of any criminal offence involving his or her integrity or probity, or any other ground on which an employer would be entitled to summarily terminate his or her employment;
- (2) where the Grantee joins a company which the Board in its absolute discretion, reasonable considers to be a competitor of the Group; and
- (3) where any other clawback event specified in the Award Letter occurs.

Upon occurrence of any of the foregoing events in respect of a Grantee (and for the purposes of the above, whether such event shall be deemed to have occurred shall be determined by the Board in its absolute discretion), the Board may (but shall not be obliged to) notify the relevant Grantee in writing of the clawback of such number of Awarded Shares that have been granted (to the extent not yet vested) as the Board considers appropriate. Any unvested Awarded Shares shall lapse automatically, and any associated interests shall be extinguished.

7.7 The Board and/or the Delegatee will, except in any unforeseen circumstances, direct and procure the Trustee to give a Vesting Notice (the “**Vesting Notice**”) to the relevant Grantee within such reasonable period as the Trustee and the Board and/or the Delegatee may agree from time to time before any Vesting Date to pay the cash corresponding to the Actual Selling Price set forth in Clause 7.8 (after deducting the relevant Grant Price and the Taxes borne by the Grantee, if applicable) to the Grantee.

7.8 For Awarded Shares that are properly vested in the Grantee in accordance with Clauses 7.6 and 7.8, the Trustee shall, in accordance with the Grantee’s written instruction from time to time and subject to the Company Law of the People’s Republic of China, the regulatory rules of the places where the Company is incorporated and listed and other applicable laws, regulations, rules and normative documents, as well as the Articles of Association, upon the request of the Grantee, transfer all or part of the Awarded Shares vested in the Grantee on the date designated to the Grantee or an entity designated by the Grantee, and/or sell all or part of the Awarded Shares vested in the Grantee through on-floor trading at the prevailing market price and pay the cash corresponding to the Actual Selling Price (after deducting the Taxes borne by the Grantee, if applicable) to the Grantee.

7.9 Any expense incurred for the management of the Trust scheme shall be borne by the Trust Property.

7.10 The financial, accounting and tax issues in connection with the implementation of the Scheme by the Company shall be subject to the relevant laws and regulations and the Company’s internal management policies. The Grantee shall bear all other taxes (including individual income tax, salary tax or other levies (the “**Tax**” or “**Taxes**”)) in relation to his/her participation in the Scheme or in relation to the Target Shares or the equivalent cash of the Target Shares. Neither the Company nor the Trustee shall bear any Taxes. The Grantee will indemnify the Trustee and all members of the Group for and hold each of them harmless from, any liability in respect of such Taxes that they

may be required to pay or account for, including any withholding obligations in connection with any Taxes. To give effect thereto, notwithstanding any other provision of the rules of the Scheme (subject to the applicable laws), the Group may:

- (1) instruct the Trustee, after selling the Target Shares corresponding to the relevant Awarded Shares of such Grantee, to deduct or withhold from the cash corresponding to the Actual Selling Price an amount equivalent to the Taxes attributable to such Grantee, and transfer such amount to the Company for the payment of the Taxes; or
- (2) where the amount deducted or withheld is insufficient for the Company to pay the Taxes, the Grantee shall transfer the shortfall to the Company, and the Company shall pay the relevant Taxes on behalf of the Grantee.

7.11 If the Actual Selling Price (after deducting the relevant Taxes borne by the Grantee, if applicable) is not paid to the Grantee in time due to any error in the details of the bank account provided by the Grantee or any abnormality of the bank account such as account freezing, without any subjective operation error of the Company or the Trustee, the losses arising therefrom shall be borne by the Grantee.

7.12 The Trustee shall not be obliged to make any payment to the Grantee under Clause 7.8, unless the Grantee convinces the Company that he/she has fulfilled his/her obligations under the Scheme, and the Trustee has received the confirmation set forth in Clause 7.8 and the payment of the Grant Price.

