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DEFINITIONS

“2018 Share Option and Restricted Share Award Scheme”	a share option and restricted share award scheme adopted and approved by the Company on February 27, 2018, the principal terms of which are set out in the Prospectus
“2019 Share Option and Restricted Share Award Scheme”	a share option and restricted share award scheme adopted and approved by the Company on August 15, 2019, the principal terms of which are set out in the Prospectus
“2020 Share Option Scheme”	a share option scheme adopted and approved by the Company on July 15, 2020, the principal terms of which are set out in the Prospectus
“2021 A Share Employee Stock Ownership Plan”	an employee share award scheme adopted and approved by the Company on January 19, 2022, the principal terms of which are set out in the circular dated December 30, 2021
“2021 Restricted A Share Incentive Scheme”	a restricted share award scheme adopted and approved by the Company on January 19, 2022, the principal terms of which are set out in the circular dated December 30, 2021
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) promulgated by the CSRC
“Administrative Measures on Stock Ownership Plan”	the Administrative Measures on the 2022 A Share Employee Stock Ownership Plan of the Company
“Announcement Date of Incentive Scheme”	August 15, 2022, the date of the first announcement of Board resolution recommending the adoption of the Incentive Scheme
“Articles of Association”	the articles of association of the Company as amended from time to time
“A Share Class Meeting”	the third A Share class meeting of 2022 of the Company to be held on Thursday, November 17, 2022 after the conclusion of the Extraordinary General Meeting, or any adjournment thereof

DEFINITIONS

“A Share(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each listed on the Shanghai Stock Exchange
“Assessment Administrative Measures on the Incentive Scheme”	the Assessment Administrative Measures on the Implementation of the 2022 Restricted A Share Incentive Scheme
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	any day (other than Saturdays, Sunday and statutory holidays) on which licensed banks in PRC are open for business
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Class Meetings”	the A Share Class Meeting and the H Share Class Meeting
“Company”	JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Connected Grant”	issue and grant of the Restricted Shares by the Company to the Connected Participants under the Incentive Scheme
“Company Law”	the Company Law of the PRC, as amended from time to time
“Connected Participants”	a Participant who is also a connected person
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	the China Securities Regulatory Commission

DEFINITIONS

“Director(s)”	director(s) of the Company
“ESOP”	the platform holding the underlying shares of the Stock Ownership Plan, being a dedicated securities account for employee stock ownership plans to be established by the Company for the Holders via China Securities Depository and Clearing Corporation Limited
“Extraordinary General Meeting” or “EGM”	the second extraordinary general meeting of 2022 of the Company to be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Thursday, November 17, 2022 at 2:30 p.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 189 to 192 of this circular, or any adjournment thereof
“Grant Price”	the price at which each restricted share to be granted to the Participants
“Group” or “our Group”	the Company and its subsidiaries
“Guiding Opinions”	the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies
“Holder(s)”	Employees of the Company who contribute funds to participate in the Stock Ownership Plan
“Holder’s Meeting”	Meeting of Holders of the Stock Ownership Plan
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange

DEFINITIONS

“H Share Class Meeting”	the third H Share class meeting of 2022 of the Company to be held on Thursday, November 17, 2022 after the conclusion of the Extraordinary General Meeting and the A Share Class Meeting, to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 193 to 194 of this circular, or any adjournment thereof
“H Share Registrar”	Tricor Investor Services Limited, the H Share registrar of the Company
“H Shareholder(s)”	holder(s) of H Shares
“Incentive Scheme”	the 2022 Restricted A Share Incentive Scheme of the Company
“Independent Shareholder(s)”	Shareholders who are not required to abstain from voting on the relevant resolutions in relation to the Incentive Scheme and the issue and grant of the Restricted Shares by the Company to the Connected Participants to be considered and, if thought fit, approved at the EGM and the Class Meetings
“Independent Board Committee”	an independent board committee of the Company comprising all independent non-executive Directors who are independent from related matters to advise the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571), and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants
“Latest Practicable Date”	October 21, 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Management Committee”	management committee of the Employee Stock Ownership Plan, which is to be established by the Holder’s Meeting as the management body of the Employee Stock Ownership Plan
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies contained in Appendix 10 to the Listing Rules
“Nominated Supervisors”	Mr. Ho Yingjun and Ms. Zhao Wenjie, nominated by a controlling Shareholder of the Company as the candidates for non-employee representatives Supervisors
“Participant(s)”	participants of the Incentive Scheme
“Prospectus”	the prospectus of the Company dated February 16, 2021
“Re-elect Directors”	Ms. Feng Yuxia, Mr. Zuo Conglin, Mr. Gao Dapeng, Ms. Sun Yunxia and Dr. Yao Dalin as executive Directors; Mr. Gu Xiaolei as non-executive Director; Mr. Sun Mingcheng, Dr. Zhai Yonggong, Mr. Ou Xiaojie and Mr. Zhang Fan as independent non-executive Directors
“Re-elect Supervisor”	Ms. Li Ye
“Restricted Share(s)”	A Shares intended to be granted by the Company to the Participants at the Grant Price of the Incentive Scheme, subject to the conditions of the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China, as amended from time to time
“Share(s)”	ordinary share(s) in the issued share capital of the Company, with a nominal value of RMB1.00 each, including both A Share(s) and H Share(s)
“Shareholder(s)”	the shareholder(s) of the Company
“SSE”	The Shanghai Stock Exchange, a stock exchange based in the city of Shanghai, China

DEFINITIONS

“SSE Listing Rules”	the Rules Governing the Listing Securities on the Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Stock Ownership Plan”	the 2022 A Share Employee Stock Ownership Plan of the Company
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Transfer Price”	the price for the transfer of the underlying shares of the Employee Stock Ownership Plan, which are repurchased by the Company, from the Company to the ESOP
“%”	per cent.

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LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the Company's announcements dated August 15, 2022 and August 30, 2022 in relation to, among others: (i) the proposed adoption of the Incentive Scheme; (ii) the proposed issue and grant of Restricted A Shares under Specific Mandate involving connected transaction; (iii) the proposed adoption of the Assessment Administrative Measures on the Incentive Scheme; (iv) the proposed authorization to the Board to deal with matters in relation to the Share Incentive Scheme; (v) the proposed adoption of the Stock Ownership Plan; (vi) the proposed adoption of the Administrative Measures on the Stock Ownership Plan; (vii) the proposed authorization to the Board to deal with matters in relation to the Stock Ownership Plan; (viii) the proposed election of new session of the Board; and (ix) the proposed election of new session of the Supervisory Committee.

II. PROPOSED ADOPTION OF THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME

Reference is made to the Company's announcement dated August 15, 2022 in relation to, among others, the proposed adoption of the Incentive Scheme. Special resolutions will be proposed at the EGM and the Class Meetings to consider and approve the proposed adoption of the Incentive Scheme.

The principal terms of the Incentive Scheme are set out below:

(I) Purpose of the Incentive Scheme

Purposes of the Incentive Scheme are to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the Company's employees, ensure the realization of the Company's development strategy and business objectives, and promote the long-term development of the Company, the Incentive Scheme is formulated in accordance with the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations and regulatory documents as well as the provisions of the Articles of Association, on the premise of fully protecting the interests of its shareholders.

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(II) Basis for Determining the Participants and the Scope of Participants of the Incentive Scheme

1. *Basis for Determining the Participants of the Incentive Scheme*

Letter Basis for Determining the Participants of the Incentive Scheme

The Participants are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the SSE Listing Rules, the Listing Rules and other relevant laws, regulations and regulatory documents, as well as provisions of the Articles of Association with reference to the actual situations of the Company.

Participants Basis for Determining the Participants of the Incentive Scheme

The Participants shall be the Directors (including its controlling subsidiaries), senior management and core technical (business) personnel (excluding the independent Directors, Supervisors, Shareholders individually or in aggregate holding more than 5% of the Shares or the de facto controllers and their spouses, parents or issues).

2. *The Scope of Participants of the Incentive Scheme*

These are 611 Participants under the Incentive Scheme, including:

- (1) Directors and senior management personnel;
- (2) core technical (business) personnel.

The Participants shall not include the independent Directors and Supervisors, Shareholders individually or in aggregate holding more than 5% of the Shares or the de facto controllers and their spouses, parents or issues.

All Participants must serve the Company (including its controlled subsidiaries) and enter into labour contracts upon the grant of the equity by the Company and during the assessment period of the Incentive Scheme.

- (3) All Participants shall not have any circumstances in which a person is prohibited from being a Participant:
 1. he/she has been identified as an inappropriate candidate by any stock exchange within the previous 12 months;
 2. he/she has been identified as an inappropriate candidate by CSRC and its agencies within the previous 12 months;

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3. he/she has been subject to administrative penalty or prohibition from market access imposed by CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;
4. he/she is prohibited from acting as a Director or a member of the senior management of the Company pursuant to the Company Law;
5. he/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
6. other circumstances as determined by the CSRC.

3. *Verification of Participants of the Incentive Scheme*

- (1) After the Incentive Scheme is reviewed and approved by the Board, the Company shall, before convening a general meeting, an A Share class meeting and an H Share class meeting, internally publish the names and the positions of the Participants for a period of not less than 10 days via the Company's website or by other means.
- (2) The Supervisory Committee shall verify the list of the Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the board of supervisors on the verification and the public opinions in relation to the list of the Participants 5 days before the Incentive Scheme is considered at a general meeting, an A Share class meeting and an H Share class meeting. Any adjustments to the lists of the Participants made by the Board of the Company shall also be subject to verification by the Supervisory Committee.
- (3) After the list of Participants is determined, if connected persons are involved, the Company will perform corresponding disclosure obligations in a timely manner, under the Listing Rules or other applicable laws or regulations, including the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Company will establish an independent board committee to advise the independent shareholders of the Company in respect of the grant of Restricted Shares to incentive recipients who are connected persons of the Company. The Company has also appointed an independent financial adviser to advise the

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Independent Board Committee and the Independent Shareholders in respect of the grant of Restricted Shares by the Company to the Participants who are connected persons.

(III) Source of Restricted Shares to be Granted

The source of the underlying shares under the Incentive Scheme shall be ordinary A Shares to be issued to the Participants by the Company.

(IV) Number of Restricted Shares to be Granted

The Incentive Scheme proposes to grant 1,400,600 Restricted Shares to the Participants, the underlying shares of which are RMB ordinary A Shares, representing approximately 0.262% of the total issued share capital of the Company as at the Announcement Date of Incentive Scheme.

The total number of underlying Shares involved in all the share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company as at the Announcement Date of Incentive Scheme. The number of Restricted Shares to be granted to any particular Participant under the Incentive Scheme does not exceed 1% of the total share capital of the Company as at the Announcement Date of Incentive Scheme.

During the period from the Announcement Date of Incentive Scheme to the completion of the registration of Restricted Shares, in case of any capitalisation issue, bonus issue, sub-division or consolidation of shares, rights issue or dividend distribution made by the Company, corresponding adjustment shall be made to the number of grant of Restricted Shares according to the Incentive Scheme.

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(V) Allocation of the Restricted Shares among the Participants

The allocation of the Restricted Shares to be granted under the Incentive Scheme among the Participants is set out in the table below:

Name	Responsibility	Number of Restricted Shares Granted (0'000 shares)	Percentage to the total number of Restricted Shares Granted	Percentage to the Current Total Share Capital of the Company
Zuo Conglin	Director	1.10	0.79%	0.002%
Gao Dapeng	Director, Secretary to the Board of Directors, General Manager	1.10	0.79%	0.002%
Sun Yunxia	Director, Vice General Manager	1.10	0.79%	0.002%
Gu Jingliang	Vice General Manager	1.10	0.79%	0.002%
Core technical (business) personnel (607 Participants)		135.66	96.86%	0.254%
Total (611 Participants)		<u>140.06</u>	<u>100.00%</u>	<u>0.262%</u>

Notes:

- The total number of the Shares and options granted/to be granted to any Participant under all share incentive schemes of the Company which are within their validity period do not exceed 1% of the total share capital of the Company as at the Announcement Date of Incentive Scheme. The cumulative total number of underlying Shares involved under all share incentive schemes of the Company which are within their validity period do not exceed 10% of the Company's total share capital as of the date on which the Incentive Scheme is submitted for approval at the Extraordinary General Meeting and the Class Meetings. If the Participants voluntarily give up the granted rights for personal reasons, the Board shall adjust the number of grants accordingly, and when a Participant subscribes for Restricted Shares and does not have sufficient funds, the amount of the Restricted Shares may be reduced accordingly.
- The Participants under the Incentive Scheme shall not include the independent Directors, Supervisors, Shareholders individually or in aggregate holding more than 5% of the Shares or the de facto controllers and their spouses, parents or issues.
- Any discrepancies between part of the total shown and the sum of the breakdown figures are due to rounding.

The number of the Restricted Shares to be granted under the Incentive Scheme is allocated to the Participants (including the Connected Participants) based on (i) the number of years of service of such Participant; (ii) his/her contributions made to the Group; and (iii) the contribution to be made by such Participant in view of his/her roles and responsibilities.

The table below sets out the details of the Restricted Shares to be granted to the Participants.

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For the remaining 607 Participants, each of them will be granted in a range of 500 to 14,000 A shares, representing approximately 0.00011% to 0.0031% of the Company's total issued A share capital as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Connected Participants set out above, the other Participants under the Incentive Scheme are independent of the Company and its connected persons.

(VI) Validity Period, Grant Date, Unlocking Arrangement and Lock-up Period

(A) Validity Period

The validity period of the Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.

(B) Grant Date

The Grant Date shall be determined by the Board after the Incentive Scheme is considered and approved at the general meeting and the class meetings of the Company, and shall be a trading day. The Company shall grant the Restricted Shares and complete the announcement and registration procedures within 60 days after the consideration and approval at the general meeting and the class meetings. Where the Company fails to complete the above within 60 days, it shall timely disclose the reasons for the failure and declare the termination of the Incentive Scheme, and the Restricted Shares which have not been granted shall lapse and the Restricted Share Incentive Scheme shall not be considered again within 3 months from the date of announcement. However, according to the relevant rules, the 60-day period excludes the periods in which the Company is prohibited from granting restricted shares.

The Company shall not grant any Restricted Shares to the Participants during the following periods:

1. The period commencing from 60 days prior to the annual results announcement of the Company, or 30 days prior to the half-year/quarterly results announcement and the date of announcement. Where the date of announcement of the regular report is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of announcement and end on the day prior to the announcement;
2. within ten days prior to the announcement of results forecast and preliminary results;

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3. until the date of disclosure in accordance with the law, from the date of occurrence of a major event that may have a significant impact on the trading price of the Shares of the Company and derivatives or the date of entering into the decision-making process;
4. such other period as stipulated by the CSRC and the Stock Exchanges.

In case of the Directors and the Company's senior management, who are the Participants, reduce their shareholding in the Company 6 months before the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for 6 months from the date of the last shareholding reduction in accordance with the short-swing trading provisions under the Securities Law.

(C) Unlocking Arrangement

The lock-up period of the Restricted Shares granted under the Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares to the Participants, respectively. The Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, pledged or used for repayment of debts before the unlocking. Shares obtained by the Participants due to the conversion of capital reserve into share capital pursuant to the grant of the Restricted Shares not yet unlocked, bonus issue and share subdivision, shall be subject to the lock-up under the Incentive Scheme.

Upon the expiry of the lock-up period, the Company shall proceed with the unlocking for the Participants who satisfy the unlocking conditions. The Restricted Shares held by the Participants who do not satisfy the unlocking conditions shall be repurchased and cancelled by the Company. Where the unlocking conditions of the Restricted Shares are not satisfied, the relevant interests shall not be deferred to the following period.

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The unlocking periods and unlocking schedule of the Restricted Shares under the Incentive Scheme are set out in the table below:

Unlocking Arrangement	Unlocking Period	Proportion of Unlocking
First Unlocking Period	Commencing from the first trading day after expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant	50%
Second Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant	30%
Third Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant	20%

(D) Lock-up Period

The lock-up provisions of the Incentive Scheme shall be implemented in accordance with the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents and the Articles of Association. Details of which are as follows:

1. where a Participant is a Director or a member of the senior management of the Company, Shares transferred by the Participant each year during his/her term of office shall not exceed 25% of the total number of Shares held by him/her and the Shares held by him/her shall not be transferred within six months after he/she leaves office;

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2. where a Participant is a Director or a member of the senior management of the Company and he/she disposes of any Shares of the Company within six months after acquisition or buys back such Shares within six months after disposal, all gains arising therefrom shall belong to the Company and the Board shall forfeit such gains; and
3. where, during the validity period of the Incentive Scheme, there is any change to the requirements regarding the transfer of Shares held by the Directors and senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, the transfer of Shares of the Company held by the Participants shall comply with the amended requirements at the time of transfer.

(VII) Grant Price and Basis of Determination of Grant Price

1. *Grant Price of the Restricted Shares*

The Grant Price under the Incentive Scheme shall be RMB39.87 per Share. That is, the Participants may purchase the Restricted Shares of the Company at the price of RMB39.87 per Share upon satisfaction of the grant conditions.

2. *Basis of Determination of the Grant Price*

The Grant Price shall not be lower than the nominal value of the Shares and shall not be lower than the higher of the following:

1. 50% of the average trading price of the A Shares for the last trading day preceding the Announcement Date of Incentive Scheme (total trading amount for the last trading day/total trading volume for the last trading day) of RMB79.74 per Share, being RMB39.87 per Share;
2. 50% of the average trading price of the A Shares for the last 120 trading day preceding the Announcement Date of Incentive Scheme (total trading amount of the A Shares of for the last 120 trading day/total trading volume of the A Shares of for the last 120 trading day) of RMB79.18 per share, being RMB39.59 per Share.

(VIII) Conditions of Grant and Unlocking of the Restricted Shares

(A) Conditions of Grant of the Restricted Shares

The Company shall grant the Restricted Shares to the Participants upon satisfaction of all of the following conditions of grant. On the contrary, where any of the following conditions of grant is not satisfied, no Restricted Shares shall be granted to the Participants.

1. *N C , :*
 - i. the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the previous accounting year;
 - ii. the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control of the financial report for the previous accounting year;
 - iii. the Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months immediately following the listing;
 - iv. the implementation of share incentive schemes is prohibited by laws and regulations;
 - v. other circumstances as determined by the CSRC.
2. *N P :*

LETTER FROM THE BOARD

- v. he/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
- vi. other circumstances as determined by the CSRC.

(B) Unlocking Conditions of the Restricted Shares

During the unlocking period, the Restricted Shares granted to the Participants can only be unlocked when all of the following conditions are satisfied:

1. *Notwithstanding the above, the following conditions shall apply:*
 - a. the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the previous accounting year;
 - b. the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control of the financial report for the previous accounting year;
 - c. the Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months immediately following the listing;
 - d. the implementation of share incentive schemes is prohibited by laws and regulations;
 - e. other circumstances as determined by the CSRC.
2. *Notwithstanding the above, the following conditions shall apply:*
 - a. he/she has been identified as an inappropriate candidate by the Stock Exchanges in the previous 12 months;
 - b. he/she has been identified as an inappropriate candidate by the CSRC and its agencies in the previous 12 months;
 - c. he/she has been subject to administrative punishment or market ban measures by the CSRC and its agencies due to material violations of laws and regulations in the previous 12 months;

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Where the Company fails to meet the above performance appraisal targets, all the Restricted Shares of the Participants which are planned to be unlocked in the corresponding appraisal year shall not be unlocked, and shall be repurchased at the Grant Price and cancelled by the Company.

4. Performance Appraisal, Restricted Shares, Incentive Plan

The Remuneration and Appraisal Committee will conduct an annual appraisal on the Participants and determine the proportion of unlocking based on the appraisal results. The actual unlocking amount of a Participant for the current year = the unlocking ratio at individual level × the planned unlocking amount of the Participant for the current year.

The performance appraisal results of the Participants are divided into five grades, namely A, B, B-, C and D, and the assessment form is applicable to the Participants. The unlocking ratio of the Participants shall be determined according to the following table:

Appraisal Results	A	B	B-	C	D
Proportion to be Unlocked	100%	50%	0%		

The Restricted Shares which cannot be unlocked due to the failure of individual performance appraisal of a Participant for the current year shall be repurchased at the Grant Price and cancelled by the Company.

(C) *Scientificity and Reasonableness of the Appraisal Indicators*

The Restricted Shares appraisal indicators of the Company are in line with the basic requirements of laws and regulations as well as the Articles of Association. The appraisal indicators of the Restricted Shares are divided into two levels, namely the performance appraisal at the company level and the performance appraisal at the individual level.

The performance appraisal indicator at the company level is the growth rate of operating income, which is an important indicator for measuring the operating conditions and market share of an enterprise and predicting the development trend of the enterprise's business because an increasing operating income is the basis for the survival and development of an enterprise. With reasonable prediction and taking into account the incentive effect of the Incentive Scheme, the Company has determined to use the operating income for 2021 as the base, with the growth rate of operating income of 2022, 2023 and 2024 not less than 35.00%, 82.25% and 146.04%, respectively.

In addition to the performance appraisal at the company level, the Company has also set up a strict performance appraisal system at the individual level of the Participants, which can make a more accurate and

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comprehensive evaluation on the performance of the Participants. The Company will determine whether the Participants meet the conditions for unlocking based on their performance appraisal results for the previous year.

In conclusion, the appraisal system of the Incentive Scheme is complete, comprehensive and operable, and the appraisal indicators are scientific and reasonable, which are binding on the Participants and can achieve the appraisal purpose of the Incentive Scheme.

(IX) Voting Rights of Restricted Shares

The Restricted Shares will not carry any voting rights unless and until they are unlocked, after which the Restricted Shares will carry voting rights as other ordinary shares of the Company

(X) Adjustment to the Number of Restricted Shares and the Grant Price

In the event of any capitalisation issue, bonus issue, sub-division, rights issue or share consolidation of the Company during the period from the Announcement Date of Incentive Scheme to the completion of registration of the Restricted Shares by the Participants of the Restricted Share Incentive Scheme, the number of Restricted Shares and the Grant Price shall be adjusted accordingly.

(XI) Accounting Treatment and Impact on Operating Results

Accordance to the requirements of the "Accounting Standards for Business Enterprises No. 11 – Share-based Payments", on each balance sheet date during the lock-up period, the Company shall revise the number of Restricted Shares expected to be unlocked with reference to the changes in the latest available number of persons eligible to unlock the Restricted Shares and the completion status of performance indicators, and recognize the services obtained in the current period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares as at the grant date.

(A) Accounting Treatment

1. Grant Date

Bank deposits, share capital, capital reserve, treasury shares and other payables are recognised according to the grant of Shares by the Company to the Participants.

2. Expense, Share-based Payment, Liability, P

According to the requirements of the accounting standards, on each balance sheet date within the lock-up period, the services provided by employees shall be included in the costs and expenses, and the owner's equity or liabilities shall also be recognized.

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3. Unlocked Date

On the unlocking date, Shares can be unlocked if the unlocking conditions are met; if all or part of Shares are not unlocked and thus become invalid or void, they shall be dealt with in accordance with the accounting standards and relevant regulations.

4. Fair Value of Restricted Shares on Measurement Date

According to the relevant requirements of the “Accounting Standards for Business Enterprises No. 11 – Share-based Payments” and the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the Company measures the fair value of the Restricted Shares based on the market price. On the measurement date, the fair value of share-based payment per Restricted Share = the market price of Shares of the Company – the Grant Price, which is RMB39.84 per share.

(B) Expected Impact of the Implementation of the Restricted Shares on the Operating Results for Each Period

The total expenses to be recognized for the grant of 1,400,600 Restricted Shares is expected to be RMB55,799,990, which shall be borne by the Company in proportion to each unlocking during the lock-up period of the Incentive Scheme, and the capital reserve will be increased accordingly. Assuming the grant date being early November 2022, the amortization of the cost of the Restricted Shares from 2022 to 2025 is estimated as follows:

Number of Restricted Shares (0'000)	Total Expenses subject to Amortisation (RMB0'000)	2022	2023	2024	2025
		(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)
140.06	5,579.99	666.50	3,533.99	1,069.50	310.00

Notes:

- The above results do not represent the final accounting cost. The actual accounting costs are not only related to the actual grant date, the Grant Price and the number of grants, but also related to the actual number of effective and lapsed grants. Shareholders are also reminded of the potential dilution effect.
- The final results of the above impact on the operating results of the Company shall be subject to the annual audit report issued by the accounting firm.

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Based on the current information, the Company preliminarily estimates that, without taking into account the stimulation effects of the Incentive Scheme on the Company's performance, the amortization of the expenses of the Restricted Shares will have an impact on the net profit of each year during the validity period of the Incentive Scheme, but the impact is not significant. If taking into account the positive impact of the Incentive Scheme on the development of the Company, which will stimulate the enthusiasm of the core team, improve the operating efficiency and reduce the agency costs, the impact of the improvement in the Company's performance brought by the Incentive Scheme will be much higher than that of the increase in the expenses arising therefrom.

(XII) Procedures for Amendment to the Incentive Scheme

1. Where the Company intends to amend the Incentive Scheme before it is deliberated at a general meeting and class meetings, the amendments shall be deliberated and approved by the Board.
2. Where the Company terminates the Incentive Scheme after the Incentive Scheme is deliberated and approved at a general meeting and class meetings, the amendments shall be deliberated and approved at a general meeting and class meetings, and such amendments shall not include the following circumstances:
 - (1) an early unlocking;
 - (2) a reduction of the Grant Price;
 - (3) the independent Directors and the Supervisory Committee shall give independent opinions on whether the amended scheme is beneficial to the sustainable development of the listed company and whether there is any apparent prejudice to the interests of the Company and its Shareholders; and
 - (4) a law firm shall give professional advices on whether the amended Scheme complies with the requirements of the Administrative Measures and relevant laws and regulations and whether there is any apparent prejudice to the interests of the Company and all its Shareholders.

(XIII) Procedures for Termination of the Incentive Scheme

1. Where the Company intends to terminate the implementation of the Incentive Scheme before it is deliberated at a general meeting and class meetings, the termination shall be deliberated and approved by the Board.
2. Where the Company terminates the Incentive Scheme after the Incentive Scheme is deliberated and approved at a general meeting and class meetings, the termination shall be deliberated and approved at a general meeting and class meetings.
3. Upon occurrence of any one of the following circumstances to the Company, the implementation of the Incentive Scheme shall terminate and all Restricted Shares granted to the Participants under the Incentive Scheme but not yet unlocked shall be repurchased at the Grant Price and cancelled by the Company:

Upon completion of the registration of the Restricted Shares granted to the Participants, in the event of any capitalisation issue, bonus issue, sub-division, rights issue, consolidation of Shares or distribution of dividends or other events affecting the total share capital of the Company or the Share price of the Company, the Company shall make corresponding adjustments to the repurchase price and repurchase quantity of the Restricted Shares which have not been unlocked.

The Company shall promptly convene a Board meeting to consider the repurchase adjustment plan according to the Incentive Scheme, submit the repurchase plan to the general meeting and class meetings for approval according to the Incentive Scheme and make a timely announcement.

Details of the Incentive Scheme are set out in Appendix I to this circular. The Incentive Scheme was prepared in Chinese. In case of any discrepancy between the English translation of the Incentive Scheme and the Chinese version, the Chinese version shall prevail.

III. PROPOSED ISSUE AND GRANT OF RESTRICTED A SHARES UNDER SPECIFIC MANDATE

Reference is made to the Company's announcement dated August 15, 2022 in relation to, among others, the proposed issue and grant of Restricted A Shares under specific mandate. Special resolutions will be proposed at the EGM and the Class Meetings to consider and approve the proposed issue and grant of restricted A Shares under specific mandate.

Subject to the approval by the Shareholders of the Company at the Class Meetings, the Board has resolved to grant no more than 1,400,600 Restricted Shares, representing approximately 0.262% of the total issued share capital of the Company and 0.312% of the total issued A Shares as at the Latest Practicable Date, all of which will be granted to no more than 611 Participants under the Incentive Scheme. In particular, 11,000 Restricted Shares will be granted to each of the Connected Participants i.e. Mr. Zuo Conglin, Mr. Gao Dapeng and Ms. Sun Yunxia, who are the executive Directors and Mr. Gu Jingliang, the vice general manager of the Company. The Restricted Shares to be granted will be issued and allotted under the Specific Mandate which may be granted at the EGM and the Class Meetings.

In addition to the principal terms of Incentive Scheme as set out in the section headed "II. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme" above, further information in relation to the issue and allotment of the Restricted Shares under the Incentive Scheme is set out below:

(I) Total Amount to be Raised and Proposed Use of Proceeds

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(II) Grant Price

The Grant Price of the Restricted Shares shall be RMB39.87 per A Share under the Incentive Scheme, which is determined with reference to the basis set out in the section headed “II. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme – (VII) Grant Price and Basis of Determination of Grant Price” above. Participants who satisfy the grant conditions may purchase the Restricted Shares issued by the Company at the Grant Price.

(III) Dilution Effect

The shareholding structure of the Company, before and after all the Restricted Shares granted to the Participants under the Incentive Scheme have been issued and unlocked, is as follows:

Full name of shareholder	Shareholding as of the Latest Practicable Date			Shareholding immediately after the grant and issuance of Restricted Shares (Assuming All Restricted Shares under the Incentive Scheme are Granted and Issued)		
	Number of Shares held	Percentage to the issued A Shares of the Company (%)	Percentage to the total share capital of the Company (%)	Number of Shares held (including the Restricted Shares)	Percentage to the issued A Shares of the Company (%)	Percentage to the total share capital of the Company (%)
A Shares						
Feng Yuxia (N. 1)	19,400,452	26.53	22.31	119,400,452	26.44	22.25
Zhou Zhiwen (N. 2)	64,373,511	14.30	12.03	64,373,511	14.26	12.00
Gu Xiaolei (N. 3)	21,069,430	4.68	3.94	21,069,430	4.67	3.93
Zuo Conglin (N. 4)	15,461,669 ^(N. 14)	3.43	2.89	15,461,669 ^(N. 14)	3.42	2.88
Sun Yunxia (N. 5)	3,363,419 ^(N. 14)	0.75	0.63	3,374,419 ^(N. 14)	0.74	0.63
Gao Dapeng (N. 6)	355,104 ^(N. 14)	0.08	0.07	366,104 ^(N. 14)	0.08	0.07
Sun Huiye (N. 7)	141,954	0.03	0.03	141,954	0.03	0.03
Yin Lili (N. 8)	99,887	0.02	0.02	99,887	0.02	0.02
Li Ye (N. 9)	82,757	0.02	0.02	82,757	0.02	0.02
Yao Dalin (N. 10)	72,470 ^(N. 14)	0.02	0.01	72,470 ^(N. 14)	0.02	0.01
Gu Jingliang (N. 11)	256,015	0.06	0.05	267,015	0.06	0.05
Public A Share shareholders	225,450,165	50.09	42.13	226,850,765	50.24	42.02
Total Number of A Shares	450,126,833	100	84.12	451,527,433	100	83.90

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Full name of shareholder	Shareholding as of the Latest Practicable Date			Shareholding immediately after the grant and issuance of Restricted Shares (Assuming All Restricted Shares under the Incentive Scheme are Granted and Issued)		
	Number of Shares held	Percentage to the issued H Shares of the Company (%)	Percentage to the total share capital of the Company (%)	Number of Shares held (including the Restricted Shares)	Percentage to the issued H Shares of the Company (%)	Percentage to the total share capital of the Company (%)
H Shares (N. 12)						
UBS Group AG (N. 13)	9,428,028	11.09	1.76	9,428,028	11.09	1.76
JPMorgan Chase & Co.	6,688,323	7.86	1.25	4,393,421	7.86	0.82
Aggregate of abrdn plc affiliated investment management entities (N. 13)	4,740,700	5.58	0.89	4,740,700	5.58	0.88
Other public H Share Shareholders	66,434,427	78.16	12.41	66,434,427	78.16	12.38
Total Number of H Shares	84,996,576	100	15.88	84,996,576	100	15.84
Total	535,123,409			535,592,029		

N. 12:

1. Ms. Feng Yuxia is an executive Director and the Chairperson of the Board.
2. Mr. Zhou Zhiwen is the spouse of Ms. Feng Yuxia. Therefore, Mr. Zhou Zhiwen is a close associate of Ms. Feng Yuxia and a core connected person of the Company.
3. Mr. Gu Xiaolei is a non-executive Director.
4. Mr. Zuo Conglin is an executive Director.
5. Mr. Sun Yunxia is an executive Director.
6. Mr. Gao Dapeng is an executive Director.
7. Mr. Sun Huiye is a Supervisor.
8. Ms. Yin Lili is a Supervisor.
9. Ms. Li Ye is a Supervisor.
10. Dr. Yao Dalin is an executive Director.
11. Mr. Gu Jingliang is the vice general manager of the Company.
12. The number of shares and percentage of shareholding of H Share Shareholders is based on the information as recorded in the register required to be kept by the Company pursuant to Part XV of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong).

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13. UBS Group AG and Aggregate of abrdrn plc affiliated investment management entities are public H Share shareholders.
14. The number of Shares does not include the number of share options granted to the person.

(IV) Aggregate Nominal Value

The par value of our A Shares is RMB1.00 per A Share. The aggregate nominal value of the Restricted Shares to be granted under the Incentive Scheme shall not exceed RMB1,400,600.

(V) Fund Raising Activities in the Previous 12 Months

The Company has not conducted any equity fund raising activity in the 12 months preceding the Latest Practicable Date.

IV. PROPOSED ADOPTION OF THE ASSESSMENT ADMINISTRATIVE MEASURES ON THE IMPLEMENTATION OF THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME

In order to further improve the corporate governance structure of the Company, establish and enhance the Company's incentive mechanism and ensure the smooth implementation of the Incentive Scheme, the Assessment Administrative Measures on the Incentive Scheme are established in accordance with the requirements of relevant laws and regulations and the actual circumstances of the Company.

