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**燕之屋**  
YAN PALACE

**XIAMEN YAN PALACE BIRD'S NEST INDUSTRY CO., LTD.**

**廈門燕之屋燕窩產業股份有限公司**

*(a joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1497)**

**(1) PROPOSED ADOPTION OF THE H SHARE INCENTIVE SCHEME;  
AND  
(2) PROPOSED AUTHORIZATION TO THE BOARD AND/OR THE  
DELEGATEE(S) TO HANDLE MATTERS PERTAINING TO THE H  
SHARE INCENTIVE SCHEME**

**THE H SHARE INCENTIVE SCHEME**

The Board has resolved at a meeting of the Board held on January 11, 2024 to propose the adoption of the H Share Incentive Scheme. The H Share Incentive Scheme shall become effective upon the consideration and approval of the Shareholders which will be sought at the EGM.

**IMPLICATIONS UNDER THE LISTING RULES**

As the H Share Incentive Scheme is analogous to a share scheme that is funded by existing Shares, it shall be subject to the applicable disclosure requirements as regulated under Chapter 17 of the Listing Rules. Moreover, according to the articles of association of the Company, the adoption of the H Share Incentive Scheme shall be subject to Shareholders' approval.

**EGM**

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the proposed adoption of the H Share Incentive Scheme and (ii) the proposed authorization to the Board and/or the Delegatee(s) to handle matters pertaining to the H Share Incentive Scheme.

A circular of the Company containing, among other things, (i) further details of the H Share Incentive Scheme; (ii) the proposed authorization to the Board and/or the Delegatee(s) to handle matters pertaining to the H Share Incentive Scheme; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders in due course.

## **PROPOSED ADOPTION OF THE H SHARE INCENTIVE SCHEME**

The Board has resolved at a meeting of the Board held on January 11, 2024 to propose the adoption of the H Share Incentive Scheme. The H Share Incentive Scheme shall become effective upon the consideration and approval of the Shareholders which will be sought at the EGM.

### **1. Purposes of the H Share Incentive Scheme**

The purposes of the H Share Incentive Scheme are:

- (i) promoting the achievement of long-term sustainable development and performance goals of the Company;
- (ii) closely aligning the interests of the Grantees with those of the Shareholders, investors and the Company to enhance the cohesion of the Company and to facilitate the maximization of the value of the Company; and
- (iii) improving the Company's incentive mechanism to attract, motivate and retain Directors, supervisors, senior management, core employees and Service Providers who have made outstanding contributions to the sustainable operation, development and long-term growth of the Company.

### **2. Duration**

Subject to any early termination as may be determined by the Board according to the Scheme Rules, the H Share Incentive Scheme shall be valid and effective for a term of ten years commencing on the Adoption Date, after which no additional Trust Units shall be granted, provided that the H Share Incentive Scheme will remain in full force in all other respects.

### **3. Source of Funds**

The source of funds for funding the H Share Incentive Scheme is the internal funds of the Company (the "**Scheme Funds**").

### **4. Source of Target Shares**

The source of the Target Shares under the H Share Incentive Scheme shall be H Shares to be acquired by the Trustee through on-market and/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 provisions of the Scheme Rules.

### **5. Scheme Limit**

In any event, the maximum number of Target Shares corresponding to the Trust Units which may be granted under the H Share Incentive Scheme shall not exceed 5% of the Company's total Shares in issue as at the Adoption Date (the "**Scheme Limit**"), which is expected to be 23,275,000 H Shares.

The Board and/or the Delegatee(s) shall not make any further grant of Trust Units which will result in the Scheme Limit being exceeded without Shareholders' approval.

## **6. Eligible Participants and Grantees**

Eligible Participant who may participate in the H Share Incentive Scheme include:

- (i) any director (excluding independent non-executive director), supervisor, senior management or employee of the Group; and
- (ii) any Service Provider as the Board deems fit.

A person shall not be considered as an Eligible Participant if, at the Grant Date, he/she:

- (i) is an independent non-executive Director;
- (ii) has been publicly censured or declared as an ineligible candidate by securities regulatory institutions in the last 12 months;
- (iii) has been imposed with administrative penalties by securities regulatory institutions in the last 12 months due to material non-compliance of laws or regulations;
- (iv) is prohibited from acting as a Director, supervisor or a member of the senior management of the Company as required by the PRC Company Law or the Listing Rules;
- (v) is prohibited from participating in the Scheme as required by laws and regulations;
- (vi) has committed other material violation of relevant requirements of the Group or caused material damage to the interest of the Group as determined by the Board; or
- (vii) any other circumstances prescribed by the Board for the purpose of safeguarding the Group's interests and ensuring the Group's compliance with applicable laws and regulations relating to the operation of the Scheme.