7.13 Restrictions on the Sale of the Target Shares

Under any of the following circumstances, the Company and the Grantee restricted by laws and regulations shall not instruct the Trustee to sell the Target Shares:

- (1) at any time when inside information of the Company arises, and up to the date of announcement of such inside information;
- (2) 60 days immediately preceding the publication date of the annual results and ending on the date of publication (both dates inclusive);
- (3) 30 days immediately preceding the publication date of the interim results and quarterly results (if applicable) and ending on the date of publication (both dates inclusive); or
- (4) other restrictive circumstances as stipulated by the relevant laws and regulations of the places where the Company is incorporated and listed, and the provisions of China Securities Regulatory Commission, the Securities and Futures Commission of Hong Kong and the stock exchange where the Company's securities are listed.

7.14 The Grantee agrees, undertakes and warrants that if, upon termination of the Scheme in accordance with Clause 10.5, there are any Awarded Shares that have been vested but not yet paid to the Grantee by the Trustee in accordance with Clause 7.8, the Grantee will voluntarily waive such unpaid Awarded Shares. Such Awarded Shares will be deemed as lapsed, and the corresponding Target Shares will be disposed in accordance with paragraph (2)(2) of Clause 10.5.

CHAPTER 8 TRANSFER OF AWARDED SHARES AND OTHER RIGHTS

- 8.1** During the Scheme Period, unless and until the Awarded Shares are vested and actually transferred to the Grantees in accordance with the terms of the Scheme (where applicable), the Grantees shall not deal with the Awarded Shares granted in any way, including but not limited to sale, transfer, pledge, mortgage, encumber or to create any benefit for others, or to enter into any agreement to do any of the foregoing.
- 8.2** During the Scheme Period, the Trustee shall not exercise any voting rights in respect of any of the Target Shares held by the Trustee under the Scheme.
- 8.3** Any substantial or attempted breach of Clause 8.1 shall entitle the Company to cancel any Awarded Shares that have been granted to the Grantee but not yet vested in the Grantee, without any compensation. In this regard, the decision of the Board and/or the Delegatee as to whether the Grantee has breached any of the above provisions shall be final.
- 8.4** During the Scheme Period, each Grantee shall be entitled to the dividends (if any) of the Target Shares based on his/her Awarded Shares, provided that such dividends shall only be paid to the Grantee when vesting.
- 8.5** For the avoidance of doubt,
- (1) the Grantee shall have no rights (such as voting right, share allotment right and share subscription right) of the Target Shares except the right to dividend until the Awarded Shares are vested and transferred to the Grantee (where applicable);
 - (2) the Grantee does not have any right to Awarded Shares under the Trust Account or the accounts of other Grantees;
 - (3) the Grantee shall not give any instruction to the Trustee except the instruction set forth in Clause 7.8 hereof; and
 - (4) the provisions of the Scheme shall apply if the vesting conditions specified in the Award Letter are not met in full before or on the Vesting Date or the Grantee ceases to be an Eligible Person before the relevant Vesting Date, unless otherwise waived by the Board and/or the Delegatee.
- 8.6** The Grantee agrees, undertakes and warrants that he/she will not make any claim against the Company, any other members of the Group, the Board, the Delegatee, the Trust or the Trustee under any circumstance.

**CHAPTER 9
REORGANISATION OF CAPITAL STRUCTURE,
CHANGE IN CONTROL AND VOLUNTARY LIQUIDATION, ETC.**

9.1 Reorganisation of Capital Structure

In the event of a capitalisation issue, bonus issue with price-dilutive element, rights issue, open offer with price-dilutive element, sub-division or consolidation of shares or reduction of capital of the Company, or any other event as specified from time to time in the Listing Rules, the number

or par value of the shares involved in the unvested share awards shall be revised accordingly (if any), and the auditors or the independent financial advisor engaged by the Company shall, upon the Company's request, provide written certification to the Board that they consider such adjustments to be fair and reasonable in general or in relation to any individual incentive recipient, provided that (i) after any adjustment, the incentive recipient's share capital in the Company (rounded to the nearest whole number of shares); (ii) is the same as that they had before the relevant adjustment, and no adjustment results in the issue price of the shares being lower than their par value; and (iii) any such adjustment shall be made only in accordance with the requirements of Rule 17.03(13) of the Listing Rules and the relevant guidance and interpretations of the Listing Rules issued by the Stock Exchange from time to time, including but not limited to the adjustment mechanism under No. 16 and Appendix I of Frequently Asked Questions FAQ13. The auditors or independent financial advisors (as the case may be) act as experts, not arbitrators, in this section, and their testimony is final and binding on the Company and its Grantees, barring any material error. The fees of the auditors or independent financial advisors (as the case may be) shall be borne by the Company.

