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上海復旦張江生物醫藥股份有限公司

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*

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

(Stock code:1349)

(1) PROPOSED ADOPTION OF THE 2021 RESTRICTED INCENTIVE SCHEME (2) CONNECTED TRANSACTION - PROPOSED ISSUE AND GRANT OF NEW A SHARES UNDER THE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

On 6 April 2021, the Board approved the resolutions in relation to the proposed adoption of the Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the Specific Mandate. The proposed Incentive Scheme is subject to Shareholders' approval by way of special resolution at the AGM and the Class Meetings. The Company may amend the Incentive Scheme if requested by the regulatory authorities in the PRC and/or Hong Kong.

The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants. The total number of Restricted Shares to be granted under the Incentive Scheme will be not more than 38,000,000 A Shares, representing approximately 3.64% of the total issued share capital of the Company as at the date of this announcement, amongst which 32,840,000 A Shares will be granted as the First Grant and 5,160,000 A Shares will be reserved for the Reserved Grant. The Company shall grant the Restricted Shares to the Participants upon satisfaction of certain granting conditions of the Incentive Scheme.

IMPLICATIONS UNDER THE LISTING RULES

The Incentive Scheme is a discretionary scheme of the Company and does not constitute a share option scheme under Chapter 17 of the Hong Kong Listing Rules.

The Connected Participants as at the date of this announcement is Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun and Mr. Gan Yi Min. Each of the Connected Participants is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rule. Accordingly, the issue and grant of the Restricted Shares to the Connected Participants under the Incentive Scheme constitutes non-exempt connected transactions of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Directors and chief executive who are Connected Participants have declared their interested in the Incentive Scheme and abstained from voting on the resolutions in relation to the adoption of the proposed Incentive Scheme and the Assessment Management Measures, 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 the abovementioned Directors, there is no other Director who is required to abstain from voting on the board resolutions in relation to the Incentive Scheme.

The Company will establish an Independent Board Committee (consisting of all independent non-executive Directors) to advise the Independent Shareholders of the Company 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 Grande Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme.

The Company is of the view that the adoption and implementation of the proposed Incentive Scheme is beneficial to the Company and its Shareholders as whole. The Board is also of the view that the terms and conditions of the Incentive Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

AGM AND CLASS MEETINGS

The AGM and the Class Meetings may be held on 27 May 2021 for Independent Shareholders to consider and, if thought fit, approve the resolutions in relation to, among others, the proposed Incentive Scheme, the Assessment Management Measures, the Specific Mandate for issue and allotment of the Restricted Shares under the Incentive Scheme and the grant of the Restricted Shares (including the grant to the Connected Participants under the First Grant) under the Incentive Scheme. The notice of the AGM and the Class Meetings will be published on the websites of the Company (www.fd-zj.com) and the Stock Exchange (www.hkexnews.hk) and dispatched to the Shareholders on or before 27 April 2021.

A circular containing, among other things, further details of the terms of the proposed Incentive Scheme, the proposed grant under the Incentive Scheme pursuant to the Specific Mandate, the recommendation from the Independent Financial Adviser and the letter from the Independent Board Committee on the issue and grant of Restricted Shares by the Company to the Connected Participants is expected to be dispatched to the Shareholders on or before 7 May 2021.

THE PROPOSED ADOPTION OF 2021 RESTRICTED A SHARE INCENTIVE SCHEME

On 6 April 2021, the Board approved the resolutions in relation to the proposed adoption of the Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the Specific Mandate. The proposed Incentive Scheme is subject to Shareholders' approval by way of special resolution at the AGM and the Class Meetings. The Company may amend the Incentive Scheme if requested by the regulatory authorities in the PRC and/or Hong Kong.

The principal terms of the proposed Incentive Scheme are summarized as follows:

I. PURPOSE OF THE INCENTIVE SCHEME

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's management personnel, core technical personnel and other personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized.

II. FORM AND SOURCE OF THE RESTRICTED SHARES TO BE GRANTED

The form of incentive adopted under the Incentive Scheme is Restricted Shares.

The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants.

III. NUMBER OF THE RESTRICTED SHARES TO BE GRANTED

The total number of Restricted Shares to be granted under the Incentive Scheme will be not more than 38,000,000 A Shares, representing approximately 3.64% of the total number of issued share of the Company as at the date of this announcement (being 104,300,000,000 A Shares), amongst which 32,840,000 A Shares, representing approximately 3.15% of the total issued share capital of the Company and approximately 86.42% of the total number of Restricted Shares under the Incentive Scheme, will be granted as the First Grant and 5,160,000 A Shares, representing approximately 0.49% of the total issued share capital of the Company and approximately 13.58% of the total number of Restricted Shares under the Incentive Scheme, will be reserved for the Reserved Grant.

The cumulative total number of underlying Shares involved under the fully effective share incentive schemes of the Company shall not exceed 20.00% of the total share capital of the Company as at the date the Incentive Scheme is submitted for approval at the AGM and the Class Meetings. The total number of Shares to be granted to any Participant under all the fully effective share incentive schemes of the Company shall not exceed 1.00% of the total share capital of the Company.

IV. PARTICIPANTS OF THE INCENTIVE SCHEME

A. Basis for determining the Participants

1. Legal basis for determining the Participants

The Board may, from time to time, select any Participants in accordance with the Scheme. The Participants are determined after taking into account the actual circumstances of the Company and in accordance with the PRC Company Law, the PRC Securities Law, the Management Measures, the Hong Kong Listing Rules, the STAR Market Listing Rules, the Memorandum on Information Disclosure of Companies Listed on the STAR Market of the Shanghai Stock Exchange No. 4 - Information Disclosure on Equity Incentives 《科創板上市公司信息披露業務指南第4號—股權激勵信息披露》) and other relevant laws, regulations and regulatory documents as well as the Articles of Association.

2. Positions held by the Participants in the Company

The Participants include Directors, members of the senior management, core technical staff and other persons considered by the Board (excluding the independent non-executive Directors and Supervisors) to be required to be incentivized of the Group. The list of Participants will be prepared by the Remuneration Committee and verified by the Board of Supervisors.

B. Scope of the Participants

The total number of the Participants for the First Grant proposed under the Incentive Scheme shall be 266, accounting for 42.36% of the company's 628 employees as of 31 December 2020.

None of the Participants are independent non-executive Directors and Supervisors.

Among the Participants, the Directors and senior managers must be elected by the Company's shareholders meeting or appointed by the Board. All Participants must have an employment relationship with the Company or its subsidiaries on the Grant Date and during the assessment period of the Incentive Scheme.