The full text of the Assessment Administrative Measures on the Incentive Scheme is set out in Appendix II to this circular. The Assessment Administrative Measures on the Incentive Scheme have been prepared in Chinese, and in case of any discrepancy between the English translation of the Assessment Administrative Measures on the Incentive Scheme and the Chinese version, the Chinese version shall prevail.

A special resolution will be proposed at the EGM and the Class Meetings to consider and, if thought fit, approve the adoption of the Assessment Administrative Measures on the Incentive Scheme.

V. PROPOSED AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATING TO THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME

In order to implement the Incentive Scheme, the Board proposes at EGM and the Class Meetings to authorize the Board to deal with the following in relation to the Incentive Scheme:

1. It will be proposed at a general meeting of the Company to authorize the Board to implement the following of the Incentive Scheme:
 - (1) to authorize the Board to determine the Grant Date of the Incentive Scheme;

- (2) to authorize the Board to make corresponding adjustments to the number of the Restricted Shares and the number of underlying shares involved in the event of capitalisation issue, bonus issue, sub-division or consolidation of Shares or rights issue in accordance with the methods stipulated in the Incentive Scheme (Draft);
- (3) to authorize the Board to make corresponding adjustments to the Grant Price of the Restricted Shares in accordance with the methods stipulated in the Incentive Scheme (Draft) in the event of capitalisation issue, bonus issue, sub-division or consolidation of Shares, rights issue or dividend distribution of the Company;
- (4) to authorize the Board to grant the Restricted Shares to the Participants and to deal with all matters necessary for the grant of the Restricted Shares when the Participants meet the conditions, including signing the grant agreement with the Participants;
- (5) to authorize the Board to review and confirm the unlocking qualifications and unlocking conditions of the Participants, and to authorize the Board to delegate such rights to the Remuneration and Appraisal Committee;
- (6) to authorize the Board to determine whether the Participants can unlock the Restricted Shares;
- (7) to authorize the Board to deal with all matters necessary for the unlocking of the Restricted Shares of the Participants, including but not

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- (10) to authorize the Board to manage and adjust the Incentive Scheme, and to formulate or amend the management and implementation rules of the Incentive Scheme from time to time without contradicting the terms of the Incentive Scheme (Draft); provided that where such amendments is required by the laws, regulations or relevant regulatory authorities to be approved by the general meeting or/and relevant regulatory authorities, such amendments by the Board shall be approved accordingly; and
- (11) to authorize the Board to implement other necessary matters required by the Incentive Scheme, except for those rights expressly stipulated in relevant documents to be exercised by the general meeting.
2. It will be proposed at the general meeting of the Company to authorize the Board to deal with the procedures for approval, registration, filing, verification and consent with the relevant governments and authorities in relation to the Incentive Scheme; to sign, execute, amend and complete the documents submitted to the relevant governments, authorities, organizations and individuals; to amend the Articles of Association and to deal with the registration of changes in the registered capital of the Company; and to do all such acts as it deems necessary, expedient or appropriate in relation to the Incentive Scheme.
3. It will be proposed at the general meeting to implement the Incentive Scheme, and to authorize the Board to appoint financial advisers, receiving banks, accountants, lawyers, securities companies and other intermediaries.
4. It will be proposed at the general meeting to authorize the Board to deal with any announcement and circular required to be disclosed on the websites of the SSE (www.sse.com.cn) or Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance issue of the SSE or the Hong Kong Stock Exchange in relation to the Incentive Scheme.
5. It will be proposed at the general meeting of the Company that the authorization period to the Board shall be consistent with the validity period of the Incentive Scheme.

The above authorization shall be valid from the date of approval at the EGM and the Class Meetings of the Company to the date of completion of the implementation of the Incentive Scheme.

VI. PROPOSED ADOPTION OF THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

Reference is made to the Company's announcement dated August 15, 2022 in relation to, among others, the proposed adoption of the Stock Ownership Plan. Ordinary resolution will be proposed at the EGM to consider and approve the proposed adoption of the Incentive Scheme.

The principal terms of the Stock Ownership Plan are set out below:

(I) Introduction

(A) Purpose of the Stock Ownership Plan

The purpose of the Stock Ownership Plan is to establish and improve the benefit sharing mechanism for employees and Shareholders, improve the corporate governance level, enhance the cohesion of employees and the competitiveness of the Company, mobilize the enthusiasm and creativity of employees, and promote the long-term, sustainable and healthy development of the Company.

(B) Summary of the mechanism and the operation of the Employee Stock Ownership Plan

There are no more than 20 Holders under the Stock Ownership Plan, which comprise Supervisors and senior management personnel of the Company.

Each of the Holders will, out of their own legal remuneration, self-raised funds and such other methods as permitted by laws and regulations, contribute a maximum total amount of RMB4,943,880 to the ESOP, i.e. a dedicated securities account for stock ownership plans to be established by the Company for the Holders via China Securities Depository and Clearing Corporation Limited, which will hold the underlying shares involved in the Stock Ownership Plan. The respective stake of each Holder in the ESOP is to be determined based on the actual payment of the contribution of the Holder.

The ESOP will subscribe for a maximum number of 124,000 Shares from the Company. Such Shares have been held in the special securities account for repurchase of the Company and will be transferred to the ESOP through non-trading transfer or other ways permitted by laws and regulations, upon approval of the resolutions of the Stock Ownership Plan at the EGM. The subscription will be at the Transfer Price of RMB39.87 per share, representing 50% of the average trading price of the Shares of the Company on the trading day preceding the date of the Board Meeting.

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The Holder's Meeting shall be the highest internal management authority of the ESOP. The Holder's Meeting shall establish the Management Committee and authorize the Management Committee as the management body of the Stock Ownership Plan to supervise the daily management of the Employee Stock Ownership Plan and exercise the shareholders' rights attached to the Shares held by the ESOP as a shareholder of the Company.

The Shares held by the ESOP are subject to various unlocking conditions, including performance appraisal at company level and individual level. Upon the expiry of the lock-up period of the Stock Ownership Plan, pursuant to the authorization of the Holder's Meeting, the Management Committee shall sell the corresponding unlocked Shares held by the ESOP. Proceeds from such sales, after deduction of relevant taxes and fees and payables of the ESOP in accordance with the law, may be distributed to the Holders based on their respective stake in the ESOP.

Please refer to below for further details in relation to the Stock Ownership Plan.

(C) Comparison between the Restricted A Share Incentive Scheme and the Employee Stock Ownership Plan

While both the Incentive Scheme and the Stock Ownership Plan serve similar incentive purposes and form part of the Company's long-term incentive mechanism, both of them have their own distinctive features and that the operation and mechanism of them are different from one another. Below is a summary of the major differences between the Incentive Scheme and the Stock Ownership Plan:

1. **Shares Issued**

The Restricted Shares under the Incentive Scheme are new Shares to be issued and allotted by the Company at the Grant Price pursuant to the specific mandate which is to be considered, and if applicable, granted at the EGM and the Class Meetings.

On the other hand, the underlying Shares for the Stock Ownership Plan are existing Shares repurchased by the Company and held by the Company through its special securities account for share repurchase, which are to be transferred by the Company to the ESOP at the Transfer Price.

2. **Lock-up Period**

While both the Restricted Shares and the underlying Shares of the Stock Ownership Plan are subject to lock-up period and unlocking arrangement, the Restricted Shares, once granted, will be held by Grantees directly, both before and after the unlocking of the same.

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In contrast, the underlying Shares of the Stock Ownership Plan, upon being transferred by the Company, will be directly held by the ESOP, instead of being held by the Holders directly, regardless whether such Shares are unlocked or not. Each Holder will only have an equity interest in the ESOP based on their capital contribution therein.

3. *Directly Held Restricted Shares*

Following the above, given that the Restricted Shares are to be held by the Grantees directly, upon the Restricted Shares being unlocked, the Grantees could make their own decision in respect of their respective unlocked Restricted Shares. By way of example, the Grantees may sell their respective Restricted Shares once unlocked. Grantees could also exercise voting rights over their own respective Restricted Shares under their names.

As to the Stock Ownership Plan, the Holder's Meeting shall be the highest internal management authority of the ESOP, and the Management Committee shall be established as the management body supervising the daily management of the Stock Ownership Plan and exercise the shareholders' rights attached to the underlying Shares. Even if the underlying Shares have been unlocked, the Holder could not, on its own dispose of the underlying Shares. Instead, the underlying Shares could only be sold by the Management Committee pursuant to the authorization of the Holder's Meeting. Similarly, distribution of income corresponding to the Stock Ownership Plan, including proceeds from disposal of unlocked underlying Shares, has to be approved at the Holder's Meeting. The underlying Shares of the Stock Ownership Plan will not carry any voting rights throughout its term, regardless whether such Shares are unlocked or not.

(II) Basis and Scope for Determination by the Holders

(A) Legal Basis for Determining the Participants

The Company has determined in accordance with the Company Law, the Securities Law, the Guiding Opinions and other relevant laws, regulations, regulatory documents and the relevant provisions of the Articles of Association. The employees of the Company participate in the Stock Ownership Plan in accordance with the principles of legal compliance, voluntary participation and self-bearing of risks. All participants are required to work in the Company (including its controlled subsidiaries) and sign labour contracts with the Company or controlled subsidiaries.

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(B) Position Basis Determined by Participants

Participants of the Stock Ownership Plan shall meet one of the following criteria:

1. Supervisors and senior management of the Company;
2. core technical (business) personnel.

All participants are required to work in the Company (including its controlled subsidiaries) and sign labour contracts.

(C) List of Holders and Allocation of Units under the Stock Ownership Plan

The number of Shares to be subscribed for under the Stock Ownership Plan shall not exceed 124,000 A Shares, representing approximately 0.023% of the current total share capital of the Company. The specific units held by the Holders shall be determined according to the actual payment by the employees.

The total number of Supervisors, senior management and core technical (business) personnel of the Company participating in the Stock Ownership Plan shall not exceed 20, including 4 Supervisors and senior management personnel participating in the Stock Ownership Plan. Such personnel do not constitute a concert party relationship with the Stock Ownership Plan.

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The specific proportion of subscription is as follows:

No.	Holder	Maximum number of Shares to be subscribed (0'000 . . .)	Percentage of the Stock Ownership Plan (%)
1	Yu Aishui, the Chief Financial Officer	1.10	8.87%
2	3 persons, namely Li Ye, Yin Lili, Sun Huiye, our Supervisors	2.00	24.19%
3	16 persons, which are our core technical (business) personnel	8.30	66.94%
Total (20 persons)		<u>12.40</u>	<u>100.00%</u>

N. 1: The final subscription of Shares under the Stock Ownership Plan by the participants shall be subject to the actual capital contribution. Where the subscription funds of the Holders are not paid on time and in full, the corresponding subscription rights will be automatically forfeited, and the subscription units proposed to be subscribed can be declared by other qualified participants. The Management Committee may adjust the list of participants and their subscription units based on the actual payment of the employees.

N. 2: After the implementation of the Stock Ownership Plan, the total number of Shares held under all effective Stock Ownership Plan in aggregate shall not exceed 10% of the total share capital of the Company, and the number of underlying shares corresponding to the units of the Stock Ownership Plan held by any Holder shall not exceed 1% of the total share capital of the Company.

N. 3: Any discrepancies between part of the total shown and the sum of the breakdown figures are due to rounding.

(III) Source of Funds, Source of Shares, Size and Price

(A) Source of the Underlying Shares involved in the Stock Ownership Plan

Upon approval of the draft of the Stock Ownership Plan at a general meeting, no more than 124,000 A Shares of the Company held in the special securities account for repurchase will be obtained through non-trading transfer or other ways permitted by laws and regulations. The Company convened the 29th meeting of the third session of the Board on September 21, 2021 to consider and approve the share repurchase plan. The Company completed relevant repurchase on September 1, 2022, with 101,714 Shares

being repurchased, representing 0.02% of the total issued Shares of the Company. The highest and the lowest traded prices were RMB79.3 per A Share and RMB75.5 per A Share, respectively, and the total transaction amount was RMB7,997,727.28.

(B) Size of the Underlying Shares involved in the Scheme

The number of Shares to be subscribed for under the Stock Ownership Plan shall not exceed 124,000 A Shares, representing approximately 0.023% of the current total share capital of the Company. The Stock Ownership Plan is intended to raise no more than RMB4,943,880. The Share is to be subscribed at RMB1.00 per unit. The number of subscription units shall not exceed 4,943,880 units. The actual number of units shall be determined based on the amount of the actual payment.

After the implementation of the Stock Ownership Plan, the total number of Shares held under all effective Employee Stock Ownership Plan in aggregate shall not exceed 10% of the total share capital of the Company, and the number of underlying shares corresponding to the units of the Employee Stock Ownership Plan held by any Holder shall not exceed 1% of the total share capital of the Company (excluding Shares acquired by employees before the initial public offering and listing of Shares of the Company and through material asset restructuring, Shares purchased through the secondary market and Shares acquired through equity incentives).

(C) Source of Funds of the Stock Ownership Plan

The source of funds for the Stock Ownership Plan shall be the legal remuneration of employees, self-raised funds and other methods permitted by laws and regulations. The Company shall not provide advances, guarantees, loans and other financial assistance to the holders. The Stock Ownership Plan does not involve any leveraged funds, and there is no

The purchase price of the Employee Stock Ownership is determined by the Company with reference to relevant policies and other cases of listed companies, taking into account factors such as the implementation effect of the Company's historical share incentive scheme, the trend of the Company's share price in recent years and the actual situation of the Company. The

Company or short window period, the effective period of the Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holders' meeting and submission to the Board for consideration and approval.

4. The Company shall disclose an indicative announcement six months prior to the expiry of the term of the Stock Ownership

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The Shares derived from the underlying Shares obtained under the Stock Ownership Plan as a result of the distribution of share dividends, conversion of capital reserve into share capital of the Company by the Company shall also be subject to the above lock-up arrangement.

2. **Trading Restrictions of the Stock Ownership Plan**

The Stock Ownership Plan will strictly comply with the market trading rules and comply with the relevant requirements of the CSRC, the SSE and the Hong Kong Stock Exchange on stock trading. The Stock Ownership Plan shall not trade the Shares during the following periods:

- (1) 60 days prior to the annual results announcement of the Company, 30 days prior to the half-year/quarterly results announcement and the date of announcement. Where the date of announcement of the regular report is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of announcement and end on the day prior to the announcement;
- (2) within ten days prior to the announcement of results forecast and preliminary results;
- (3) within two trading days after disclosure in accordance with the law, from the date of occurrence of a major event that may have a significant impact on the trading price of the Shares of the Company and derivatives or the date of entering into the decision-making process; and
- (4) such other period as stipulated by the CSRC and the Stock Exchange.

The lock-up period arrangement of the Stock Ownership Plan reflects the long-term nature of the Stock Ownership Plan, and at the same time, the Company has established strict performance appraisal and individual performance appraisal to prevent short-term interests and closely bundle the interests of shareholders and employees.

LETTER FROM THE BOARD

(C) *Performance Appraisal of the Stock Ownership Plan*

1. *Performance Appraisal of the Company Level*

After 12 months, 24 months and 36 months from the date on which the draft of the Stock Ownership Plan is considered and approved at a general meeting of the Company and the Company announces that the last batch of the underlying Shares is transferred to the Stock Ownership Plan, the unlocking ratios will be determined according to the performance appraisal results for the corresponding appraisal years, details of which are as follows:

Unlocking Arrangement	Performance Appraisal Targets	Corresponding Unlocking Ratio
First Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2022 shall not be less than 35%;	50%
Second Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2023 shall not be lower than 82.25%; and	30%
Third Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2024 shall not be lower than 146.04%.	20%

Where the performance appraisal indicators of the Stock Ownership Plan are not met, the underlying shares and interests shall not be unlocked and shall be recovered by the Management Committee, and shall be returned to the Holders with the capital contribution after the disposal. Where there are still gains after the return to the holders, the gains shall belong to the Company.

2. *Performance Appraisal of the Individual Level*

Where the performance appraisal at the company level is up to standard, the Stock Ownership Plan will conduct individual performance appraisal in accordance with the relevant system of the Company's performance appraisal, and determine the number of underlying Shares finally unlocked by the Holders based on the individual performance appraisal results.

LETTER FROM THE BOARD

The performance evaluation results of the Holders are divided into five grades, namely A, B, B-, C and D, and the assessment form is applicable to the Participants. The proportion of unlocking shall be determined according to the following table:

Appraisal Results	A	B	B-	C	D
Proportion to be Unlocked	100%		50%		0%

Number of underlying shares to be unlocked in the current period
= target number of unlocking × unlocking ratio.

Where the number of underlying Shares actually unlocked by a Holder is less than the target number to be unlocked, the Management Committee shall have the right to determine to allocate the portion of the unqualified unlocking conditions to other Holders, who shall meet the standards of participants of the Stock Ownership Plan. Where the allocation of such portion is not completed during the term of the Stock Ownership Plan, the undistributed portion shall be disposed of at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the individual. Where there is still revenue after the return to the Holders, the revenue shall be returned to the Company.

(V) Voting Rights of A Shares held by the ESOP

The A Shares held by the ESOP will not carry any voting rights throughout the term of the Stock Ownership Plan, regardless whether such Shares are unlocked or not.

(VI) Management Structure and Management Model

The Stock Ownership Plan shall be managed by the Company itself.

The Holders' meeting is the highest internal management authority of the Stock Ownership Plan. The Holders' meeting shall establish the Management Committee and authorize the Management Committee as the management body of the Stock Ownership Plan to supervise the daily management of the Employee Stock Ownership Plan and exercise other shareholders' rights other than voting rights on behalf of the Holders. The Administrative Measures on Stock Ownership Plan clearly stipulate the responsibilities of the Management Committee and take adequate risk prevention and isolation measures. The Board is responsible for drafting and amending the draft of the Stock Ownership Plan and handling other relevant matters of the Stock Ownership Plan within the scope authorized by the general meeting.

LETTER FROM THE BOARD

(VII) Alteration, Termination and Disposal of Holders' Interests

(A) *Change in Actual Control, Merger or Division of the Company*

Where there is any change in the de facto controller of the Company for any reason, or merger or division, the Stock Ownership Plan shall not be changed.

(B) *Alteration of the Stock Ownership Plan*

During the term of the Stock Ownership Plan, any amendment to the Stock Ownership Plan shall be subject to the approval of more than two-thirds of the units held by the Holders attending the Holders' meeting and the consideration and approval of the Board of the Company.

(C) *Termination of the Stock Ownership Plan*

1. The Stock Ownership Plan shall be terminated automatically upon expiry of the term.
2. Before the expiration of the term of the Stock Ownership Plan, all the Shares held have been sold, and the Stock Ownership Plan may be terminated in advance.

(D) *Liquidation and Distribution of the Stock Ownership Plan*

1. The Stock Ownership Plan shall be terminated automatically upon the expiry of the term. The Management Committee shall complete the liquidation within 30 working days from the date of expiration or termination according to the authorization of the Holder's meeting, and distribute the property according to the proportion of the shares held by the Holder after deducting relevant taxes and fees according to law.
2. During the term of the Stock Ownership Plan, the Management Committee may allocate the cash in the fund account of the Stock Ownership Plan to the Holders according to the authorization of the Holder's meeting.
3. During the term of the Stock Ownership Plan, when the underlying Shares held by the Stock Ownership Plan are sold for cash or other distributable income, the Stock Ownership Plan can be distributed in each fiscal year. After deducting relevant taxes and fees and planned payables in accordance with the law, the Management Committee shall allocate the Shares according to the proportion of the Holders' Shares to the total Shares of the Stock Ownership Plan.

(E) *Rights Attached to the Shares Held by the Stock Ownership Plan and the Arrangements on the Possession, Use, Benefit and Disposal of the Rights of the Holders over the Shares*

1. Holders are entitled to the asset income rights of the Shares held by the Stock Ownership Plan according to the actual capital contribution. The corresponding Shares obtained by the Holders through the Stock Ownership Plan shall be entitled to shareholders' rights (including dividend rights, rights issue, conversion of Shares and other asset income rights, excluding voting rights of the general meeting).
2. During the term of the Stock Ownership Plan, unless the context requires otherwise by laws, administrative regulations, departmental rules or with the consent of the Management Committee, the units of the Stock Ownership Plan held by the Holders shall not be withdrawn, transferred or used for mortgage, pledge, guarantee, repayment of debt or other similar disposal without authorization.
3. During the lock-up period, the Holders shall not request for distribution of interests under the Stock Ownership Plan.
4. During the lock-up period, when the Company converts capital reserve into Share capital of the Company and distributes bonus shares, the newly acquired shares of the Scheme due to the holding of Shares of the Company shall be locked up together and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such Shares is the same as the corresponding shares. During the lock-up period, when the Company distributes dividends, the cash dividends received by

LETTER FROM THE BOARD

6. After the lock-up period of the Stock Ownership Plan ends and during the term, the Holders' Meeting shall decide whether to distribute the income corresponding to the Stock Ownership Plan. Where the distribution is decided, the Holders' meeting shall authorize the Management Committee to distribute the income corresponding to the Stock Ownership Plan according to the number of Shares held by the Holders after deducting relevant taxes and fees according to law.
7. During the term of the Stock Ownership Plan, the Stock Ownership Plan may be distributed in each fiscal year when the underlying Shares held by the Stock Ownership Plan are sold for cash or other distributable income, and the Management Committee shall distribute the Shares held by the Holders in proportion to the total Shares of the Stock Ownership Plan after deducting relevant taxes and fees and payables of the Stock Ownership Plan in accordance with the law.
8. During the duration period, when the Company distributes dividends and distributes dividends, the cash dividends received by the Stock Ownership Plan from the Shares of the Company held by it after deducting relevant expenses shall be distributed to the holders according to their shareholdings.
9. In the event of other unspecified events, the disposal method of the units of the Stock Ownership Plan held by the Holders shall be determined by the Management Committee.

The full text of the Stock Ownership Plan is set out in Appendix III to this circular. The Stock Ownership Plan was prepared in Chinese. If there is any discrepancy between the English translation of the Stock Ownership Plan and the Chinese version, the Chinese version shall prevail.

VII. PROPOSED ADOPTION OF THE ASSESSMENT ADMINISTRATIVE MEASURES ON THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

In order to regulate the implementation of the Stock Ownership Plan, the Company has formulated the Administrative Measures on the Stock Ownership Plan in accordance with the provisions and requirements of laws, regulations and regulatory documents such as the Company Law, the Securities Law, the Guiding Opinions and the Guidelines of the SSE on Information Disclosure for Stock Ownership Plans of Listed Companies.

LETTER FROM THE BOARD

The full text of the Administrative Measures on the Stock Ownership Plan is set out in Appendix IV to this circular. The Administrative Measures on the Stock Ownership Plan is prepared in Chinese. If there is any discrepancy between the English translation of the Administrative Measures on the Stock Ownership Plan and the Chinese version, the Chinese version shall prevail.

An ordinary resolution will be proposed at the EGM to consider and, if thought fit, approve the adoption of the Administrative Measures on the Stock Ownership Plan.

VIII. PROPOSED AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATING TO THE 2022 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

To ensure the smooth implementation of the Stock Ownership Plan, the Board proposes to the general meeting to authorize the Board to handle all matters relating to the Stock Ownership Plan, including but not limited to the following:

1. to authorize the Board to handle the establishment, change and termination of the Stock Ownership Plan, including but not limited to the cancellation of the qualifications of the Holders and the early termination of the Stock Ownership Plan in accordance with the provisions of the Stock Ownership Plan;
2. to authorize the Board to decide on the extension and early termination of the Stock Ownership Plan;
3. to authorize the Board to handle all matters in relation to the lock-up and unlocking of the Shares purchased under the Stock Ownership Plan;
4. to authorize the Board to make explanations on the 2022 A Share Employee Stock Ownership Plan (Draft);
5. to authorize the Board to make decisions on the refinancing matters such as participation in the placing of Shares of the Company during the term of the Stock Ownership Plan;
6. to authorize the Board to change the participants and the determination criteria of the Stock Ownership Plan;
7. to authorize the Board to sign the contract and relevant agreement documents of the Stock Ownership Plan;
8. upon consideration and approval of the Stock Ownership Plan at the general meeting, to authorize the Board of the Company to make corresponding adjustments to the Stock Ownership Plan according to new policies or regulations in the event of changes in relevant laws, regulations and policies during the implementation period;

LETTER FROM THE BOARD

9. to propose to the general meeting to authorize the Board to deal with any announcements and circulars required to be disclosed on the website of the SSE (www.sse.com.cn) or the website of the Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance matters of the SSE or the Hong Kong Stock Exchange in relation to Stock Ownership Plan; and
10. to authorize the Board to handle other necessary matters required for the Stock Ownership Plan, except for the rights to be exercised by the general meeting as expressly stipulated in the relevant documents.

The above authorization shall be valid from the date of approval at the EGM of the Company to the date of completion of the implementation of the Stock Ownership Plan.

IX. REASONS FOR AND BENEFITS OF THE ADOPTION OF THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME AND THE 2022 A SHARE STOCK OWNERSHIP PLAN

Information of the Company and the Participants/holders

The Company is a joint stock company incorporated in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange (stock code: 6127) and A Shares listed on the Shanghai Stock Exchange (stock code: 603127). It is a China-based company primarily engaged in the pharmacology and toxicology research of new drugs. Non-clinical research services include drug safety evaluation, pharmacokinetic research as well as pharmacological and pharmacodynamic research. Clinical trials and related services include clinical contract research organization services, phase I clinical research collaboration unit (CRU), and bioanalysis services. Experimental model business mainly includes rodents and non-human primates.

The Participants and Holders are employees of the Company. The Connected Participants are Mr. Zuo Conglin, Mr. Gao Dapeng and Ms. Sun Yunxia, who are the Directors of the Company and Mr. Gu Jingliang, our vice general manager. Holders who are connected persons are Ms. Li Ye, Ms. Yin Lili, Mr. Sun Huiye, who are the Supervisors. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Connected Participants set out above, the other Participants and Holders under the Incentive Scheme and the Stock Ownership Plan are independent of the Company and its connected persons.

Please refer to the sections headed "II. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme – (I) Purpose of the Incentive Scheme" and "VI. Proposed Adoption of the 2022 A Share Employee Stock Ownership Plan – (I) Introduction – (A) Purpose of the Stock Ownership Plan" in this circular.

LETTER FROM THE BOARD

Directors' Confirmation

The Directors consider that the adoption of the Incentive Scheme and the Stock Ownership Plan can achieve the above purpose and the terms and conditions of both schemes are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole. Mr. Zuo Conglin, Mr. Gao Dapeng and Ms. Sun Yunxia, the Directors who are the Connected Participants of the Incentive Scheme, were considered as having material interests of the Incentive Scheme, and accordingly each of them was required to abstain from voting on the relevant resolutions to approve the proposed adoption of the Incentive Scheme at the Board meeting. No Directors have material interests in the Stock Ownership Plan, therefore, no Directors are required to abstain from voting on the relevant resolution approving the proposed adoption of the Stock Ownership Plan.

X. THE PROPOSED ELECTION OF NEW SESSION OF THE BOARD OF DIRECTORS

As the term of the third session of the Board is going to expire, the Company will carry out the election of the fourth session of the Board in accordance with relevant requirements of the Articles of Association and the Company Law.

The Company is informed that all the members of the third session of the Board will offer themselves for re-election at the EGM.

Biographies of each of the Re-elect Directors are set out in Appendix V to this circular.

The term of office of the Re-elect Directors of the fourth session of the Board of the Company shall be three years with effect from the date of approval by the Shareholders at the EGM.

In order to ensure the normal operation of the Board, before the Directors of the fourth session of the Board take office, the Board of the third session of the Board will continue to perform the duties and responsibilities of Directors in accordance with requirements of the Company Law and the Articles of Association.

Upon due appointment, the above Re-elect Directors will enter into a service contract with the Company respectively, for a term commencing from the date of approval by the Shareholders at the EGM until the expiry of the term of the fourth session of the Board of Directors. Details of the remuneration of the Re-elect Directors will be disclosed in the annual report of the Company.

The aforesaid resolution was considered and approved by the Board on August 30, 2022 and will be submitted, by way of ordinary resolution (by way of cumulative voting), for the Shareholders' consideration and approval at the EGM.

LETTER FROM THE BOARD

XI. PROPOSED ELECTION OF NEW SESSION OF THE SUPERVISORY COMMITTEE

As the term of the third session of the Supervisory Committee is going to expire, the Company will carry out the election of the fourth session of the Supervisory Committee in accordance with relevant requirements of the Articles of Association and the Company Law.

The Company is informed that, among the members of the third session of the Supervisory Committee, the Supervisors, namely Ms. Li Ye was elected as the employee Supervisor at the employee representative meeting of the Company dated August 30, 2022. Other than the Re-elect Supervisor, a controlling Shareholder of the Company has nominated Mr. Ho Yingjun and Ms. Zhao Wenjie as the candidates for non-employee representatives Supervisors to participate in the election for non-employee representative Supervisors of the fourth session of the Supervisory Committee. The Re-elect Supervisor and the Nominated Supervisors will form the fourth session of the Supervisory Committee with a term of office of three years till the expiry of the fourth session of the Supervisory Committee.

Biographies of each of the Nominated Supervisors are set out in Appendix VI to this circular.

The appointment of the Nominated Supervisors will be subject to approval by the Shareholders at the EGM. The details of the remuneration of the Re-elect Supervisor and the Nominated Supervisors will be disclosed in the annual report of the Company. The Company will enter into a service agreement with each of the Re-elect Supervisor and the Nominated Supervisors in due course.

In order to ensure the normal operation of the Supervisory Committee, before the Supervisors of the fourth session of the Supervisory Committee take office, the Supervisors of the third session of the Supervisory Committee will continue to perform the duties and responsibilities of Supervisors in accordance with requirements of the Company Law and the Articles of Association.

The aforesaid resolution was considered and approved by the Supervisory Committee on August 30, 2022 and will be submitted, by way of ordinary resolution (by way of cumulative voting), for the Shareholders' consideration and approval at the EGM.

XII. IMPLICATION UNDER THE LISTING RULES

(I) Incentive Scheme

The Incentive Scheme is a discretionary scheme of the Company and does not involve the grant of options over new Shares or any other new securities issued by the Company (or any of its subsidiaries), and does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

LETTER FROM THE BOARD

Directors including Zuo Conglin, Gao Dapeng and Sun Yunxia and Gu Jingliang, our deputy general manager, who are the Connected Participants, are the connected persons. The issue and grant of Restricted Shares to the Connected Participants under the Incentive Scheme constitutes a connected transaction of the Company and the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including requirements on reporting, announcement and independent shareholders' approval and appointment of the independent financial adviser.

The resolutions in relation to the adoption of the Incentive Scheme and the Assessment Administrative Measures on the Incentive Scheme, the issue and grant of the Restricted Shares to the Participants (including the issue and grant of the Restricted Shares to the Connected Participants) under the Incentive Scheme were considered and approved at the meeting of the Board held on August 15, 2022. Each Mr. Zuo Conglin, Mr. Gao Dapeng and Ms. Sun Yunxia, who were all Directors, were Connected Participants. The said Directors abstained from voting on the resolutions in relation to the adoption of the proposed Incentive Scheme and the Assessment Administrative Measures on the Incentive Scheme, the issue and grant of the Restricted Shares to the Participants (including the issue and grant of the Restricted Shares to the Connected Participants) under the Incentive Scheme at the Board meeting as a result of their interests. Save as disclosed, none of the remaining Directors has a material interest in the above resolutions and they approved the above resolutions unanimously.

The Company has established an Independent Board Committee (consisting of all independent non-executive Directors, namely, Mr. Sun Mingcheng, Dr. Zhai Yonggong, Mr. Ou Xiaojie, and Mr. Zhang Fan) to advise the Independent Shareholders in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme. The Company has appointed Rainbow Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme.

(II) Stock Ownership Plan

The Stock Ownership Plan is a discretionary plan of the Company and does not involve the grant of options over new Shares or any other new securities issued by the Company (or any of its subsidiaries), and does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

As the Holders involve the Supervisors and senior management of the Company, their participation in the Stock Ownership Plan constitutes a connected transaction under Chapter 14A of the Listing Rules, and the relevant applicable percentage ratios (as defined in the Listing Rules) are less than 0.1%, thus the transactions contemplated thereunder are fully exempt from the shareholders' approval, annual review and all disclosure requirements. Save for the above fully exempt connected transaction, participation in the Stock Ownership Plan by other Holders does not constitute a connected transaction under Chapter 14A of the Listing Rules.

The Company will also ensure compliance with the public float requirement under the Listing Rules.

LETTER FROM THE BOARD

XIII. EXTRAORDINARY GENERAL MEETING AND CLASS MEETINGS

The notices of the Extraordinary General Meeting and the H Share Class Meeting are set out on pages 189 to 194 of this circular.

The proxy forms for the Extraordinary General Meeting and the H Share Class Meeting are also enclosed herein and published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.joinn-lab.com). Shareholders who intend to appoint proxy/proxies to attend and vote at the Extraordinary General Meeting and H Share Class Meeting on their behalf shall complete, sign and return the proxy forms in accordance with the instructions printed thereon.

For H Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority must be delivered to the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 24 hours before the time for holding the Extraordinary General Meeting or H Share Class Meeting in order for such documents to be valid.

For A Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the headquarters of the Company in the PRC at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China not less than 24 hours before the time for holding the Extraordinary General Meeting or A Share Class Meeting in order for such documents to be valid.