To the extent not otherwise determined by the Board, the method of adjustment of the number of Award and the Purchase Price for Awarded Share to the extent outstanding is set out as below:

Capitalization issue or bonus issue with price-dilutive elements

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

Where: "Q₀" represents the number of Award before the adjustment; "n" represents the ratio per Share resulting from the capitalization issue or bonus issue; "Q" represents the number of Award after the adjustment.

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

Where: "P₀" represents the Purchase Price for Awarded Share before the adjustment; "n" represents the ratio per Share resulting from the capitalization issue or bonus issue; "P" represents the Purchase Price for Awarded Share after the adjustment.

Rights issue or open offer with price-dilutive elements

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

Where: "Q₀" represents the number of Award before the adjustment; "P₁" represents the closing price of the Shares as at the record date; "P₂" represents the subscription price of the rights issue or open offer; "n" represents the ratio of the rights issue or open offer; "Q" represents the number of Award after the adjustment.

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

Where: "P₀" represents the Purchase Price for Awarded Share before the adjustment; "P₁" represents the closing price of the Shares as at the record date; "P₂" represents the subscription price of the rights issue or open offer; "n" represents the ratio of the rights issue or open offer; "P" represents the Purchase Price for Awarded Share after the adjustment.

Consolidation of shares or share subdivision or reduction of the share capital

$$Q = Q_0 \times n$$

Where: “ Q_0 ” represents the number of Award before the adjustment; “ n ” represents the ratio of share consolidation or share subdivision or reduction of share capital; “ Q ” represents the number of Award after the adjustment.

$$P = P_0 \div n$$

Where: “ P_0 ” represents the Purchase Price for Awarded Share before the adjustment; “ n ” represents the ratio of share consolidation or share subdivision or reduction of share capital; “ P ” represents the Purchase Price for Awarded Share after the adjustment.

The auditors or an independent financial adviser engaged by the Company for such purpose shall, at the request of the Company, certify in writing to the Board, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital, rounded to the nearest whole Share, of the Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. If the Company conducts a Share consolidation or subdivision after the Scheme Limit or Service Provider Sublimit has been approved by Shareholders in general meeting, the maximum number of Shares that may be issued in respect of all Awards to be granted under the H Share Award Scheme and all share options and awards to be granted under any other share schemes, as a percentage of the issued Shares at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole share.

9.2 Change in Control

Subject to the Codes on Takeovers and Mergers and Share Buy-backs, and notwithstanding any other provision of the Scheme, if there is a change in the control of the Company, whether by offer, merger, arrangement or otherwise, and the Company ceases to exist after the merger with another company or the Company splits, the Board and/or the Delegatee may decide:

- (1) whether the Scheme shall be terminated within five (5) business days after the change in the control of the Company, and that Awarded Shares that have not been vested shall be cancelled, and the corresponding Target Shares will be treated in accordance with paragraph (2)(2) of Clause 10.5; or
- (2) that all the Awarded Shares that have not been vested shall be vested immediately on the date on which such change in control becomes or is declared unconditional, and that such date shall be deemed as the Vesting Date. Subject to the Company Law, the regulatory rules of the places where the Company is incorporated and listed and other relevant laws, regulations, rules and normative documents, and the Articles of Association, the Trustee shall sell the relevant Target Shares in accordance with Clause 7.8; or
- (3) such other options as the Board and/or the Delegatee may think fit.

For the purposes of this Clause 9.2, “control” shall have the meaning ascribed to it under the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs from time to time.

9.3 Bonus Warrant

Where the Company issues bonus warrant in respect of any H Share held by the Trustee, unless otherwise instructed by the Company, the Trustee shall not exercise any share subscription rights attached to the bonus warrants to subscribe for any new H Share and shall dispose the bonus warrant so acquired, and the net proceeds of disposal of such bonus warrants shall be distributed as dividends in accordance with the Scheme.