The Participants for the Reserved Grant shall be determined within 12 months after the Incentive Scheme being considered and approved at the EGM and Class Meetings. The Company will announce relevant information about the Participants on the Company's website timely after the Board of Directors having made such proposal, independent non-executive Directors and the Board of Supervisors having expressed clear opinions, and the Company counsel having provided professional opinions and legal opinions. The Reserved Grant shall lapse if the Participants cannot be determined within the 12-month period. The basis for determining the Participants for the Reserved Grant shall be the same as the basis for determining the Participants for the First Grant.

C. Persons who are prohibited to participate in the Incentive Scheme

1. The person has been determined as an inappropriate candidate by the Shanghai Stock Exchange within the most recent 12 months;
2. The person has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
3. The person has been subject to administrative punishment or market ban measures by CSRC and its delegated institutions due to major illegal acts in the most recent 12 months;
4. The person has the circumstances stipulated in the PRC Company Law that he/she shall not act as a director or senior manager of any company;
5. Laws and regulations stipulate that the person shall not participate in the equity incentives of listed companies;
6. Other circumstances as determined by the CSRC.

During the implementation process of the Incentive Scheme, if any of the above circumstances in relation to a Participant arises, the Company shall terminate his/her right to participate in the Incentive Scheme, and any granted Restricted Shares which have not yet been attributed shall not be attributed and shall lapse.

D. Allocation of Restricted Shares to be granted

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

Participants	Major position of Participant(s)	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares	Percentage to the total share capital of the Company as at the date of this announcement
1. Directors, Chief Executives, Key Technical officers				
Wang Hai Bo	Chairman, Executive Director, General Manager, core technical staff	1,000,000	2.63%	0.10%
Su Yong	Executive Director, Deputy General Manager, core technical staff	1,200,000	3.16%	0.12%
Zhao Da Jun	Executive Director, Deputy General Manager	1,200,000	3.16%	0.12%
Li Jun	Deputy General Manager	1,100,000	2.89%	0.11%
Yang Xiao Lin	Deputy General Manager	1,200,000	3.16%	0.12%
Gan Yi Min	Deputy General Manager	1,200,000	3.16%	0.12%
Xue Yan	Company Secretary, Chief Financial Officer	1,100,000	2.89%	0.11%
Zhang Wen Bo	Core technical staff	1,000,000	2.63%	0.10%
Jiang Jian Ping	Core technical staff	700,000	1.84%	0.07%
Tao Ji Ning	Core technical staff	300,000	0.79%	0.03%
Shen Yi Jun	Core technical staff	400,000	1.05%	0.04%
Total		10,400,000	27.37%	1.00%
2. Other Participants				
255 Participants		22,440,000	59.05%	2.15%
Total amount for the First Grant		32,840,000	86.42%	3.15%
3. Reserved Grant				
		5,160,000	13.58%	0.49%
Total		38,000,000	100.00%	3.64%

The Restricted Shares under the Reserved Grant shall not exceed 20.00% of the total Restricted Shares available under the Incentive Scheme. If a Participant, due to personal reasons, voluntarily waives the Restricted Shares which have been granted to him/her, the Board of Directors shall adjust the number of granted Restricted Shares accordingly, and allocate the portion of the Restricted Shares waived by such Participant to the Reserved Grant or allocate such portion amongst the Participants.

The Connected Participants for the First Grant under the Incentive Scheme are Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun and Mr. Gan Yi Min. 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 First Grant are independent of the Company and its connected persons.

V. GRANT PRICE AND BASIS OF DETERMINATION OF THE GRANT PRICE

A. Grant Price of the Restricted Shares

The Grant Price of the First Grant shall be RMB8.95 per A Share. A Participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at such Grant Price. The Grant Price of the Reserved Grant shall be the same as the Grant Price of the First Grant, i.e. RMB8.95 per A Share.

The basis for determining the Participants for the Reserved Grant shall be the same as the basis for determining the Participants for the First Grant.

B. Basis of determination of the Grant Price

1. Pricing Methods

The Grant Price was determined based on the issue price of the A Shares in the Company's listing on the STAR Market, being RMB8.95 per A Share.

The Grant Price represents:

- a premium of approximately 203.87% to the closing price of HKD4.390 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 61.53% to the average trading price of RMB14.55 per A Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding the date of this announcement;
- a premium of approximately 203.55% to the average closing price of HKD4.397 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 60.45% to the average trading price of RMB14.81 per A Share as quoted on the Shanghai Stock Exchange on the 20 consecutive trading days immediately preceding the date of this announcement; and
- a premium of approximately 196.96% to the average closing price of HKD4.544 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 55.27% to the average trading price of RMB16.19 per A Share as quoted on the Shanghai Stock Exchange on the 60 consecutive trading days immediately preceding the date of this announcement; and
- a premium of approximately 210.34% to the average closing price of HKD4.255 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 48.13% to the average trading price of RMB18.60 per A Share as quoted on the Shanghai Stock Exchange on the 120 consecutive trading days immediately preceding the date of this announcement.

2. Pricing Basis

The Grant Price adopts an independent pricing method. The purpose of determining the Grant Price by independent pricing is to promote the development of the Company, protect the rights and interests of the Shareholders, and provide a mechanism and talent guarantee for the long-term and stable development of the Company.

The Company is a talent technology-oriented enterprise, and fully guaranteeing the effectiveness of share incentives is an important way to stabilize core talents. The Company's operating environment is facing many challenges, including industry cycles, technological innovation, talent competition, capital market fluctuations, etc. The Grant Price under the Incentive Scheme is conducive to the Company's effective talent incentives in different cycles and operating environments, so that the Company can gain an advantage in industry competition.

In addition, based on the principle of equal incentives and restraints, the Company set up a certain challenging performance target and uses independent pricing to determine the Grant Price under the Incentive Scheme, which can further stimulate the motive and creativity of the Participants. Based on this, the Incentive Scheme will have a positive impact on the Company's future sustainable development operations and the Shareholders' equity, and promote the smooth realization of incentive goals.

In summary, on the basis of compliance with relevant laws and regulations, the Company decides to set the Grant Price at RMB8.95 per A Share. The implementation of the Incentive Scheme will stabilize the core team and realize the interests of employees and the Shareholders.

VI. VALIDITY PERIOD, GRANT DATE, ATTRIBUTION ARRANGEMENTS AND BLACK-OUT PERIODS

A. Validity period of the Incentive Scheme

The Incentive Scheme will become effective upon the Grant Date of the First Grant, and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 48 months.