As for the special resolutions of No. 1 to No. 3 of the EGM and the Class Meetings, the following Shareholders who are Participants and their respective associates and core connected persons shall abstain from voting:

- (i) Mr. Zuo Conglin, who is an executive Director and interested in 15,461,669 A Shares, representing approximately 2.89% of the Company's total issued share capital as at the Latest Practicable Date;
- (ii) Ms. Sun Yunxia, who is an executive Director and interested in 3,363,419 A Shares, representing approximately 0.63% of the Company's total issued share capital as at the Latest Practicable Date;
- (iii) Mr. Gao Dapeng, who is an executive Director and interested in 355,104 A Shares, representing approximately 0.07% of the Company's total issued share capital as at the Latest Practicable Date;
- (iv) Mr. Gu Jingliang, who is a vice general manager and interested in 256,015 A Shares, representing approximately 0.05% of the Company's total issued share capital as at the Latest Practicable Date.

LETTER FROM THE BOARD

All Participants (including the Connected Participants) are required to abstain from voting at the EGM and Class Meetings. As at September 30, 2022, the Participants held an aggregate of 20,088,539 A Shares, representing 4.46% of the total issued A Shares and 3.75% of the total issued Shares.

As for the ordinary resolutions of No. 4 to No. 6 of the EGM, the Shareholders, the Supervisors and the senior management who are involved in the Stock Ownership Plan, i.e. Ms. Li Ye, Ms. Yin Lili, Mr. Sun Huiye and Ms. Yu Aishui, and their respective associates and core connected persons shall abstain from voting. Saved as disclosed above, no Shareholders shall abstain from voting for the rest resolutions to be proposed at the EGM and Class Meetings.

XIV. RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that all the above resolutions, including the Specific Mandate for issue and allotment of the Restricted Shares under the Incentive Scheme and the issue and grant of the Restricted Shares to the Connected Participants under the Incentive Scheme, are on normal commercial terms and fair and reasonable. Further, the Connected Grant is conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions in relation to the above matters to be proposed at the EGM and the Class Meetings.

XV. 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 except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM and H Shares Class Meeting shall therefore demand voting on all resolutions set out in the notices of the EGM and H Shares Class Meeting to be taken by way of poll pursuant the Articles of Association.

Every shareholder of the Company present in person or by proxy shall have one vote for each Share registered in his name in the register of members of the Company pursuant to the Articles of Association. Shareholders (including proxies of shareholders) entitled to two or more votes need not cast all the votes in favor of or against a resolution pursuant to the Articles of Association.

The cumulative voting process will be adopted for the election of Directors and Supervisors in accordance with the provisions of the Articles of Association. Each Share represents the voting rights equivalent to the number of Directors or Supervisors to be elected under a particular resolution. If a Shareholder holds 100 Shares, 10 Directors should be elected at such general meeting out of 12 Director candidates, then the Shareholder shall have 1,000 votes for the election of Directors under a particular resolution. Voting of a Shareholder shall be confined to the number of votes to which he/she/it is entitled to in respect of each resolution. Each Shareholder may cast his/her/its votes at his/her/its own discretion by casting his/her/its vote on one candidate or on different candidates in any combination. Upon completion of the voting, the votes will be counted cumulatively in respect of each of the resolutions.

XVI. RESPONSIBILITY STATEMENT

This circular for which the Directors collectively and individually accept full responsibility, provides information in relation to the Company in compliance with the Listing Rules. 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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JOINN LABORATORIES (CHINA) CO., LTD.
北京昭衍新藥研究中心股份有限公司

(A
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(Stock code: 6127)

October 31, 2022

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
PROPOSED ISSUE AND GRANT OF RESTRICTED A SHARES
UNDER SPECIFIC MANDATE

We refer to the circular dated October 31, 2022 (the “Circular”) of JOINN Laboratories (China) Co., Ltd (the “Company”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the issue and grant of the Restricted Shares by the Company to the Connected Participants under the Incentive Scheme is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Rainbow Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the advice of Rainbow Capital to the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants under the Incentive Scheme as set out in the “Letter From the Independent Financial Adviser” in the Circular.

Having taking into account the advice of Rainbow Capital, we are of the view that the Connected Grant is on normal commercial terms and is fair and reasonable. Further, the Connected Grant is conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the special resolutions to be proposed at the EGM and the Class Meetings to approve, among other things, the proposed adoption of the Incentive Scheme.

Yours faithfully,
for and on behalf of the Independent Board Committee

Mr. Sun Mingcheng Dr. Zhai Yonggong Mr. Ou Xiaojie Mr. Zhang Fan

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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Rainbow Capital (HK) Limited

31 October 2022

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Joinn Laboratories (China) Co., Ltd.
A5 Rongjing East Street
Beijing Economic-Technological
Development Area
Beijing, 100176, China

Dear Sir or Madam,

CONNECTED TRANSACTION ISSUE AND GRANT OF RESTRICTED SHARES BY THE COMPANY TO THE CONNECTED PARTICIPANTS UNDER THE INCENTIVE SCHEME

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants under the Incentive Scheme (the “**Connected Grant**”), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 31 October 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

The Company announced on 15 August 2022 (the “**Last Trading Day**”) that the Board (with Directors who are Participants under the Incentive Scheme having abstained) approved the resolutions in relation to the proposed adoption of the Incentive Scheme and the proposed issue and grant of Restricted Shares under the Incentive Scheme pursuant to the Specific Mandate. The proposed Incentive Scheme is subject to the Shareholders’ approval by way of special resolution at the EGM and the Class Meetings.

Subject to the approval of the Independent Shareholders at the EGM and the Class Meetings, the Company will grant not more than 1,400,600 Restricted Shares to the Participants, representing approximately 0.312% of the total issued A Shares and approximately 0.262% of the total issued share capital of the Company as at the Latest Practicable Date, among which (i) 44,000 Restricted Shares will be granted to 4 Connected Participants; and (ii) 1,356,600 Restricted Shares will be granted to 607 other Participants who are not connected persons of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Connected Participants include Directors and a deputy general manager who are connected persons of the Company, the issue and grant of the Restricted Shares to the Connected Participants under the Incentive Scheme constitutes a connected transaction of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. All Participants (including the Connected Participants) are required to abstain from voting on special resolutions in relation to the adoption of the Incentive Scheme at the EGM and Class Meetings. As at 30 September 2022, the Participants hold an aggregate of 20,088,539 A Shares, representing approximately 4.46% of the total issued A Shares and approximately 3.75% of the total issued Shares. To the best of the Directors' knowledge, information and belief, save as disclosed above, none of the Shareholders are required to abstain from voting at the EGM and the Class Meetings.

The Independent Board Committee, comprising all the four independent non-executive Directors, namely Mr. Sun Mingcheng, Dr. Zhai Yonggong, Mr. Ou Xiaojie and Mr. Zhang Fan, has been formed to advise the Independent Shareholders on whether (i) the Connected Grant is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Connected Grant are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group. Accordingly, we are qualified to give independent advice in respect of the Connected Grant.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from

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the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or its substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Connected Grant, we have taken into account the following principal factors and reasons:

1. Information on the Group

(i) *Business of the Group*

Established in August 1995 and listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange in August 2017 and February 2021, respectively, the Group is principally engaged in the pharmacology and toxicology research of new drugs. Nonclinical research services include drug safety evaluation, pharmacokinetic research as well as pharmacological and pharmacodynamic research. Clinical trials and related services include clinical contract research organization services, phase I clinical research collaboration unit (CRU), and bioanalysis services. Experimental model business mainly includes rodents and non-human primates.

As disclosed in the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”), the Group will continue to focus on safety assessment and monitoring of drug full-life cycle in the future, and concentrate on the non-clinical assessment business of drugs. The Group will (a) strengthen non-clinical service offerings and expand facilities to solidify its market leadership in the drug safety assessment market; (b) expand global footprint and service capabilities as well as further increase investment in business development to promote its brand and develop its global customer base and attract more overseas customers to access the growing market in China; (c) broaden service offerings with a focus on clinical trial services through organic growth and cooperation with other clinical trial participants; (d) attract, train and retain talents to support rapid growth in China and the United States; (e) expand research model facilities to support its non-clinical studies with improved cost efficiency; and (f) selectively pursue

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acquisition of businesses and assets and strategic opportunities that are complementary to its growth strategies, particularly for those that can help the Group to enrich its services offerings at a global scale (collectively, the “**Business Objectives**”).

(ii) Financial information of the Group

Set out below is summary of the key consolidated financial information of the Group for (a) the three years ended 31 December 2021, as extracted from the annual reports of the Company for the two years ended 31 December 2021; and (b) the six months ended 30 June 2021 and 2022, as extracted from the 2022 Interim Report:

	For the six months		For the year		
	ended 30 June		ended 31 December		
	2022	2021	2021	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(. . .)	(. . .)	(. . .)	(. . .)	(. . .)
Revenue	776,881	534,556	1,516,680	1,075,905	639,379
Gross profit	377,942	268,571	735,678	550,625	328,786
Other gains and losses, net	120,412	32,592	113,441	31,720	43,066
Gains arising from changes in fair value of biological assets	131,321	37,764	125,323	54,732	–
Selling and marketing expenses	(8,184)	(7,253)	(15,973)	(12,907)	(12,473)
General and administrative expenses	(158,784)	(135,644)	(264,321)	(211,482)	(102,651)
Research and development expenses	(25,482)	(21,861)	(47,756)	(50,659)	(39,627)
Profit attributable to the Shareholders	371,120	153,735	557,460	312,950	187,838

The revenue of the Group amounted to approximately RMB639.4 million, RMB1,075.9 million, RMB1,516.7 million, RMB534.6 million and RMB776.9 million for the year ended 31 December 2019 (“**FY2019**”), 2020 (“**FY2020**”) and 2021 (“**FY2021**”) and six months ended 30 June 2021 (“**6M2021**”) and 2022 (“**6M2022**”), respectively. The increase in revenue of approximately 68.3% in FY2020 was mainly due to the expansion of the Group’s business including the acquisition of Biomedical Research Models, Inc. in December 2019 which has led to a significant expansion of the Group’s customer base in the United States. As a result of the continued expansion of the Group’s business, its revenue further increased by approximately 41.0% for FY2021 and approximately 45.3% for 6M2022, as compared to that for FY2020 and 6M2021, respectively.

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The gross profit of the Group increased from approximately RMB328.8 million in FY2019 to approximately RMB550.6 million in FY2020 and further increased to approximately RMB735.7 million in FY2021, which was in line with the increase in the Group's revenues over the years. For 6M2022, the Group's gross profit was approximately RMB377.9 million, as compared to approximately RMB268.6 million for 6M2021, mainly driven by the increased gross profit of the Group's non-clinical studies services.

Profit attributable to the Shareholders increased by approximately 66.6% from approximately RMB187.8 million in FY2019 to approximately RMB313.0 million in FY2020 and further increased by approximately 78.1% to approximately RMB557.5 million in FY2021. Such increase was primarily attributable to (a) the significant increase in revenue as aforementioned; (b) the increase in gains arising from changes in fair value of biological assets mainly due to the continuous increase in unit fair value of the Group's biological assets which was in line with the increases in market price and quantity; and (c) the increase in net amount of other gains and losses mainly due to the increase in government grants, interest income and change in fair value of financial assets at fair value through profit or loss, which was partially offset by the increase in general and administrative expenses, primarily attributable to the increase in staff costs and business expansion of the Group. Profit attributable to the Shareholders increased by approximately 141.4% from approximately RMB153.7 million for 6M2021 to approximately RMB371.1 million for 6M2022, primarily attributable to (a) the significant increase in revenue as aforementioned; and (b) the increase in net amount of other gains and losses, mainly due to the increase in net foreign exchange gain as a result of exchange rate fluctuations, interest income and the balance between the fair value of consideration and net assets acquired as a result of the acquisition of two companies for strengthening the Group's strategic inventory and cost control of key research models on 15 May 2022.

(iii) Overall comment

During the years/periods under review, the continued increase in net profit of the Group was primarily attributable to the expansion of the Group's business and the strengthening of non-clinical service offerings, which was partially offset by the general increase in research and development, selling and marketing and administrative expenses of the Group.

As disclosed in the annual report of the Company for FY2021 (the "**2021 Annual Report**"), in order to further strengthening its drug evaluation technology, it has been the Group's development strategy of empowerment and innovation, closely tracking new technology and constantly expanding the new fields. As advised by the management of the Group, it believes that all the investments in research and development and sales and marketing will empower the Group to gain competitive advantage, strengthen its resilience over market competitors and prepare the Group for further and faster growth in the future. Accordingly, we consider that maintaining a stable and experienced senior management team, who are the subject of the Connected Grant, allows the Group to achieve the aforesaid Business Objectives which will positively contribute to the financial performance of the Group in the future.

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2. Principle terms of the Connected Grant

Details of the principal terms of the Connected Grant are set out in Appendix I to the Circular, which are summarized below:

Participants : The Company proposed to grant 44,000 Restricted Shares to 4 Connected Participants, as follows:

Connected Participants	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares to be granted	Percentage to the total issued share capital of the Company as at the Latest Practicable Date
Zuo Conglin	11,000	0.79%	0.002%
Gao Dapeng	11,000	0.79%	0.002%
Sun Yunxia	11,000	0.79%	0.002%
Gu Jingliang	11,000	0.79%	0.002%
Total	<u>44,000</u>	<u>3.14%</u>	<u>0.008%</u>

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for the Connected Participants set out above, the other Participants under the Incentive Scheme are independent of the Company and its connected persons.

Grant Price : A Connected Participant who has satisfied the conditions for grant and unlocking is entitled to purchase the Restricted Shares of the Company at the Grant Price.

As disclosed in the Letter from the Board, the Grant Price of RMB39.87 per Share shall not be lower than:

- (i) the nominal value of the Shares; and
- (ii) the higher of the following:
 - (a) 50% of the average trading price of the A Shares on the last trading day preceding the Announcement Date of Incentive Scheme (total trading amount for the last trading day/total trading volume for the last trading day) of RMB79.74 per Share, being RMB39.87 per Share; and

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- (b) 50% of the average trading price of the A Shares for the last 120 trading days preceding the Announcement Date of Incentive Scheme (total trading amount of the A Shares for the last 120 trading days/total trading volume of the A Shares for the last 120 trading days) of RMB79.18 per Share, being RMB39.59 per Share.

Validity period : Commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.

Unlocking periods : The lock-up period of the Restricted Shares granted under the Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares to the Participants, respectively.

Subject to the unlocking conditions having been satisfied, the Restricted Shares under the Connected Grant may be unlocked in three unlocking periods, as follows:

Unlocking arrangement	Unlocking period	Proportion of unlocking
First unlocking period	Commencing from the first trading day after the expiry of 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant	50%
Second unlocking period	Commencing from the first trading day after the expiry of 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant	30%

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	Unlocking arrangement	Unlocking period	Proportion of unlocking
	Third unlocking period	Commencing from the first trading day after the expiry of 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant	20%
Unlocking conditions	:	Certain conditions have to be satisfied before the Restricted Shares granted can be unlocked which include, among others, (i) annual performance appraisal targets at the Company level are achieved; and (ii) annual performance appraisal requirements at the Participant's individual level are achieved.	
Adjustments	:	The number of Restricted Shares and the Grant Price are subject to adjustments under certain circumstances including capitalization issue, bonus issue, sub-division, rights issue or share consolidation of the Company.	

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3. Information on the Connected Participants

As stated in the Letter from the Board, the Participants, including the Connected Participants, are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the SSE Listing Rules, the Listing Rules and other relevant laws, regulations and regulatory documents, as well as provisions of the Articles of Association with reference to the actual situations of the Company.

We have reviewed the background and work experience of each of the Connected Participants and noted that their expertise and experience are relevant to the Group's operations. Details of the Connected Participants are set out below:

Name	Position in the Group	Duties or responsibilities	Past work experience related to the Connected Participants' respective functions in the Group	Educational background
Zuo Conglin	Executive Director and vice chairperson of the Board	Responsible for overseeing the operations and management of the Group	<ul style="list-style-type: none"> • August 1989 – November 1996: intern researcher and assistant researcher at Air Force Aviation Medical Research Institute • Since December 1996: joined the Group and served as practice leader, facility manager of drug safety evaluation center, general manager and director over the years 	Master's degrees in medicine
Gao Dapeng	Executive Director, general manager, secretary to the Board and joint company secretary of the Company	Responsible for overseeing the operation, capital management and matters relating to information disclosure of the Group	<ul style="list-style-type: none"> • August 2005 – July 2006: assistant auditor at Beijing Zhongshui Xincheng Tax Firm • June 2007 – October 2012: assistant accountant and the finance manager successively at Staidson (Beijing) Biopharmaceuticals Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code: 300204) • Since November 2012: joined the Group and served as finance manager, chief financial officer, general manager, secretary to the Board and director over the years 	Bachelor's degree in management

Name	Position in the Group	Duties or responsibilities	Past work experience related to the Connected Participants' respective functions in the Group	Educational background
Sun Yunxia	Executive Director and vice general manager	Responsible for overseeing the non-clinical operations of the Group	<ul style="list-style-type: none"> Worked as a food hygiene supervisor at Siping City Epidemic Prevention Station of Jilin Province Practiced as the chief physician at Peking University Shougang General Hospital Since October 1999: joined the Group and served as senior study director, director of toxicology department, director of quality assurance department, testing facility deputy manager, vice general manager and director over the years 	Master's degrees in medicine
Gu Jingliang	Vice general manager and head of sales department	Responsible for overseeing the sales and marketing management of the Group	<ul style="list-style-type: none"> Since January 2017: director at Wan Yinuo (Suzhou) Biotechnology Co., Ltd. and Suzhou Guangao Pharmaceutical Development Co., Ltd. Since April 2006: joined the Group and served as practice leader for 	

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As stated in the section headed “1. Information on the Group – (i) Business of the Group” above, the Group’s Business Objectives include (i) strengthening non-clinical service offerings and expanding facilities to solidify its market leadership in the drug safety assessment market; (ii) expanding global footprint and enhancing global service capabilities; (iii) broadening service offerings with a focus on clinical trial services through organic growth and cooperation with other clinical trial participants; (iv) attracting, training and retaining talents to support rapid growth in China and the United States; (v) expanding research model facilities to support its non-clinical studies; and (vi) selectively pursuing acquisition and strategic opportunities. Given that all the Connected Participants are playing important roles in the Group, we are of the view that the Connected Participants’ duties and performance would have significant impact on the Group’s ability to achieve the Business Objectives.

According to Paragraph F2.1 of Appendix 14 of the Listing Rules, issuers should have a separate resolution for separate issue and avoid “bundling” resolution at a general meeting unless they are interdependent and linked forming one significant proposal. Taking into consideration that (i) the grant of the Restricted Shares to the Connected Participants and the grant of the Restricted Shares to other eligible Participants are interdependent as they are both included in the same Incentive Scheme which should be dealt with and considered collectively as a whole; (ii) if in the event of the Independent Shareholders voting down the grant of the Restricted Shares to a particular or all Connected Participants, the Company will not go ahead with the Incentive Scheme. In other words, if any Independent Shareholder do not agree with the grant to a particular Connected Participant(s) under the Incentive Scheme, he/she can vote against the whole special resolutions in relation to the Incentive Scheme at the EGM. As such, the Company will not go ahead with the Incentive Scheme if the majority of Independent Shareholders vote against. Given that it is not the intention of the Company that the grants to particular Participants to be considered in the EGM separately and will adopt the Incentive Scheme if the proposed grant to a particular Participants is voted down because the grants to each of the Connected Participants and the other Participants are interdependent and linked forming, we consider that such arrangement is fair and reasonable and in the interest of the Company and its Shareholders as a whole; (iii) the Connected Participants who are Directors have abstained from voting in the Board meeting held on 15 August 2022 when considering the Incentive Scheme and each of the Connected Participants and his/her associates and connected persons shall abstain from voting in the EGM for the resolutions in relation to the Incentive Scheme, we consider that it is fair and reasonable and in the interest of the Company and its Shareholders as a whole to not include separate resolution for the Connected Grant or separate resolutions for issue and grant of the Restricted Shares for each of the Connected Participants.

4. Reasons for and benefits of the grant of Restricted Shares under the Incentive Scheme

As stated in the section headed “3. Information on the Connected Participants” above, the Connected Participants’ duties and performance would have significant impact on the Group’s ability to achieve the Business Objectives. As such, we concur with the Directors that the grant of Restricted Shares could, among other things, (i) further establish and improve the Company’s long-term incentive mechanism; (ii) attract and retain outstanding talents and fully mobilize the enthusiasm of the Company’s employees; (iii) ensure the realization of the Company’s development strategy and business objectives; and (iv) promote the long-term development of the Company.

In addition, we have conducted searches in relation to the adoption of restricted A share incentive scheme and we note that it is a common practice for

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The listed issuers involved in implementing the Comparable Schemes have different principal activities, market capitalizations, profitability and financial positions as compared to those of the Company and the sizes of the restricted A shares to be granted to the participants under the Comparable Schemes vary. However, we still consider the Comparable Schemes to be fair and representative in assessing the fairness and reasonableness of the terms of the Incentive Scheme (including the Connected Grant), after taking into account that (a) both the Incentive Scheme and the Comparable Schemes are regulated by the similar rules and regulation including but not limited to the Company Law, the Securities Law, the Administrative Measures and the SSE Listing Rules; (b) both the Incentive Scheme and the Comparable Schemes are announced during the same period and under similar market condition; (c) sufficient number of the Comparable Schemes are identified which could provide a general reference to the terms of the restricted A share incentive scheme under the similar regulation condition and market condition; and (d) no biotech companies listed on the main board of the Shanghai Stock Exchange announced relevant schemes during the Review Period which could reflect the then market condition (although Guangxi Wuzhou and Jianmin Pharmaceutical are principally engaged in the research, development, manufacture and sales of pharmaceuticals, their businesses are not biological technology-related businesses).

In short, we consider that the Comparable Schemes can provide a general reference to the pricing trend of recent restricted A share incentive scheme proposals as well as a sufficient sample size for comparison purpose, so as to determine whether the terms of the Incentive Scheme (including the Connected Grant) are in line with the market practice.

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Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
2 August 2022	廣西梧州中恒集團股份有限公司 Guangxi Wuzhou Zhongheng Group Co., Ltd (600252.SH) ("Guangxi Wuzhou")	Primarily engaged in the research, development, manufacture and sales of pharmaceuticals	72 months	50.29%	51.30%	Three tranches: 33%: 24 months to 36 months 33%: 36 months to 48 months 34%: 48 months to 60 months	Yes	1.31%
27 July 2022	浙江長華汽車零部件股份有限公司 Zhejiang Changhua Auto Parts Co., Ltd. (605018.SH)	Primarily engaged in the research and development, manufacture and sales of automotive metal parts	48 months	50.03%	50.31%	Three tranches: 30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	0.75%
22 July 2022	廣州鹿山新材料股份有限公司 Guangzhou Lushan New Materials Co., Ltd. (603051.SH)	Primarily engaged in the research, development and sales of hot-melt adhesive materials	60 months	50.01%	61.88%	Three tranches: 40%: 12 months to 24 months 30%: 24 months to 36 months 30%: 36 months to 48 months	Yes	1.78%

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Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
12 July 2022	三一重工股份有限公司 Sany Heavy Industry Co., Ltd (600031.SH)	Principally engaged in the research and development, manufacture, distribution and provision of services of engineering machinery	45 months	50.98%	51.57%	Yes	0.34%
10 July 2022	上海創力集團股份有限公司 Shanghai Chuangli Group Co., Ltd. (603012.SH)	Principally engaged in the design, research and development, manufacture, sales and technical services of comprehensive coal mining machines, coal mine automation control systems and mine electric equipment, as well as the provision of the model selection guide and design of mining equipment for customers	60 months	50.00%	51.54%	Yes	2.36%

Validity period
of the
incentive
scheme

Principal activities

Company name
(Stock code)

Date of
announcement

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Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
15 June 2022	寧夏新日恒力鋼絲繩股份有限公司 Ningxia Zhongke Biotechnology Co., Ltd. (600165.SH)	Principally engaged in the production and sales of coal based activated carbon	60 months	50.05%	47.76%	Three tranches: 25%: 12 months to 24 months 35%: 24 months to 36 months 40%: 36 months to 48 months	Yes	9.51%
11 June 2022	三維控股集團股份有限公司 Zhejiang Sanwei Rubber Item Co., Ltd. (603033.SH)	Principally engaged in the research, design, manufacture and distribution of rubber products	66 months	50.03%	58.10%	Three tranches: 20%: 12 months to 24 months 30%: 24 months to 36 months 50%: 36 months to 48 months	Yes	2.67%
11 June 2022	王力安防科技股份有限公司 Wangji Security & Surveillance Product Co., Ltd (605268.SH)	Principally engaged in the manufactures and sales of door locks and security doors	36 months	51.32%	39.05%	Two tranches: 50%: 12 months to 24 months 50%: 24 months to 36 months	Yes	3.12%

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Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
5 June 2022	金發科技股份有限公司 Kingfa Sci. & Tech. Co., Ltd. (600143.SH)	Principally engaged in the research, development, production and sales of new chemical materials	60 months	63.00%	50.15%	Three tranches: 30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	3.89%
31 May 2022	健民藥業集團股份有限公司 Jianmin Pharmaceutical Group Co., Ltd. (600976.SH) ("Jianmin Pharmaceutical")	Principally engaged in the research and development, manufacture, wholesale and retailing of pharmaceuticals	48 months	50.00%	34.62%	Two tranches: 50%: 12 months to 24 months 50%: 24 months to 36 months	Yes	0.24%
20 May 2022	通化葡萄酒股份有限公司 Tonghua Grape Wine Co., Ltd (600365.SH)	Principally engaged in the manufacture and e-commerce platform sales of wines	48 months	50.00%	48.32%	Three tranches: 40%: 12 months to 24 months 30%: 24 months to 36 months 30%: 36 months to 48 months	Yes	6.85%

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Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the last trading day preceding date of the A Shares announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days preceding the date of the A Shares announcement	Unlocking period (unlocking percentage for each period following the grant date)	Unlocking conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
16 May 2022	利群商業集團股份有限公司 Liquan Commercial Group Co., Ltd. (601366.SH)	Principally engaged in the operation of department stores, supermarkets, convenience stores and electrical appliances stores	48 months	59.22%	60.36%	Three tranches: 40%: 12 months to 24 months 30%: 24 months to 36 months 30%: 36 months to 48 months	Yes	3.08%
	Maximum		72 months	63.00%	61.88%			9.51%
	Minimum		36 months	50.00%	34.62%			0.24%
	Average		55 months	51.77%	49.68%			2.75%
	Median		54 months	50.05%	50.13%			2.36%
15 August 2022	The Company		48 months	50.00%	50.35%	Three tranches: 50%: 12 months to 24 months 30%: 24 months to 36 months 20%: 36 months to 48 months	Yes	0.262%

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The Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months. The validity period of the Incentive Scheme of 48 months is within the range of those of the Comparable Schemes.

As disclosed in the Letter from the Board, certain conditions must be fulfilled before the Company can grant the Restricted Shares to the Participants under the Incentive Scheme, or the Restricted Shares granted to the Participants under the Incentive Scheme can be unlocked, for details, please refer to the sub-section headed "II. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme – (VIII) Conditions of Grant and Unlocking of the Restricted Shares" in the Letter from the Board.

As shown in the above table, it is a common practice to make the unlocking of restricted shares conditional on, amongst others, the participants' performance and/or financial performance of the companies. We are of the view that such arrangement could incentivize the Participants including the Connected Participants to put efforts on achieving the performance targets, which will contribute to the growth and development of the Company.

The performance appraisal targets at the Company's level under the Incentive Scheme include the Company's operating income in the three accounting years from 2022 to 2024. In order for the Restricted Shares of the Participants to be fully unlocked (including the Connected Grant), based on the operating income for 2021, the Company's growth rate of operating income shall not be less than 35.00%, 82.25% and 146.04% for 2022, 2023 and 2024, respectively. The performance appraisal requirements at the individual level are, on the other hand, carried out based on an annual appraisal on the Participants by the Remuneration and Appraisal Committee.

Taking into account that (a) the Company's growth rate of operating income of approximately 35.00%, 82.25% and 146.04% for 2022, 2023 and 2024 based on the operating income for 2021 is equivalent to an compound annual growth rate ("CAGR") of approximately 35% from 2021 to 2024; and (b) the Group recorded an increasing trend in revenue for the three years ended 31 December 2021 with a CAGR of approximately 54.0% during the period, we consider that although the Group has achieved a CAGR of approximately 54.0% in revenue from 2019 to 2021, the aforesaid performance appraisal

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targets at the Company's level are still determined with a certain level of difficulty which require the Group to continue to grow at a relatively high rate with a view to motivating the Participants to attain before the Restricted Shares are unlocked.

Given that (a) we consider the difficulty in achieving the performance appraisal targets is able to motivate the Participants to contribute as much as possible so as to assist the Company in achieving the Business Objectives; and (b) the Independent Shareholders can benefit from the Share price performance if the Company is able to achieve the performance appraisal targets in the Incentive Scheme, we are of the view that such arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

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The Grant Price shall be RMB39.87 per A Share, which represents (a) approximately 50.00% of the average trading price of the A shares for the last trading day preceding the date of the A Shares announcement of the Incentive Scheme; and (b) approximately 50.35% of the average trading price of the A Shares for the last 120 trading days preceding the date of A Shares announcement of the Incentive Scheme.

Regarding the Comparable Schemes, (a) the percentages of the grant price to the average trading price of the A Shares for the last trading day preceding the date of the A Shares announcement ranged from approximately 50.00% to approximately 63.00% with an average and median of approximately 51.77% and 50.05%, respectively; and (b) the percentages of the grant price to the average trading price of the A Shares for the last 120 trading days preceding the date of the A Shares announcement ranged from approximately 34.62% to approximately 61.88% with an average and median of approximately 49.68% and 50.13%, respectively.

The Grant Price is at a substantial discount to the prevailing trading price of the A Shares. However, taking into account that (a) the Incentive Scheme serves to align the interests of the Group's employees with those of the Shareholders and the Company and to retain and incentivize the Group's employees to achieve the performance appraisal targets; (b) the Grant Price compares favorably to those under the Comparable Schemes; and (c) the performance targets, which the Company has to achieve before the Restricted Shares are unlocked, are established with a certain level of difficulty as explained in the paragraph headed "Unlocking conditions" above, we consider the Grant Price to be justifiable and therefore fair and reasonable.

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The Restricted Shares (including the Connected Grant) are unlocked in three tranches in the proportion of 50%, 30% and 20%, respectively, commencing from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.

As shown above, the restricted A shares under the Comparable Schemes were attributed in two to four tranches with unlocking periods commencing from the trading day after expiry of 12, 20 or 24 months following the grant date until the last trading day within 36, 44, 48 or 60 months following the grant date. As such, we consider that the unlocking periods of the Restricted Shares (including the Connected Grant) are comparable to those under the Comparable Schemes.

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The number of Restricted Shares and the Grant Price are subject to adjustments according to various situations including capitalization issue, bonus issue, sub-division, rights issue or share consolidation of the Company. For details, please refer to the sub-section headed "II. Proposed Adoption of the 2022 Restricted A Share Incentive Scheme – X. Adjustment to the Number of Restricted Shares and the Grant Price" in the Letter from the Board. Given that the adjustment mechanism of the number of Restricted Shares and the Grant Price is comparable to those under the Comparable Schemes, we consider it to be fair and reasonable.

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As disclosed in the Letter from the Board, when determining the number of the Restricted Shares under the Incentive Scheme to be granted to the Participants (including the Connected Participants), the Company has taken into account the following factors, among others, (a) the number of years of services of such Participants; (b) his/her contributions made to the Group; and (c) the contributions to be made by such Participant in view of his/her roles and responsibilities.

The total number of the Restricted Shares to be granted under the Incentive Scheme represents not more than approximately 0.262% of the total issued share capital of the Company as at the Latest Practicable Date, which is close to the low end of those of the Comparable Schemes. Having considered that (a) the number of Restricted Shares to be unlocked to the Participants shall decline or lapse if the performance appraisal targets at the individual level and the Company's level are not fully fulfilled; (b) the Independent Shareholders can benefit from the

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Share price performance when the performance appraisal targets in the Incentive Scheme are fulfilled; and (c) the total amortized cost of the Restricted Shares on an annual basis for the Connected Grant only accounted for approximately 0.16% of the net profit of the Group of approximately RMB557.5 million for FY2021, as explained in the sub-section headed “5. Assessment of the principal terms of the Connected Grant – (ii) Comparison of remuneration packages – (a) Remuneration packages of the Connected Participants” below, we are of the view that the number of the Restricted Shares to be granted to the Participants is fair and reasonable and the dilution effect on the shareholding interests of the existing Shareholders of Company will be immaterial.

As set out in the section headed “2. Principle terms of the Connected Grant” above, the Company proposed to grant 11,000 Restricted Shares to each of the Connected Participants, representing 0.002% of the total issued share capital of the Company as at the Latest Practicable Date. We consider that the number of the Restricted Shares to be granted to each of the Connected Participants is acceptable after considering his/her remuneration package, details of which are set out in the sub-section headed “5. Assessment of the principal terms of the Connected Grant – (ii) Comparison of remuneration packages” below.

For details of our assessment on the fairness and reasonableness of the number of the Restricted Shares to be granted to the Connected Participants under the Incentive Scheme, please refer to the following sub-section.