9.4 Voluntary Liquidation

If the Company passes an effective resolution on voluntary liquidation (other than reorganisation, merger or scheme arrangement) during the Scheme Period, the Board and/or the Delegatee shall, at their sole discretion, decide:

- (1) subject to the Company Law of the People’s Republic of China, the regulatory rules of the places where the Company is incorporated and listed and other relevant laws, regulations, rules and normative documents, and the Articles of Association, the adjustment of the Vesting Date of any Awarded Shares, and that whether the Grantee is entitled to obtain the amount corresponding to the Actual Selling Price of the Target Shares (after deducting the Taxes borne by the Grantee, if applicable) corresponding to Awarded Shares that have been vested in him/her from the assets available in liquidation, on the basis of equality with the Shareholders; or
- (2) the termination of the Scheme, and that Awarded Shares that have not been vested shall be cancelled, and the corresponding Target Shares will be treated in accordance with paragraph (2)(2) of Clause 10.5; or
- (3) the adoption of such other options as the Board and/or the Delegatee may think fit.

9.5 Compromise or arrangement

If a compromise or arrangement between the Company and its Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its merger with any other companies and a notice is given by the Company to its Shareholders to convene a shareholders’ meeting for the purposes of considering and if thought fit, approving such compromise or arrangement and obtaining the approval of such Shareholders, the Board and/or the Delegatee shall, at their absolute discretion:

- (1) adjust the Vesting Date of any Awarded Shares; or
- (2) terminate the Scheme and unvested Awarded Shares shall be cancelled and such corresponding Target Shares will be dealt with in accordance with paragraph (2)(2) of Clause 10.5; or
- (3) adopt such other plans as the Board and/or the Delegatee may think fit.

CHAPTER 10
ALTERATION, DISPUTE, TERMINATION OF THE SCHEME
AND CANCELLATION OF AWARDED SHARES

10.1 Validity Period of the Scheme and Duration of the Trust Scheme

Subject to any early termination as may be determined by the Board, the Scheme shall be valid and effective for a term of ten (10) years commencing from the date on which the Scheme is approved at the shareholders' meeting.

10.2 Alteration of the Scheme

- (1) Any amendments to the terms of the Scheme which are of a material nature or any modifications under Rule 17.03 of the Listing Rules (if in favor of participants) shall be considered and approved by the Shareholders at the general meeting. Any change to the authority of the Board and/or Delegatee to alter the terms of the Scheme is subject to approval by the Shareholders at the general meeting.
- (2) Subject to the Scheme Mandate Limit and the provisions mentioned above, the Scheme may be altered or supplemented in any respect by resolution of the Board. During the life of the Scheme, if there are any changes to the terms of the Scheme, the Company must provide to all Grantees all details relating to such changes immediately upon such changes taking effect.
- (3) Where the initial grant of an Award to an Eligible Person is approved by the Board, the Remuneration Committee, the independent non-executive directors and/or the Shareholders (as the case may be), any changes to the terms of such Award must also be approved by the Board, the Remuneration Committee, the independent non-executive directors and/or the Shareholders (as the case may be). This requirement does not apply where the change takes effect automatically under the existing terms of the Scheme.
- (4) The amended terms of the Scheme must still comply with the relevant requirements under Chapter 17 of the Listing Rules.
- (5) When the Board alters the Scheme, the independent non-executive directors shall supervise whether such alteration is conducive to the sustainable development of the Company, and whether such alteration damages the interests of the Company and its Shareholders as a whole.

10.3 Dispute

Any dispute arising out of the Scheme shall be determined by the Board, and such decision shall be final and binding.

10.4 Cancellation of Awarded Shares

The Board and/or the Delegatee(s) may, at its sole discretion, cancel any unvested or expired Awarded Shares. Such cancellation shall be notified to the trustee and the relevant incentive recipient.