B. Grant Date of the Restricted Shares

The Company will convene a Board meeting to determine whether the conditions of grant under the Incentive Scheme have been met and the Grant Date after the Incentive Scheme having been adopted and approved at the AGM and the Class Meetings. The Company shall grant the Restricted Shares for the First Grant to the Participants and complete the relevant procedures including making relevant announcement(s), within 60 days after the Incentive Scheme having been adopted and approved at the AGM and the Class Meetings and the conditions for the grant having been satisfied. If the Company is unable to complete the procedures within the 60-day period, the Company will make a timely announcement to disclose the reason for being unable to complete the procedures and declare the termination of the Incentive Scheme. According to the Assessment Management Measures, such 60-day period does not include the period during which the Restricted Shares cannot be granted.

The Restricted Shares for the Reserved Grant shall be granted within 12 months after the Incentive Scheme being adopted and approved by the AGM and the Class Meetings. The Reserved Grant shall lapse if the Participants for the Reserved Grant cannot be determined within the said 12-month period.

The Grant Date must be a trading day. If the Grant Date falls on a non-trading day, then it shall be the next trading day immediately after such non-trading day.

C. Attribution arrangements under the Incentive Scheme

Within 12 months after the Grant Date and subject to the attribution conditions having been fulfilled, the Restricted Shares may be attributed to the Participants (for the First Grant) in 3 tranches and (for the Reserved Grant) in 2 tranches. An attribution date must be a trading day within the validity period of the Incentive Scheme, and shall not fall within any of the following periods:

- 60 days prior to the publication of the annual report (inclusive of the date of publication of the annual report), or the period between the end of the relevant financial year and the publication of the annual report, whichever is shorter;
- 30 days prior to the publication of the half-year report or quarterly report (inclusive of the date of publication of such half-year or quarterly report), or the period between the end of the half-year or the quarter and the publication of the relevant report, whichever is shorter;
- 10 days prior to the disclosure of results preview or preliminary financial results;
- during the period from the date of occurrence of a material event which may have considerable impact on the trading price of the shares and their derivatives of the Company, or the date of entering the decision-making process, up to 2 trading days after relevant disclosure has been made in accordance with the laws; or
- any other period stipulated by the CSRC and the Shanghai Stock Exchange.

The abovementioned “major events” are considered to be disclosable transactions or other major events of the Company under the Listing Rules.

Attribution arrangements of the First Grant under the Incentive Scheme are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day 12 months after the First Grant to the last trading day within 24 months after the First Grant	30%
Second tranche	From the first trading day 24 months after the First Grant to the last trading day within 36 months after the First Grant	30%
Third tranche	From the first trading day 36 months after the First Grant to the last trading day within 48 months after the First Grant	40%

Attribution arrangements of the Reserved Grant under the Incentive Scheme are as follows:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day 12 months after the First Grant to the last trading day within 24 months after the First Grant	50%
Second tranche	From the first trading day 24 months after the First Grant to the last trading day within 36 months after the First Grant	50%

Those Restricted Shares which have not been attributed during the period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be deferred to be attributed in the next attribution period(s) and shall lapse.

Upon attribution, the Restricted Shares will be registered with the CSDC under the Participant’s name.

D. Black-out periods

The requirements of black-out for the Restricted Shares under the Incentive Scheme are implemented in accordance with relevant laws, regulations and regulatory documents including the PRC Company Law and the PRC Securities Law, and the Articles of Association as follows:

1. Where the Participant is a director or a member of the senior management of the Company, the number of Shares which may be transferred each year during his/her term of office shall not exceed 25% of the total number of Shares held by him/her. No Shares held by him/her may be transferred within six months after his/her termination of office;
2. For Participants who are directors or members of the senior management of the Company and their spouses, parents or children, if they have sold the Shares held by them within 6 months after purchasing such Shares, or if they have purchased the Shares within 6 months after selling their Shares, the gains obtained therefrom shall be attributed to the Company and the Board shall forfeit the gains; and
3. During the validity period of the Incentive Scheme, if the relevant requirements under the relevant laws, administrative regulations, regulatory documents such as the PRC Company Law and the PRC Securities Law and the Articles of Association regarding the transfer of shares held by the directors and members of the senior management of the Company are changed, the transfer of the Shares held by the Participants shall comply with the relevant laws, regulations and regulatory documents including the PRC Company Law and the PRC Securities Law and the Articles of Association as amended at the time of transfer.

VII. CONDITIONS FOR GRANT AND ATTRIBUTION OF RESTRICTED SHARES

A. Conditions for grant of the Restricted Shares

The Company shall grant the Restricted Shares to the Participants upon satisfaction of all of the following granting conditions; or conversely, if any of the following granting conditions has not been satisfied, no Restricted Shares shall be granted to the Participants:

1. *None of the following has occurred on the part of the Company:*
 - (a) An audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (b) An audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (c) In the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
 - (d) Laws and regulations stipulate that equity incentives shall not be

- implemented; or
- (e) Other circumstances as determined by the CSRC.

2. *None of the following has occurred on the part of the Participants:*

- (a) The Participant has been determined as an inappropriate candidate by the Shanghai Stock Exchange within the most recent 12 months;
- (b) The Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
- (c) The Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
- (d) The Participant has the circumstances stipulated in the PRC Company Law that he/she shall not act as a director or member of the senior management of any company;
- (e) Laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies; or
- (f) Other circumstances as determined by the CSRC.

B. Conditions for attribution of the Restricted Shares

For the Restricted Shares to be attributed to the Participant, among others, all of the following conditions need to be satisfied within the attribution period:

1. *None of the following has occurred on the part of the Company:*

- (a) An audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
- (b) An audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
- (c) In the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
- (d) Laws and regulations stipulate that equity incentives shall not be implemented; or
- (e) Other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified above arises, the Restricted Shares that have been granted but have not yet been attributed to the Participant under the Incentive Scheme shall not be attributed and shall lapse.

2. *None of the following has occurred on the part of the Participants:*

- (a) The Participant has been determined as an inappropriate candidate by the Shanghai Stock Exchange within the most recent 12 months;
- (b) The Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
- (c) The Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
- (d) The Participant has the circumstances stipulated in the PRC Company Law that he/she shall not act as a director or member of the senior management of any company;
- (e) Laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies; or
- (f) Other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified above arises in relation to a certain Participant, the Company will terminate such Participant's right to participate in the Incentive Scheme and the Restricted Shares that have been granted but have not yet been attributed to such Participant under the Incentive Scheme shall not be attributed and shall lapse.

3. *Performance assessment requirements at the Company level*

Under the Incentive Scheme, the Company's performance indicators will be evaluated on an annual basis for the financial years of 2021, 2022 and 2023, and the achievement of performance assessment target will be one of the attribution conditions for the Participants for the current year.