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(ii) Comparison of remuneration packages

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The table below set out (1) the number of the Restricted Shares to be granted to the Connected Participants under the Incentive Scheme; (2) the estimated financial impact due to the grant of the Restricted Shares; and (3) total emoluments of the Connected Participants for FY2021:

Participants under the Incentive Scheme	Number of the Restricted Shares to be granted	Percentage of total Restricted Shares to be granted	Total	Total	Total emoluments for FY2021	Total annual remuneration
			amortised cost of the Restricted Shares in 2022 to 2025	amortised cost of the Restricted Shares on an annual basis		
	A	C = A / B	E = C x D (N. 1)	F = E / 2 (N. 2)	G (N. 3)	F + G (N. 4)
Zuo Conglin	11,000	0.79%	438,240	219,120	2,050,000	2,269,120
Gao Dapeng	11,000	0.79%	438,240	219,120	1,516,000	1,735,120
Sun Yunxia	11,000	0.79%	438,240	219,120	2,350,000	2,569,120
Gu Jingliang	11,000	0.79%	438,240	219,120	1,068,000	1,287,120
Sub-total	44,000	3.14%	1,752,960	876,480	6,984,000	7,860,480
Other Participants	1,356,600	96.86%	54,046,940	27,023,470		
Total (B)	1,400,600	100.00%	55,799,900 (D)	27,899,950		

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- As disclosed in the Letter from the Board, total expenses to be recognized for the grant of 1,400,600 Restricted Shares (including the Connected Grant) is expected to be RMB55,799,900 (the "Total Amortization Cost"), which shall be borne by the Company in proportion to each unlocking during the lock-up period of the Incentive Scheme, and the capital reserve will be increased accordingly. Shareholders are reminded that the actual financial impact is dependent on the actual grant date, the Grant Price, the number of grants and the actual number of effective and lapsed grants.
- As disclosed in the Letter from the Board, over 80% of the Total Amortization Cost would be recognized in year 2023 and 2024. As such, we assume the Total Amortization Cost would be recognized on a straight-line basis in the year 2023 and 2024 for prudence.
- Comprised salaries, allowances and other benefits, discretionary bonus, retirement scheme contributions and/or share-based payments as disclosed in the 2021 Annual Report or provided by the Company.
- Assuming total remunerations of the Connected Participants (excluding the Connected Grant) would remain the same as the level for FY2021.

As set out in the table above, on the basis that the value of the Restricted Shares would be recognized on a straight-line basis in the year 2023 and 2024, the total amortized cost of the Restricted Shares on an annual basis for the Connected Grant amounts to approximately RMB0.9 million, accounting for approximately 0.16% of the net profit of the Group of approximately RMB557.5 million for FY2021. On this basis, we are of the view that the financial impact of the Connected Grant shall not be material.

In addition, on the basis that total emoluments of the Connected Participants (excluding the Connected Grant) would remain the same as the level for FY2021, the annual remunerations of the Connected Participants would range from approximately RMB1.3 million to approximately 2.6 million, being approximately 0.23% to 0.46% of the net profit of the Group of approximately RMB557.5 million for FY2021.

Among the 4 Connected Participants, taking into account the Connected Grant, (1) 2 are with annual remunerations of below RMB2 million; and (2) 2 are with annual remunerations of above RMB2 million but below RMB3 million.

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The Company is principally engaged in biological technology-related businesses. Based on the closing price of H share and A Shares of HK\$47.25 and RMB79.71, respectively, and the total issued H shares and A Shares of 84,996,576 and 450,126,833, respectively, as at the Last Trading Day, the market capitalization of the Company amounts to approximately HK\$53.3 billion.

The Connected Participants involved under the Connected Grant
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Set below is a summary of the remuneration packages of the executive directors of the Comparable Companies for FY2021:

Company	Stock Code	Market Capitalization as at the Last Trading Day (HK\$' ,,,,,)	Range of total remunerations of executive directors (N. 1) (RMB'000)
Hangzhou Tigermed Consulting Co., Ltd.	3347	95,862	787 – 922
Genscript Biotech Corporation	1548	54,541	3,663 – 6,443 (N. 2)
Shanghai Junshi Biosciences Co., Ltd.	1877	50,623	10,722 – 38,369
Innovent Biologics, Inc.	1801	49,415	20,367 and 127,959
RemeGen Co., Ltd.	9995	33,859	883 – 10,487
Zai Lab Ltd	9688	34,562	N/A (N. 3)
CanSino Biologics Inc.	6185	28,211	3,559 – 4,533
HUTCHMED (China) Limited	0013	17,067	1,142 – 24,335 (N. 2)
Akeso, Inc.	9926	20,312	3,386 – 139,284
InnoCare Pharma Limited	9969	17,306	2,040 and 29,413
Shanghai Haohai Biological Technology Co., Ltd.	6826	12,848	1,092 – 1,467
Lepu Biopharma Co., Ltd.	2157	11,699	12,212 and 12,549
CARsgen Therapeutics Holdings Limited	2171	10,587	1,099 and 1,186
		The Company	1,287 – 2,569 (N. 4)

SOURCE: Annual Reports of the Comparable Companies.

N.B.:

- Primarily included salaries, allowances and other benefits, performance-related bonus, retirement benefit scheme contributions and share-based payment expenses as extracted from the annual reports of the Comparable Companies.
- Calculated based on the average exchange rate of US\$1: RMB6.4498 in 2021 as extracted from Bloomberg.
- Remuneration of its executive directors was not disclosed in the annual report of Zai Lab Ltd for FY2021.
- Represented the range of the annual remunerations of the Connected Participants (comprising three executive Directors and a senior management) taking into account the Connected Grant, which are calculated on the basis set out in the sub-section headed "(a) Remuneration packages of the Connected Participants" above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although details with respect to each Comparable Company and its executive director(s) such as responsibilities, experience and year of service of each executive director as well as product type, stage of clinical development and commercialization and scale of each company may vary, we consider that the Comparable Companies can provide a general reference for common market practice in determining the remuneration packages of executive directors of biotech companies.

As shown in the table above, the remuneration of the executive directors of the Comparable Companies ranged from approximately RMB787,000 to approximately RMB139.3 million for FY2021. The maximum total remuneration of the Connected Participants is approximately RMB2.6 million. Among the 13 Comparable Companies identified above, we noted that (1) executive directors in 11 Comparable Companies had total annual remunerations of at least RMB1.0 million for FY2021; (2) executive directors in 9 Comparable Companies had total annual remunerations of at least RMB2.0 million for FY2021; and (3) executive directors in 9 Comparable Companies had total annual remunerations of at least RMB3 million for FY2021. On this basis, we consider that the annual remunerations of the Connected Participants are in line with those of the Comparable Companies. In other words, we are of the view that the number of the Restricted Shares to be granted to the Connected Participants under the Connected Grant is fair and reasonable.

Save for the expenses relating to the allotment and issue of the new A Shares and the proceeds of not more than approximately RMB55.8 million, it is expected that the grant of the Restricted Shares will not have other material impact on the Company's cash position and net current assets.

OPINION AND RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the Connected Grant are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Connected Grant is conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favor of the special resolutions to be proposed at the EGM and the Class Meetings to approve the Connected Grant.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Danny Leung
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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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STATEMENT

The Company, all of its Directors and Supervisors undertake that there is no false representations and misleading statements in or material omissions from the Incentive Scheme, and are jointly and severally liable for the truthfulness, accuracy and completeness of the content contained therein.

Reminders

- I. The 2022 Restricted Share Incentive Scheme for A Shares (Draft) of Joynn Laboratories (China) Co., Ltd. (the “**Incentive Scheme**”, “**Incentive Scheme Draft**”, or “**Draft**”) is prepared under the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures for Equity Incentives of Listed Companies, the Rules Governing the Listing of Securities Investment Funds on the Shanghai Stock Exchange (“**Shanghai Listing Rules**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Hong Kong Listing Rules**”) and other relevant laws, regulations, rules and regulatory documents, as well as the Articles of Association of Joynn Laboratories (China) Co., Ltd. (“**Articles of Association**”).
- II. The means of incentive adopted under this Incentive Scheme shall be Restricted Shares. The source of shares shall be ordinary A Shares to be issued to the Participants through directed offering by Joynn Laboratories (China) Co., Ltd. (hereinafter referred to as the “**Company**” or “**JOINN**”).
- III. The Scheme proposes to grant 1,400,600 restricted shares to the Participants, the underlying shares of which are RMB ordinary A Shares, representing approximately 0.262% of the 534,191,429 shares issued from the total share capital of the Company as of the date of the announcement of Incentive Scheme Draft.

The total number of underlying shares involved in all the share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company as of the date of the Incentive Scheme Draft Announcement. The number of Restricted Shares to be granted to any particular Participant under all valid incentive schemes of the Company does not exceed 1% of the total share capital of the Company as of the date of the Incentive Scheme Draft Announcement.

During the period from the date of announcement of the Scheme to the registration of Restricted Shares by the Participants, in case of any capitalisation issue, bonus issue, sub-division or consolidation of shares, rights issue made by the Company, corresponding adjustment shall be made to the number of Restricted Shares and the aggregated number of relevant Underlying Shares according to the Scheme.

- IV. There are 611 Participants to be granted under the Incentive Scheme, including the directors, senior management and key technical (business) personnel who serve the Company (including controlled subsidiaries) at the time of announcement of the Incentive Scheme by the Company.

- V. The Grant Price of Restricted Shares under this scheme shall be RMB39.87 per share.

During the period from the date of announcement of the Scheme to the completion of the exercise of Share Options or the registration of Restricted Shares by the Participants, in case of any capitalisation issue, bonus issue, sub-division or consolidation of shares, rights issue or dividend distribution made by the Company, corresponding adjustment shall be made to the Grant Price of the Restricted Shares.

- VI. The Validity Period of the Incentive Scheme shall commence from the completion date of registration of the grant of the Stock Option and Restricted Shares and end on the date on which all Restricted Shares granted to Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.

- VII. None of the following circumstances, in which the implementation of the share incentives shall not be conducted as stipulated under Article 7 of the Administrative Measures on Share Incentives of Listed Companies, has occurred to the Company:

- (1) The registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the previous accounting year;
- (2) The registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control of the financial report for the previous accounting year;
- (3) The Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months immediately following the listing;
- (4) The implementation of share incentive schemes is prohibited by laws and regulations;
- (5) Other circumstances as determined by the CSRC.

- VIII. The Participants under the Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding more than 5% of the Shares of the Company or the de facto controllers and their spouses, parents or children. None of the following circumstances, in which the Participants of the Incentive Scheme become unqualified as stipulated under Article 8 of the Administrative Measures on Share Incentives of Listed Companies, has occurred to the Participants:

- (1) He/she has been identified as an inappropriate candidate by the Stock Exchanges within the previous 12 months;
- (2) He/she has been identified as an inappropriate candidate by the CSRC and its agencies within the previous 12 months;

- (3) He/she has been subject to administrative punishment or market ban measures by the CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;
 - (4) He/she is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
 - (5) He/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
 - (6) Other circumstances as determined by the CSRC.
- IX. The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Incentive Scheme.
- X. The Participants undertake, where false representations or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for the exercise of the entitlements, the Participants concerned shall return to the Company all interests gained through the share Incentive Scheme calculated from the date when it is confirmed that there are false representations or misleading statements in or material omissions from the relevant information disclosure documents of the Company.
- XI. The Incentive Scheme can only be implemented after consideration and approval at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting. The Company shall convene the board meeting for the purpose of granting the equities to the Participants (however, when the Participants are connected persons, the Company shall comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing

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Chapter 1 Definitions

The following expressions have the meanings set out below unless the context requires otherwise:

“Joinn”, this “Company”, the “Company”, or the “Listed Company”	:	refers to Joinn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) and its subsidiaries
This “Incentive Scheme”, this “Draft”, or this “Incentive Scheme Draft”	:	refers to the 2022 Restricted Share Incentive Scheme of A Shares (Draft) of Joinn
“Restricted Shares”	:	a certain number of Shares of the Company to be granted to the Participants according to the conditions and price stipulated in the Incentive Scheme, which are subject to a locking period and can only be unlocked for trading when the unlocking conditions as stipulated in the Incentive Scheme are satisfied
“Participants”	:	The directors, senior management and key technical (business) personnel who receive the benefits in accordance with the provisions of this Incentive Scheme
“Grant Date”	:	the date on which the Company shall grant the Restricted Shares to the Participants, which must be a trading day
“Grant Price”	:	The price of one Restricted Share granted by the Company to the Participants
“Lock-up Period”	:	The period during which the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, pledged or used for repayment of debts
“Unlocking Period”	:	The period during which the Restricted Shares held by the Participants are unlocked and can be transferred upon the fulfillment of the unlocking conditions as stipulated in the Incentive Scheme
“Company Law”	:	the Company Law of the People’s Republic of China
“Securities Law”	:	the Securities Law of the People’s Republic of China

- “Administrative Measures” : the Administrative Measures on Share Incentives of Listed Companies
- “Articles of Association” : the Articles of Association of Joynn Laboratories (China) Co., Ltd.
- “CSRC” : the China Securities Regulatory Commission

submitted to the General Meeting, the A Shares Class Meeting and the H Share Class Meeting of the Company for review and approval, and the Board of Directors may handle matters relating to the Incentive Scheme within its scope of authority as delegated by the General Meeting.

- III. The board of supervisors and the independent directors shall act as the supervisory authority for the Incentive Scheme, and shall express opinions as to whether the Incentive Scheme is conducive to the sustainable development of the Company, and whether there are any situations that clearly harm the interests of the Company and all shareholders. The board of supervisors shall verify the list of the Participants under the Incentive Scheme, and shall supervise the implementation of the Incentive Scheme as to whether it is in compliance with the relevant laws, administrative regulations, regulatory documents and operational rules of the Stock Exchanges. The independent directors shall solicit voting rights by proxy from all shareholders in respect of the Incentive Scheme.

Where amendments are being made to the Incentive Scheme before or after the Incentive Scheme is approved at the General Meeting, the independent directors and the board of supervisors shall express opinions as to whether the amended Incentive Scheme will be conducive to the sustainable development of the Company or whether there are any situations that clearly harm the interests of the Company and all shareholders.

Before the Restricted Shares are granted to a Participant, the independent directors and the board of supervisors shall express clear opinions on the conditions stipulated for the Participant to receive such Restricted Shares as set out in the Incentive Scheme. In the event of any discrepancy between the Restricted Shares to be granted to a Participant and the arrangement under the Incentive Scheme, the independent directors and the board of supervisors (where there are changes occurred to the Participants) shall express their clear opinions thereon at the same time.

Before the exercise by a Participant, the independent directors and the board of supervisors shall issue clear opinions as to whether the conditions stipulated under the Incentive Scheme for the Participant to exercise such entitlements have been fulfilled.

Chapter 4 Basis for Determining the Participants and the Scope of Participants

I. Basis for Determining the Participants

(1) The Board of Directors shall determine the Participants of the Incentive Scheme.

The Participants of the Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures, the SSE Listing Rules, the Hong Kong Listing Rules and other relevant laws, regulations and regulatory documents, as well as provisions of the Articles of Association with reference to the actual situations of the Company.

(2) Participants under the Incentive Scheme shall be the staff of the Company

(including its controlling subsidiaries), including directors, senior management personnel and key technical (business) personnel (excluding the independent directors, supervisors of the Company, shareholders individually or in aggregate holding more than 5% of the Shares of the Company or the de facto controllers and their spouses, parents or children).

II. Scope of Participants

There are 611 Participants under the Incentive Scheme, including:

- (1) directors and senior management;
- (2) key technical (business) personnel.

The Participants under the Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding more than 5% of the Shares of the Company or the de facto controllers and their spouses, parents or children.

All Participants must serve the Company (including its controlled subsidiaries) and enter into labour contracts upon the grant of the equity by the Company and during the assessment period of the Incentive Scheme.

- (3) Circumstances in which a person is prohibited from being a Participant under the Incentive Scheme:
 1. He/she has been identified as an inappropriate candidate by the Stock Exchanges within the previous 12 months;
 2. He/she has been identified as an inappropriate candidate by the CSRC and its agencies within the previous 12 months;
 3. He/she has been subject to administrative punishment or market ban measures by the CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;
 4. He/she is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
 5. He/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
 6. Other circumstances as determined by the CSRC.

III. Verification of Participants

- (1) After the Scheme is reviewed and approved by the Board of Directors, the Company shall, before convening the General Meeting, the A Shares Class Meeting and the H Share Class Meeting, internally publish the names and the positions of the Participants for a period of not less than 10 days via the Company's website or by other means.
- (2) The board of supervisors of the Company shall verify the list of the Participants and thoroughly consider opinions from the public presentation. The Company shall publish the opinions of the board of supervisors on the verification and the public opinions in relation to the list of the Participants 5 days before the Incentive Scheme is considered at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting. Any adjustments to the lists of the Participants made by the Board of Directors shall also be subject to verification by the board of supervisors of the Company.
- (3) After the list of Participants is determined, if connected persons are involved, the Company will perform corresponding disclosure obligations in a timely manner, under the Hong Kong Listing Rules or other applicable laws or regulations, including the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, the Company will establish an independent board committee to advise the independent shareholders of the Company in respect of the grant of Restricted Shares to incentive recipients who are connected persons of the Company. The Company will also appoint an independent financial adviser to advise the independent board committee of the Company and the independent shareholders in respect of the grant of Restricted Shares by the Company to the Participants who are connected persons.

Chapter 5 Source, Amount and Allocation of Restricted Shares

I. Source of Shares under the Incentive Scheme

The source of the underlying shares as regards the Incentive Scheme shall be ordinary A Shares of the Company to be issued to the Participants through directed offering by the Company.

II. Number of Restricted Shares to be Granted

The Incentive Scheme proposes to grant 1,400,600 Restricted Shares to the Participants, the underlying shares of which are RMB ordinary A Shares, representing approximately 0.262% of the 534,191,429 shares issued from the total share capital of the Company as of the date of the announcement of the draft of the Incentive Scheme. The total number of underlying shares involved in all the share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company as of the date of the Incentive Scheme Draft Announcement. The number of shares and stock options to be granted to any particular Participant under the Incentive Scheme does not exceed 1% of the total share capital of the Company as of the date of the Incentive Scheme Draft Announcement.

During the period from the date of announcement of the Incentive Scheme to the completion of the registration of Restricted Shares or the exercise of Share Options by the Participants, in case of any capitalisation issue, bonus issue, sub-division or consolidation of shares, rights issue or dividend distribution made by the Company, corresponding adjustment shall be made to the number of grant of Restricted Shares according to the Incentive Scheme.

III. Allocation of the Restricted Shares among the Participants

The allocation of the Restricted Shares to be granted under the Incentive Scheme among the Participants is set out in the table below:

Name	Position	Number of Restricted Shares Granted (0'000 shares)	Percentage to the total number of Restricted Shares Granted	Percentage to the Current Total Share Capital of the Company
Zuo Conglin	Director	1.10	0.79%	0.002%
Gao Dapeng	Director, Secretary to the Board of Director	1.10	0.79%	0.002%
Sun Yunxia	Director, Vice General Manager	1.10	0.79%	0.002%
Gu Jingliang	Vice General Manager	1.10	0.79%	0.002%
Key technical (business) personnel (607 Participants)		135.66	96.86%	0.254%
Total (611 Participants)		140.06	100.00%	0.262%

- N. 1: The total number of the shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity period do not exceed 1% of the total share capital of the Company as of the date of the Incentive Scheme Draft Announcement. The cumulative total number of underlying shares involved under all share incentive schemes of the Company which are within their validity period do not exceed 10% of the Company's total share capital as of the date on which the Incentive Scheme is submitted for approval at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting. When the Participants subscribe for Restricted Shares, the amount of the Restricted Shares may be reduced accordingly due to insufficient funds.
- N. 2: The Participants under the Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding more than 5% of the Shares of the Company or the de facto controllers and their spouses, parents or children.
- N. 3: Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

Chapter 6 Validity Period, Grant Date, Lock-up Period, Unlocking Arrangement and Black-out Period of the Restricted Share Incentive Scheme

I. Validity Period of the Incentive Scheme

The Validity Period of the Incentive Scheme shall commence from the completion date of registration of the grant of the Restricted Shares and end on the date on which all the Restricted Shares granted to the Participants are unlocked or repurchased and cancelled, and shall not exceed 48 months.

II. Grant Date of the Incentive Scheme

The Grant Date shall be determined by the Board after the Incentive Scheme is considered and approved at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting of the Company, and shall be a trading day. The Company shall grant the Restricted Shares and complete the announcement and registration procedures within 60 days after the consideration and approval at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting. Where the Company fails to complete the above within 60 days, it shall timely disclose the reasons for the failure and declare the termination of the Incentive Scheme, and the Restricted Shares which have not been granted shall lapse and the share incentive scheme shall not be considered again within 3 months from the date of announcement. However, the 60-day period excludes the below periods in which the Company is prohibited from granting Restricted Shares.

The listed company shall not grant any Restricted Shares to the Participants during the following periods:

1. 60 days prior to the annual results announcement of the Company, 30 days prior to the half-year/quarterly results announcement and the date of announcement. Where the date of announcement of the regular report is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of announcement and end on the day prior to the announcement;

2. Within 10 days prior to the announcement of results forecast and preliminary results;
3. Until the date of disclosure in accordance with the law, from the date of occurrence of a major event that may have a significant impact on the trading price of the Shares of the Company and derivatives or the date of entering into the decision-making process;
4. Such other period as stipulated by the CSRC and the Stock Exchanges.

In case of shareholding reduction by the Company's directors and senior management as the Participants within 6 months before the grant of the Restricted Shares, the grant of the Restricted Shares shall be postponed for 6 months from the date of the last shareholding reduction in accordance with the short-swing trading provisions under the Securities Law.

III. Lock-up Period and Unlocking Arrangement under this Incentive Scheme

The Lock-up Period of the Restricted Shares granted under the Incentive Scheme shall be 12 months, 24 months and 36 months from the completion date of registration of the grant of the Restricted Shares to the Participants, respectively. The Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, pledged or used for repayment of debts before the unlocking of such Restricted Shares. Shares obtained by the Participants due to the capitalisation of capital reserve, bonus issue and share subdivision, pursuant to the grant of the Restricted Shares not yet unlocked, shall be subject to the lock-up under the Incentive Scheme.

Upon the expiry of the Lock-up Period, the Company shall proceed with the unlocking for the Participants who satisfy the unlocking conditions. The Restricted Shares held by the Participants who do not satisfy the unlocking conditions shall be repurchased and cancelled by the Company. Where the unlocking conditions of the Restricted Shares are not satisfied, the relevant interests shall not be deferred to the following period.

APPENDIX I THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME (DRAFT)

The Unlocking Period and unlocking schedule of the Restricted Shares under the Incentive Scheme are set out in the table below:

Unlocking Arrangement	Unlocking Period	Unlocking Ratio
First Unlocking Period	Commencing from the first trading day after the expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant	50%
Second Unlocking Period	Commencing from the first trading day after the expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant	30%
Third Unlocking Period	Commencing from the first trading day after the expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant	20%

IV. Black-out Period under the Incentive Scheme

The black-out provisions of the Restricted Shares Incentive Scheme shall be implemented in accordance with the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents and the Articles of Association. Details of which are as follows:

1. Where a Participant is a Director or a member of the senior management of the Company, Shares transferred by the Participant each year during his/her term of office shall not exceed 25% of the total number of Shares held by him/her and the Shares held by him/her shall not be transferred within six months after he/she leaves office.
2. Where a Participant is a Director or a member of the senior management of the Company and he/she disposes of any Shares of the Company within six months after the acquisition or buy-back of such Shares within six months after disposal, all gains arising therefrom shall belong to the Company and the Board of Directors shall forfeit such gains.

3. Where, during the Validity Period of the Incentive Scheme, there is any change to the requirements regarding the transfer of Shares held by the Directors and senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, the transfer of Shares of the Company held by the Participants shall comply with the amended requirements at the time of transfer.

Chapter 7 Grant Price of the Restricted Shares and Determination of the Grant Price

I. Grant Price of the Restricted Shares

The Grant Price of the Restricted Shares under the Incentive Scheme shall be RMB39.87 per share. The Participants may purchase the Restricted Shares of the Company at the price of RMB39.87 per share upon satisfaction of the grant conditions.

II. Basis of Determination of the Grant Price of Restricted Shares

The Grant Price of the Restricted Shares under the Incentive Scheme shall not be lower than the nominal value of the shares and shall not be lower than the higher of the following:

1. 50% of the average trading price of the Shares of the Company for the last trading day preceding the date of the announcement of the Incentive Scheme (total trading amount for the last trading day/total trading volume for the last trading day) of RMB79.74 per share, being RMB39.87 per share;
2. 50% of the average trading price of the Shares of the Company for the last 120 trading days preceding the date of this announcement of the Incentive Scheme (total trading amount of the Shares of for the last 120 trading days/total trading volume of the Shares of for the last 120 trading days) of RMB79.18 per share, being RMB39.59 per share.

Chapter 8 Conditions of Grant and Unlocking of the Restricted Shares

I. Conditions of Grant of the Restricted Shares

The Company shall grant the Restricted Shares to the Participants upon satisfaction of all of the following conditions of grant. On the contrary, where any of the following conditions of grant is not satisfied, no Restricted Shares shall be granted to the Participants.

1. *N* C , :
 - (1) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the previous accounting year;

- (2) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control of the financial report for the previous accounting year;
- (3) the Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months immediately following the listing;
- (4) the implementation of share incentive schemes is prohibited by laws and regulations;
- (5) other circumstances as determined by the regulator;

- (2) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control of the financial report for the previous accounting year;
- (3) the Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months immediately following the listing;
- (4) the implementation of share incentive schemes is prohibited by laws and regulations;

listing;cir2.-T4010(deNonT45WARE)]TJ

3. Performance Appraisal of Restricted Shares

The unlocking assessment year of the Incentive Scheme is three accounting years from 2022 to 2024, and the assessment will be conducted once every accounting year. The annual performance appraisal targets of the Restricted Shares are set out in the table below:

Unlocking Period	Performance Appraisal Targets
First Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2022 shall not be less than 35.00%;
Second Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2023 shall not be less than 82.25%;
Third Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2024 shall not be less than 146.04%.

Note: The above financial indicators are subject to the audited financial reports of the Company for the respective year.

Where the Company fails to meet the above performance appraisal targets, all the Restricted Shares of the Participants which are planned to be unlocked in the corresponding assessment year shall not be unlocked, and shall be repurchased at the Grant Price and cancelled by the Company.

4. Performance Appraisal of Restricted Shares and Unlocking Ratio

The Remuneration and Appraisal Committee will conduct an annual assessment on the Participants and determine the unlocking ratio based on the assessment results. The actual unlocking amount of the Participants for the current year = the unlocking ratio at individual level × the planned unlocking amount of the Participants for the current year.

The performance appraisal results of the Participants are divided into five grades, namely A, B, B-, C and D, and the assessment form is applicable to the Participants. The unlocking ratio of the Participants shall be determined according to the following table:

Appraisal Results	A	B	B-	C	D
Unlocking Ratio	100%		50%	0%	

The Restricted Shares which cannot be unlocked due to the failure of individual performance appraisal for the current year shall be repurchased at the Grant Price and cancelled by the Company.

III. Scientificity and Reasonableness of the Appraisal Indicators

The assessment indicators of the Restricted Shares of the Company are divided into two levels, namely the performance appraisal at the company level and the performance appraisal at individual level.

The performance appraisal indicator at company level is the growth rate of operating income, which is an important indicator for measuring the operating conditions and market share of an enterprise and predicting the development trend of the enterprise's business because an increasing operating income is the basis for the survival and development of an enterprise. With reasonable prediction and taking into account the incentive effect of the Scheme, the Company has determined to use the operating income for 2021 as the base, with the growth rate of operating income from 2022, 2023 and 2024 not less than 35.00%, 82.25% and 146.04%, respectively.

In addition to the performance appraisal at company level, the Company has also set up a strict performance appraisal system at individual level of the Participants, which can make a more accurate and comprehensive assessment on the performance of the Participants. The Company will determine whether the Participants meet the conditions for unlocking based on their performance appraisal results for the previous year.

In conclusion, the assessment system of the Incentive Scheme of the Company is complete, comprehensive and feasible, and the assessment indicators are scientific and reasonable, which are binding on the Participants and can achieve the assessment purpose of the Incentive Scheme.

Chapter 9 Methods and Procedure for Adjustment of the Restricted Shares Incentive Scheme

I. Adjustment Methods of the Amount of the Restricted Shares

In the event of any capitalisation of capital reserve, bonus issue, sub-division of shares, rights issue or consolidation of shares of the Company in the period from the date of the announcement of the Incentive Scheme Draft to the completion of registration of the Restricted Shares by the Participants, the number of the Restricted Shares shall be adjusted accordingly. The adjustment methods are as follows:

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

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

Where: Q_0 represents the number of the Restricted Shares before the adjustment; n represents the ratio of increase per share resulting from capitalisation issue, bonus issue and sub-division of shares (i.e. the number of increased share(s) per share upon capitalisation of capital reserve, bonus issue or subdivision of shares); Q represents the adjusted number of the Restricted Shares.

2. $R_1 \dots$

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

Where: Q_0 represents the number of the Restricted Shares before the adjustment; P_1

Where: P_0 represents the Grant Price prior to the adjustment; P_1 represents the closing price of the Restricted Shares as of the record date; P_2 represents the subscription price in respect of the rights issue; n represents the ratio of the rights issue (i.e. the number of shares to be issued under the rights issue in proportion to the total share capital of the Company prior to the rights issue); P represents the Grant Price after the adjustment.

3. *C*

$$P = P_0 \div n$$

Where: P_0 represents the Grant Price prior to the adjustment; n represents the ratio of consolidation of shares; P represents the Grant Price after the adjustment.

4. *D*

$$P = P_0 - V$$

Where: P_0 represents the Grant Price prior to the adjustment; V represents the dividend per share; and P represents the Grant Price after the adjustment. After the adjustment of dividend distribution, P shall still be greater than 1.

5. *N I*

In the event of issue of new shares by the Company, the Exercise Price of the Restricted Shares will not be adjusted.

III. Adjustment Procedures for the Number, Grant Price of the Incentive Scheme

In any of the foregoing events, the Board of Directors of the Company shall consider a motion to adjust the number and the grant price of the Restricted Shares. The Company shall engage legal advisers to provide professional opinions to the Board of Directors on whether the above adjustments comply with the requirements under the Administrative Measures, the Articles of Association and the Incentive Scheme. After the motion is considered and approved at the meeting of Board of Directors, the Company shall timely announce the resolution of the Board of Directors, and meanwhile publish the opinions of the law firm.

Chapter 10 Accounting Treatment of Restricted Shares

According to the requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments, on each balance sheet date during the Lock-up Period, the Company shall revise the number of Restricted Shares expected to be unlocked with reference to the changes in the latest available number of persons eligible to unlock the Restricted Shares and the completion status of performance indicators, and recognize the services obtained in the current period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares as of the Grant Date.

I. Accounting Treatment

1. Grant Date

Bank deposits, share capital, capital reserve, treasury shares and other payables are recognised according to the grant of Shares by the Company to the Participants.

2. Employee Services during Lock-up Period

According to the requirements of the accounting standards, on each balance sheet date within the Lock-up Period, the services provided by employees shall be included in the costs and expenses, and the owner’s equity or liabilities shall also be recognized.

3. Unlocking Date

On the unlocking date, Shares can be unlocked if the Unlocking Conditions are met; if all or part of Shares are not unlocked and thus become invalid or void, they shall be dealt with in accordance with the accounting standards and relevant regulations.

4. Fair Value of Restricted Shares on Measurement Date

According to the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company measures the fair value of the Restricted Shares based on the market price. On the measurement date, the fair value of share-based payment per Restricted Share = the market price of Shares of the Company – the Grant Price, which is RMB39.84 per share.

II. Expected Impact of the Implementation of the Restricted Shares on the Operating Results for Each Period

The total expenses to be recognized for the grant of 1,400,600 Restricted Shares by the Company is expected to be RMB55,799,900, which shall be borne by the Company in proportion to each unlocking during the Lock-up Period of the Restricted Share Incentive Scheme, and the capital reserve will be increased accordingly. Assuming the Grant Date being early November 2022, the amortization of the cost of the Restricted Shares from 2022 to 2025 is estimated as follows:

Number of Restricted Shares (0'000)	Total Expenses subject to Amortisation (RMB0'000)	2022	2023	2024	2025
		(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)
140.06	5,579.99	666.50	3,533.99	1,069.50	310.00

Notes:

- (1) The above results do not represent the final accounting cost. The actual accounting costs are not only related to the actual Grant Date, the Grant Price and the number of grants, but also related to the actual number of effective and lapsed grants. Shareholders are also reminded of the potential dilution effect.
- (2) The final results of the above impact on the operating results of the Company shall be subject to the annual audit report issued by the accounting firm.

Based on the current information, the Company preliminarily estimates that, without taking into account the stimulation effects of the Incentive Scheme on the Company's performance, the amortization of the expenses of the Restricted Shares will have an impact on the net profit of each year during the Validity Period, but the impact is not significant. Taking into account the positive impact of the Restricted Share Incentive Scheme on the development of the Company, which will stimulate the enthusiasm of the core team, improve the operating efficiency and reduce the agency costs, the impact of the improvement in the Company's performance brought by the Incentive Scheme will be much higher than that of the increase in the expenses arising therefrom.

Chapter 11 Procedures for Implementing the Restricted Share Incentive Scheme

I. Procedures for the Restricted Share Incentive Scheme to Take Effect

- (1) The Remuneration Committee is responsible for drafting the Incentive Scheme.
- (2) The Board of Directors shall resolve on this Incentive Scheme lawfully. When the Board of Directors is considering this Incentive Scheme, the Directors who are Participants of this Scheme or who are associated with this Scheme shall abstain from voting. After resolution, announcement and publication of the

resolution, the Board of Directors shall submit the Incentive Scheme to the General Meeting, the A Shares Class Meeting and the H Share Class Meeting for consideration; meanwhile, the Board of Directors shall apply with the General Meeting, the A Shares Class Meeting and the H Share Class Meeting for the authority of granting, adjusting, unlocking, repurchasing and de-registration of Restricted Shares. If the grant is made to any Directors, Supervisors or other connected persons under the Hong Kong Listing Rules, the Company shall comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A and Chapter 17 of the Hong Kong Listing Rules as in force and applicable from time to time.