10.5 Termination of the Scheme and Subsequent Arrangements

- (1) The Scheme shall be terminated on the following dates, whichever is earlier:
 - (a) the tenth (10th) anniversary date from the Adoption Date of the Scheme; and
 - (b) the early termination date of the Scheme as determined by the Board by a resolution of the Board.
- (2) Upon termination of the Scheme:
 - (1) no more Awarded Shares shall be granted under the Scheme; and
 - (2) the Trustee shall, after receiving the notice of the termination of the Scheme, within such reasonable period as the Trustee and the Company may agree, (i) sell the remaining unvested Target Shares under the Trust (or such longer period as may be otherwise determined by the Company in consultation with the Trustee), and remit all cash and the net proceeds from the sale set forth in paragraph (2)(2) of this Clause 10.5, and other funds remaining in the Trust (after making the appropriate deductions for all disposal costs, expenses and other current and future liabilities in accordance with the Trust Deed) to the Company. For the avoidance of doubt, the Trustee shall not transfer any H Share to the Company and the Company shall not otherwise hold any H Share (other than the proceeds from the sale of such H Share pursuant to this Clause 10.5); and (ii) as instructed by the Grantee, transfer the Target Shares that have been vested in the Grantee to the Grantee or the entity designated by the Grantee, or sell the Target Shares that have been vested in the Grantee and remit the net proceeds from the sale (after deducting the Taxes borne by the Grantee, if applicable) to the Grantee, if the Grantee fails to give an instruction to the Trustee within the reasonable period, the Trustee shall, as instructed by the Board and/or the Delegatee, sell the relevant Target Shares that have been vested and remit the net proceeds from the sale (after deducting the Taxes borne by the Grantee, if applicable) to the Grantee.

10.6 For the avoidance of doubt, a decision of the Board and/or the Delegatee to suspend the grant of the Awarded Shares shall not be construed as terminating the operation of the Scheme.

CHAPTER 11 OTHERS

11.1 Miscellaneous Provisions

- (1) The Scheme shall not form part of any contract of employment between the Company or any of its subsidiaries or any Related Entity (as one party) and any participant (as the other party) and the rights and obligations of any participant under the terms of his office or employment shall not be affected by his participation in the Scheme or any right which he may have to participate in it and the Scheme shall afford such participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- (2) The Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Awarded Shares themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.

- (3) In no circumstances shall a person ceasing to be a participant for any reason be entitled to any compensation for or in respect of any consequent diminution or extinction of his rights or benefits (actual or prospective) under any Awarded Shares then held by him or otherwise in connection with the Scheme and by accepting Awarded Shares under the Scheme, such person shall be deemed to have irrevocably waived any such entitlement (if any).
- (4) The Company shall bear the costs of establishing and administering the Scheme.
- (5) The Board shall have the power to make or vary, from time to time, regulations for the administration and operation of the Scheme, provided that such regulations are not inconsistent with the provisions of the Scheme and all applicable laws, rules and regulations (including the Listing Rules).
- (6) Generally, a Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to its Shareholders.
- (7) Any notice or other communication between the Company and a Grantee shall be addressed to the addressee and may be given by personal delivery, prepaid post or fax to, in the case of the Company, its principal place of business, or in such other manner as may be notified to the Grantee from time to time; and in the case of the Grantee, his residential address (in the case of an individual) or business address (in the case of a company) as notified to the Company from time to time.

Address of the Company: Room 59, 17th Floor, Kechuang Building,
 No. 777 Zhongguan West Road,
 Zhuangshi Subdistrict, Zhenhai District,
 Ningbo City, Zhejiang Province

- (8) Any notice or other communication between the Company and a Grantee shall be deemed to have been received in the following circumstances:
 - (a) If served in person, at the time of service.
 - (b) If delivered by duly prepaid and addressed mail, on the second Business Day after the date of post.
 - (c) If sent by facsimile, on the day of transmission, provided that the sender holds a transmission report indicating that the facsimile has been properly sent and received.
- (9) If the Company sends a notice by post, it shall be sufficient proof of service to show that the envelope containing such notice was properly addressed, prepaid, and posted to a mailbox or post office.
- (10) The Grantee shall be responsible for obtaining any governmental or other official consent which may be required in any country or jurisdiction (including the country in which the Company is incorporated) to permit the grant or exercise of the Awarded Shares. The Company shall not be liable for any failure by the Grantee to obtain any such consent or for any taxes or other liabilities which may arise from the Grantee's participation in the Scheme.