The performance assessment objectives under the Incentive Scheme in relation to the First Grant are set out below:

Tranche	Performance Assessment Target A	Performance Assessment Target B	Performance Assessment Target C
	Company attribution factor 100%	Company attribution factor 80%	Company attribution factor 60%
First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021, the revenue will not be less than RMB 1.04 billion;</p> <p>2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021, the revenue will not be less than RMB 1 billion;</p> <p>2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021, the revenue will not be less than RMB 1 billion;</p> <p>2. Research and development goals: In 2021, no less than 3 drug clinical trials and drug registration applications have been declared and accepted.</p>
Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.39 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 9 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.25 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 8 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.2 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.</p>
Third tranche	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 4.15 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 14 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.81 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 12 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.64 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.</p>

Attribution arrangements of the Reserved Grant under the Incentive Scheme are as follows:

Tranche	Performance Assessment Target A	Performance Assessment Target B	Performance Assessment Target C
	Company attribution factor 100%	Company attribution factor 80%	Company attribution factor 60%
First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.39 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 9 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.25 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 8 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.2 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.</p>
Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 4.15 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 14 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.81 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 12 drug clinical trials and drug registration applications have been declared and accepted.</p>	<p>The Company needs to meet the following conditions at the same time:</p> <p>1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.64 billion;</p> <p>2. Research and development goals: In 2021 and 2022, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.</p>

As referred to in the table above, “revenue” means audited consolidated revenue of the Group.

During the attribution period, the Company will handle the registration of the attributed Restricted Shares for the Participants who have satisfied the attribution conditions. In the event that the above performance assessment requirements at the Company level have not been reached within the respective attribution tranche, the Restricted Shares that have been granted but are yet to be attributed to the Participants in such tranche shall not be attributed and shall lapse.

4. *Performance assessment requirements at the Participant's individual level*

The individual assessment of Participants is carried out according to the internal performance assessment system of the Company. The individual evaluation results of the Participants are divided into four levels: "excellent", "good", "qualified", and "unqualified". The corresponding attribution situations are as follows:

Assessment standards	Excellent	Good	Qualified	Unqualified
Individual Attribution Coefficient	100%	80%	60%	0

If the Company's performance reaches Performance Assessment Target C (inclusive) or higher, the number of Restricted Shares actually attributable to the Participant in the current year = the number of individual attribution for the year × the company attribution coefficient × the individual attribution coefficient.

If the Restricted Shares that the Participant belongs to in the current plan cannot be attributed or cannot be fully attributed due to assessment reasons, the Restricted Shares shall become invalid and shall not be deferred to the next year.

The assessment under the Incentive Scheme is implemented in accordance with the Assessment Management Measures.

C. **Explanation on reasonableness of the performance appraisal indicators of the Restricted Shares**

The Company is a company engaged in biomedical innovation research and development, production and sales, and marketing. The products are mainly innovative drugs, most of which are source innovation and independent research and development. At the same time, the Company introduces products that have synergy with the Company's original product line through cooperative development. As of December 31, 2020, the Company has 3 products approved by the National Medical Products Administration; in addition, the Company has several products under development, including the expansion of indications for this marketed product. In order to realize the Company's strategy and maintain existing competitiveness, the company-level evaluation indicators of the Incentive Scheme are revenue, preclinical projects and clinical development project quantity indicators, which can truly reflect the Company's operating conditions, market conditions and R&D progress. It is an effective indicator for predicting the business expansion trend of the Company and measuring the Company's growth.

According to the performance indicators of the Incentive Scheme, the Company's performance assessment targets include business goals and R&D goals. Based on comprehensive consideration of the macroeconomic environment, the Company's historical performance, industry development, market competition, and the Company's future development plans, the Company has set the performance evaluation indicators

for the Incentive Scheme. The assessment indicators set by the Incentive Scheme are challenging, which will help enhance the Company's competitiveness and mobilize the enthusiasm of employees, ensure the realization of the Company's future development strategy and business objectives, and bring more efficient and long-term returns to the Shareholders.

In addition to performance assessment at the company level, the Company has also set up a rigorous performance assessment system for individuals, which can make a more accurate and comprehensive appraisal of the work performance of the Participants. The Company will determine whether the individual of the Participants meets the attribution conditions based on the results of the annual performance appraisal of the Participants.

In summary, the Company's assessment system for the Incentive Scheme is complete, comprehensive, and operability. The assessment index setting is scientific and reasonable. It also has a restraining effect on the Participants and can achieve the purpose of the Incentive Scheme.

VIII. IMPLEMENTATION, GRANT AND ATTRIBUTION PROCEDURES

A. Procedures for the implementation of the Incentive Scheme

1. The Remuneration Committee is responsible for drafting the draft Incentive Scheme and the Assessment Management Measures.
2. The Board approves the draft Incentive Scheme and the Assessment Management Measures prepared by the Remuneration Committee. When the Board approves the Incentive Scheme, the connected Directors shall abstain from voting.
3. The independent non-executive Directors and the supervisory committee shall express clear opinions on whether the Incentive Scheme is beneficial to the sustainable development of the Company and whether there is a situation that obviously harms the interests of the Company and all the Shareholders.
4. The Company hires an independent financial consultant to give professional opinions on the feasibility of the Incentive Scheme, the reasonableness of the Grant Price, whether it is beneficial to the Company's sustainable development, and whether there is a situation that obviously harms the interests of the Company and all the Shareholders. The legal advisor hired by the Company issues a legal opinion on the Incentive Scheme.
5. Within two trading days after the Board approves the draft Incentive Scheme, the Company announces the Board resolution, the draft and summary of the Incentive Scheme, the opinions of independent Directors, and the opinions of the supervisory committee.
6. The Company conducts self-examination on the buying and selling of the Shares by insiders within the six months prior to the announcement of the Incentive Scheme.

7. Before convening the AGM, the Company shall publish the names and positions of the Participants within the Company through the company website or other channels. The publication period is 10 days. The supervisory committee will review the list of Participants and fully listen to public opinions. The Company shall disclose the explanation of the review and publication of the list of Participants by the supervisory committee 5 days before the review of the Incentive Scheme by the AGM and the Class Meetings.
8. When the AGM and the Class Meetings are convened to consider, and if thought fit, approve the Incentive Scheme and related proposals, the independent non-executive Directors shall solicit proxy voting rights from all Shareholders regarding the resolutions related to the Incentive Scheme. The Incentive Scheme and relevant resolutions shall be considered and, if thought fit, approved by the Shareholders by way of special resolutions at the AGM and the Class Meetings. Connected Participants who are Shareholders shall abstain from voting.
9. The Company will make an announcement of the Shareholders' resolutions, the Incentive Scheme approved at the AGM and the Class Meetings, and the self-examination report and legal opinion of the insider's trading of the Shares. Where connected persons or other circumstances required by the securities listing rules of the place where the Company's securities are listed, the Company shall comply with such local laws and regulations and meet the relevant requirements (including, if necessary, prior independent Shareholder approval).
10. After the Incentive Scheme is reviewed and approved by the Shareholders meeting, the Board shall grant rights and complete the announcement and other related procedures within 60 days from the date of approval of the Incentive Scheme by the Shareholders meeting in accordance with the authorization of the Shareholders meeting. The Board shall handle specific matters such as the ownership and registration of the Restricted Shares in accordance with the authorization of the AGM and the Class Meetings.