The Board and/or the Delegatee(s) may select any Eligible Participant to be a Grantee of the H Share Incentive Scheme in accordance with the Scheme Rules.

## **7. Administration of the H Share Incentive Scheme**

The H Share Incentive 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 Incentive Scheme, and the Board of the Company is the executive management body of the H Share Incentive Scheme. Upon the consideration and approval of the H Share Incentive Scheme by the Board, the H Share Incentive 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 Incentive Scheme within the authorization of the general meeting;

- (ii) the independent non-executive Directors are the supervisory body of the H Share Incentive Scheme and are responsible for supervising whether the implementation of the H Share Incentive 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 Trust Units to the directors, supervisors or senior management of the Group must first be approved by the Remuneration and Appraisal Committee and any grant of Trust Units to the Directors, supervisors and any other connected persons of the Company must comply with all applicable laws, rules and regulations, including the Listing Rules and any corresponding codes 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 Incentive Scheme (including the power to grant the Trust Units under the H Share Incentive 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 will appoint the Trustee and establish the Trust to facilitate the administration of the H Share Incentive Scheme.

## **8. Grant of Trust Units**

Subject to the terms and conditions of the H Share Incentive 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 Trust Units to any Eligible Participant at the Grant Price, which shall be determined by the Board and/or the Delegatee(s). The consideration shall be paid by the relevant Grantee when the Trust Units are vested.

After the Board and/or the Delegatee(s) has decided to make a grant of Trust Units to any Grantee, the Company shall issue an Award Letter to such Grantee, which should set out details of the grant, including but not limited to the name of the Grantee, the Trust Units 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 Incentive Scheme. The Grantee shall confirm in writing his acceptance of such grant.

None of the Grantees shall be granted with an aggregate of more than 1% of the Company's total Shares in issue in any 12-month period up to and including the Grant Date.

## **9. Vesting of the Trust Units**

Subject to all applicable laws, rules or regulations, the Board and/or the Delegatee(s) will determine the vesting criteria and conditions and the vesting periods for the Trust Units to be granted to each Grantee pursuant to the H Share Incentive Scheme. The details of the vesting conditions and terms shall be determined by the Board and/or the Delegatee(s) from time to time with reference to, among others, the business performance and financial position of the Company and the prevailing market conditions and shall be set out in the Award Letter.

Within a reasonable time after the vesting conditions and schedule have been reached, fulfilled, satisfied or waived and before the date of vesting, the Board or its Delegatee(s) shall send the vesting notice to each of the relevant Grantees. The vesting notice will confirm, among others, the extent to which the vesting conditions and schedule have been reached, fulfilled, satisfied or waived, and the number of Trust Units and Target Shares to be vested for that relevant vesting period.

If a Grantee fails to meet the vesting conditions applicable to the grant of such Trust Units, unless waived by the Board and/or Delegatee(s), all or any of the Trust Units which shall otherwise be vested during such vesting period shall not be vested and shall lapse immediately in respect of such Grantee and be returned to the Trust Account, and may be re-granted by the Board and/or the Delegatee(s) pursuant to the H Share Incentive Scheme.

If a Grantee satisfies the vesting conditions applicable to the grant of such Trust Units and accepts the vesting of relevant Trust Units, such Grantee shall confirm in writing for his acceptance and fully pay the relevant Grant Price either in cash or by deduction of such number of Shares equivalent to the Grant Price, to vest the relevant Trust Units.

After the relevant Trust Units 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 of the Company, the Trustee shall allocate and dispose the Target Shares which corresponds to the Trust Units vested in the Grantees in accordance with the instruction of the Grantees pursuant to the H Share Incentive Scheme.

## **10. Interests in the Trust Units and the Target Shares**

During the Scheme Period, the Grantees shall not deal with the Trust Units 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.

For the avoidance of doubt, save for the entitlement to the Trust Benefit Rights, all Grantees shall not have any interest or rights (such as voting rights, allotment rights or right issues, etc.) attached to any of the Target Shares except for dividend rights.

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

## **11. Restrictions on Grant and Disposal**

No grant of Trust Units or disposal of the Target Shares may be made by the Board and/or the Delegatee(s) during the following periods:

- (i) at any time when inside information of the Company arises and up to the date of the announcement of such inside information;
- (ii) 60 days immediately preceding the publication date of the annual results and ending on the date of publication (both days inclusive);
- (iii) during the period commencing 30 days immediately preceding the publication date of the interim results and quarterly results (if applicable) and ending on the date of publication (both days inclusive); or
- (iv) other restrictions stipulated by the applicable laws and regulations.