- (3) Independent Directors and the Board of Supervisors shall issue opinions on whether this Incentive Scheme will be conducive to the sustainable development of the Company, and whether there will be any apparent prejudice to the interests of the Company and all shareholders. The Company will engage an independent financial adviser to issue professional opinions on whether this Incentive Scheme is feasible, whether it is conducive to the sustainable development of the Company, and whether it will impair the interests of the Company and its shareholders.
- (4) The Company shall internally publish the names and the positions of the Participants before the General Meeting, the A Shares Class Meeting and the H Share Class Meeting are convened through its website or other channels for a period of no less than 10 days. The Board of Supervisors shall review the list of Participants and take sufficient consideration of the public response. The Company shall disclose the information regarding the review by the Board of Supervisors regarding the list of Participants and the publication responses 5 days prior to the consideration of the Incentive Scheme at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting. The Company shall carry out self-investigation on the trading of shares and derivatives of the Company by individuals in possession of inside information within 6 months prior to the announcement of the Incentive Scheme.
- (5) The Incentive Scheme can only be implemented after being considered and adopted at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting of the Company. When the General Meeting, the A Shares Class Meeting and the H Share Class Meeting of the Company is convened to vote on the Incentive Scheme, the independent directors shall solicit proxy voting rights from all shareholders regarding the Incentive Scheme. At the General Meeting, the A Shares Class Meeting and the H Share Class Meeting, it is required to vote on the content of the Incentive Scheme under Article 9 of the Administrative Measures, and the Share Option Incentive Scheme shall be passed by more than 2/3 of the voting rights held by the shareholders present at the meeting. Except for the directors, supervisors and senior management of the Company, as well as the shareholders individually or in aggregate holding more than 5% of the Company's shares, the voting by other shareholders shall be separately counted and disclosed.

When the Incentive Scheme is considered at the Company's general meeting, the A Shares Class Meeting and the H Share Class Meeting, shareholders who are Participants or shareholders who are connected with the Participants shall abstain from voting thereon.

- (6) After the Incentive Scheme has been considered and approved at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting of the Company, upon the conditions for grant are satisfied under this Incentive Scheme, the Company shall grant the Restricted Shares to the Participants within specified time. The Board of Directors shall exercise the grant, adjustment, unlocking, repurchase and cancellation, among other matters, in relation to the Restricted Shares, according to the authorisation of the General Meeting, the A Shares Class Meeting and the H Share Class Meeting.

II. Procedures for Grant of the Restricted Shares

- (1) Upon consideration and approval of the Incentive Scheme at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting, the Company shall sign an Agreement on the Grant of the Restricted Shares with the Participants in order to define their respective rights and obligations.
- (2) The Board of Directors shall consider and announce whether the conditions of a grant to a Participant as set out in the Stock Option Incentive Scheme have been satisfied before the Company makes a grant of share to such Participant. The Independent Directors and the Board of Directors shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the grant of shares to the Participants are fulfilled or not.
- (3) The Board of Supervisors of the Company shall verify the list of Participants on the Grant Dates and issue their views on such verification.
- (4) If there is any discrepancy between the grant of the shares to the Participants and the arrangement of the Incentive Scheme, the independent directors, the Board of Supervisors (in case of change of the Participants), the law firm and the independent financial adviser shall all express their views explicitly at the same time.
- (5) The Company shall make the grant of Restricted Shares to the Participants and complete the announcement and registration procedures within 60 days after the equity incentive scheme is considered and approved at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting. The Board of Directors of the Company shall disclose the announcement of the implementation status of the Restricted Shares granted in a timely manner after the registration of the grant is completed. In the event the Company fails to complete the procedures mentioned above within such 60 days, the Scheme shall be terminated, and the Board of Directors shall disclose the reason for such failure timely and shall not be allowed to consider the Incentive Scheme

within the following three months (the period in which listed companies are not allowed to grant Equity in accordance with the Administrative Measures and Chapter 17 of Hong Kong Listing Rules shall not included in such 60 days).

- (6) Where the Company's directors and senior management, as the Participants, have reduced their shareholding in the Company within 6 months before the grant of Restricted Shares and there is no trading with insider information after inspection, the Company may postpone the grant of Restricted Shares to them until 6 months after the date of the last shareholding reduction transaction with reference to the provisions of short-swing trading in the Securities Law.
- (7) The Company shall make an application to the Stock Exchange first before any Restricted Shares are granted, and the Securities Depository and Clearing Institution will conduct registration procedure thereof upon confirmation by such stock exchange.

III. Procedures for Unlocking of the Restricted Shares

- (1) The Company shall confirm whether the Participants satisfy the Unlocking Conditions before the unlocking date. The Board of Directors shall consider whether the Unlocking Conditions as set out in the Scheme have been satisfied. The independent directors and the Board of Supervisors shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the unlocking by the Participants are fulfilled or not. For the Participants who satisfy the Unlocking Conditions, the Company shall handle the unlocking at its discretion, and for the Participants who fail to satisfy the Unlocking Conditions, the Company will repurchase and cancel the Restricted Shares corresponding to the unlocking this time. The Company shall disclose the implementation thereof timely by way of announcement.
- (2) A participant may transfer the unlocked Restricted Shares, but the transfer of shares held by the directors and senior management of the Company shall be in compliance with the requirements of relevant laws, regulations and regulatory documents.
- (3) Before the unlocking of Restricted Shares of the Participants, the Company shall apply to the stock exchange. Upon confirmation by the stock exchange, the Securities Depository and Clearing Institution will handle the relevant registration and clearing matter.

IV. Procedures for the Amendment of the Incentive Scheme

- (1) If the Company intends to amend the Incentive Scheme before it is considered at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting, such amendment shall be considered and approved by the Board of Directors.

- (2) If the Company intends to amend the Incentive Scheme after it is considered and approved at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting, such amendment shall be considered and determined at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting, and the amendment shall not lead to the following circumstances:
1. An early unlocking.
 2. A reduction of the Grant Price.
 3. The independent directors and the Board of Supervisors shall give independent opinions on whether the amended scheme is beneficial to the sustainable development of the listed company and whether there is any apparent prejudice to the interests of the Company and all Shareholders.
 4. The law firm shall give professional opinions on whether the amended Scheme complies with the requirements of the Administrative Measures and relevant laws and regulations and whether there is any apparent prejudice to the interests of the Company and all Shareholders.

V. Procedures for Termination of the Incentive Scheme

- (1) Where the Company intends to terminate the implementation of the Incentive Scheme before it is considered at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting, the termination shall be considered and approved by the Board of Directors.
- (2) Where the Company terminates the Incentive Scheme after the Incentive Scheme is considered and approved at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting, the termination shall be considered and approved at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting.

Chapter 12 Respective Rights and Obligations of the Company/Participants

I. Rights and Obligations of the Company

- (1) The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of the Participants based on the requirements under the Incentive Scheme. If a Participant fails to fulfill the Unlocking Conditions required under the Incentive Scheme, the Company will repurchase and cancel the Restricted Shares which have not been unlocked by the Participants, in accordance with the principles under the Incentive Scheme.

- (2) The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Incentive Scheme.
- (3) The Company shall discharge its obligations in a timely manner in relation to reporting and information disclosure under this Incentive Scheme in accordance with the relevant requirements.
- (4) The Company shall actively support the Participants who have fulfilled the Unlocking Conditions to unlock the Restricted Shares in accordance with the relevant requirements including those of this Incentive Scheme, the CSRC, the Stock Exchanges, China Securities Depository and Clearing Corporation Limited. However, the Company disclaims any liability for losses incurred by the Participants who fail to unlock the Restricted Shares at their own will due to reasons caused by the CSRC, the Stock Exchanges, and China Securities Depository and Clearing Corporation Limited.
- (5) The Company shall withhold and pay the personal income tax and other taxes and fees payable by the Participants in accordance with relevant national tax laws and regulations.
- (6) The Company confirms that the eligibility of the Participants under the Incentive Scheme does not represent the right of such Participants to continue to serve the Company and does not constitute a commitment of employment for a fixed term by the Company. The employment relationship between the Company and the Participants is still governed by the employment contract between the parties.
- (7) Other relevant rights and obligations as stipulated under the laws and regulations.

II. Rights and Obligations of the Participants

- (1) A participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (2) The Participants shall lock-up and deal with his/her Restricted Shares in accordance with relevant provisions.
- (3) Source of funds of the Participants shall be self-raised, legal funds of the Participants.
- (4) The Restricted Shares shall not be transferred or used as guarantee or for repayment of debt before unlocking of the Restricted Shares.

- (5) Restricted Shares granted to the Participants shall, upon registration by the Securities Depository and Clearing Institution, enjoy the rights of such shares, including but not limited to the right to dividends and options on such shares. However, during the Lock-up Period, the stock dividends, capitalisation issue, rights issue and shares placed to original shareholders during the additional issue shall not be sold in the secondary market or transferred by other means. The deadline for the Lock-up Period of such shares is the same as that of the Restricted Shares.
- (6) When the Company distributes cash dividends, the Participants shall enjoy the cash dividends due to his/her Restricted Shares after withholding and remitting the personal income tax, which shall be collected by the Company in principle and shall be returned to the Participants when the Restricted Shares are unlocked. If the Participants fail to unlock such part of Restricted Shares, the Company will take back corresponding cash dividend and make corresponding accounting treatment.
- (7) The income received by the Participants as a result of the Incentive Scheme shall be subject to personal income tax and other taxes and fees in accordance with national tax regulations.
- (8) The Participants undertake that, in the course of the implementation of the Incentive Scheme, upon the occurrence of any circumstance specified in the Incentive Scheme that prevents him/her from becoming a Participant, he/she will give up the right to participate in the Scheme starting from the year he/she cannot become a Participant and he/she shall not claim against the Company for any compensation; however, the Restricted Shares for which the Participant can apply for unlocking will continue to be valid, and the Restricted Shares that have not been confirmed to apply for unlocking will be repurchased by the Company at the Grant Price for cancellation.
- (9) The Participants undertake, where false representations or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of the entitlements, the Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it is confirmed that there are false representations or misleading statements in or material omissions from the relevant information disclosure documents of the Company.
- (10) Upon consideration and approval of the Incentive Scheme at the general meeting, the A Shares Class Meeting and the H Share Class Meeting of the Company, the Company will sign an Agreement on the Grant of each participant in order to define their respective rights and obligations under the Incentive Scheme and other relevant matters.

- (11) Other relevant rights and obligations as stipulated under the laws and regulations and this Incentive Scheme.

Chapter 13 Handling of Unusual Changes to the Company/Participants

I. Handling of Unusual Changes to the Company

- (1) Upon occurrence of any one of the following circumstances to the Company, the implementation of the Incentive Scheme shall terminate and all Restricted Shares granted to the Participants under the Incentive Scheme but not yet unlocked shall be repurchased at the Grant Price and cancelled by the Company:
1. the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the previous accounting year;
 2. the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control of the financial report for the previous accounting year;
 3. the Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months immediately following the listing;
 4. the implementation of share incentive schemes is prohibited by laws and regulations;
 5. Other circumstances as determined by the CSRC.
- (2) Upon the occurrence of any of the following circumstances to the Company, the Incentive Scheme shall be implemented in full accordance with the relevant regulations in effect prior to the occurrence of such circumstance:
1. Change in control of the Company;
 2. Merger and spin-off of the Company.
- (3) Where there are false representations or misleading statements contained in, or material omissions from the disclosure documents of the Company and as a result of which the conditions of grant or arrangements for unlocking are not met, the Restricted Shares not yet unlocked shall be repurchased by the Company on a unified basis. In respect of the Restricted Shares granted to the Participants which have been unlocked, all Participants concerned shall return to the Company all entitlements granted.

The Board of Directors shall recover the income received by the Participants in accordance with the aforesaid provisions and the relevant arrangements under the Incentive Scheme.

II. Change in Personal Circumstances of the Participants

- (1) Where a Participant has a normal job adjustment, and still works in the Company and its subsidiaries, matters in relation to the Restricted Shares granted to such Participant shall be implemented in accordance with the provisions of the Incentive Scheme before the job adjustment. On the other hand, in case an Participant has a job position change for causing damages to the interest or reputation of the Company because he/she is not competent at his/her job, is in violation of laws, is in contrary to professional ethics, caused leakage of confidential information of the Company, fails to discharge his/her duties or has willful misconduct and is in material violation of the regulations of the Company, or the Company terminates his/her employment contract for any of the above reasons, the Restricted Shares granted to the Participants but not yet unlocked shall be repurchased at the Grant Price and cancelled by the Company in accordance with the provisions of the Incentive Scheme.
- (2) Where a Participant loses eligibility to participate in the Incentive Scheme due to occurrence of one of the following circumstances, the Restricted Shares of the Participant that have been unlocked shall continue to be valid and the Restricted Shares granted to the Participants under the Incentive Scheme but not yet unlocked shall be repurchased at the Grant Price and cancelled by the Company:
 1. He/she has been identified as an inappropriate candidate by the Stock Exchanges within the previous 12 months;
 2. He/she has been identified as an inappropriate candidate by the CSRC and its agencies within the previous 12 months;
 3. He/she has been subject to administrative punishment or market ban measures by the CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;
 4. He/she is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
 5. He/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
 6. Other circumstances as determined by the CSRC.
- (3) If the Participant vacates his position due to resignation, layoff or expiration of the labor contract, the Restricted Shares granted to the Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company at the Grant Price.

- (4) If the Participant vacates his position and no longer employed by the Company due to retirement, the Restricted Shares granted to the Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company at the Grant Price. Where the Participant is reemployed by the Company after retirement and the reemployed position remains within the scope of incentive, the Restricted Shares granted to him/her under the Incentive Scheme shall continue to be implemented in accordance with the procedures set forth in this Incentive Scheme.
- (5) If the Participant vacates his position due to loss of labour capacity, it shall be treated depending on the following two circumstances:
 1. If the Participant vacates his position due to loss of labour capacity which is caused by the performance of duties, the Restricted Shares granted to such Participant shall be implemented in accordance with the procedures set forth in this Incentive Scheme prior to the loss of his/her labor capacity, and his/her individual performance appraisal results shall no longer be included in the conditions for unlocking;
 2. If the Participant vacates his position due to loss of labour capacity which is not caused by the performance of duties, the Restricted Shares granted to the Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company at the Grant Price.
- (6) The death of a Participant shall be treated depending on the following two circumstances:
 1. If the Participant dies as a result of performance of his/her duties, the Restricted Shares granted to the Participant shall be held by the designated heir or legal heir on his/her behalf, the Restricted Shares that are granted but not yet unlocked shall be processed in accordance with the procedures set forth in this Incentive Scheme prior to the death, and his/her individual performance appraisal results shall no longer be included in the conditions for unlocking;
 2. If the Participant dies for any other reasons, the Restricted Shares granted to the Participant but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company at the Grant Price.
- (7) Other circumstances not specified herein and the treatment of such circumstances shall be determined by the Board of Directors.

Chapter 14 Settlement of Disputes between the Company and the Participants

Any dispute arising out of the implementation of the Incentive Scheme and/or the share incentive agreement signed by the Company and the Participants or any dispute in relation to the Incentive Scheme and/or the share incentive agreement shall be settled by negotiation and communication between the parties or through mediation conducted by the remuneration committee of the Board of the Company. If relevant disputes fail to be settled through the above-mentioned methods within 60 days from the date of occurrence of the disputes, either party is entitled to file a lawsuit with the people's court with jurisdiction in the place where the Company is located.

Chapter 15 Principles for Repurchase and Cancellation of Restricted Shares

Where the Company repurchases and cancels Restricted Shares in accordance with the provisions of this Incentive Scheme, the repurchase price shall be the Grant Price, unless the repurchase price is subject to adjustment under this Incentive Scheme.

In the event of any capitalisation issue, bonus issue, sub-division of shares, rights issue or consolidation of shares of the Company after the registration of Restricted Shares granted to the Participants, the Company shall adjust the repurchase price and the number of repurchased Restricted Shares that have not yet been unlocked accordingly.

I. Methods for Adjustment of the Repurchase Price

1. *C* /

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

Where: P represents the repurchase price of each Restricted Share after the adjustment; P₀ represents the Grant Price of each Restricted Share; n represents the ratio of conversion of capital reserve into share capital, bonus issue or share split (i.e., increase in the number of Shares for each Share held upon conversion of capital reserve into share capital, bonus issue or share split).

2. *R* /

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

Where: P represents the repurchase price of each Restricted Share after the adjustment; P₀ represents the Grant Price of each Restricted Share; P₁ represents the closing price on the date of share registration; P₂ represents the price of the rights issue; n represents the ratio of the rights issue (i.e., the ratio of the number of Shares issued under the rights issue to the Company's total share capital before the rights issue).

3. *C*

$$P = P_0 \div n$$

Where: P represents the repurchase price of each Restricted Share after the adjustment; P₀ represents the Grant Price of each Restricted Share; n represents the share consolidation ratio (i.e., 1 Share will be consolidated into n Shares).

4. *D*

$$P = P_0 - V$$

Where: P₀ represents the repurchase price of each Restricted Share before the adjustment; V represents the dividend per Share; P represents the repurchase price of each Restricted Shares after the adjustment. After the adjustment of dividend distribution, P shall still be greater than 1.

II. Method for adjustment of repurchase volume

1. *C*

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

Where: Q₀ represents the number of the Restricted Shares before the adjustment; n represents the ratio of increase per share resulting from capitalisation issue, bonus issue and sub-division of shares (i.e. the number of increased share(s) per share upon capitalisation of capital reserve, bonus issue or subdivision of shares); Q represents the adjusted number of the Restricted Shares.

2. *R* /

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

Where: Q₀ represents the number of the Restricted Shares before the adjustment; P₁ represents the closing price as of the record date; P₂ represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); Q represents the adjusted number of the Restricted Shares.

3. **C. Consolidation of Restricted Shares**

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of the Restricted Shares before the adjustment; n represents the ratio of consolidation of shares (i.e. one share shall be consolidated into n shares); Q represents the adjusted number of the Restricted Shares.

4. **D. Issue of New Shares**

In the event of issue of new shares by the Company, the number of the Restricted Shares will not be adjusted.

III. Procedures for adjustment of repurchase price and volume

1. The Board shall be authorized at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting to adjust the repurchase price and volume of Restricted Shares based on the reasons listed above. After the adjustment according to the above provisions by the Board, an announcement shall be made in a timely manner.
2. Where there is a need to adjust the repurchase price or quantity of Restricted Shares for other reasons, a resolution shall be made by the Board, and then the matter shall be considered and approved at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting.

IV. Procedures of repurchase

The Company shall promptly convene a Board meeting to consider the repurchase adjustment plan to be carried out in line with the above provisions, and shall submit the repurchase plan to the general meeting and class meeting for approval in line with the provisions of the Incentive Scheme, and announce in a timely manner. A law firm shall give professional advices as to whether the repurchase plan is in compliance with the laws, administrative regulations, the provisions of the Administrative Measures and the arrangements of the Share Incentive Scheme.

When the Company carries out the repurchase in accordance with the provisions of this Incentive Scheme, it shall apply to the stock exchange for the unlocking of such Restricted Shares, and upon confirmation by the stock exchange, the registration and settlement matters shall be handled by the securities registration and settlement organization.

Chapter 16 Supplementary Provisions

- I. The Incentive Scheme shall become effective after being considered and approved at the General Meeting, the A Shares Class Meeting and the H Share Class Meeting of the Company.
- II. The Board of Directors of the Company shall be responsible for the interpretation of the Incentive Scheme.
- III. In

**APPENDIX II THE ASSESSMENT ADMINISTRATIVE MEASURES
ON THE IMPLEMENTATION OF THE
2022 RESTRICTED A SHARE INCENTIVE SCHEME**

These measures have been formulated in accordance with the relevant laws and regulations of the state and the actual situation of the Company to ensure the smooth progress of the Company's share incentive scheme, further improve the corporate governance structure, form a well-balanced value distribution system, and motivate the key technical (business) personnel of the Company (including controlled subsidiaries) to work diligently and in good faith, promote steady growth of the Company's results and ensure the accomplishment of the development strategies and business objectives of the Company.

I. PURPOSES OF THE ASSESSMENT

It aims to further improve the corporate governance structure of the Company, establish and improve the incentive and restraint mechanism, ensure the smooth implementation of the Stock Option Incentive Scheme, and give full play to the role of share incentives, so as to ensure the realization of the Company's development strategies and business objectives.

II. PRINCIPLES OF THE ASSESSMENT

The assessment shall be conducted in strict accordance with these measures and the performance of the assessment targets by adhering to the principles of fairness, openness and equity, so as to realize the close combination of the Share Incentive Scheme with the work performance and contribution of the Participants, improve the management performance and maximize the interests of the Company and all shareholders.

III. SCOPE OF THE ASSESSMENT

These Measures are applicable to all Participants of the Company's current Restricted Share Incentive Scheme of A Shares, including the directors, senior management and key technical (business) personnel of the Company (including controlled subsidiaries).

IV. ASSESSMENT INSTITUTION

The Remuneration and Appraisal Committee under the Board of Directors of the Company shall be responsible for leading and organizing the assessment work, and shall be responsible for the assessment of the Participants.

V. INDICATORS AND STANDARDS OF THE PERFORMANCE APPRAISAL

1. Performance Appraisal Requirements of the Company

The Restricted Shares granted under the Scheme are subject to annual performance evaluation and unlock in the next three accounting years, with the achievement of the performance evaluation target as one of the conditions of unlock for the Participants.

**APPENDIX II THE ASSESSMENT ADMINISTRATIVE MEASURES
ON THE IMPLEMENTATION OF THE
2022 RESTRICTED A SHARE INCENTIVE SCHEME**

The annual performance appraisal targets of the Restricted Shares are set out in the table below:

Exercise/Unlocking Period	Performance Appraisal Targets
Restricted Shares First Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2022 shall not be less than 35.00%;
Restricted Shares Second Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2023 shall not be less than 82.25%;
Restricted Shares Third Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2024 shall not be less than 146.04%.

If the Company fails to achieve the above performance appraisal targets, all the Restricted Shares that are eligible to be unlocked in relevant appraisal year shall not be unlocked and shall be repurchased at the Grant Price and cancelled by the Company.

2. Performance Appraisal Requirements of Individual Participants

The Remuneration and Appraisal Committee will score the comprehensive assessment of each assessment year on the Participants and determine the proportion of unlocking based on the performance completion ratio of the Participants. The actual unlocking amount of the Participants for the current year = the unlocking ratio at individual level × the planned unlocking amount of the Participants for the current year.

The performance appraisal results of the Participants are divided into five grades, namely A, B, B-, C and D, and the Assessment Form is applicable to the assessment targets. The unlocking ratio of the Participants shall be determined according to the following table:

Appraisal Results	A	B	B-	C	D
Proportion of exercise/unlocking	100%		50%		0%

The Restricted Shares which cannot be unlocked for the current year shall be repurchased at the Grant Price and cancelled by the Company.

**APPENDIX II THE ASSESSMENT ADMINISTRATIVE MEASURES
ON THE IMPLEMENTATION OF THE
2022 RESTRICTED A SHARE INCENTIVE SCHEME**

VI. DURATION AND FREQUENCY OF ASSESSMENT

1. Duration of the Assessment

The assessment years for this Restricted Share Incentive Scheme of A Shares would be 2022, 2023, 2024.

2. Frequency of Assessment

Once a year in the unlocking period of the Restricted Shares.

VII. UNLOCKING

1. The Remuneration and Appraisal Committee of the Board shall determine the unlocking qualifications and the number of Shares to be unlocked for the Participants based on the performance appraisal report.
2. The performance appraisal result shall be used as the basis for unlock of Restricted Shares.

VIII. APPRAISAL PROCEDURES

The Company's Human Resources Department shall be responsible for the specific assessment work under the guidance of the Remuneration and Appraisal Committee of the Board of Directors, and shall keep records of the assessment results to formulate a performance appraisal report based on the results and submit the same to the Remuneration and Appraisal Committee of the Board of Directors.

IX. FEEDBACK AND APPLICATION OF THE ASSESSMENT RESULTS

1. Every appraisee shall have the right to be informed of his/her assessment results. The Remuneration and Appraisal Committee of the Board of Directors shall inform the appraisee of the assessment results within five working days from completion of the assessment;
2. In the event that the appraisee has objection to the assessment results, he/she may appeal to the Remuneration and Appraisal Committee of the Board of Directors within five working days from receipt of the assessment results notice. The Remuneration and Appraisal Committee may review the assessment results according to the actual circumstances and revise the assessment results based on the result of the review;
3. The appraisal result shall be used as the basis for unlock of Restricted Shares.

**APPENDIX II THE ASSESSMENT ADMINISTRATIVE MEASURES
ON THE IMPLEMENTATION OF THE
2022 RESTRICTED A SHARE INCENTIVE SCHEME**

X. FILINGS OF THE ASSESSMENT RESULTS

1. After the assessment, the Human Resources Department shall keep all appraisal records of the performance appraisal.
2. To ensure the effectiveness of the performance incentives, the appraisal records are not allowed to be altered. Any further amendment or new record shall be signed by the parties concerned.
3. The results of the performance appraisal will be filed and stored as confidential information, and the Human Resources Department shall be responsible for the unified destruction thereof three years from the termination of the Scheme.

XI. SUPPLEMENTARY PROVISIONS

1. These Measures shall be formulated, interpreted and revised by the Board.
2. These Measures shall be implemented upon the consideration and approval by the general meeting of the Company and after the Stock Option Incentive Scheme takes effect.

Board of Directors of
Joynn Laboratories (China) Co., Ltd.

15 August 2022

STATEMENT

The Company and all members of its Board of Directors undertake that the content of this Employee Stock Ownership Plan is true, accurate and complete, and without false representations, misleading statements or material omissions.

RISK WARNING

1. The 2022 A Share Employee Stock Ownership Plan (“**the Employee Stock Ownership Plan**”) of Joynn Laboratories (China) Co., Ltd. (“**Joynn**” or the “**Company**”) will not be implemented until approved by the general meeting of the Company. It is uncertain whether the Employee Stock Ownership Plan can be approved by the general meeting of the Company.
2. The detailed source of funds, proportion of contribution and implementation plan of the Employee Stock Ownership Plan are preliminarily results. It is uncertain as to whether the implementation can be completed.
3. Employees shall abide by the principles of legal compliance, voluntary participation and voluntary risk undertaking. It is uncertain as to whether the Employee Stock Ownership Plan will be established.
4. The Company will subsequently disclose relevant progress in accordance with regulations, and Investors are advised to exercise caution when making decision and pay attention to investment risks.

SPECIAL NOTICE

The abbreviated terms in this section part of have the same meaning as defined in the “Definitions”.

1. The Employee Stock Ownership Plan is formulated in accordance with the requirements of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, SSE Listing Rules, Hong Kong Listing Rules, and the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies, relevant laws, administrative regulations, rules, regulatory documents, and the Articles of Association.
2. The Employee Stock Ownership Plan follows the principles of discretionary decision of the Company and voluntary participation of employees without apportionment, mandatory distribution or other circumstances in which employees are forced to participate in the Employee Stock Ownership Plan.
3. The participants of the Employee Stock Ownership Plan shall include supervisors, senior management and key technical (business) personnel of the Company. The total number of participants in the Employee Stock Ownership Plan shall not exceed 20, including 4 supervisors and senior management. The specific number of participants is determined based on the actual payment made by the employees.
4. The source of funds for the Employee Stock Ownership Plan shall be the legal remuneration of employees, self-raised funds and other methods permitted by laws and regulations. The Company will not provide advances, guarantees, loans and other financial assistance to the Holders.
5. The source of shares under the Employee Stock Ownership Plan is the A shares repurchased through the Company’s Special Account for Repurchase. The Employee Stock Ownership Plan is passed at the General Meeting of the Company, which contemplates to receive the A shares to be repurchased by the Company into the non-transfer accounts or other means permitted by laws and regulations, the total number of A shares to be received shall not exceed 124,000 shares, or 0.023% of the total share capital of the Company at present. The specific number of shares to be held is dependent on the actual contribution amount of employee, and the Company is liable for timely disclosure of such information as required.
6. After implementation of the Employee Stock Ownership Plan, the cumulative number of all shares held by all effective employee stock ownership plans of the Company shall not exceed 10% of the total share capital of the Company, while the cumulative number of all shares owned by an individual employee shall not exceed 1% of the total share capital of the Company. The number of underlying shares shall not include the shares acquired by the Holder before

the initial public offering and listing of shares of the Company and through material asset restructuring, shares purchased through the secondary market and shares acquired through share incentives.

7. Under the Employee Stock Ownership Plan, the shares shall be repurchased at RMB39.87 per share, i.e. 50% of the average trading price on the trading day prior to the announcement of the draft of this Employee Stock Ownership Plan.
8. The term of the Employee Stock Ownership Plan is 48 months, commencing from the date on which the last transfer of underlying shares to the Employee Stock Ownership Plan, as announced by the Company. The underlying shares hereunder shall be unlocked 12 months, 24 months, and 36 months respectively after such date with the longest lock-up period being 36 months, and the unlocking ratio being 50%, 30% and 20% respectively, and the specific unlocking ratio of each year shall depend on the Company's operating results and Holders' appraisal results.
9. During the term, the Employee Stock Ownership Plan will be managed by the Company on its own. A Management Committee shall be set up to exercise all the rights on behalf of shareholders hereunder, other than the voting right, and to take charge of the ordinary course of the Plan.
10. Prior to the implementation of the Employee Stock Ownership Plan, the Company has taken full consideration of the opinions from employees through the Workers' Congress or the Trade Union Committee. After the Board of Directors has considered and approved the Employee Stock Ownership Plan, the Company will issue the notice of General Meeting, and the Plan can be implemented only when it is considered and approved by the General Meeting. The General Meeting that considers the Employee Stock Ownership Plan will take place and adopt the combination of on-site voting and online voting. The Company will enable shareholders to vote online through the Shanghai Stock Exchange trading system and the Internet voting system in the voting hours.
11. The matters such as finance, accounting treatment and respective tax expenses that are in relation to the implementation of the Employee Stock Ownership Plan shall be carried out according to the relevant policies of finance, accounting and tax. Relevant taxes and fees payable regarding the implementation of the Employee Stock Ownership Plan shall be borne by the employees on their own.
12. After its implementation, the Employee Stock Ownership Plan will not cause the shareholding structure of the Company to become ineligible for listing.

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DEFINITIONS

In this draft plan, unless the context requires otherwise, the following expressions specifically refer to the following meanings:

“Joinn” or the “Company”	:	Joinn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) and its subsidiaries
“Employee Stock Ownership Plan”	:	the 2022 A Share Employee Stock Ownership Plan of Joinn Laboratories (China) Co., Ltd.
“The Draft of the Employee Stock Ownership Plan, or the Draft of the Plan”	:	the 2022 A Share Employee Stock Ownership Plan of Joinn Laboratories (China) Co., Ltd. (Draft)
“Holder”	:	Employees of the Company who contribute funds to participate in the Employee Stock Ownership Plan
“Holders’ Meeting”	:	Meeting of Holders of the Employee Stock Ownership Plan
“Management Committee”	:	Management Committee of the Employee Stock Ownership Plan
“Administrative Measures for the Employee Stock Ownership Plan”	:	Administrative Measures for the 2022 A Share Employee Stock Ownership Plan of Joinn Laboratories (China) Co., Ltd
“Underlying Share”	:	A Share(s) of the Company to be granted under this Employee Stock Ownership Plan
“CSRC”	:	the China Securities Regulatory Commission
“SSE”	:	The Shanghai Stock Exchange
“SSE Listing Rules”	:	the Rules Governing the Listing of Securities on The Shanghai Stock Exchange
“Hong Kong Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Yuan, 10 thousand yuan and 100 million yuan”	:	Renminbi, Renminbi ten thousand, Renminbi one hundred million

“Company Law”	:	the Company Law of the People’s Republic of China
“Securities Law”	:	the Securities Law of the People’s Republic of China
“Guiding Opinions”	:	the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies
“Articles of Association”	:	the Articles of Association of Joynn Laboratories (China) Co., Ltd.

Number rounding may result in discrepancy between the total amount and the aggregated amount of the corresponding sub-items.

I. PURPOSES

The Draft of the Employee Stock Ownership Plan is formulated in accordance with the requirements under the Company Law, the Securities Law, the Guiding Opinions, and other laws, administrative rules, regulations, regulatory documents, and the Articles of Association.

The employees of the Company shall participate in the Employee Stock Ownership Plan on the basis of voluntary, lawful and compliance. The purposes of holding shares of the Company are to establish and improve the benefit-sharing mechanism for employees shareholders, improve the corporate governance level, enhance the cohesion of employees and corporate competitiveness, while effectively mobilizing the enthusiasm and creativity of employees, and promote the long-term, sustainable, and healthy development of the Company.

II. BASIC PRINCIPLES**(I) Legal compliance**

The Company implements the Plan and follows the procedures in strict compliance with the requirements under the laws and administrative rules, which require the Company to disclose true, accurate and complete information in a timely manner. No person is permitted to engage in insider trading, manipulation of the securities market, and other fraudulent actions through the Plan.

(II) Voluntary participation

The implementation of the Plan is subject to the discretionary decisions of the Company, and voluntary participation of the employees. The Company shall not force the employees to participate in the Plan in such forms as apportionment and mandatory distribution.

(III) Voluntary risk undertaking

The participants under the Plan will undertake their own risks for gains or losses, and their equity rights rank pari passu with those of other investors.