B. Procedures for the grant of the Restricted Shares

1. The Board shall convene a meeting to grant the Restricted Shares to the Participants within 60 days after the Incentive Scheme having been adopted and approved at the AGM and the Class Meetings.
2. Before granting the Restricted Shares to the Participants, the Board shall convene a meeting to consider whether the Participants have satisfied the conditions for grant prescribed in the Incentive Scheme and make an announcement thereafter. The independent non-executive Directors and the Board of Supervisors shall also issue their explicit opinions at the same time. The legal advisor shall issue legal opinions as to whether the Participants have satisfied the conditions of the grant. The Board of Supervisors shall verify the Grant Date and the list of Participants and issue an opinion.
When there is discrepancy between the Company's grant of the Restricted Shares to the Participants and the arrangement stipulated under the Incentive Scheme, the independent non-executive Directors, the Board of Supervisors (when the Participants change), legal advisor and independent financial consultants shall simultaneously express clear opinions.

3. The Company shall enter into an “Agreement on the Granting of Restricted Shares” with the Participants setting out their respective rights and obligations.
4. The Company shall keep a register for management of the Restricted Shares with reference to the “Agreement on the Granting of Restricted Shares” signed by the Participants and the subscription situation, and such register shall record the names of the Participants, the number of Restricted Shares granted, the Grant Date and the serial number of the relevant agreement on granting of the Restricted Shares.
5. The Company shall grant the Restricted Shares to the Participants and make an announcement within 60 days after the Incentive Scheme is considered and approved at the AGM and the Class Meetings (if there are conditions to the grant, the starting from the fulfilment of the granting conditions). If the Company fails to make an announcement in respect of the grant of the Restricted Shares within the 60-day period, the Incentive Scheme shall be terminated, and the Board shall promptly disclose the reasons for the failure to implement the Incentive Scheme and is prohibited from approving a share incentive scheme again within 3 months thereafter.
6. The Participants of the Reserved Grant shall be determined within 12 months after the Incentive Scheme being reviewed and approved by the AGM. The Reserved Grant shall lapse if such Participants cannot be determined within the said 12-month period.
7. Where connected persons or other situations required by the listing rules of the place where the Company’s securities are listed are involved, the Company shall comply with such local laws and regulations and meet the relevant requirements (including, if necessary, any prior approval from the independent Shareholders).

C. Procedures for the attribution of the Restricted Shares

1. Prior to attribution, the Company shall confirm whether the Participants have satisfied the attribution conditions. The Board shall consider whether the attribution conditions under the Incentive Scheme have been satisfied and the independent non-executive Directors and Board of Supervisors shall issue their explicit opinions at the same time. The Company’s legal advisor shall issue legal opinions as to whether the conditions for attributing the Restricted Shares have been satisfied.
2. The Participants who have fulfilled the attribution conditions shall pay the Grant Price for the subscription of the Restricted Shares into the account designated by the Company, which will be verified and confirmed by a certified public accountant. Participants who have not paid the Grant Price within the requisite period shall be deemed to have waived his/her right to subscribe for the Restricted Shares. The Company shall apply to the Shanghai Stock Exchange for the attribution of the Restricted Shares to Participants, and apply to the CSDC for the registration and settlement matters after confirmation by the Shanghai Stock Exchange. The Restricted Shares of the Participants who have not fulfilled the attribution conditions in the relevant tranche shall not be attributed and shall lapse. The Company shall make timely disclosure in respect of the implementation of the Incentive Scheme.

3. Participants may transfer their attributed Restricted Shares, however, the transfer of the Restricted Shares held by the Directors and members of the senior management of the Company should comply with the requirements of the relevant laws, regulations and regulatory documents.

In each of the above Board meetings, Directors who have an interest in the relevant resolution shall abstain from voting.

IX. METHOD AND PROCEDURE FOR ADJUSTMENT

A. Adjustment method of the number of the Restricted Shares

In the event of any capitalization issue, bonus issue, sub-division, rights issue or share consolidation of the Company during the period from the date of announcement of the Incentive Scheme to the completion of attribution registration of Restricted Shares by the Participants, the number of Restricted Shares shall be adjusted accordingly. The adjustment method is as follows:

- (1) Capitalization of capital reserves, bonus issue, share subdivision

$$Q = Q0 \times (1 + n)$$

Where: Q0 represents the number of the Restricted Shares prior to the adjustment; n represents the ratio of increase per share resulting from capitalization of capital reserves, bonus issue or share subdivision (i.e. the number of increased share(s) per share upon capitalization of capital reserves, bonus issue or share subdivision); and Q represents the number of the Restricted Shares after the adjustment.

- (2) Rights issue

$$Q = Q0 \times P1 \times (1 + n) / (P1 + P2 \times n)$$

Where: Q0 represents the number of the Restricted Shares prior to the adjustment; P1 represents the closing price of the Restricted Shares as at the record date; P2 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); and Q represents the number of the Restricted Shares after the adjustment.

- (3) Share consolidation

$$Q = Q0 \times n$$

Where: Q0 represents the number of the Restricted Shares prior to the adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n shares); and Q represents the number of the Restricted Shares after the adjustment.

- (4) New issue

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

B. Adjustment method of the Grant Price of the Restricted Shares

In the event of any capitalization issue, bonus issue, sub-division, rights issue or share consolidation of the Company during the period from the date of announcement of the Incentive Scheme to the completion of attribution registration of Restricted Shares by the Participants, the Grant Price shall be adjusted accordingly. The adjustment method is as follows:

- (1) Capitalization of capital reserves, bonus issue, share subdivision

$$P = P0 \div (1 + n)$$

Where: P0 represents the Grant Price prior to the adjustment; n represents the ratio of increase per share resulting from the capitalization of capital reserves, bonus issue or share subdivision; and P represents the Grant Price after the adjustment.

- (2) Rights issue

$$P = P0 \times (P1 + P2 \times n) / [P1 \times (1 + n)]$$

Where: P0 represents the Grant Price prior to the adjustment; P1 represents the closing price of the Restricted Shares as at the record date; P2 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); and P represents the Grant Price after the adjustment.