## **12. Alteration or Termination of the H Share Incentive Scheme**

Subject to the Scheme Limit, the H Share Incentive Scheme may be altered or supplemented in any respect by resolution of the Board. The Trustee and all Grantees shall be informed in writing of any alteration or supplementation to the H Share Incentive Scheme.

The H Share Incentive Scheme shall terminate on the earlier of: (i) the 10th anniversary date of the Adoption Date; and (ii) such date of early termination as determined by way of Board resolution.

## **REASONS FOR AND BENEFITS OF THE ADOPTION OF THE H SHARE INCENTIVE SCHEME**

Please refer to the section headed “I. Proposed Adoption of the H Share Incentive Scheme – 1. Purposes of the H Share Incentive Scheme” in this announcement.

The Directors (including the independent non-executive Directors) are of the view that the adoption of the H Share Incentive Scheme will realize the aforesaid goals, and that the terms and conditions of the H Share Incentive Scheme are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the H Share Incentive Scheme is analogous to a share scheme that is funded by existing Shares, it shall be subject to the applicable disclosure requirements as regulated under Chapter 17 of the Listing Rules. Moreover, according to the articles of association of the Company, the adoption of the H Share Incentive Scheme shall be subject to Shareholders’ approval.

## **PROPOSED AUTHORIZATION TO THE BOARD AND/OR THE DELEGATEE(S) TO HANDLE MATTERS PERTAINING TO THE H SHARE INCENTIVE SCHEME**

In order to ensure the successful implementation of the H Share Incentive Scheme, the Board proposed that, subject to the approval of the H Share Incentive Scheme by the Shareholders at the EGM, the Shareholders shall also grant an authorization to the Board and/or the Delegatee(s) to deal with matters in relation to the H Share Incentive Scheme with full authority, including but not limited to:

- (i) to authorize the Board and/or the Delegatee(s) to enter into the Trust Agreement on behalf of the Company with the Trustee and to affix the Company seal onto such Trust Agreement, pursuant to which the Trustee will provide trust services for the H Share Incentive Scheme;
- (ii) to authorize the Board and/or the Delegatee(s) to handle all the matters pertaining to the H Share Incentive Scheme, including but not limited to:
  - (a) to interpret the terms and conditions of the H Share Incentive Scheme;
  - (b) to amend or make changes to such arrangements, guidelines, procedures and/or regulations for the management, interpretation, implementation and operation of the H Share Incentive Scheme, provided that such arrangements, guidelines, procedures and/or regulations shall not contravene the rules of the H Share Incentive Scheme;
  - (c) to grant Trust Units to Eligible Participants;
  - (d) to approve the form and content of Award Letters;
  - (e) to decide, approve and adjust the Grant Date, the list of Grantees, number of Trust Units, the Grant Price and vesting criteria to be granted;
  - (f) to determine and adjust the criteria and conditions of the vesting of the Trust Units and the vesting period, and adjust, evaluate and manage the performance indicators and to determine the fulfilment of vesting conditions;
  - (g) to determine and approve any proposal and action for special circumstances that are not expressly stated in the H Share Incentive Scheme;
  - (h) to determine any other matters for implementation of the H Share Incentive Scheme in accordance with applicable laws and regulations;
  - (i) to decide on the engagement of bank(s), accountant(s), trustee(s), lawyer(s), consultant(s) and other professional parties for the purpose of the H Share Incentive Scheme;

- (j) on behalf of the Company, execute all documents in relation to the operations of and other matters of the H Share Incentive Scheme, and obtain and complete all procedures, filings and approvals necessary for implementation of the H Share Incentive Scheme, and to take any other action to implement the H Share Incentive Scheme;
- (k) to determine all matters in relation to the trust arrangement; and
- (l) to administer and execute other matters necessary for the implementation of the H Share Incentive Scheme, unless otherwise specified in written that such matters shall be dealt with by way of resolutions at the Shareholders' meeting.

The aforementioned authorization to the Board and/or the Delegatee(s) shall be valid for the Scheme Period.

## **PUBLIC FLOAT**

The Company shall take appropriate measures to ensure compliance with the public float requirements as stipulated in the Listing Rules and/or as required by the Stock Exchange from time to time.

## **EGM**

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the proposed adoption of the H Share Incentive Scheme and (ii) the proposed authorization to the Board and/or the Delegatee(s) to handle matters pertaining to the H Share Incentive Scheme.