- (11) Each Grantee (or his/her personal representative) shall, prior to accepting a grant or exercising the Awarded Shares granted, obtain all necessary consents as may be required to accept a grant or exercise any Awarded Shares granted, so that the Company may allot and issue to the Grantee such Shares as may be required to be allotted and issued pursuant to the exercise of the Awarded Shares granted in accordance with the provisions of the Scheme. Upon accepting a grant or exercising any granted Awarded Shares, the Grantee shall be deemed to have represented and undertaken to the Company that he/she has obtained all necessary consents. Compliance with this clause shall be a condition precedent to the Grantee's acceptance of the grant and exercise of the granted Awarded Shares. The Grantee shall fully indemnify the Company from and against all claims, demands, liabilities, actions, legal proceedings, fees, costs, and expenses (whether incurred solely or jointly with another party or parties) that the Company may suffer or incur as a result of the Grantee's failure to obtain any necessary consents or pay any taxes or other liabilities.
- (12) The Grantee shall be responsible for the payment of all taxes and the settlement of all other liabilities which may arise as a result of his/her participation in the Scheme, acceptance or exercise of any Awarded Shares, or the allotment and issue of Shares upon the exercise of any granted Awarded Shares.

11.2 Disclosure Rights

By participating in the Scheme, each Grantee agrees that the Company may properly hold, process, store and use his/her personal information and data in PRC, Hong Kong or elsewhere for the purpose of executing, managing or implementing the Scheme, and such consent includes but is not limited to:

- (1) manage and keep a record for the selected Grantee;
- (2) provision of data or information to the Group, the Trustee or third-party managers or administrators of the Scheme in Hong Kong or elsewhere;
- (3) if applicable, disclosure to any future acquirer or merger partner of the Company; and
- (4) the Grantee may obtain a copy of his/her personal data upon request to the Company if it is necessary to issue an announcement or circular for the grant of the Awarded Shares in accordance with the Listing Rules or other applicable laws, rules or regulations, or disclose the identity of the Grantee, Awarded Shares, the vesting conditions of the grant and/or to be granted and all other information required under the Listing Rules or other applicable laws, rules or regulations in the Company's annual report, and the Grantee shall have the right to request for correction if such personal data is inaccurate.

11.3 Governing Law

The Scheme shall be governed by and construed in accordance with the laws of the Hong Kong Special Administrative Region of the People's Republic of China.

NOTICE OF ANNUAL GENERAL MEETING



Axera Semiconductor Co., Ltd.
愛芯元智半導體股份有限公司

(A company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an annual general meeting (the “**Annual General Meeting**” or “**AGM**”) of Axera Semiconductor Co., Ltd. (the “**Company**”) will be convened and held at Conference Room, 1st Floor, Zhanxiang Center, No. 505 Zhangjiang Road, Pudong New Area, Shanghai, PRC, on June 26, 2026 at 10:00 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve the resolution on the report of the board (the “**Board**”) of directors (the “**Directors**”) of the Company for the year ended 31 December 2025.
2. To consider and approve the resolution on the annual report of the Company for the year ended 31 December 2025.
3. To consider and approve the resolution on the re-appointment of KPMG as the auditor of the Company and to authorise the Board to determine its remuneration.
4. To consider and approve the resolution on the remuneration plan for executive Directors for the year 2026.
5. To consider and approve the resolution on the remuneration plan for non-executive Directors for the year 2026.
6. To consider and approve the resolution on the remuneration plan for independent non-executive Directors for the year 2026.

SPECIAL RESOLUTIONS

1. To consider and approve the proposal regarding the grant of a general mandate to the Board to allot, issue and/or deal with (including any sale or transfer of Treasury Shares, if permitted under the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) additional shares of the Company not exceeding 20% of the total number of shares of the Company in issue (excluding Treasury Shares), and to authorise the Board to make such amendments as it deems appropriate to the provisions of the articles of association of the Company, so as to reflect the new capital structure upon additional allotment and issuance of shares pursuant to such mandate. Details of the resolution are set out in the circular of the Company.