- (3) Share consolidation

$$P = P0 \div n$$

Where: P0 represents the Grant Price prior to the adjustment; n represents the ratio of share consolidation; and P represents the Grant Price after the adjustment.

- (4) Dividend distribution

$$P = P0 - V$$

Where: P0 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 0.1.

- (5) New issue

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

C. Adjustment procedure

The Company's general meeting authorizes the Board to adjust the number of Restricted Shares and the Grant Price based on the reasons set forth in the Incentive Scheme. After the Board adjusts the number of Restricted Shares and the Grant Price in accordance with the above provisions, it shall promptly announce and notify the Participants. The Company shall employ lawyers to provide professional opinions to the Board on whether the above adjustments comply with the requirements under the Management Measures, the Articles of Association and the Incentive Scheme.

If the number of the Restricted Shares and the Grant Price need to be adjusted due to matters other than the above circumstances, in addition to the Board's approval of the relevant proposals, such adjustments must be submitted to the general meeting of the Company for approval.

X. OTHER RIGHTS AND OBLIGATIONS OF THE COMPANY AND THE PARTICIPANTS AND DISPUTE MECHANISM

A. Rights and obligations of the Company

- (i) The Company is entitled to interpret and execute the Incentive Scheme, to conduct performance assessment of the Participants, to supervise and review whether the Participants possess the qualifications to continue to exercise the Restricted Shares. If a Participant fails to fulfill the conditions required under the Incentive Scheme, the Restricted Share of the Participant that has not been exercised can be cancelled upon the approval of the Board.
- (ii) The Company has the right to require the Participants to perform their responsibilities based on the requirement of the position. If the Participant is incompetent in performing his/her duties or fails in assessment, or the Participant violates the laws and professional ethics, leaks confidential information of the Company, violates the rules and regulations of the Company, and is negligent or gross misconduct in performance of duties, which has caused serious damages to the interests or reputation of the Company, the Restricted Share of the Participant that has not been exercised can be cancelled upon the approval of the Board.
- (iii) The Company shall withhold and pay individual income tax and other taxes on behalf of the Participants in accordance with the relevant PRC tax laws and regulations.
- (iv) The Company undertakes not to provide loans and financial assistance in any other forms, including provision of guarantee for their loans, to the Participants with respect to the acquisition of relevant Restricted Shares under the Incentive Scheme.
- (v) The Company shall timely, truthfully, accurately and completely disclose the information disclosure documents related to the Incentive Scheme in accordance with the relevant laws, regulations and normative documents, shall warrant that such documents do not contain false statement, misleading representation or material omission and shall perform relevant reporting obligations under the Incentive Scheme in a timely manner.

- (vi) The Company shall handle the issues concerning the exercise of the Restricted Shares for the Participants who fulfill the Exercise Conditions in accordance with the Incentive Scheme and relevant regulations of the CSRC, the stock exchange and Depository and Clearing Corporation. The Company shall not be liable for losses incurred by the Participants who fail to complete the exercise of the Restricted Shares caused by the CSRC, the stock exchange and Depository and Clearing Corporation.
- (vii) Other relevant rights and obligations as stipulated under the laws, administrative regulations and normative documents.

B. Rights and obligations of the Participants

- (i) The Participants shall comply with the requirements of their positions within the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make due contributions to the development of the Company.
- (ii) The Participants shall have the right to and shall exercise their options in accordance with the provisions of the Incentive Scheme, and lock up and trade the shares in accordance with the relevant provisions.
- (iii) Source of funds of the Participants shall be derived from funds owned or raised by them.
- (iv) The Restricted Shares granted to the Participants shall not be transferred, used for guarantee or repayment of debts before attribution.
- (v) The Restricted Shares are not entitled with voting rights and do not involve in the distribution of bonus shares and dividends before attribution.
- (vi) The Participants shall pay the individual income tax and other taxes and levies for their gains from the Incentive Scheme in accordance with the PRC tax laws and regulations.
- (vii) The Participants undertake that, in the event that the Participants become unqualified to be granted with the relevant interest arrangement due to false statements, misleading statements or material omissions contained in the information disclosure documents of the Company, the Participants shall return all interests received from the Incentive Scheme to the Company after the confirmation that there are such false statements, misleading statements or material omissions contained in the relevant information disclosure documents in accordance with their commitments.
- (viii) In the case that a Participant become unqualified during the implementation of the Incentive Scheme in accordance with requirements of the Management Measures, his/her granted Restricted Shares that are not attributed shall be terminated.
- (ix) Other relevant rights and obligations as stipulated by laws, administrative regulations, normative documents and the Incentive Scheme.

C. Dispute settlement mechanism between the Company and the Participants

Upon consideration and approval of the Incentive Scheme at the AGM and the Class Meetings, the Company will sign the Restricted Shares Grant Agreement with each Participant whereby the rights and obligations under the Incentive Scheme and other relevant matters between the parties are clearly prescribed.

Any disputes between the Company and the Participants shall be resolved in accordance with provisions of the Incentive Scheme and the Restricted Shares Grant Agreement. Disputes which are not clearly covered by the provisions shall be resolved in accordance with PRC laws through arm's length negotiation. Where the disputes cannot be settled through negotiations, they shall be referred to the People's Court with jurisdiction over the Company's place of domicile.

The determination of the Participants under the Incentive Scheme by the Company does not constitute an undertaking about the employment period of employees. The Company still determines its employment relationship with employees in accordance with the Labor Contract or employment contract signed with the Participants.

XI. AMENDMENT AND TERMINATION OF THE INCENTIVE SCHEME

A. Amendment of the Incentive Scheme

If the Company intends to amend the Incentive Scheme prior to its consideration and approval at the AGM and the Class Meetings, such amendment shall be considered and approved by the Board. If the Company intends to amend the Incentive Scheme after the approval at the AGM and the Class Meetings, such amendment shall be considered and approved at the AGM and the Class Meetings given that such amendment shall not result in accelerating early exercise and lowering Grant Price.

The Company shall disclose the comparison of the amendments to the Incentive Scheme before and after the amendments in a timely manner. The Independent non-executive Directors and the Supervisory Committee shall give clear opinions as to whether the amendments to the Incentive Scheme is conducive to the sustainable development of the Company and is significantly detrimental to the interests of the Company and the Shareholders as a whole. A law firm shall provide professional advice as to whether the amendments to the Incentive Scheme are in compliance with the requirements of the Management Measures and relevant laws and regulations and is significantly detrimental to the interests of the Company and the Shareholders as a whole.

B. Termination of the Incentive Scheme

If the Company intends to terminate the Incentive Scheme prior to its consideration at the AGM and the Class Meetings, such termination shall be considered, approved and disclosed by the Board. If the Company intends to terminate the Incentive Scheme after the approval at the AGM and the Class Meetings, such termination shall be considered and disclosed by the Board and the AGM and the Class Meetings.