A circular of the Company containing, among other things, (i) further details of the H Share Incentive Scheme; (ii) the proposed authorization to the Board and/or the Delegatee(s) to handle matters pertaining to the H Share Incentive Scheme; and (iii) a notice convening the EGM, is expected to be despatched to the Shareholders in due course.

## **DEFINITIONS**

In this announcement, the following expressions shall have the meaning set out below unless the context requires otherwise:

- |                 |   |
|-----------------|---|
| “Adoption Date” | being the date on which the H Share Incentive Scheme is approved by the Shareholders at the general meeting   |
| “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 Trust Units granted, the vesting criteria and conditions, the vesting date, the grant price 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 Incentive Scheme |
| “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
“Company”	Xiamen Yan Palace Bird’s Nest Industry Co., Ltd. (廈門燕之屋燕窩產業股份有限公司), a joint stock company incorporated in the PRC with limited liability, the issued H Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1497)
“Delegatee(s)”	the Board committee(s) and/or person(s) delegated by the Board
“Directors”	the directors of the Company
“EGM”	the 2024 first extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, (i) the proposed adoption of the H Share Incentive Scheme and (ii) the proposed authorization to the Board and/or the Delegatee(s) to handle matters pertaining to the H Share Incentive Scheme, which will be further notified by the Company in due course
“Eligible Participant”	Eligible Participant who may participate in the H Share Incentive Scheme. See “ – Proposed Adoption of the H Share Incentive Scheme – 6. Eligible Participants and Grantees” for more information.
“employee(s)”	the employee(s) who have entered into formal employment contracts with the relevant members of the Group and whose employer-employee relationship with the Group continues to exist
“Grant Date”	the date on which the Trust Units are granted to a Grantee, being the date of issuance of an Award Letter
“Grant Price”	the grant price of each Target Share underlying the Trust Unit to be determined by the Board and/or the Delegatee(s)
“Grantee(s)”	Eligible Participant(s) who are eligible under the Scheme Rules to participate in the H Share Incentive Scheme and have been granted and accepted the Trust Units
“Group”	the Company and its subsidiaries from time to time, and the expression of member of the Group shall be construed accordingly
“H Share(s)”	ordinary shares in the share capital of the Company, with a nominal value of RMB0.20 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“H Share Incentive Scheme”	the 2024 H Share Incentive Scheme proposed to be adopted by the Company at the EGM
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“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 H Share Incentive Scheme, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Period”	the period of the H Share Incentive Scheme, which is ten years from the Adoption Date
“Scheme Rules”	the rules governing the operation of the H Share Incentive Scheme as well as the implementation procedure (as amended from time to time)
“Service Provider”	person who, or entity which, provide services to the Group on a continuing and recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, including but not limited to person who or entity which work for the Company as independent contractors (including advisers, consultants, distributors, contractors, suppliers, agents and service providers of any member of the Group) where the continuity and frequency of their services are akin to those of employees, but excluding placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions or professional service providers such as auditors or valuers who provide assurance, or those who are required to perform their services with impartiality and objectivity
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) in the issued capital of the Company with a nominal value of RMB0.20 each, comprising unlisted ordinary share(s) of the Company and H Share(s)
“Shareholder(s)”	holder(s) of Shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Share(s)”	the H Share(s) of the Company involved in the H Share Incentive Scheme, which are the underlying Shares of the Trust Units
“Trust”	the trust constituted under the Trust Agreement
“Trust Account”	account separately set up by the Trustee for the Company to record the Company’s corporate basic information and information of corporate interests

“Trust Agreement”	the trust management agreement to be entered into between the Company and the Trustee pursuant to the H Share Incentive Scheme
“Trust Benefit Right”	the right which the Grantees are entitled to in respect of the Trust Units held by them
“Trust Unit(s)”	unit(s) of beneficial rights under the Trust as granted to the Grantees by the Board and/or the Delegatee(s)
“Trustee”	the trustee to be appointed by the Company for the purpose of the Trust
“%”	Percent

By Order of the Board  
**Xiamen Yan Palace Bird’s Nest Industry Co., Ltd.**  
**廈門燕之屋燕窩產業股份有限公司**  
**HUANG Jian**  
*Chairman and Executive Director*

Hong Kong, January 12, 2024

*As at the date of this announcement, the Board comprises (i) Mr. HUANG Jian, Mr. ZHENG Wenbin, Mr. LI Youquan and Ms. HUANG Danyan as executive Directors; (ii) Mr. LIU Zhen and Mr. WANG Yalong as non-executive Directors; and (iii) Mr. XIAO Wei, Mr. CHEN Aihua and Mr. LAM Yiu Por as independent non-executive Directors.*