NOTICE OF ANNUAL GENERAL MEETING

2. To consider and, if thought fit, to approve the following general mandate for the Board and the persons authorised by the Board to repurchase shares of the Company:
 - (a) the Board be granted a general mandate, by reference to market conditions and in accordance with needs of the Company, to repurchase shares of the Company not exceeding 10% of the total number of shares of the Company in issue (excluding Treasury Shares) at the time when this resolution is passed at the Annual General Meeting.
 - (b) the Board be authorised to (including but not limited to the following):
 - (i) formulate and implement the repurchase plan, including but not limited to determining the time of repurchase, period of repurchase, repurchase price and number of shares to repurchase, etc.;
 - (ii) open overseas share accounts and money accounts and to carry out related change of foreign exchange registration procedures;
 - (iii) decide to cancel the bought shares or hold them as treasury shares based on market conditions and the Group's capital management needs at the time of the repurchase;
 - (iv) if decide to cancel the bought back shares, carry out cancellation procedures for bought back shares not held by the Company as treasury shares, make corresponding amendments to the articles of association of the Company as it deems appropriate necessary relating to, among others, share capital and shareholdings, and carry out modification registrations and make filings; and
 - (v) carry out relevant procedures or filing procedures (if any) pursuant to the applicable laws, regulations and rules.
 - (c) Authorisation period

The period of above general mandate shall not exceed the relevant period (the “**Relevant Period**”). The Relevant Period commences from the day when the authority conferred by this special resolution is approved by a special resolution of shareholders at the Annual General Meeting and ends at the earlier of:

 - (i) the conclusion of the next annual general meeting of the Company following the date of passing of this resolution;
 - (ii) the expiration of a period of twelve months following the passing of this special resolution at the Annual General Meeting; or
 - (iii) the date on which the authority conferred by this resolution is revoked or varied by a special resolution of shareholders at a general meeting.
3. To consider and approve the resolution on the proposed adoption of the H Share Option Scheme.
4. To consider and approve the resolution on the proposed adoption of the H Share Award Scheme.

NOTICE OF ANNUAL GENERAL MEETING

5. To consider and approve the resolution on the proposed authorisation to the Board and/or the Delegatee(s) to handle matters in relation to the H Share Option Scheme.
6. To consider and approve the resolution on the proposed authorisation to the Board and/or the Delegatee(s) to handle matters in relation to the H Share Award Scheme.

By Order of the Board
Axera Semiconductor Co., Ltd.
(愛芯元智半導體股份有限公司)
Dr. QIU Xiaoxin

Chairperson of the Board and Executive Director

Hong Kong, June 4, 2026

Notes:

1. All resolutions at the Annual General Meeting will be taken by poll pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.axera-tech.com) in accordance with the Listing Rules.
2. All shareholders of the Company are eligible for attending the Annual General Meeting. Any shareholder of the Company entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint a proxy or more than one proxy to attend the Annual General Meeting and vote instead of him/her. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant proxy form. Every shareholder of the Company present in person or by proxy shall be entitled to one vote for each share held by him/her.
3. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be completed and returned to, the Company's Shares registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 24 hours before the time appointed for the Annual General Meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a shareholder of the Company from attending and voting at the Annual General Meeting or any adjourned meeting thereof should he/she so wish.
4. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from June 23, 2026 to June 26, 2026, both days inclusive, during which period no transfer of shares will be registered. The record date will be June 26, 2026. In order to qualify for attending and voting at the Annual General Meeting, holders of shares of the Company whose transfer documents have not been registered are required to submit the share certificates together with the properly completed share transfer forms to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on June 22, 2026.
5. The instrument appointing the proxy must be in writing and signed by the appointor or his/her attorney duly authorised in writing, or if the appointor is a legal person, either under a legal person's seal or signed by its director or an attorney duly authorised in writing.

NOTICE OF ANNUAL GENERAL MEETING

6. The Annual General Meeting (or any adjournment thereof) is expected to take no more than half a day. Shareholders of the Company or their proxies attending the Annual General Meeting (or any adjournment thereof) shall bear their own travelling and accommodation expenses.
7. Further details of the resolutions are set out in the circular of the Company dated June 4, 2026. Unless otherwise indicated, capitalized terms used in this notice shall have the same meanings as those defined in the circular.
8. References to dates and time in this notice are to Hong Kong dates and time.

As at the date of this notice, the Board comprises: (i) Dr. QIU Xiaoxin, Mr. SUN Weifeng, Mr. SHI Xiaoye and Mr. WANG Yuan as executive Directors; (ii) Mr. ZHOU Siyuan, Mr. GU Kaining, Ms. BAI Ting and Mr. WANG Chen as non-executive Directors; and (iii) Ms. TAN Ren, Mr. LI Jun, Mr. WANG Xin and Prof. CHEN Xin as independent non-executive Directors.