The Company shall disclose the resolutions of the AGM and the Class Meetings or the Board resolutions in a timely manner. A law firm shall give professional opinions as to whether the Company's termination of the implementation of the Incentive Scheme is in compliance with the requirements of the Management Measures and relevant laws and regulations and is significantly detrimental to the interests of the Company and the Shareholders as a whole.

C. In the event of any changes occurred at the Company

- (i) In the event that any of the circumstances below occurs, the Incentive Scheme shall be terminated, and the Restricted Shares that have been granted to the Participants under the Incentive Scheme but have not yet been attributed shall not be attributed and shall lapse:
 - a. An audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - b. An audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - c. In the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
 - d. Laws and regulations stipulate that equity incentives shall not be implemented; or
 - e. Other circumstances as determined by the CSRC
- (ii) Merger or division of the Company, etc.

In case of merger or division of the Company, the Board shall decide whether to terminate the Incentive Scheme within five trading days from the date of merger or division.

- (iii) Change of control of the Company

In the event of a change of control of the Company, the Board shall decide whether to terminate the Incentive Scheme within five trading days from the date of the change of the control.

- (iv) If the Company fails to meet the conditions for granting or attributing the Restricted Shares due to false records, misleading statements or material

omissions in the information disclosure documents, the Restricted Shares that have not yet been attributed shall not be attributed and shall lapse.

If the Restricted Shares that have been granted to the Participants have already been attributed, all the Participants shall return the granted rights and interests. If a Participant who is not responsible for the above matters suffers from losses due to the return of rights and interests, such Participant can recover such losses from the Company or the responsible targets in accordance with the relevant arrangements under the Incentive Scheme. The Board shall recover the proceeds from the Participants in accordance with the preceding paragraph and the relevant arrangements under the Incentive Scheme.

D. In the event of changes in the personal circumstances of the Participants

(i) Change in position of the Participants

- a. If the position of the Participant changes but he/she still works in the Company or its subsidiaries, the Restricted Shares granted to him/her shall still be carried out in accordance with the procedures stipulated in the Incentive Scheme.
- b. If the Participant is a Supervisor or an independent non-executive Director or other person who cannot hold the Restricted Shares of the Company, the Restricted Shares that have been attributed shall not be handled. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.
- c. If the Participant violates the law, violates professional ethics, divulges company secrets, damages the interests or reputation of the Company due to dereliction of duty or malfeasance and resulting in a change of position, or causes the Company to terminate the labor relationship with the Participant due to the above-mentioned reasons, the Participants shall return all gains from the attribution of the Restricted Shares. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse. At the same time, in event of serious circumstances, the Company may also recover the losses suffered by the Company from the Participant in accordance with relevant laws and regulations.

(ii) Resignation of the Participants

- a. If the contract of the Participant expires and he/she no longer renews the contract or resigns voluntarily, the Restricted Shares that have been attributed shall not be handled. In such case, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.
- b. If the Participant leaves the Company passively due to layoffs and other reasons and there are no behaviors such as failure to pass performance evaluation, negligence or violation of laws and disciplines, the Restricted Shares that have been attributed shall not be handled. In such case, the

Restricted Shares that have been granted but have not yet been attributed shall not be attributed and shall lapse.

(iii) Retirement of the Participants

If the Participants that have retired are re-hired, the Restricted Shares that have been granted to them will be carried out in accordance with the procedures stipulated in the Incentive Scheme which takes effect before the retirement. If the Participants reject the Company's request for continued employment, or if the Participants retire and leave the Company, the Restricted Shares that have been granted but not yet attributed shall not be attributed and shall lapse.

(iv) Incapacity of the Participants

- a. If the Participants are incapacitated due to work injury and leave the Company, the Remuneration and Appraisal Committee shall decide that the Restricted Shares granted to the Participants shall be carried out in accordance with the procedures stipulated in the Incentive Scheme which takes effect before the occurrence thereof, and the personal performance evaluation results will no longer be included in the attribution conditions, or the Restricted Shares that have been attributed shall not be handled and the Company shall cancel his/her Restricted Shares that have been granted but not yet been attributed.
- b. If the Participants leave the Company, which is not due to the incapability arising from work injury, the Restricted Shares that have been attributed for the Participants shall not be handled. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

(v) Death of the Participants

- a. If the Participants die due to their duty, the Remuneration and Appraisal Committee shall decide that the Restricted Shares granted to them shall be held by the designated property heir or legal heir on their behalf, and shall be carried out in accordance with the procedures stipulated in the Incentive Scheme which takes effect before their death, and the results of their personal performance evaluation shall not be included in the attribution conditions; or the Restricted Shares that have been attributed shall not be handled and the Company shall cancel his/her Restricted Shares that have been granted but has not been attributed.
- b. If the Participants die in the Company for other reasons, the Restricted Shares that have been attributed for the Participants shall not be handled. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

(vi) Change of control of the subsidiary where the Participants work

If the Participants work in a subsidiary controlled by the Company, and if the Company loses control over the subsidiary and the Participants still work in such subsidiary, the Restricted Shares that have been attributed shall not be handled. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

(vii) Change in eligibility of the Participants

If the Participant no longer meets the eligibility of the Participant due to any one of the following circumstances, the Restricted Shares that have been attributed shall not be handled, and the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse:

- a. The Participant has been determined as an inappropriate candidate by the Shanghai Stock Exchange within the most recent 12 months;
- b. The Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
- c. The Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;
- d. The Participant has the circumstances stipulated in the PRC Company Law that he/she shall not act as a director or member of the senior management of any company;
- e. Laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
- f. Other circumstances as determined by the CSRC.

(viii) Others

The Remuneration and Appraisal Committee shall be responsible for making decisions on other unspecified situations and the methods of handling them.

XII. ACCOUNTING TREATMENT AND IMPACT ON THE OPERATING PERFORMANCE

A. Accounting treatment

In accordance with the relevant requirements of the Accounting Standards for Business Enterprises No. 11-Share-based Payments (《企業會計準則第 11 號 – 股份支付》) and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (《企業會計準則第 22 號 – 金融工具確認和計量》), the unit cost of the Restricted Shares equals to the fair value of the Restricted Share at the closing price on the Grant Date (i.e. Grant Price).