III. TARGET PARTICIPANTS AND DETERMINATION CRITERIA**(I) Legal Basis for Determining the Participants**

The Company shall determine the scope of participants according to the Company Law, the Securities Law, the Guiding Opinions and other relevant laws, regulations, regulatory documents and the relevant provisions of the Articles of Association. The employees of the Company shall participate in the Employee Stock Ownership Plan in accordance with the principles of legal compliance, voluntary participation and voluntary risk undertaking. All participants are required to work in the Company (including its controlled subsidiaries) and enter into labour contracts with the Company or its controlled subsidiaries.

(II) Position Basis for Determining the Participants

Participants of the Employee Stock Ownership Plan shall meet one of the following criteria:

1. supervisors and senior management of the Company;
2. key technical (business) personnel.

All participants are required to work in the Company (including its controlled subsidiaries) and enter into labour contracts with the Company or controlled subsidiaries.

(III) List of Holders and Allocation of Units under the Employee Stock Ownership Plan

The number of Shares to be subscribed for under the Employee Stock Ownership Plan shall not exceed 124,000 Shares, representing approximately 0.023% of the current total share capital of the Company. The specific units held by the Holders of the Employee Stock Ownership Plan shall be determined according to the actual payment made by the employees.

The total number of supervisors, senior management and key technical (business) personnel of the Company participating in the Employee Stock Ownership Plan shall not exceed 20, including 4 supervisors and senior management personnel participating in the Employee Stock Ownership Plan. The relationship between such personnel and the Employee Stock Ownership Plan does not constitute a concert party relationship.

The specific proportion of subscription is as follows:

No.	Holder	Maximum number of Shares to be subscribed (0'000 . . .)	Percentage of the Employee Stock Ownership Plan (%)
1	Yu Aishui, the Chief Financial Officer	1.10	8.87%
2	3 of our supervisors, namely Li Ye, Yin Lili, Sun Huiye, our Supervisors	3.00	24.19%
3	16 key technical (business) personnel	8.30	66.94%
Total but not exceed (20 persons)		<u>12.40</u>	<u>100.00%</u>

N. 1: The final subscription of Shares under the Employee Stock Ownership Plan by the participants shall be subject to the actual capital contribution. Where the subscription monies of the Holders are not paid on time and in full, the corresponding subscription rights will be automatically forfeited, and the subscription units proposed to be subscribed by such Holders may be subscribed by other qualified participants. The Management Committee of the Employee Stock Ownership Plan may adjust the list of participants and their subscription units based on the actual payment of the employees.

N. 2: After the implementation of the Employee Stock Ownership Plan, the total number of Shares held under all effective Employee Stock Ownership Plan in aggregate shall not exceed 10% of the total share capital of the Company, and the number of Underlying Shares corresponding to the units of the Employee Stock Ownership Plan held by any Holder shall not exceed 1% of the total share capital of the Company.

N. 3: Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

The lawyer engaged by the Company shall issue legal opinions on whether the qualifications of the Holders are in compliance with the "Company Law", "Securities Law", "Guiding Opinions" and other relevant laws and regulations, the "Articles of Association" and the "Employee Stock Ownership Plan (Draft)".

IV. SOURCE OF FUNDS, SOURCE OF SHARES, SIZE AND PRICE

(I) Source of the Underlying Shares involved in the Plan

Upon approval of the Draft of the Employee Stock Ownership Plan at the general meeting, no more than 124,000 Shares of the Company held in the special securities account for repurchase will be obtained through non-trading transfer or other ways permitted by laws and regulations. The Company convened the 29th meeting of the third session of the Board of Directors on September 21, 2021 to consider and approve the share repurchase plan (please refer to the relevant announcement of the Company on the designated information disclosure media for

other financial assistance to the Holders. The Employee Stock Ownership Plan does not involve any leveraged funds, and there is no arrangement for third parties to provide incentives, funding support, subsidies and makes up the balance for employees to participate in the Employee Stock Ownership Plan.

The Employee Stock Ownership Plan shall be subscribed in “units” at RMB1 each per unit, and the amount to be subscribed by the employees must be in whole units. The specific units held by the Holders of the Employee Stock Ownership Plan shall be determined according to the actual payment made by the employees.

(IV) Purchase Price and Pricing Basis of the Employee Stock Ownership Plan

The purchase price of the Underlying Shares to the Holders of the Employee Stock Ownership Plan shall be 50% of the average trading price of the Shares of the Company on the trading day preceding the date of announcement of the draft of this Employee Stock Ownership Plan, i.e. RMB39.87 per share.

The transfer price of the Employee Share Ownership is determined by the Company with reference to relevant policies and other cases of listed companies, taking into account factors such as the implementation effect of the Company’s historical share incentive scheme, the trend of the Company’s share price in recent years and the actual situation of the Company. The purpose of the above pricing method is to ensure the effectiveness of the Employee Stock Ownership Scheme, further stabilize and motivate the core team, and provide mechanism and talent guarantee for the long-term and stable development of the Company.

The pricing of the Employee Stock Ownership Plan has comprehensively considered the effectiveness of the plan and the impact of the Company’s share-based payment expenses, and reasonably determined the scope, unlocking time and number of Shares to be granted to the Participants, which follows the principle of matching incentives and constraints, and will not have a negative impact on the Company’s operation, reflecting the actual incentive needs of the Company and is reasonable.

During the period from the date of announcement of the Board resolution to the date of purchase of the repurchase shares under the Employee Stock Ownership Plan, the purchase price will be adjusted accordingly where there is any ex-right or ex-dividend event such as capitalisation of capital reserve, bonus issue and dividend distribution.

V. DURATION, LOCK-UP PERIOD AND PERFORMANCE APPRAISAL

(I) Term of the Employee Stock Ownership Plan

1. The term of the Employee Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the last transfer of the Underlying Shares to the Employee Stock Ownership Plan. The Employee Stock Ownership Plan will be terminated automatically upon the expiry of its term (if without extension), and it may be terminated earlier or extended subject to the approval of the Board. During the term, if all Shares under the Employee Stock Ownership Plan have been sold, the plan may be terminated earlier.
2. By 2 months prior to the expiry of the term of the Employee Stock Ownership Plan. If the Shares of the Company held have not been fully sold, the term of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holders' Meeting and submission to the Board for consideration and approval.
3. Where the Shares of the Company held by the Employee Stock Ownership Plan cannot be fully realized before the expiry of the effective period due to the suspension of trading of the Shares of the Company or short trading window period, the effective period of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holders' Meeting and submission to the Board for consideration and approval.
4. The Company shall disclose an indicative announcement six months prior to the expiry of the term of the Employee Stock Ownership Plan, stating the number of Shares held by the Employee Stock Ownership Plan which is about to expire and its percentage to the total share capital of the Company.
5. Upon the expiration of the term of the Employee Stock Ownership Plan, the Company shall disclose the number of Shares held by the expired Employee Stock Ownership Plan and its proportion to the total share capital of the Company, and the disposal arrangement after the expiration, and perform the corresponding review procedures and disclosure obligations in accordance with the Employee Stock Ownership Plan.

(II) Lock-up Period of the Employee Stock Ownership Plan and its Rationality and Compliance

1. The underlying shares acquired by the Employee Stock Ownership Plan through non-trading transfer or other ways permitted by laws and regulations shall be unlocked in three batches commencing from 12 months after the date of announcement of the transfer of the last batch of underlying shares to the Stock Ownership Plan. The lock-up period shall be up to 36 months. Details are as follows:

Time of unlocking for the first batch shall be: 12 months from the date of announcement of the transfer of the last batch of the underlying shares to the Employee Share Ownership Plan, and the number of Shares to be unlocked shall be 50% of the total number of the subject shares held by the Employee Share Ownership Plan;

Time of unlocking for the second batch shall be: 24 months from the date of announcement of the transfer of the last batch of the underlying shares to the Employee Share Ownership Plan, and the number of Shares to be unlocked shall be 30% of the total number of the subject shares held by the Employee Share Ownership Plan;

Time of unlocking for the third batch shall be: 36 months from the date of announcement of the transfer of the last batch of the underlying shares to the Employee Share Ownership Plan, and the number of Shares to be unlocked shall be 20% of the total number of the subject shares held by the Employee Share Ownership Plan.

The Shares derived from the Underlying Shares obtained under the Employee Stock Ownership Plan as a result of the distribution of share dividends, capitalisation of capital reserve by the listed company shall also be subject to the above lock-up arrangement.

2. Trading Restrictions of the Employee Stock Ownership Plan

The Employee Stock Ownership Plan will strictly comply with the market trading rules and observe the relevant requirements of the CSRC, the SSE and the Hong Kong Stock Exchange on stock trading. The Employee Stock Ownership Plan shall not trade the Shares of the Company during the following periods:

- (1) 60 days prior to the annual results announcement of the Company, 30 days prior to the half-year/quarterly results announcement and the date of announcement. Where the date of announcement of the regular report is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of announcement and end on the day prior to the announcement;
- (2) Within ten days prior to the announcement of results forecast and preliminary results;
- (3) From the date of occurrence of a major event that may have a significant impact on the trading price of the Shares of the Company and derivatives or the date of entering into the decision-making process, until the date of disclosure in accordance with the law;
- (4) Such other period as stipulated by the CSRC and the Stock Exchanges.

The lock-up period arrangement of the Employee Stock Ownership Plan reflects the long-term nature of the Employee Stock Ownership Plan, and at the same time, the Company has established strict performance appraisal and individual performance appraisal to prevent short-term interests and closely bundle the interests of shareholders and employees.

(III) Performance Appraisal of the Employee Stock Ownership Plan

1. Performance Appraisal at company level

After 12 months, 24 months and 36 months from the date on which the draft of the Employee Stock Ownership Plan is considered and approved at the general meeting of the Company and the Company announces that the last batch of the Underlying Shares is transferred to the Employee Stock Ownership Plan, the unlocking ratios will be determined according to the performance appraisal results for the corresponding assessment years, details of which are as follows:

Unlocking Arrangement	Performance Appraisal Targets	Corresponding Unlocking Ratio
First Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2022 shall not be less than 35.00%.	50%
Second Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2023 shall not be less than 82.25%.	30%
Third Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2024 shall not be less than 146.04%.	20%

Where the performance appraisal indicators of the Employee Stock Ownership Plan are not met, the Underlying Shares and interests shall not be unlocked and shall be recovered by the Employee Stock Ownership Plan Management Committee, and after disposal at an appropriate opportunity, the monies contributed shall be refunded to the Holder(s). Where there are still gains after the refund to the Holder(s), such gains shall belong to the Company.

2. Performance Appraisal at Individual Level

Where the performance appraisal at company level is up to standard, the Employee Stock Ownership Plan will conduct individual performance appraisal in accordance with the relevant system of the Company's performance appraisal, and determine the number of underlying shares finally unlocked by the Holders based on the individual performance appraisal results.

The performance appraisal results of the Holders are divided into five grades, namely A, B, B-, C and D, and the appraisal form is applicable to the Participants. The unlocking ratio shall be determined according to the following table:

Appraisal Results	A	B	B-	C	D
Unlocking ratio	100%		50%	0%	

Number of Underlying Shares to be unlocked in the current period = target number of underlying shares to be unlocked × unlocking ratio.

Where the number of Underlying Shares actually unlocked by a Holder is less than the target number to be unlocked, the Management Committee shall have the right to decide on the allocation of the Shares that do not meet the unlocking condition to other Holders, who shall meet the standards of Participants of the Employee Stock Ownership Plan. Where the allocation of such portion is not completed during the term of the Employee Stock Ownership Plan, the undistributed portion shall be disposed of at an appropriate opportunity during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the individual. Where there is still gains after the refund to the Holders, the gains shall belong to the Company.

VI. PARTICIPATION IN FINANCING ARRANGEMENTS OF THE COMPANY BY THE STOCK OWNERSHIP PLAN DURING THE TERM

During the term of this Employee Stock Ownership Plan, when the Company raises capital by way of share allotment, additional issuance, convertible bonds, etc., the Management Committee will submit to the Holders' Meeting and the Board of Directors for consideration of whether to participate and the specific plan of participation.

VII. MANAGEMENT MODEL OF THE EMPLOYEE STOCK OWNERSHIP PLAN

The Employee Stock Ownership Plan shall be managed by the Company itself.

The Holders' Meeting is the highest internal management authority of the Employee Stock Ownership Plan. The Holders' Meeting shall establish the Management Committee and authorize the Management Committee as the management body of the Employee Stock Ownership Plan to supervise the daily management of the Employee Stock Ownership Plan and exercise the other shareholders' rights other than voting rights on behalf of the Holders. The Administrative Measures on the Employee Stock Ownership Plan clearly stipulate the responsibilities of the Management Committee and take adequate risk prevention and isolation measures. The Board of the Company is responsible for drafting and amending the draft of the Plan and handling other relevant matters of the Plan within the scope authorized by the general meeting.

(I) Holders' Meeting

1. The employees of the Company become the Holders of the Plan after subscribing the share of the Employee Stock Ownership Plan. Holders' Meeting is the internal management authority of the Employee Stock Ownership Plan. All Holders are entitled to attend and vote at the Holders' Meeting in person or by proxy. The travel and accommodation expenses by the Holder and his/her proxy for attending the Holders' Meeting shall be borne by the Holder.
2. The following matters shall be considered and discussed at the Holders' Meeting:
 - (1) Appointment and removal of any members of the Management Committee;
 - (2) Amendment, termination and extension of the duration of the Employee Stock Ownership Plan;
 - (3) the Management Committee raises funds through placing of shares, issue of new shares, issue of convertible bonds or other financing methods during the term of the Employee Stock Ownership Plan, the Management Committee submits the Holders' Meeting to review whether to participate in such financing arrangements and the funding solution;
 - (4) Authorisation to the Management Committee to supervise the daily management of the Employee Stock Ownership Plan;
 - (5) Authorisation to the Management Committee to exercise the shareholders' rights other than voting rights;
 - (6) Authorize the Management Committee to be responsible for the liquidation and property distribution of the Employee Stock Ownership Plan;
 - (7) Other matters that are considered as necessary by the Management Committee for consideration at the Holders' Meeting.
3. The first Holders' Meeting shall be called and presided over by the secretary to the Board of the Company or his authorized person, and subsequent Holders' Meetings shall be called by the Management Committee and presided over by the director of the Management

Committee. When the director of the Management Committee is unable to perform his duties, he/she shall appoint a member of the Management Committee to preside over the meeting.

4. To convene a Holders' Meeting, the Management Committee shall deliver a notice of meeting in writing 5 days prior to the meeting to all Holders by direct delivery, post, facsimile, electronic mail or other means. The written notice of meeting shall at least include the following details:
 - (1) Time and venue of the meeting;
 - (2) Way of convening the meeting;
 - (3) Proposed matters to be considered at the meeting;
 - (4) Convener and chairman of the meeting and the proposer(s) of interim meeting and his/her (their) written proposals;
 - (5) Meeting materials required for voting;
 - (6) Requirements for the Holders to attend the meeting in person or assign other Holders to attend the meeting on their behalf;
 - (7) Contact person and contact information;
 - (8) Date of issuance of the notice.

In case of any emergency, a Holders' Meeting can be convened by a verbal notice. The verbal meeting notice shall at least include the above points (1), (2) and an explanation on the emergency and necessity to convene a Holders' Meeting as soon as possible.

5. Voting procedures of the Holders' Meeting
 - (1) After each proposal has been fully discussed, the chairman shall invite Holders attending the meeting to vote in a timely manner. The chairman may also invite Holders attending the meeting to vote only after all proposals for the meeting have been discussed. Voting shall be carried out by paper ballot.
 - (2) Each unit held by the Holders of the Employee Stock Ownership Plan is entitled to one vote.
 - (3) The voting intent of the Holder may be pro, con and abstention. The Holders attending the meeting shall select one of the aforesaid voting options, and any vote with no option or more

than one option indicated will be deemed as abstention. Any Holder who leaves in the course of the meeting without indicating any voting options shall be deemed as abstained from voting. The unfilled, wrongfully filled, illegible and unvoted votes shall be deemed as abstention. Any vote made after the announcement of voting results by the chairman of the meeting or lapse of voting period shall not be counted.

- (4) The chairman of the meeting shall announce the onsite voting results at the site of the meeting. A proposed resolution shall only become a valid resolution after being passed by more than 50% (excluding 50%) of units held by the Holders attending the meeting, unless the consent of more than two-thirds of the portion of units is required by the Employee Stock Ownership Plan.
 - (5) In the event that a resolution of the Holders' Meeting must be submitted to the Board and the general meeting of the Company for consideration, it shall be submitted to the Board and the general meeting of the Company for consideration in accordance with the provisions of the Articles of Association.
 - (6) The chairman of the meeting shall arrange for keeping records for the Holders' Meeting.
6. Holders who individually or jointly hold over 3% of the units in the Employee Stock Ownership Plan may submit a temporary proposal to the Holders' Meeting; and the temporary proposal shall be submitted to the Management Committee 3 days prior to the Holders' Meeting.
 7. Holders who individually or jointly hold over 10% of the units in the Employee Stock Ownership Plan may propose convening a Holders' Meeting.

(II) The Management Committee

1. The Management Committee shall be set up for the Employee Stock Ownership Plan to conduct daily management of the Employee Stock Ownership Plan and to exercise the holders' rights other than voting rights on behalf of the Holders.
2. The Management Committee comprises three members with one director of the Management Committee. All members of the Management Committee shall be elected by the Holders' Meeting. The director of the Management Committee shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the duration of the current Employee Stock Ownership Plan.

3. The members of the Management Committee shall have the following fiduciary duties to the Employee Stock Ownership Plan in accordance with laws, administrative regulations and the Management Measures on Employee Stock Ownership Plan:
 - (1) Not to take advantage of their positions and authority to accept bribes or other illegal income; not to embezzle any property of the Employee Stock Ownership Plan;
 - (2) Not to misappropriate funds of the Employee Stock Ownership Plan;
 - (3) Without the consent of the Management Committee, not to open personal account under his or her own name or other individual's names with the assets or funds of the Employee Stock Ownership Plan as the deposits;
 - (4) Not to lend the funds of the Employee Stock Ownership Plan to other persons or provide guarantee for other persons with the properties of the Employee Stock Ownership Plan without the consent of the Holders' Meeting;
 - (5) Not to take advantage of their positions and authority to jeopardise the interests of the Employee Stock Ownership Plan.

Where a member of the Management Committee causes any loss to the Employee Stock Ownership Plan due to his or her breach of fiduciary duties, such a member shall be liable for indemnification.

4. The Management Committee shall discharge the following duties and functions:
 - (1) To call the Holders' Meeting;
 - (2) Be for responsible for or supervise the daily management of the Employee Stock Ownership Plan on behalf of all Holders according to the authorization of the Holders' Meeting;
 - (3) Exercise other shareholder rights except voting rights on behalf of the Holders according to the authorization of the Holders' Meeting;
 - (4) Enter into relevant agreements and contractual documents on behalf of the Employee Stock Ownership Plan according to the authorization of the Holders' Meeting;

- (5) Manage the distribution of the benefits of the Employee Stock Ownership Plan according to the authorization of the Holders' Meeting;
 - (6) Determine the disqualification of the Holders and the handling of the shares held by the disqualified Holders, including the increase of Holders, the change of the Holders' shares, etc., in accordance with the provisions of the Employee Stock Ownership Plan;
 - (7) Make decisions on the recovery and acceptance of the shares under the Employee Stock Ownership, and the arrangements for realization of the corresponding income of the Employee Stock Ownership Plan;
 - (8) Handle the registration of share of the Employee Stock Ownership Plan;
 - (9) Make decisions on the other matters other than those that should be made by the Holders' Meeting during the term of the Employee Stock Ownership Plan;
 - (10) Other duties as delegated by the Holders' Meeting;
 - (11) Other duties that should be performed by the Management Committee as stipulated in the Draft of the Plan and relevant laws and regulations.
5. The officer of the Management Committee shall discharge the following functions and authority:
- (1) Preside over the Holders' Meeting, convene and preside over the Management Committee meetings;
 - (2) Supervise and inspect the implementation of resolutions of the Holders' Meeting and the Management Committee meetings;
 - (3) Other duties and authority as delegated by the Management Committee.
6. The Management Committee meeting shall be convened occasionally by the officer of the Management Committee. A notice of the meeting shall be sent out to all members of the Management Committee at least 1 days prior to the meeting.

7. The members of the Management Committee may propose an interim meeting of the Management Committee. The officer of the Management Committee shall convene and preside over a Management Committee meeting within 5 days upon receipt of the proposal.
8. A majority of the Management Committee members shall be present at the Management Committee meeting for such meeting to be held. Resolutions made by the Management Committee must be approved by a majority of all its members. Voting on the resolutions of the Management Board shall be on a one-person-one-vote basis.
9. The voting method for resolutions of the Management Committee is conducted by way of open ballot. Provided that the members of the Management Committee can fully express their views, the meetings of the Management Committee can be convened, and the resolutions thereof can be resolved by means of telecommunication and shall be signed by members of the Management Committee attending the meeting.
10. The members of the Management Committee shall attend the Management Committee meetings in person; for any member who cannot attend the meetings in person, he/she can appoint other member(s) of the Management Committee as his/her proxy in writing to attend the meetings. A form of proxy shall be signed by the authoriser with the name(s) of the proxy(ies), and the matters, scope and validity period of the authorisation being specified. The authorised member of the Management Committee shall exercise his/her rights properly within the scope of authorisation. For any member of the Management Committee who neither attends the meetings nor authorises another member as his/her proxy, he/she will be deemed to have abstained from voting at such meeting.
11. The Management Committee shall take minutes of the matters discussed in the meeting, and all members attending the Management Committee meeting shall sign on the minutes.

(III) Holders

1. The rights of the Holder are as follows:
 - (1) Enjoy the rights and interests of the employee stock ownership plan according to the proportion of shares under his/her name;
 - (2) Enjoy the dividends and/or dividends (if any) of the Employee Stock Ownership Plan from the purchase to the sell-off period according to the proportion of the shares under his/her name;

- (3) Participate in the Holders' Meeting in accordance with the law and enjoy the rights as stipulated in the Administrative Measures;
 - (4) Other rights as specified by laws, administrative regulations and department rules.
2. The obligations of the Holder are as follows:
- (1) During the term of the Employee Stock Ownership Plan, unless otherwise specified in the Employee Stock Ownership Plan or the Administrative Measures, the Holders shall not transfer its shares under the Plan or exit from the Plan;
 - (2) The Holder shall comply with the Employee Stock Ownership Plan, fulfill all undertakings made for participating in the Employee Stock Ownership Plan, and pay for the amount as committed in full within the agreed period;
 - (3) The Holders agree that Joinn, being the collecting party of the subscription monies, signs and enters into relevant agreements on behalf of the Employee Stock Ownership Plan;
 - (4) The Holder bear the contingent risks of the Employee Stock Ownership Plan in proportion to the portion of units under his/her name in the Employee Stock Ownership Plan;
 - (5) The Holder bear the statutory taxes and fees of share transactions when the Employee Stock Ownership Plan meets the Unlocking Conditions and the shares are disposed of, and other taxes incurred pursuant to the national and other relevant laws and regulations for participating in the Employee Stock Ownership Plan after the Employee Stock Ownership Plan fulfills the Unlocking Conditions and the shares are disposed of, in proportion to the portion of units under his/her name in the Employee Stock Ownership Plan;
 - (6) Other obligations stipulated by the provisions of laws, administrative regulations, departmental rules and the Administrative Measures.

(IV) Board of Directors at the Authority of General Meeting

The General Meeting authorises the Board of Directors to take full charge of the following matters in relation to the Employee Stock Ownership Plan, including but not limited to:

1. to authorize the Board to handle the establishment, change and termination of the Employee Stock Ownership Plan, including but not limited to the cancellation of the qualifications of the Holders and the early termination of the Employee Stock Ownership Plan in accordance with the provisions of the Employee Stock Ownership Plan;
2. to authorize the Board to decide on the extension and early termination of the Employee Stock Ownership Plan;
3. to authorize the Board to handle all matters in relation to the lock-up and unlocking of the Shares purchased under the Employee Stock Ownership Plan;
4. to authorize the Board to interpret the 2022 A Share Employee Share Ownership Plan (Draft) of the Company;
5. to authorize the Board to make decisions on the refinancing matters such as participation in the placing of Shares of the Company during the term of the Employee Stock Ownership Plan;
6. to authorize the Board to change the participants and the determination criteria of the Employee Stock Ownership Plan;
7. to authorize the Board to sign the contract and relevant agreement documents of the Employee Stock Ownership Plan;
8. upon consideration and approval of the Employee Stock Ownership Plan at the general meeting, to authorize the Board of the Company to make corresponding adjustments to the Stock Ownership Plan according to new policies or regulations in the event of changes in relevant laws, regulations and policies during the implementation period;
9. to propose to the general meeting to authorize the Board to deal with any announcements and circulars required to be disclosed on the website of the SSE (www.sse.com.cn) or the website of the Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance matters of the SSE or the Hong Kong Stock Exchange in relation to the 2022 A Share Employee Stock Ownership Plan;

10. to authorize the Board to handle other necessary matters required for the Employee Stock Ownership Plan, except for the rights to be exercised by the general meeting as expressly stipulated in the relevant documents.

The above authorization shall be valid from the date of approval at the general meeting of the Company to the date of completion of the implementation of the Employee Stock Ownership Plan.

(V) Management institutions

Subject to the approval of the general meeting, the Employee Stock Ownership Plan shall be managed by the Company itself. Depending on the implementation of the Employee Stock Ownership Plan, professional institutions with relevant qualifications may be engaged to provide consultation, management and other services for the Employee Stock Ownership Plan.

VIII. ASSET COMPOSITION OF THE EMPLOYEE STOCK OWNERSHIP PLAN

- (I) Interests corresponding to the Shares of the Company: The corresponding interests of the Shares held under the Employee Stock Ownership Plan.
- (II) Cash deposits and bank interest.
- (III) Assets arising from other investments with the Employee Stock Ownership Plan.

The assets under the Employee Stock Ownership Plan are independent of the assets owned by the Company. The Company shall not hold the assets of the Employee Stock Ownership Plan on trust and include them as its own assets. The properties and profits generated from the management, utilisation or other ways under the Employee Stock Ownership Plan shall be included into the assets of the Employee Stock Ownership Plan.

IX. ALTERATION, TERMINATION AND DISPOSAL OF HOLDERS' INTERESTS OF THE EMPLOYEE STOCK OWNERSHIP PLAN

(I) Change in Actual Control, Merger, Division of the Company

This Employee Stock Ownership Plan shall not be changed in the event of a change in the actual control of the company for any reason, or in the event of a merger or division.

(II) Alteration of the Employee Stock Ownership Plan

During the term of the Employee Stock Ownership Plan, any amendment to the Employee Stock Ownership Plan shall be subject to the approval of more than two-thirds of the units held by the Holders attending the Holders' Meeting and the consideration and approval of the Board of the Company.

(III) Termination of the Employee Stock Ownership Plan

1. The Employee Stock Ownership Plan shall be terminated automatically upon the expiry of the term.
2. Before the expiration of the term of the Employee Stock Ownership Plan, where all the Shares of the Company held have been sold, the Employee Stock Ownership Plan may be terminated in advance.

(IV) Liquidation and Distribution of The Employee Stock Ownership Plan

1. The Employee Stock Ownership Plan shall be terminated automatically upon the expiry of the term. The Management Committee shall complete the liquidation within 30 working days from the date of expiration or termination according to the authorization of the Holders' Meeting, and distribute the property according to the proportion of the shares held by the Holder after deducting relevant taxes and fees according to law.
2. During the term of the Employee Stock Ownership Plan, the Management Committee may allocate the cash in the fund account of the Employee Stock Ownership Plan to the Holders according to the authorization of the Holder's Meeting.
3. During the term of the Employee Stock Ownership Plan, when the Underlying Shares held by the Employee Stock Ownership Plan are sold for cash or other distributable income, the Employee Stock Ownership Plan can be distributed in each fiscal year. After deducting relevant taxes and fees and planned payables in accordance with the law, the Management Committee shall allocate the shares according to the proportion of the Holders' shares to the total shares of the Employee Stock Ownership Plan.

(V) Rights Attached to the Shares Held by the Employee Stock Ownership Plan and the Arrangements on the Possession, Use, Benefit and Disposal of the Rights of the Holders over the Shares

1. Holders of the Employee Stock Ownership Plan are entitled to the asset income rights of the Shares held by the Employee Stock Ownership Plan according to the actual capital contribution. The corresponding shares obtained by the Holders through the Employee Stock Ownership Plan shall be entitled to shareholders' rights (including dividend rights, rights issue, and other asset income rights, excluding voting rights at the general meeting).
2. During the term of the Employee Stock Ownership Plan, unless otherwise stipulated in laws, administrative regulations, departmental rules or with the consent of the Management Committee, the units of the Employee Stock Ownership Plan held by the Holders shall not be withdrawn, transferred or used for mortgage, pledge, guarantee, repayment of debt or other similar disposal without authorization.
3. During the lock-up period, the Holders shall not request for distribution of interests under the Employee Stock Ownership Plan.
4. During the lock-up period, when the Company capitalises its capital reserve and distributes bonus shares, the newly acquired shares of the Employee Stock Ownership Plan due to the holding of Shares of the Company shall be locked up together and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such Shares is the same as the corresponding shares. During the lock-up period, when the Company distributes dividends, the cash dividends received by the Employee Stock Ownership Plan due to the holding of the Shares of the Company shall be included in the monetary assets of the Employee Stock Ownership Plan, and will not be distributed separately. After the end of the lock-up period and during the term of the Employee Stock Ownership Plan, the Holders' Meeting shall decide whether to distribute the dividends.
5. After the expiry of the lock-up period of the Employee Stock Ownership Plan and during the term of the Employee Stock Ownership Plan, the Management Committee shall, pursuant to the authorization of the Holders' Meeting, sell the corresponding Underlying Shares at an appropriate time during the term of the Employee Stock Ownership Plan after the unlocking date.

6. After the lock-up period of the Employee Stock Ownership Plan ends and during the term, the Holders' Meeting shall decide whether to distribute the income corresponding to the Employee Stock Ownership Plan. Where the distribution is decided, the Holders' Meeting shall authorize the Management Committee to distribute the income corresponding to the Employee Stock Ownership Plan according to the number of Shares held by the Holders after deducting relevant taxes and fees in accordance with the law.
7. During the term of the Employee Stock Ownership Plan, the Employee Stock Ownership Plan may be distributed in each fiscal year when the Underlying Shares held by the Employee Stock Ownership Plan are sold for cash or other distributable income, and the Management Committee shall distribute the Shares held by the Holders in proportion to the total Shares of the Employee Stock Ownership Plan after deducting relevant taxes and fees and payables of the Plan in accordance with the law.
8. During the duration period, when the Company distributes bonus, dividends, the cash dividends received by the Employee Stock Ownership Plan from the Shares of the Company held by it after deducting relevant expenses shall be distributed to the Holders according to their shareholdings.
9. In the event of other unspecified events, the disposal method of the units of the Employee Stock Ownership Plan held by the Holders shall be determined by the Management Committee.

(VI) Measures for the disposal of the rights and interests of the shares held by the Holders of the Employee Stock Ownership Plan when they resign, retire, decease, or are no longer suitable for participating in the Stock Ownership Plan

1. Circumstances in which the rights and interests held by the Holders are cancelled

Under any of the following circumstances, the qualification for participation in the Employee Stock Ownership Plan of the Holder will be cancelled:

- (1) The Holder leaves the Company due to resignation, corporate layoffs, or expiration of the labor contract;
- (2) The Holder is not eligible to participate in the Employee Stock Ownership Plan due to reasons such as his/her major fault or failure in performance appraisal;

- (3) Where a Holder has a job position change for causing damages to the interest or reputation of the Company because he/she is not competent at his/her job, is in violation of laws, is in contrary to professional ethics, caused leakage of confidential information of the Company, fails to discharge his/her duties or has willful misconduct and is in material violation of the regulations of the Company, or the Company terminates his/her employment contract for any of the above reasons;
- (4) The Holder no longer works in the Company due to retirement;
- (5) The Holder loses work ability due to reasons other than performance of duties;
- (6) The Holder deceases due to reasons other than performance of duties;
- (7) Other circumstances as determined by the Management Committee.

The Management Committee has the right to cancel the Holder's qualifications to participate in the Employee Stock Ownership Plan and handle the cancellation and withdrawal procedures for the shares held under the Plan, and has the right to decide to allocate the shares to other Holders, who shall meet the criteria for the participation of the Employee Stock Ownership Plan (the Management Committee will then independently agree on the transfer of the shares according to the actual situation and relevant restrictions, such as whether such shares are transferred to other qualified employees, shares transferred and transfer price, etc.). Where the allocation of such portion is not

2. Circumstances of adjustment of shares held by the Holders

During the term, the Management Committee adjusts the shares

Within 2 months prior to expiration of the Employee Stock Ownership Plan, if 2/3 or more of the Holders at the Holders' Meeting agree, and this motion is considered and passed at the meeting of the Board of Directors, the Employee Stock Ownership Plan may be terminated early or extended.

XI. ACCOUNTING TREATMENT OF THE EMPLOYEE STOCK OWNERSHIP PLAN

In accordance with the provisions of "Accounting Standards for Business Enterprises No. 11 – Share-based payment", the equity-settled share-based payments in consideration of services rendered by staff that can only be exercised upon the completion of services or attainment of stipulated results in business performance within the vesting period are recognised in relevant cost or expenses and the capital reserve in respect of service obtained for the period at the fair value on the date of grant of the equity instrument based on the best estimate of the volume of exercisable equity instrument at each balance sheet date during the vesting period.

Assuming that the Company will transfer 124,000 subject shares into the Employee Stock Ownership Plan in early November 2022, upon the expiry of the Lock-up Period, the Employee Stock Ownership Plan will sell the Underlying Shares in the proportion as agreed previously. At estimate, assuming that the fair value per unit of equity instrument takes reference to the closing price RMB79.71 per share of the Company's shares on the trading day prior to the consideration of the Employee Stock Ownership Plan at the meeting of the Board of Directors, the Company shall recognise the total expenses estimated to be RMB4,940,200, which will be amortised at the unlocking ratios within the lock-up period, and the amortisation of expenses for the Employee Stock Ownership Plan from 2022 to 2025 is expected to be measured below:

Unit: RMB'000

Total expenses to be amortised (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)	2024 (RMB0'000)	2025 (RMB0'000)
494.02	59.01	312.88	94.69	27.45

Note: The final result of the above impact on the Company's operating results will be subject to the annual audit report issued by the accounting firm.

Without taking into account the impacts of the Employee Stock Ownership Plan on the Company's operating results, the amortisation of expenses under the Employee Stock Ownership Plan may have insignificant influence on the net profit of each year during the term. As to positive effects of the Employee Stock Ownership Plan on the corporate development, the Employee Stock Ownership Plan may effectively motivate the employees and increase the operating efficiency of the Company.

XII. IMPLEMENTING PROCESS OF THE EMPLOYEE STOCK OWNERSHIP PLAN

1. The Board of Directors will draft the Employee Stock Ownership Plan.
2. Before implementing the Employee Stock Ownership Plan, the Company will seek the opinions from employees through the employee representatives' meeting or the Labour Union Committee.
3. The Board of Directors will consider and pass the Draft of the Plan at a meeting, while the Independent Directors and the Board of Supervisors will issue their opinions on whether the Employee Stock Ownership Plan is conducive to the sustainable development of the Company, whether it is detrimental to the interests of the Company and all shareholders, and whether there is apportionment, forced allocation or other circumstance in which employees are forced to participate in the Employee Stock Ownership Plan.
4. When the Board of Directors is considering the Employee Stock Ownership Plan, the Directors who are associated with the Employee Stock Ownership Plan shall abstain from voting. The Board of Directors will, within 2 trading days from adoption of the Draft of the Plan at the meeting, publish the resolution of the Board, the summary of Employee Stock Ownership Plan (Draft), the opinions of Independent Directors, and the opinions of the Board of Supervisors.
5. The Company will engage a law firm to issue the letter of legal opinions on the Employee Stock Ownership Plan, which will be announced prior to the relevant general meeting to be held.
6. The Company will engage an independent financial advisor to issue the Independent Financial Advisor's Report on the Employee Stock Ownership Plan, which will be announced prior to the relevant General Meeting to be held for considering the Employee Stock Ownership Plan.
7. A General Meeting will be held to consider the Employee Stock Ownership Plan. The General Meeting will adopt the combination of on-site voting and online voting, where the votes of medium to small investors will be counted separately, the results of which will be made public; any director or shareholder who is involved in the Employee Stock Ownership Plan shall abstain from voting. The Employee Stock Ownership Plan can be implemented after it is passed by a majority of effective voting rights present at the General Meeting (of which the affiliated shareholders should abstain from voting).

8. The Company will timely disclose the time, quantity and proportion among others of the Underlying Shares acquired hereunder within 2 trading days after the Company has completed the purchase of Underlying Shares or the transfer of the same into the Employee Stock Ownership Plan.
9. Other procedures to be performed as required by the rules of CSRC and Shanghai Stock Exchange.

XIII. OTHER IMPORTANT MATTERS

1. The consideration and approval of the Employment Stock Ownership Plan by the Board and the general meeting do not represent that the Holder can enjoy the right to continue to serve the Company or its subsidiaries, and do not constitute a commitment of employment for a fixed term by the Company or its subsidiaries. The employment relationship between the Company or its subsidiaries and the Holder is still governed by the employment contract between the Company or its subsidiaries and the Holder.
2. The financial and accounting treatment and taxation issues in relation to the implementation of the Employee Stock Ownership Plan by the Company shall be implemented in accordance with the relevant financial system, accounting standards and taxation system, and the related individual income tax payable by the employees due to the implementation of the Employee Stock Ownership Plan shall be borne by such employee.
3. There is no circumstance where a third party provides incentives, grants and subsidies, and make up the balance for employees to participate in the Employee Stock Ownership Plan.
4. The interpretation right of the Employee Stock Ownership Plan belongs to the Board of Directors of the Company and shall come into force after being reviewed and approved by the General Meeting of Shareholders of the Company.
5. In case of any conflict between the relevant provisions of the Plan and the relevant national laws, regulations and administrative rules, regulatory documents, the SSE listing rules and the Hong Kong listing rules, the relevant national laws, regulations and administrative rules and regulations, the SSE listing rules and Hong Kong listing rules shall prevail. For anything not covered herein, the relevant national laws, regulations and administrative rules, regulatory documents, the SSE listing rules and the Hong Kong listing rules shall apply.

Board of Directors of
Joinn Laboratories (China) Co., Ltd.

15 August 2022

Chapter 1 General Provisions

Article 1 In order to regulate the implementation of the 2022 A Share Employee Stock Ownership Plan (hereinafter referred to as the “**Employee Stock Ownership Plan**” or the “**Plan**”) of Joinn Laboratories (China) Co., Ltd. (hereinafter referred to as “**Joinn**” or the “**Company**”), the Company has formulated the Administrative Measures on the 2022 A Share Employee Stock Ownership Plan of Joinn Laboratories (China) Co., Ltd. (hereinafter referred to as the “**Administrative Measures**”) in accordance with the requirements of the Company Law of the People’s Republic of China (the “**Company Law**”), the Securities Law of the People’s Republic of China (the “**Securities Law**”), the Guiding Opinions on the Pilot Implementation of the Employee Stock Ownership Plan by Listed Companies (the “**Guiding Opinions**”) issued by the China Securities Regulatory Commission and other relevant laws, regulations and regulatory documents, and the Articles of Association of Joinn Laboratories (China) Co., Ltd. (hereinafter referred to as the “**Articles of Association**”) and the 2022 A Share Employee Stock Ownership Plan (Draft) of Joinn Laboratories (China) Co., Ltd.

Chapter 2 Formulation of the Employee Stock Ownership Plan

Article 2 Basic principles of the Employee Stock Ownership Plan

(I) Principle of legal compliance

The Employee Stock Ownership Plan shall be implemented by the Company in strict compliance with the procedures stipulated in laws and administrative regulations, and the Company shall disclose information in a truthful, accurate, complete and timely manner. No person shall use the Employee Stock Ownership Plan form insider trading, securities market manipulation and other securities fraud.

(II) Principle of voluntary participation

The Company’s implementation of the Employee Stock Ownership Plan shall be decided by the Company independently with voluntary participation by employees. The Company shall not force employees to participate in the Employee Stock Ownership Plan by way of apportionment, forced distribution, etc.

(III) Principle of voluntary risk undertaking

Participants of the Employee Stock Ownership Plan shall bear their own profits, losses and financial risks, and shall have the same rights and interests as other investors.

Article 3 Holder of the Employee Stock Ownership Plan**(I) Legal Basis for Determining the Participants**

The Company has determined the list of participants of the Employee Stock Ownership Plan in accordance with the Company Law, the Securities Law, the Guiding Opinions and other relevant laws, regulations, regulatory documents and the relevant provisions of the Articles of Association, as well as our actual situation. All participants are required to work in the Company (including its controlled subsidiaries) and enter into labor contracts.

(II) Position Basis for Determining the Participants

Participants of the Employee Stock Ownership Plan shall meet one of the following criteria:

1. Supervisors and senior management of the Company;
2. Key technical (business) personnel of the Company.

The total number of supervisors, senior management and key technical (business) backbones participating in the Employee Stock Ownership Plan shall not exceed 20, including 4 supervisors and senior management participating in the Employee Stock Ownership Plan. The specific number of participants is determined based on the actual payment made by the employees.

All participants are required to work in the Company (including its controlled subsidiaries) and sign the labor contracts.

The participation in the Employee Stock Ownership Plan shall follow the principle of the Company's independent decision and employees' voluntary participation. The Company shall not force employees to participate in the Employee Stock Ownership Plan by way of apportionment, forced distribution, etc.

Article 4 Size of the Underlying Shares involved in the Plan

The number of Shares to be subscribed for under the Employee Stock Ownership Plan shall not exceed 124,000 Shares, representing approximately 0.023% of the current total share capital of the Company. The maximum amount of funds to be collected shall not exceed RMB4,943,880 which shall be subscribed in "units" at RMB1 each per unit, the number of units to be subscribed shall not exceed 4,943,880 units, the specific number of units shall be subject to the amount of actual payment.

After the implementation of the Employee Stock Ownership Plan, the total number of Shares held under all effective Employee Stock Ownership Plan in aggregate shall not exceed 10% of the total share capital of the Company, and the

number of underlying shares corresponding to the units of the Employee Stock Ownership Plan held by any Holder shall not exceed 1% of the total share capital of the Company (excluding the shares acquired by employees before the initial public offering and listing of Shares of the Company, the shares purchased through the secondary market and the shares acquired through equity incentives).

Article 5 Source of the Underlying Shares involved in the Plan

Upon approval of the draft of the Employee Stock Ownership Plan at the General Meeting, no more than 124,000 Shares of the Company held in the special securities account for repurchase will be obtained through non-trading transfer or other ways permitted by laws and regulations. The Company convened the 29th meeting of the third session of the Board of Directors on September 21, 2021 to consider and approve the share repurchase plan (please refer to the relevant announcement of the Company on the designated information disclosure media for details), which is still in the implementation stage, and shall be subject to the completion of the full or partial repurchase of the Underlying Shares, and shall acquire the shares held by the Company's special securities account for repurchase through non-trading transfer and other methods permitted by laws and regulations. There are still uncertainties in the purchase of the final underlying shares. The specific number of Shares held is determined based on the actual capital contribution made by the employees. The Company will perform the obligation of information disclosure in a timely manner as required.

Article 6 Source of Funds of the Employee Stock Ownership Plan

The source of funds for the Employee Stock Ownership Plan shall be the legal remuneration of the Employees, self-raised funds and other methods permitted by laws and regulations. The Company shall not provide advances, guarantees, loans and other financial assistance to the Holders. The Employee Stock Ownership Plan does not involve any leveraged funds, and there is no arrangement for third parties to provide incentives, funding, subsidies and makes up the balance for employees to participate in the Employee Stock Ownership Plan.

The Employee Stock Ownership Plan shall be subscribed in "units" at RMB1 each per unit, and the amount to be subscribed by the employees must be in whole units. The specific units held by the Holders of the Employee Stock Ownership Plan shall be determined according to the actual payment made by the employees.

The Holders of the Employee Stock Ownership Plan shall pay the subscription monies in full and on time according to the subscription units, and the payment schedule of the Employee Stock Ownership Plan shall be arranged by a unified notice of the Company. Where the subscription monies of the Holders are not paid on time and in full, the corresponding subscription rights will be automatically forfeited, and the subscription units proposed to be subscribed can be declared by other qualified participants. The Management Committee of the Employee Stock Ownership Plan may adjust the list of participants and their subscription units based on the actual payment made by the employees.

Article 7 Term and Lock-up Period of the Employee Stock Ownership Plan

- (I) The term of the Employee Stock Ownership Plan and the decision-making procedure for renewing the term after the expiration
1. The term of the Employee Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the last transfer of the Underlying Shares to the Employee Stock Ownership Plan. The Employee Stock Ownership Plan will be terminated automatically upon the expiry of its term (if without extension), it may be terminated earlier or extended subject to the approval of the Board. During the term, if all Shares under the Employee Stock Ownership Plan have been sold, the plan may be terminated earlier.
 2. The term of the Employee Stock Ownership Plan may be extended 2 months prior to the expiry of the term of the Employee Stock Ownership Plan. If the Shares of the Company held have not been fully sold, the term of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holder's Meeting and submission to the Board for consideration and approval.
 3. Where the Shares of the Company held by the Employee Stock Ownership Plan cannot be fully realized before the expiry of the effective period due to the suspension of trading of the Shares of the Company or short trading window period, the effective period of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holder's Meeting and submission to the Board for consideration and approval.
 4. The Listed Company shall disclose an indicative announcement six months prior to the expiry of the term of the Employee Stock Ownership Plan, stating the number of Shares held by the Employee Stock Ownership Plan which is about to expire and its percentage to the total share capital of the Company.
 5. The Listed Company shall disclose the number of Shares held by the expired Employee Stock Ownership Plan and its proportion to the total share capital of the Company upon the expiration of the term of the Employee Stock Ownership Plan, and the disposal arrangement after the expiration, and perform the corresponding review procedures and disclosure obligations in accordance with the Employee Stock Ownership Plan.

(II) Lock-up period of the Underlying Shares involved in the Employee Stock Ownership Plan

1. The Underlying Shares acquired by the Employee Stock Ownership Plan through non-trading transfer or other ways permitted by laws and regulations shall be unlocked in three batches commencing from 12 months after the date of announcement of the transfer of the last batch of Underlying Shares to the Employee Stock Ownership Plan. The lock-up period shall be up to 36 months. Details are as follows:

Time of unlocking for the first batch shall be: 12 months from the date of announcement of the transfer of the last batch of the underlying shares to the Employee Share Ownership Plan, and the number of Shares to be unlocked shall be 50% of the total number of the subject shares held by the Employee Share Ownership Plan;

Time of unlocking for the second batch shall be: 24 months from the date of announcement of the transfer of the last batch of the underlying shares to the Employee Share Ownership Plan, and the number of Shares to be unlocked shall be 30% of the total number of the subject shares held by the Employee Share Ownership Plan;

Time of unlocking for the third batch shall be: 36 months from the date of announcement of the transfer of the last batch of the underlying shares to the Employee Share Ownership Plan, and the number of Shares to be unlocked shall be 20% of the total number of the subject shares held by the Employee Share Ownership Plan;

The Shares derived from the Underlying Shares obtained under the Employee Stock Ownership Plan as a result of the distribution of share dividends, capitalisation of capital reserve by the listed company shall also be subject to the above lock-up arrangement.

2. Performance Appraisal of the Company

Performance Appraisal at Company Level

After 12 months, 24 months and 36 months from the date on which the draft of the Employee Stock Ownership Plan is considered and approved at the general meeting of the Company and the Company announces that the last batch of the Underlying Shares

is transferred to the Employee Stock Ownership Plan, the unlocking ratios will be determined according to the performance appraisal results for the corresponding assessment years, details of which are as follows:

Unlocking Arrangement	Performance Appraisal Targets	Corresponding Unlocking Ratio
First Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2022 shall not be less than 35.00%.	50%
Second Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2023 shall not be less than 82.25%.	30%
Third Unlocking Period	Based on the operating income for 2021, the growth rate of operating income for 2024 shall not be less than 146.04%.	20%

Where the performance appraisal indicators of the Employee Stock Ownership Plan are not met, the Underlying Shares and interests shall not be unlocked and shall be recovered by the Employee Stock Ownership Plan Management Committee, and after disposal at an appropriate opportunity, the monies contributed shall be refunded to the Holder(s). Where there are still gains after the refund to the Holders, the gains shall belong to the Company.

3. Performance Appraisal at Individual Level

Where the performance appraisal at company level is up to standard, the Employee Stock Ownership Plan will conduct individual performance appraisal in accordance with the relevant system of the Company's performance appraisal, and determine the number of underlying shares finally unlocked by the Holders based on the individual performance appraisal results.

The performance appraisal results of the Holders are divided into five grades, namely A, B, B-, C and D, and the appraisal form is applicable to the Participants. The unlocking ratio shall be determined according to the following table:

Appraisal Results	A	B	B-	C	D
Unlocking ratio	100%		50%	0%	

Number of Underlying Shares to be unlocked in the current period = target number of underlying shares to be unlocked × unlocking ratio.

Where the number of Underlying Shares actually unlocked by a Holder is less than the target number to be unlocked, the Management Committee shall have the right to decide on the allocation of the Shares that do not meet the unlocking condition to other Holders, who shall meet the standards of Participants of the Employee Stock Ownership Plan. Where the allocation of such portion is not completed during the term of the Employee Stock Ownership Plan, the undistributed portion shall be disposed of at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be refunded to the individual. Where there is still gains after the return to the Holders, the gains shall belong to the Company.

4. The Employee Stock Ownership Plan will strictly comply with the market trading rules and observe the relevant requirements of the CSRC, the SSE and the Hong Kong Stock Exchange on stock trading. The Employee Stock Ownership Plan shall not trade the Shares of the Company during the following periods:
 - (1) 60 days prior to the annual results announcement of the Company, 30 days prior to the half-year/quarterly results announcement and the date of announcement. Where the date of announcement of the regular report is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of announcement and end on the day prior to the announcement;
 - (2) Within ten days prior to the announcement of results forecast and preliminary results;
 - (3) Until the date of disclosure in accordance with the law, from the date of occurrence of a major event that may have a significant impact on the trading price of the Shares of the Company and derivatives or the date of entering into the decision-making process;

- (4) Such other period as stipulated by the CSRC and the Stock Exchanges.

Article 8 Implementing Process of the Employee Stock Ownership Plan

1. The Board of Directors will draft the Employee Stock Ownership Plan.
2. Before implementing the Employee Stock Ownership Plan, the Company will seek the opinions from employees through the employee representatives' meeting or the Labor Union Committee.
3. The Board of Directors will consider and pass the Draft of the Plan at a meeting, while the Independent Directors and the Board of Supervisors will issue their opinions on whether the Employee Stock Ownership Plan is conducive to the sustainable development of the Company, whether it is detrimental to the interests of the Company and all shareholders, and whether there is apportionment, forced allocation or other circumstance in which employees are forced to participate in the Employee Stock Ownership Plan.
4. When the Board of Directors is considering the Employee Stock Ownership Plan, the Directors who are associated with the Employee Stock Ownership Plan shall abstain from voting. The Board of Directors will, within 2 trading days from adoption of the Draft of the Plan at the meeting, publish the resolution of the Board, the summary of Employee Stock Ownership Plan (Draft), the opinions of Independent Directors, and the opinions of the Board of Supervisors.
5. The Company will engage a law firm to issue the letter of legal opinions on the Employee Stock Ownership Plan, which will be announced prior to the relevant general meeting to be held.
6. The Company will engage an independent financial advisor to issue the Independent Financial Advisor's Report on the Employee Stock Ownership Plan, which will be announced prior to the relevant General Meeting to be held for considering the Employee Stock Ownership Plan.
7. A General Meeting will be held to consider the Employee Stock Ownership Plan. The General Meeting will adopt the combination of on-site voting and online voting, where the votes of medium to small investors will be counted separately, the results of which will be made public; any director or shareholder who is involved in the Employee Stock Ownership Plan shall abstain from voting. The Employee Stock

Ownership Plan can be implemented after it is passed by a majority of effective voting rights present at the General Meeting (of which the affiliated shareholders should abstain from voting).

8. The Company will timely disclose the time, quantity and proportion among others of the Underlying Shares acquired hereunder within 2 trading days after the Company has completed the purchase of Underlying Shares or the transfer of the same into the Employee Stock Ownership Plan.
9. Other procedures to be performed as required by the rules of CSRC and Shanghai Stock Exchange.

Chapter 3 Management of the Employee Stock Ownership Plans

Article 9 Management Model of the Employee Stock Ownership Plan

After obtaining the approval of the General Meeting of shareholders, the Employee Stock Ownership Plan shall be established in the form of its own funds and managed by the company itself. The Holder's Meeting is the highest internal management authority of the Employee Stock Ownership Plan. The Holder's Meeting shall establish the Management Committee and authorize the Management Committee as the management body of the Employee Stock Ownership Plan to supervise the daily management of the Employee Stock Ownership Plan and exercise the other shareholders' rights other than voting rights on behalf of the Holders. The Administrative Measures on the Employee Stock Ownership Plan clearly stipulate the responsibilities of the Management Committee and take adequate risk prevention and isolation measures. The Board of the Company is responsible for drafting and amending the draft of the Plan and handling other relevant matters of the Plan within the scope authorized by the General Meeting.

Article 10 Holder's Meeting of the Employee Stock Ownership Plan

1. The employees of the Company become the Holders of the Plan after subscribing the share of the Employee Stock Ownership Plan. Holder's Meeting is the internal management authority of the Employee Stock Ownership Plan. All Holders are entitled to attend and vote at the Holder's Meeting in person or by proxy. The travel and accommodation expenses by the Holder and his/her proxy for attending the Holder's Meeting shall be borne by the Holder.
2. The following matters shall be considered and discussed at the Holder's Meeting:
 - (1) Appointment and removal of any members of the Management Committee;

- (2) Amendment, termination and extension of the duration of the Employee Stock Ownership Plan;
 - (3) Where the Company raises funds through placing of shares, issue of new shares, issue of convertible bonds or other financing methods during the term of the Employee Stock Ownership Plan, the Management Committee submits the Holder's Meeting to review whether to participate in such financing arrangements and the funding solution;
 - (4) Authorisation to the Management Committee to supervise the daily management of the Employee Stock Ownership Plan;
 - (5) Authorisation to the Management Committee to exercise the shareholders' rights other than voting rights;
 - (6) Authorize the Management Committee to be responsible for the liquidation and property distribution of the Employee Stock Ownership Plan;
 - (7) Other matters that are considered as necessary by the Management Committee for consideration at the Holder's Meeting.
3. The first Holder's Meeting shall be called and presided over by the secretary to the Board of the Company or his authorized person, and subsequent Holder's Meetings shall be called by the Management Committee and presided over by the officer of the Management Committee. When the director of the Management Committee is unable to perform his duties, he/she shall appoint a member of the Management Committee to preside over the meeting.
4. To convene a Holder's Meeting, the Management Committee shall deliver a notice of meeting in writing 5 days prior to the meeting to all Holders by direct delivery, post, facsimile, electronic mail or other means. The written notice of meeting shall at least include the following details:
- (1) Time and venue of the meeting;
 - (2) Method of convening the meeting;
 - (3) Proposed matters to be considered at the meeting (meeting proposals);

- (4) Convener and chairman of the meeting and the proposer(s) of interim meeting and his/her (their) written proposals;
- (5) Meeting materials required for voting;
- (6) Requirements for the Holders to attend the meeting in person or assign other Holders to attend the meeting on their behalf;
- (7) Contact person and contact information;
- (8) Date of issuance of the notice.

In case of any emergency, a Holder's Meeting can be convened by a verbal notice. The verbal meeting notice shall at least include the above points (1), (2) and an explanation on the emergency and necessity to convene a Holder's Meeting as soon as possible.

5. Voting procedures of the Holder's Meeting

- (1) After each proposal has been fully discussed, the chairman shall invite Holders attending the meeting to vote in a timely manner. The chairman may also invite Holders attending the meeting to vote only after all proposals for the meeting have been discussed. Voting shall be carried out by paper ballot.
- (2) Each unit held by the Holders of the Employee Stock Ownership Plan is entitled to one vote.
- (3) The voting intent of the Holder may be pro, con and abstention. The Holders attending the meeting shall select one of the aforesaid voting options, and any vote with no option or more than one option indicated will be deemed as abstention. Any Holder who leaves in the course of the meeting without indicating any voting options shall be deemed as abstained from voting. The unfilled, wrongfully filled, illegible and un-voted votes shall be deemed as abstention. Any vote made after the announcement of voting results by the chairman of the meeting or lapse of voting period shall not be counted.
- (4) The chairman of the meeting shall announce the onsite voting results at the spot of the meeting. A proposed resolution shall only become a valid resolution after being passed by more than 50% (excluding 50%) of units held by the Holders attending the meeting, unless the consent of more than two-thirds of the portion of units is required by the Employee Stock Ownership Plan.

- (5) In the event that a resolution of the Holder's Meeting must be submitted to the Board and the general meeting of the Company for consideration, it shall be submitted to the Board and the general meeting of the Company for consideration in accordance with the provisions of the Articles of Association.
 - (6) The chairman of the meeting shall arrange for keeping records for the Holder's Meeting.
- 6. Holders who individually or jointly hold over 3% of the units in the Employee Stock Ownership Plan may submit a temporary proposal to the Holder's Meeting; and the temporary proposal shall be submitted to the Management Committee 3 days prior to the Holder's Meeting.
 - 7. Holders who individually or jointly hold over 10% of the units in the Employee Stock Ownership Plan may propose convening a Holder's Meeting.

Article 11 Management Committee of the Employee Stock Ownership Plan

- 1. The Management Committee shall be set up for the Employee Stock Ownership Plan to conduct daily management of the Employee Stock Ownership Plan and to exercise the shareholders' rights other than voting rights on behalf of the Holders.
- 2. The Management Committee comprises three members with one director of the Management Committee. All members of the Management Committee shall be elected by the Holder's Meeting. The director of the Management Committee shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the duration of the current Employee Stock Ownership Plan.
- 3. The members of the Management Committee have the following fiduciary duties to the Employee Stock Ownership Plan in accordance with laws, administrative regulations and the Management Measures on Employee Stock Ownership Plan:
 - (1) Not to take advantage of their positions and authority to accept bribes or other illegal income; not to embezzle any property of the Employee Stock Ownership Plan;
 - (2) Not to misappropriate funds of the Employee Stock Ownership Plan;

- (3) Without the consent of the Management Committee, not to open personal account under his or her own name or other people's names with the assets or funds of the Employee Stock Ownership Plan as the deposits;
- (4) Not to lend the funds of the Employee Stock Ownership Plan to other persons or provide guarantee for other persons with the properties of the Employee Stock Ownership Plan without the consent of the Holder's Meeting;
- (5) Not to take advantage of their positions and authority to jeopardise the interests of the Employee Stock Ownership Plan.

Where a member of the Management Committee causes any loss to the Employee Stock Ownership Plan due to his or her breach of fiduciary duties, such a member shall be liable for indemnification.

4. The Management Committee shall discharge the following duties and functions:
 - (1) Be responsible for calling the Holder's Meeting;
 - (2) Be responsible for or supervise the daily management of the Employee Stock Ownership Plan on behalf of all Holders according to the authorization of the Holder's Meeting;
 - (3) Exercise other shareholder rights except voting rights on behalf of the Holders according to the authorization of the Holder's Meeting;
 - (4) Enter into relevant agreements and contractual documents on behalf of the Employee Stock Ownership Plan according to the authorization of the Holder's Meeting;
 - (5) Manage the distribution of the benefits of the Employee Stock Ownership Plan according to the authorization of the Holder's Meeting;
 - (6) Determine the disqualification of the Holders and the handling of the shares held by the disqualified Holders, including the increase of Holders, the change of the Holders' shares, etc., in accordance with the provisions of the Employee Stock Ownership Plan;

- (7) Make decisions on the recovery and acceptance of the shares under the Employee Stock Ownership, and the arrangements for realization of the corresponding income of the Employee Stock Ownership Plan;
 - (8) Handle the registration of share of the Employee Stock Ownership Plan;
 - (9) Make decisions on the other matters other than those that should be made by the Holder's Meeting during the term of the Employee Stock Ownership Plan;
 - (10) Other duties as delegated by the Holder's Meeting;
 - (11) Other duties that should be performed by the Management Committee as stipulated in the Draft of the Plan and relevant laws and regulations.
5. The director of the Management Committee shall discharge the following functions and authority:
 - (1) Preside over the Holder's Meeting, convene and preside over the Management Committee meetings;
 - (2) Supervise and inspect the implementation of resolutions of the Holder's Meeting and the Management Committee meetings;
 - (3) Other duties and authority as delegated by the Management Committee.
6. The Management Committee meeting shall be convened occasionally by the officer of the Management Committee. A notice of the meeting shall be sent out to all members of the Management Committee at least 1 days prior to the meeting.
7. The members of the Management Committee may propose an interim meeting of the Management Committee. The officer of the Management Committee shall convene and preside over a Management Committee meeting within 5 days upon receipt of the proposal.
8. A Management Committee meeting shall only be held when more than half of the members are present. Resolutions made by the Management Committee must be approved by a majority of all its members. Voting on the resolutions of the Management Board shall be on a one-person-one-vote basis.

9. The voting method for resolutions of the Management Committee is conducted by way of open ballot. Provided that the members of the Management Committee can fully express their views, the meetings of the Management Committee can be convened, and the resolutions thereof can be resolved by means of telecommunication and shall be signed by members of the Management Committee attending the meeting.
10. The members of the Management Committee shall attend the Management Committee meetings in person; for any member who cannot attend the meetings in person, he/she can appoint other member(s) of the Management Committee as his/her proxy in writing to attend the meetings. A form of proxy shall be signed by the authoriser with the name(s) of the proxy(ies), and the matters, scope and validity period of the authorisation being specified. The authorised member of the Management Committee shall exercise his/her rights properly within the scope of authorisation. For any member of the Management Committee who neither attends the meetings nor authorises another member as his/her proxy, he/she will be deemed to have abstained from voting at such meeting.
11. The Management Committee shall take minutes of the matters discussed in the meeting, and all members attending the Management Committee meeting shall sign on the minutes.

Article 12 Board of Directors at the Authority of General Meeting

The General Meeting authorises the Board of Directors to take full charge of the following matters in relation to the Employee Stock Ownership Plan, including but not limited to:

1. to authorize the Board to handle the establishment, change and termination of the Employee Stock Ownership Plan, including but not limited to the cancellation of the qualifications of the Holders and the early termination of the Employee Stock Ownership Plan in accordance with the provisions of the Employee Stock Ownership Plan;
2. to authorize the Board to decide on the extension and early termination of the Employee Stock Ownership Plan;
3. to authorize the Board to handle all matters in relation to the lock-up and unlocking of the Shares purchased under the Employee Stock Ownership Plan;

4. to authorize the Board to interpret the 2022 A Share Employee Share Ownership Plan (Draft) of the Company;
5. to authorize the Board to make decisions on the refinancing matters such as participation in the placing of Shares of the Company during the term of the Employee Stock Ownership Plan;
6. to authorize the Board to change the participants and the determination criteria of the Employee Stock Ownership Plan;
7. to authorize the Board to sign the contract and relevant agreement documents of the Employee Stock Ownership Plan;
8. upon consideration and approval of the Employee Stock Ownership Plan at the general meeting, to authorize the Board of the Company to make corresponding adjustments to the Stock Ownership Plan according to new policies or regulations in the event of changes in relevant laws, regulations and policies during the implementation period;
9. to propose to the general meeting to authorize the Board to deal with any announcements and circulars required to be disclosed on the website of the SSE (www.sse.com.cn) or the website of the Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance matters of the SSE or the Hong Kong Stock Exchange in relation to the 2022 A Share Employee Stock Ownership Plan;
10. to authorize the Board to handle other necessary matters required for the Employee Stock Ownership Plan, except for the rights to be exercised by the general meeting as expressly stipulated in the relevant documents.

The above authorization shall be valid from the date of consideration and approval at the general meeting of the Company to the date of completion of the implementation of the Employee Stock Ownership Plan.

Article 13 Management institutions

Subject to the approval of the general meeting, the Employee Stock Ownership Plan shall be managed by the Company itself. Depending on the implementation of the Employee Stock Ownership Plan, professional institutions with relevant qualifications may be engaged to provide consultation, management

**Chapter 4 Alteration, Termination and Disposal of Holders' Interests of
the Employee Stock Ownership Plan****Article 14 Change in Actual Control, Merger or Division of the Company**

This Employee Stock Ownership Plan shall not be changed in the event of a change in the actual control of the company for any reason, or in the event of a merger or division.

Article 15 Alteration of the Employee Stock Ownership Plan

During the term of the Employee Stock Ownership Plan, any amendment to the Employee Stock Ownership Plan shall be subject to the approval of more than two-thirds of the units held by the Holders attending the Holder's Meeting and the consideration and approval of the Board of the Company.

Article 16 Termination of the Employee Stock Ownership Plan

The Employee Stock Ownership Plan shall be terminated automatically upon the expiry of the term.

Before the expiration of the term of the Employee Stock Ownership Plan, where all the Shares of the Company held have been sold, the Employee Stock Ownership Plan may be terminated in advance.

Article 17 Liquidation and Distribution of the Employee Stock Ownership Plan

1. The Employee Stock Ownership Plan shall be terminated automatically upon the expiry of the term. The Management Committee shall complete the liquidation within 30 working days from the date of expiration or termination according to the authorization of the Holder's Meeting, and distribute the property according to the proportion of the shares held by the Holder after deducting relevant taxes and fees according to law.
2. During the term of the Employee Stock Ownership Plan, the Management Committee may allocate the cash in the fund account of the Employee Stock Ownership Plan to the Holders according to the authorization of the Holder's Meeting.
3. During the term of the Employee Stock Ownership Plan, when the Underlying Shares held by the Employee Stock Ownership Plan are sold for cash or other distributable income, the Employee Stock Ownership Plan can be distributed in each fiscal year. After deducting relevant

taxes and fees and planned payables in accordance with the law, the Management Committee shall allocate the shares according to the proportion of the Holders' shares to the total shares of the Employee Stock Ownership Plan.

Article 18 Arrangements on the Possession, Use, Benefit and Disposal of the Rights of the Holders over the Shares Held under the Plan

1. Holders of the Employee Stock Ownership Plan are entitled to the asset income rights of the Shares held by the Employee Stock Ownership Plan according to the actual capital contribution. The corresponding shares obtained by the Holders through the Employee Stock Ownership Plan shall be entitled to shareholders' rights (including dividend rights, rights issue, capitalisation issue and other asset income rights, excluding voting rights of the General Meeting).
2. During the term of the Employee Stock Ownership Plan, unless otherwise stipulated in laws, administrative regulations, departmental rules or with the consent of the Management Committee, the units of the Employee Stock Ownership Plan held by the Holders shall not be withdrawn, transferred or used for mortgage, pledge, guarantee, repayment of debt or other similar disposal without authorization.
3. During the lock-up period, the Holders shall not request for distribution of interests under the Employee Stock Ownership Plan.
4. During the lock-up period, when the Company capitalises its capital reserve and distributes bonus shares, the newly acquired shares of the Employee Stock Ownership Plan due to the holding of Shares of the Company shall be locked up together and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such Shares is the same as that of the corresponding shares. During the lock-up period, when the Company distributes dividends, the cash dividends received by the Employee Stock Ownership Plan due to the holding of the Shares of the Company shall be included in the monetary assets of the Employee Stock Ownership Plan, and will not be distributed separately. After the end of the lock-up period and during the term of the Employee Stock Ownership Plan, the Holder's Meeting shall decide whether to distribute the dividends.
5. After the expiry of the lock-up period of the Employee Stock Ownership Plan and during the term of the Employee Stock Ownership Plan, the Management Committee shall, pursuant to the authorization of the Holder's Meeting, sell the corresponding Underlying Shares at an appropriate time during the term of the Employee Stock Ownership Plan after the unlocking date.

6. After the lock-up period of the Employee Stock Ownership Plan ends and during the term, the Holder's Meeting shall decide whether to distribute the income corresponding to the Employee Stock Ownership Plan. Where the distribution is decided, the Holder's Meeting shall authorize the Management Committee to distribute the income corresponding to the Employee Stock Ownership Plan according to the number of Shares held by the Holders after deducting relevant taxes and fees in accordance with the law.
7. During the term of the Employee Stock Ownership Plan, the Employee Stock Ownership Plan may be distributed in each fiscal year when the Underlying Shares held by the Employee Stock Ownership Plan are sold for cash or other distributable income, and the Management Committee shall distribute the Shares held by the Holders in proportion to the total Shares of the Employee Stock Ownership Plan after deducting relevant taxes and fees and payables of the Plan in accordance with the law.
8. During the duration period, when the Company distributes bonus, dividends, the cash dividends received by the Employee Stock Ownership Plan from the Shares of the Company held by it after deducting relevant expenses shall be distributed to the Holders according to the proportion they held.
9. In the event of other unspecified events, the disposal method of the units of the Employee Stock Ownership Plan held by the Holders shall be determined by the Management Committee.

Article 19 Disposal of the rights and interests of the Holders

1. Circumstances in which the rights and interests held by the Holders are cancelled

Under any of the following circumstances, the qualification for participation in the Employee Stock Ownership Plan of the Holder will be cancelled:

- (1) The Holder leaves the Company due to resignation, corporate layoffs, or expiration of the labor contract;
- (2) The Holder is not eligible to participate in the Employee Stock Ownership Plan due to reasons such as his/her major fault or failure in performance appraisal;

- (3) Where a Holder has a job position change for causing damages to the interest or reputation of the Company because he/she is not competent at his/her job, is in violation of laws, is in contrary to professional ethics, caused leakage of confidential information of the Company, fails to discharge his/her duties or has willful misconduct and is in material violation of the regulations of the Company, or the Company terminates his/her employment contract for any of the above reasons;
- (4) The Holder no longer works in the Company due to retirement;
- (5) The Holder loses work ability due to reasons other than performance of duties;
- (6) The Holder deceases due to reasons other than performance of duties;
- (7) Other circumstances as determined by the Management Committee.

The Management Committee has the right to cancel the Holder's qualifications to participate in the Employee Stock Ownership Plan and handle the cancellation and withdrawal procedures for the shares held under the Plan, and has the right to decide to allocate the shares to other Holders, who shall meet the criteria for the participation of the Employee Stock Ownership Plan (the Management Committee will then independently agree on the transfer of the shares according to the actual situation and relevant restrictions, such as whether such shares are transferred to other qualified employees, shares transferred and transfer price, etc.). Where the allocation of such portion is not completed during the term of the Employee Stock Ownership Plan, the undistributed portion shall be disposed of at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the Holder, if extra earnings shall exist after the refund to the Holder, the earnings shall belong to the Company.

As of the day when the Management Committee cancels the Holder's eligibility to participate in the Employee Stock Ownership Plan, the original Holder is entitled to the portion of cash proceeds realized under the Employee Stock Ownership Plan in proportion to the shares he/she holds.

2. Circumstances of adjustment of shares held by the Holders

During the term, the Management Committee adjusts the shares received by the Holders under the Stock Ownership Plan according to the Company's relevant assessments of the Holders or changes in positions/levels, including adjustments to increases, decreases, and cancellations of shares. For the treatment of the cancelled shares and the realized cash proceeds, please refer to item 1 of Article 9 (6) of the Plan.

3. Circumstances where there shall be no change in the rights and interests held by the Holders

(1) Loss of work ability: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be affected due to the loss of work ability in the performance of duties, and their personal performance appraisal conditions shall no longer be included in the Unlocking Conditions.

(2) Retirement: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be changed if the Holders are rehired by the Company after retirement and the rehired position within the Incentive Scheme.

(3) Death: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be changed due to the death while performing duties, and shall continue to be enjoyed by their legal successors; such successors shall not be subject to the qualification to participate in the Employee Stock Ownership Plan, and their personal performance appraisal conditions shall not be included in the Unlocking Conditions.

(4) Other circumstances as determined by the Management Committee.

Chapter 5 Supplementary Provisions

Article 20 The consideration and approval of the Employment Stock Ownership Plan by the Board and the general meeting do not represent that the Holder can enjoy the right to continue to serve the Company or its subsidiaries, and do not constitute a commitment of employment for a fixed term by the Company or its subsidiaries. The employment relationship between the Company or its subsidiaries and the Holder is still governed by the employment contract between the Company or its subsidiaries and the Holder.

Article 21 The financial and accounting treatment and taxation issues in relation to the implementation of the Employee Stock Ownership Plan by the Company shall be implemented in accordance with the relevant financial system, accounting standards and taxation system, and the related individual income tax payable by the employees due to the implementation of the Employee Stock Ownership Plan shall be borne by such employee.

Article 22 The Administrative Measures shall become effective from the date of consideration and approval by the Shareholders at the General Meeting of the Company.

Article 23 The Administrative Measures shall be interpreted by the Board of the Company.

Board of Directors of
Joynn Laboratories (China) Co., Ltd.

August 15, 2022

EXECUTIVE DIRECTORS

Ms. Feng Yuxia (馮宇霞女士) (“Ms. Feng”), aged 57, graduated from Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院) in China with a master of medicine degree in pharmacology in 1992. Ms. Feng practiced as a doctor at the 252nd Hospital of the Chinese People’s Liberation Army (中國人民解放軍第252醫院) from August 1986 to August 1989. From August 1992 to August 1995, Ms. Feng worked at the Institute of Toxicology and Drugs of Chinese Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院毒物藥物研究所). Ms. Feng founded the Company in 1995 and has served as the general manager and chairperson of the Board since then. Ms. Feng is currently the chairperson of the Board of the Company, who is responsible for the overall strategic planning of the Company and presiding over the Board affairs.

Ms. Feng and her spouse, **Mr. Zhou Zhiwen (“Mr. Zhou”)**, are both controlling shareholders of the Company. As at the Latest Practicable Date, Ms. Feng held 119,400,452 A Shares; her spouse Mr. Zhou holds 64,373,511 A Shares. In addition, Ms. Feng’s niece is married to Mr. Gao Dapeng, one of the executive Directors.

Mr. Zuo Conglin (左從林先生) (“Mr. Zuo”), aged 58, graduated from the Institute of Toxicology and Drugs of Chinese Academy of Military Medical Sciences (中國人民解放軍軍事醫學科學院毒物藥物研究所) with a master’s degree in Pathology Specialty in 1989. Mr. Zuo worked as an assistant researcher at Air Force Aviation Medical Research Institute (空軍航空醫學研究所) from July 1989 to November 1996. Mr. Zuo joined the Company in December 1996, served as a project leader, head of the Drug Safety Evaluation Center, general manager of the Company, and head of the Beijing Zhaoyan New Drug Safety Evaluation Center. He has been engaged in drug safety evaluation for more than 20 years and has been in charge of more than 100 studies as a project leader and more than 1,000 studies of more than 300 new drugs as an organization leader. As a project leader, he chaired and participated in the project of “Internationalized Innovative Drug Safety Evaluation Technology Platform Construction” of the 12th Five-Year Plan; and as a project manager, he organized and implemented various provincial and municipal level science and technology projects, and participated in dozens of national major new drug creation and national 863 projects. Mr. Zuo has published more than 10 papers in many industry journals and academic conferences, including Journal of Toxicology (毒理學雜誌). Mr. Zuo currently serves as a committee member of Professional Committee of Drug Toxicology of Chinese Pharmacological Society (中國藥理學會藥物毒理專業委員會) and a standing committee member of Professional Committee of Drug Toxicology and Safety Evaluation of Chinese Society of Toxicology (中國毒理學會藥物毒理與安全性評價專業委員會). Mr. Zuo currently serves as vice chairperson of the Board, who is responsible for overseeing the operations and management of the Company.

As at the Latest Practicable Date, Mr. Zuo held 15,461,669 A Shares.

Mr. Gao Dapeng (高大鵬先生) (“Mr. Gao”), aged 39, received his bachelor’s degree in management from Central University of Finance and Economics (中央財經大學) in China in July 2005. From September 2005 to June 2007, Mr. Gao served as an assistant auditor at Beijing Zhongshui Xincheng Tax Firm (北京中稅信誠稅務師事務所) from August 2005 to July 2006 and worked as an accounting assistant and finance manager Staidson (a company listed on the Shenzhen Stock Exchange with stock code: 300204) from June 2007 to October 2012. Mr. Gao has worked for the Company since November 2012 and has held the positions of finance manager and chief financial officer. Mr. Gao is currently an executive Director, general manager and secretary of the Board and is primarily responsible for overseeing the operation, capital management and matters relating to information disclosure of the Company.

Mr. Gao is the husband of Ms. Feng’s niece. As at the Latest Practicable Date, Mr. Gao held 355,104 A Shares.

Ms. Sun Yunxia (孫雲霞女士) (“Ms. Sun”), aged 53, received her master’s degree in medicine from Norman Bethune University of Medical Sciences (白求恩醫科大學), now known as Norman Bethune Health Science Center of Jilin University (吉林大學白求恩醫學部) in 1995. Ms. Sun practiced as the chief physician at Peking University Shougang General Hospital (北京大學首鋼醫院) from July 1995 to September 1999. Ms. Sun has joined the Company since October 1999 and has held the positions of Project Manager of Toxicology Research, director of Toxicology Department, director of Quality Assurance Department and Deputy Director of the Institution. Ms. Sun has been engaged in drug safety evaluation for more than 20 years and has been responsible for the completion of non-clinical evaluation of nearly 1,000 innovative drugs. She is also responsible for the completion of the “Key Technology Research on Non-clinical Evaluation of Biomolecule Drugs”, a topic of the 13th Five-Year Plan of National Major New Drug Creation, and a number of provincial, municipal and development area special projects. Ms. Sun is currently a council member of Chinese Society of Toxicology (中國毒理學會), a deputy director of the Preclinical Evaluation Technology Professional Committee of the China Association of Pharmaceutical Biotechnology (中國醫藥生物技術協會臨床前評價技術專業委員會), as a committee member of Professional Committee of Drug Toxicology and Safety Evaluation of Chinese Society of Toxicology (中國毒理學會藥物毒理與安全性評價專業委員會), standing committee member of Professional Committee of Chinese Medicine and Natural Medicine Toxicology of Chinese Society of Toxicology (中國毒理學會中藥與天然藥物毒理專業委員會), a member of the Chinese Society of Pharmacology’s Chemotherapy Professional Committee (中國藥理學會化療專業委員會) and a member of the Chinese Society of Toxicology’s Biotechnology Drug Evaluation Professional Committee (中國毒理學會生物技術藥物評價專業委員會). Ms. Sun is an executive Director and deputy general manager of the Company, the general manager of JOINN Laboratories (Suzhou) Co., Ltd. and the director of Beijing Key Laboratory of Biological Product Safety Evaluation, and is responsible for overseeing the non-clinical operations of the Company.

As at the Latest Practicable Date, Ms. Sun held 3,363,419 A Shares.

Dr. Yao Dalin (姚大林博士) (“Dr. Yao”), aged 73, received his doctoral degree in medicine from Norman Bethune University of Medical Sciences (白求恩醫科大學) in November 1990. Dr. Yao was an Associate Professor at the First Clinical School of Norman Bethune University of Medical Sciences (白求恩醫科大學第一臨床學院) from 1989 to October 1990; a Visiting Scientist at the National Institute of Neurological Disorders and Stroke of the National Institutes of Health (NIH) from October 1990 to October 1995; a Scientist in the Department of Pharmacology and Toxicology of Human Genome Sciences, Inc. from October 1995 to November 1999; and a Scientist in the Department of Pharmacology and Toxicology of the National Institutes of Health (NIH) from November 1999 to December 2011. From November 1999 to December 2011, Dr. Yao served as a Pharmacology Toxicology Drug Review Officer at the FDA’s Center for Drug Evaluation, and as a GLP/BE Regulatory Field Inspector and Reviewer at the Division of Scientific Investigations, Department of Regulatory Oversight. Dr. Yao has been with the Company since February 2012 and is currently an executive Director, chief scientific officer and vice president of JOINN Laboratories (Suzhou) Co., Ltd..

As at the Latest Practicable Date, Dr. Yao held 72,470 A Shares.

NON-EXECUTIVE DIRECTOR

Mr. Gu Xiaolei (顧曉磊先生) (“Mr. Gu”), aged 35, received his bachelor of science degree in applied business management from Imperial College London, the United Kingdom, in August 2009. Mr. Gu served as a director and the vice general manager of Xiangtang Group Co., Ltd. (香塘集團有限公司) from July 2009 to April 2016. Mr. Gu has served as the vice chairperson of such company since April 2016. Mr. Gu is currently a non-executive Director and is mainly involved in the decision-making of the Board.

As at the Latest Practicable Date, Mr. Gu held 21,069,430 A Shares.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sun Mingcheng (孫明成先生) (“Mr. Sun”), aged 48, graduated from Liaoning University of Engineering and Technology (遼寧工程技術大學) with a bachelor’s degree and a master’s degree in hydrogeology and engineering geology in 2000; graduated from Beijing University of Posts and Telecommunications (北京郵電大學) with a master’s degree in business administration in 2005; and obtained a doctoral degree in accounting from the Research Institute for Fiscal Sciences of Ministry of Finance (財政部財政科學研究所), now known as Chinese Academy of Fiscal Sciences (中國財政科學研究院) in 2013. From March 2002 to December 2012, Mr. Sun worked at Zhongxi Certified Public Accountants Limited and China Telecom Group Corporation as an audit manager; from January 2013 to August 2017, he was the deputy general manager, chief financial officer and secretary of the board of directors of Matt Automotive Services Co. Ltd. (麥特汽車服務股份有限公司); from November 2017 to August 2021, he served as the general manager of Yangzhou Dongsheng Auto Parts Co. Ltd. (揚州東升汽車零部件股份有限公司); from May 2018 to present, Mr. Sun serves as an independent director of Hengtong Logistics Co., Ltd. (恒通物流股份有限公司); from February 2021 to present, Mr. Sun serves as an independent director of Zhejiang Meili High Technology Co., Ltd. (浙江美力科技股份有限公司); from May 2021 to present, Mr. Sun serves as a supervisor of Thinking Education Technology Co. (思維教育科技有限公司). Mr. Sun is currently an independent non-executive Director and is mainly involved in the decision-making of the Board.

Dr. Zhai Yonggong (翟永功博士) (“Dr. Zhai”), aged 60, received his bachelor of agriculture degree in animal husbandry from Northwest Agricultural College (西北農學院), now known as Northwest Agriculture and Forestry University (西北農林科技大學), in China in July 1984. He obtained his master of agriculture degree in animal genetics and breeding from the same school in June 1992. He subsequently received his doctoral degree of engineering in biomedical engineering from Xi’an Jiaotong University (西安交通大學) in China in December 1999. Dr. Zhai served a visiting scholar at the University of Pittsburgh in the United States from January 2005 to January 2007; in particular he has published more than 100 academic articles, in which, SCI recorded more than 40 of it. He also participated in editing and writing 5 textbooks. He obtained 3 patents for inventions in China as well. Since May 2001, he has been a professor of biology and physiology at Beijing Normal University (北京師範大學), mainly engaged in teaching and scientific research in physiology and molecular pharmacology. Since October 2021, he has been an independent director of Beijing Kangchen Pharmaceutical Co. Ltd. (北京康辰藥業股份有限公司) until now. Since March 2022, he is also an executive director of Beijing Heng Run Pusheng Biotechnology Co. (北京恒潤普生生物技術有限公司). Dr. Zhai is currently an independent non-executive Director and mainly involved in decision-making of the Board.

Mr. Ou Xiaojie (歐小傑先生) (“Mr. Ou”), aged 48, received his bachelor of engineering degree in industrial automation from Guangdong University of Technology (廣東工業大學) in China in 1999. Mr. Ou served as a managing director at Beijing Dongfang Junhe Management Consulting Co., Ltd. (北京東方君和管理顧問有限公司) from January 2009 to May 2012. He served as a department general manager at Beijing Chinasoft International Information Technology Co., Ltd. (北京中軟國際資訊技術有限公司) from August 2012 to May 2014. He successively served as a director and strategic counsel at Beijing Didaofengwu Technology Co., Ltd. (北京地道風物科技有限公司) from May 2015 to September 2017. Since March 2019, Mr. Ou has been a director of Chengdu Temperature Network Technology Co. (成都溫度網路科技有限公司); since May 2019, Mr. Ou is the director of Guangzhou Yuandian Digital Technology Co. (廣州原典數位技術有限公司). Mr. Ou is currently an independent non-executive Director and mainly involved in decision-making of the Board.

Mr. Zhang Fan (張帆先生) (“Mr. Zhang”), aged 43, received his bachelor of management degree in accounting from Sun Yat-sen University (中山大學) in China in June 2001. He obtained his master of business administration degree from Carnegie Mellon University in the U.S. in May 2010. Mr. Zhang is a Certified Public Accountant in the U.S.. Mr. Zhang worked at the head office of China Construction Bank (中國建設銀行)

As at the Latest Practicable Date, save as disclosed above, each of the Re-elect Directors, has confirmed that (i) he/she has no relationship with any Directors, senior management, substantial shareholders or controlling shareholders (as defined in the Listing Rules) of the Company; (ii) he/she does not hold any other position with the Company or its subsidiaries; (iii) he/she did not hold any directorships in any other listed companies the securities of which are listed on any securities markets in Hong Kong or overseas in the last three years; and (iv) he/she is not interested in nor is deemed to be interested in any shares or underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Each of the Re-elect Directors, has confirmed that, as at the Latest Practicable Date, save as disclosed above, there are no other matters relating to his/her appointment that need to be brought to the attention of the Shareholders or the Stock Exchange or to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Mr. He Yingjun (何英俊先生) (“Mr. He”), aged 47, a member of the Chinese Peasant and Labor Party. Mr. He is a graduate student of the Graduate School of Chinese Academy of Sciences (中國科學院), and a leader of the Beijing Economic Development Zone, and has received the IPMP international C-level certification. From April 2001 to April 2005, Mr. He served as the office director of Beijing Kyushu Tong Pharmaceutical Company Limited (北京九州通醫藥有限公司); from May 2005 to July 2007, he served as the deputy general manager of Beijing Junda Hi-Tech Incubator Company Limited (北京均大高科科技孵化器有限公司); from August 2007 to July 2021, he served as the deputy general manager of Yue Kang Pharmaceutical Group Co. (悅康藥業集團股份有限公司). Mr. He has served as our Vice President since August 2021 and is responsible for public affairs related work.

Ms. Zhao Wenjie (趙文傑女士) (“Ms. Zhao”), aged 38, holds a bachelor’s degree in accounting from Inner Mongolia Finance and Economics College (內蒙古財經學院) in 2006. From 2006 to 2007, Ms. Zhao worked as an expense accountant of Chifeng Mengxin Pharmaceutical Company Limited (赤峰蒙欣藥業有限公司); from January 2008 to July 2010, she worked as a cost accountant of Beijing Lixiang Pharmaceutical Company Limited (北京利祥製藥有限公司). Since August 2010, Ms. Zhao has held the positions of cost accountant, accounting supervisor, deputy finance manager, internal audit supervisor and manager of investment department in Staidson (Beijing) Biopharmaceuticals Co., Ltd. (舒泰神(北京)生物製藥股份有限公司). Ms. Zhao has served as the executive director of Suzhou Qixingtian Patent Operation Management Co., Ltd. (蘇州七溪運營管理有限公司) since August 2022.

As at the Latest Practicable Date, save as disclosed above, each of the Nominated Supervisors has confirmed that (i) he/she did not hold any other position in the Group nor any other directorship in any other listed companies in the past three years; (ii) he/she does not have any relationship with any other Directors, Supervisors, senior management, substantial or controlling Shareholders of the Company; and (iii) he/she does not have any interests in the shares or underlying shares of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Save as disclosed herein, the Company considers that there is no other information relating to the Nominated Supervisors which shall be disclosed, and they have no involvement in any matter which is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules. There is no other matter that needs to be brought to the attention of the Shareholders or the Stock Exchange.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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.

2. DISCLOSURE OF INTERESTS

Directors', chief executives' and Supervisors' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the following Directors, Supervisors or chief executives of the Company had interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Name	Nature of interests	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage in relevant issued class of Shares ⁽²⁾	Approximate percentage in total issued share capital ⁽²⁾
Ms. Feng	Beneficial Owner	A Shares	119,400,452 (L)	26.53%	22.31%
	Interest of Spouse	A Shares	64,373,511 (L)	14.30%	12.03%
Mr. Gu Xiaolei	Beneficial Owner	A Shares	21,069,430 (L)	4.68%	3.94%
Mr. Zuo Conglin	Beneficial Owner	A Shares	15,461,669 (L)	3.43%	2.89%
Ms. Sun Yunxia	Beneficial Owner	A Shares	3,363,419 (L)	0.75%	0.63%
Mr. Gao Dapeng	Beneficial Owner	A Shares	355,104 (L)	0.08%	0.07%
Dr. Yao Dalin	Beneficial Owner	A Shares	72,470 (L)	0.02%	0.01%

Note:

(1) The letter "L" denotes the person's long position in the Shares.

(2) As at the Latest Practicable Date, the Company had 535,123,409 issued Shares in total, comprised of 450,126,833 A Shares and 84,996,576 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the 2018 Share Option and Restricted Share Award Scheme, 2019 Share Option and Restricted Share Award Scheme, 2020 Share Option

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders in shares and underlying shares of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than the Directors, the Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interests	Class of Shares	Number of Shares ⁽¹⁾	Approximate percentage in relevant issued class of Shares ⁽²⁾	Approximate percentage in total issued share capital ⁽²⁾
Mr. Zhou	Beneficial Owner	A Shares	64,373,511 (L)	14.30%	12.03%
	Interest of Spouse	A Shares	119,400,452 (L)	26.53%	22.31%
UBS Group AG	Interests of controlled corporation	H Shares	9,428,028 (L)	11.09%	1.76%
JPMorgan Chase & Co.	Interests of controlled corporation, Investment manager, Person having a security interest in shares, approved lending agent	H Shares	4,393,421 (L)	5.17%	0.82%
			1,923,392 (S)	2.26%	0.36%
			371,510 (P)	0.43%	0.07%
Aggregate of abrdn plc affiliated investment management entities	Investment manager	H Shares	4,740,700 (L)	5.58%	0.89%

Note:

- (1) The letter "L" denotes the person's long position in the Shares. The letter "S" denotes the person's short position in the Shares. The letter "P" denotes the person's lending pool in the Shares.
- (2) As at the Latest Practicable Date, the Company had 535,123,409 issued Shares in total, comprised of 450,126,833 A Shares and 84,996,576 H Shares (without taking into account any A Shares to be issued upon exercise of the share options granted under the 2018 Share Option and Restricted Share Award Scheme, 2019 Share Option and Restricted Share Award Scheme, 2020 Share Option Scheme, 2021 A Share Employee Stock Ownership Plan and 2021 Restricted A Share Incentive Scheme).

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (other than the Directors, the Supervisors or chief executives of the Company) who had interests and/or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

None of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, proposed Director, and their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

4. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Director or the Supervisors: (a) had any direct or indirect interest in any assets acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up; or (b) was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors has entered into or intends to enter into a service contract with any member of the Group (other than contracts expiring or terminable by the relevant employer within one year without payment of compensation (other than statutory compensation)).

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any material litigation or claims. To the knowledge of the Directors, no member of the Group had any pending or threatened material litigation or claims.

8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given advice and recommendations which are contained in this circular:

Name	Qualification
Rainbow Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser issued a letter dated October 31, 2022 in respect of its recommendation to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation in this circular. As at the Latest Practicable Date, the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter in this circular, and the references to its name and opinion in the form and context in which they appear.

9. EXPERT'S INTERESTS

As at the Latest Practicable Date, the Independent Financial Adviser: (a) did not have any direct or indirect interest in any assets acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up; and (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for

11. GENERAL INFORMATION

- (a) The joint company secretaries of the Company are Mr. Gao Dapeng and Ms. Cheung Ka Lun Karen. Ms. Cheung is an associate member of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and a fellow member of the Hong Kong Institute of Chartered Secretaries.
- (b) The registered address of the Company is A5 Rongjing East Street, Beijing Economic-Technological, Development Area, Beijing, 100176, China. The principal place of business of the Company in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (c) The H share registrar of the Company is Tricor Investor Services Limited located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) Unless otherwise indicated above, the English version of this circular shall prevail over the Chinese version in the event of any inconsistency.



JOINN LABORATORIES (CHINA) CO., LTD.
北京昭衍新藥研究中心股份有限公司

(A P R C)
(Stock code: 6127)

**NOTICE OF THE SECOND EXTRAORDINARY
GENERAL MEETING OF 2022**

NOTICE IS HEREBY GIVEN that the second Extraordinary General Meeting (the “EGM”) of 2022 of JOINN Laboratories (China) Co., Ltd. (the “**Company**”) will be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Thursday, November 17, 2022, at 2:30 p.m. for the following purposes of considering and, if deemed appropriate, approving the following resolutions:

SPECIAL RESOLUTIONS

To consider and approve:

1. The adoption of the 2022 Restricted A Share Incentive Scheme;
2. The adoption of the Assessment Administrative Measures on the Implementation of the 2022 Restricted A Share Incentive Scheme; and
3. To authorize the board of directors (the “**Director(s)**”) of the Company (the “**Board**”) to deal with matters in relation to the 2022 Restricted A Share Incentive Scheme.

ORDINARY RESOLUTIONS

To consider and approve:

4. The adoption of the 2022 A Share Employee Stock Ownership Plan;
5. The adoption of the Assessment Administrative Measures on the Implementation of the 2022 A Share Employee Stock Ownership Plan;
6. To authorize the Board to deal with matters in relation to the 2022 A Share Employee Stock Ownership Plan;

ORDINARY RESOLUTIONS EFFECTED BY CUMULATIVE VOTING PROCESS

7. The resolutions in respect of the proposed election of non-independent Directors of new session of the Board:
 - 7.01 The appointment of Ms. Feng Yuxia as an executive Director of the fourth session of the Board;
 - 7.02 The appointment of Mr. Zuo Conglin as an executive Director of the fourth session of the Board;
 - 7.03 The appointment of Mr. Gu Xiaolei as a non-executive Director of the fourth session of the Board;
 - 7.04 The appointment of Dr. Yao Dalin as an executive Director of the fourth session of the Board;
 - 7.05 The appointment of Ms. Sun Yunxia as an executive Director of the fourth session of the Board; and
 - 7.06 The appointment of Mr. Gao Dapeng as an executive Director of the fourth session of the Board;

8. The resolutions in respect of the proposed election of independent Directors of new session of the Board:
 - 8.01 The appointment of Dr. Zhai Yonggong as an independent non-executive Director of the fourth session of the Board;
 - 8.02 The appointment of Mr. Sun Mingcheng as an independent non-executive Director of the fourth session of the Board;
 - 8.03 The appointment of Mr. Ou Xiaojie as an independent non-executive Director of the fourth session of the Board; and
 - 8.04 The appointment of Mr. Zhang Fan as an independent non-executive Director of the fourth session of the Board;

9. The resolutions in respect of the proposed election of new session of the supervisory committee of the Company:

9.01 The appointment of Mr. Ho Yingjun as a non-employee representative supervisor of the fourth session of the supervisory committee of the Company;

9.02 The appointment of Ms. Zhao Wenjie as a non-employee representative supervisor of the fourth session of the supervisory committee of the Company.

The “cumulative voting process” will be adopted for the voting of all the sub-resolutions under resolutions No. 7.00, 8.00 and 9.00.

Please refer to Note (7) to this notice for details.

By Order of the Board
JOINN Laboratories (China) Co., Ltd.
Feng Yuxia
C , , /

Hong Kong, October 31, 2022

Notes:

- (1) Unless the context otherwise stated, capitalized terms used in this notice shall have the meanings as those defined in the circular of the Company dated October 31, 2022.
- (2) The grant of Restricted Shares to each of the Connected Participants and the other independent Participants are interdependent and linked to each other to form the integral part of the 2022 Restricted A Share Incentive Scheme. As such, no separate resolutions in relation to the grant to each Connected Participant will be proposed in the EGM and the relevant Class Meetings. A Shareholder should note that if he/she /it votes for the 2022 Restricted A Share Incentive Scheme, the grant of Restricted Shares to each of the Connected Participants shall be deemed to be approved by him/her/it. A Shareholder is reminded to exercise his/her/its voting rights cautiously.
- (3) For the purpose of holding the EGM, the register of members of the Company will be closed from Monday, November 14, 2022 to Thursday, November 17, 2022 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, November 11, 2022 for registration. The Shareholders whose names appear on the register of members of the Company on Thursday, November 17, 2022 are entitled to attend and vote at the EGM.
- (4) Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
- (5) The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either

NOTICE OF THE SECOND EXTRAORDINARY GENERAL MEETING OF 2022

- (6) In order to be valid, the proxy form must be deposited, for H Shareholders of the Company, to the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 24 hours before the time for holding the EGM (i.e. not later than 2:30 p.m. on Wednesday, November 16, 2022 (Hong Kong time)) or the adjourned meeting (as the case may be). If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings should they so wish.
- (7) The cumulative voting process will be adopted for the voting of all the sub-resolutions under resolutions No. 7.00, 8.00 and 9.00. Each Share represents the voting rights equivalent to the number of Directors or Supervisors to be elected under a particular resolution. If a Shareholder holds 100 Shares, 10 Directors should be elected at such general meeting out of 12 Director candidates, then the Shareholder shall have 1,000 votes for the election of Directors under a particular resolution. Voting of a Shareholder shall be confined to the number of votes to which he/she/it is entitled to in respect of each resolution. Each Shareholder may cast his/her/its votes at his/her/its own discretion by casting his/her/its vote on one candidate or on different candidates in any combination. Upon completion of the voting, the votes will be counted cumulatively in respect of each of the resolutions.
- (8) Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the EGM. If corporate Shareholders appoint authorised representative to attend the EGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the Board of Directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.
- (9) Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
- (10) All resolution(s) at the EGM will be taken by poll (except where the chairman decides to allow a resolution in relation to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules.
- (11) References to time and dates in this notice are to Hong Kong time and dates.
- (12) For any matter in relation to the EGM, please contact Mr. Jia Fengsong (via email: jjafengsong@joinn-lab.com or telephone: +86 010 6786 9582).

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NOTICE OF THE THIRD H SHARE CLASS MEETING OF 2022

N. . :

- (1) Unless the context otherwise stated, capitalized terms used in this notice shall have the meanings as those defined in the circular of the Company dated October 31, 2022.
- (2) The grant of Restricted Shares to each of the Connected Participants and the other independent Participants are interdependent and linked to each other to form the integral part of the 2022 Restricted A Share Incentive Scheme. As such, no separate resolutions in relation to the grant to each Connected Participants will be proposed in the EGM and the relevant Class Meetings. A Shareholder should note that if he/she/it votes for the 2022 Restricted A Share Incentive Scheme, the grant of Restricted Shares to each of the Connected Participants shall be deemed to be approved by him/her/it. A Shareholder is reminded to exercise his/her/its voting rights cautiously.
- (3) For the purpose of holding the H Share Class Meeting, the register of members of the Company will be closed from Monday, November 14, 2022 to Thursday, November 17, 2022 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the H Share Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, November 11, 2022 for registration. The Shareholders whose names appear on the register of members of the Company on Thursday, November 17, 2022 are entitled to attend and vote at the H Share Class Meeting.
- (4) Shareholders who are entitled to attend and vote at the H Share Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
- (5) The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
- (6) In order to be valid, the proxy form must be deposited, for H Shareholders of the Company, to the H share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 24 hours before the time for holding the H Share Class Meeting (i.e. not later than 2:30 p.m. on Wednesday, November 16, 2022 (Hong Kong time)) or the adjourned meeting (as the case may be). If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the H Share Class Meeting or any adjourned meetings should they so wish.
- (7) Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the H Share Class Meeting. If corporate Shareholders appoint authorised representative to attend the H Share Class Meeting, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the Board of Directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the H Share Class Meeting.
- (8) Shareholders attending the H Share Class Meeting shall be responsible for their own travel and accommodation expenses.
- (9) All resolution(s) at the H Share Class Meeting will be taken by poll (except where the chairman decides to allow a resolution in relation to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules.
- (10) References to time and dates in this notice are to Hong Kong time and dates.
- (11) For any matter in relation to the H Share Class Meeting, please contact Mr. Jia Fengsong (via email: jiafengsong@joinn-lab.com or telephone: +86 010 6786 9582).