B. Estimated impact on the operating performance in each accounting period due to the grant of the Restricted Shares

The Company granted 32,840,000 Restricted Shares (out of 38,000,000 Restricted Shares under the Incentive Scheme) to the Participants for the First Grant of Restricted Shares. The fair value of the Restricted Shares on the Grant Date was estimated based on the closing price on the trading date immediately preceding the date of this announcement. The total fair value of the equity instruments granted this time is estimated to be RMB187,516,400. The total fair value as the Company's incentive cost of the Incentive Scheme will be recognized in stages during the implementation of the Incentive Scheme in accordance with the attribution percentage, and will be charged to the recurring profit or loss. According to the requirements of the accounting standards, the specific amount shall be subject to the fair value of the Shares calculated on the actual Grant Date. Assuming that the Company grants Restricted Shares in June 2021, the amortization of Restricted Shares costs from 2021 to 2024 is as follows:

Amortized costs of the First Grant Restricted Shares (RMB)	Year 2021	Year 2022	Year 2023	Year 2024
187,516,400	54,692,300	81,257,100	39,065,900	12,501,100

The costs of the Incentive Scheme shall be charged to the costs and expenses. Based on the current information, the Company estimates that without considering the positive effect of the Incentive Scheme on the Company's performance, the amortization of the costs of the Incentive Scheme will have an impact on the net profit each year within the validity period, but the impact is not significant. Taking into account the positive effect of the Incentive Scheme on the Company's operation and development, which stimulates the enthusiasm of management and business teams, improves operating efficiency, and reduces operating costs, the performance improvement of the Company brought by the Incentive Scheme will be higher than the increase in costs caused by it.

PROPOSED FIRST GRANT OF RESTRICTED SHARES AND ISSUE OF NEW A SHARES UNDER THE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

Subject to the approval of the Independent Shareholders at the AGM and the Class Meetings, the Board has resolved to grant not more than a total of 38,000,000 Restricted Shares, of which (i) 32,840,000 Restricted Shares will be granted to not more than 266 Participants under the First Grant, representing approximately 3.15% of the total issued share capital of the Company as at the date of this announcement and (ii) 5,160,000 Restricted Shares will be granted under the Reserved Grant, representing approximately 0.49% of the total issued share capital of the Company as at the date of this announcement, pursuant to the terms of the Incentive Scheme set out above. The Restricted Shares to be granted (including those under the First Grant and the Reserved Grant) will be issued and allotted pursuant to the Specific Mandate which may be granted at the AGM and the Class Meetings.

Among the Restricted Shares to be granted in the First Grant, 4,600,000 Restricted Shares in aggregate will be granted to 4 Connected Participants in total, and not more than 28,240,000 Restricted Shares will be granted to not more than 262 other Participants who are not connected persons of the Company as set out in the paragraph “D. Allocation of Restricted Shares to be granted” above.

In addition to the principal terms of the proposed Incentive Scheme summarized in the section “The Proposed 2021 Restricted A Share Incentive Scheme” above, further information in relation to the issue and allotment of the Restricted Shares under the Incentive Scheme (including the First Grant and the Reserved Grant) are set out below:

The total funds to be raised and the proposed use of proceeds: Not more than RMB340,100,000, being the aggregated Grant Price, will be paid by the Participants to subscribe for not more than 38,000,000 Restricted Shares under the Incentive Scheme. The proceeds obtained by the Company from the Incentive Scheme shall be applied towards the replenishment of the Group’s liquidity.

Grant Price: The Grant Price of the Restricted Shares under both the First Grant and the Reserved Grant shall be RMB8.95 per A Share which was determined with reference to the basis set out in the paragraph “Grant Price and Basis of Determination of the Grant Price” above. A Participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at such Grant Price.

Aggregate nominal value: The nominal value of the A Shares of the Company is RMB0.10 per A Share. The aggregate nominal value of the Restricted Shares to be granted under the Incentive Scheme (including the First Grant and the Reserved Grant) is not more than RMB3,800,000.

Fund raising activities in the past 12 months: Save as disclosed below, the Company has not conducted any fund raising activities involving the issuance of share capital within 12 months immediately preceding the date of this announcement.

Date of announcement	Fund raising activity	Net Proceeds	Actual Use of proceeds
19 June 2020	Issue of new A Shares off the Company on the STAR Market of the Shanghai Stock Exchange	Approximately RMB974,323,900	<ul style="list-style-type: none"> (i) Registration project of Hemoporfin in the US; (ii) The innovational research and sustainable development project in relation to biological medicine; (iii) The project in relation to acquisition of minor equity interests in Taizhou Fudan – Zhagnjiang

REASONS FOR AND BENEFITS OF THE ADOPTION OF THE PROPOSED INCENTIVE SCHEME

The purpose of the Incentive Scheme is to, among others, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core staff, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized.

The Company is of the view that the adoption and implementation of the proposed Incentive Scheme is beneficial to the Company and its Shareholders as whole. The Board is also of the view that the terms and conditions of the Incentive Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole. [Given the nature of the business of the Company and the highly competitive industry in which it operates, it is extremely important for the Company to recruit and retain talents and the Company's long-term development plan will very much depend on the loyalty and contribution of the Participants. The proposed Incentive Scheme is considered a critical component of the Company's employee appraisal system and effectively aligns the employee's achievements at the individual level with the Company's overall performance.

INFORMATION OF THE COMPANY AND THE PARTICIPANTS

The Company is a joint stock limited liability company established in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange (stock code: 1349) and A Shares listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688505). The Group is mainly engaged in innovative research and development, production and marketing of biomedicine.

The Connected Participants as at the date of this announcement are Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun and Mr. Gan Yi Min.

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 First Grant are independent of the Company and its connected persons.

IMPLICATIONS OF THE HONG KONG LISTING RULES

The Incentive Scheme is a discretionary scheme of the Company and does not constitute a share option scheme under Chapter 17 of the Hong Kong Listing Rules.

The Connected Participants as at the date of this announcement is Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun and Mr. Gan Yi Min. Each of the Connected Participants is a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rule. Accordingly, the issue and grant of the Restricted Shares to the Connected Participants under the Incentive Scheme constitutes non-exempt connected transactions of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Directors who are Connected Participants have declared their interested in the Incentive Scheme and abstained from voting on the resolutions in relation to the adoption of the proposed Incentive Scheme and the Assessment Management Measures, 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 the abovementioned Directors, there is no other Director who is required to abstain from voting on the board resolutions in relation to the Incentive Scheme.

The Company will establish an Independent Board Committee (consisting of all independent non-executive Directors) to advise the Independent Shareholders of the Company 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 Grande Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme.

In the event that any grantee under the Reserved Grant is a connected person of the Company, it will constitute a connected transaction of the Company. The Company will comply with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules, including reporting, announcement and independent Shareholders' approval and appointment of the independent financial adviser requirements, for such subsequent grant that constitutes a connected transaction.

The Company will seek a Specific Mandate from the Shareholders at the AGM and Class Meetings for the issue and allotment of Restricted Shares under the Incentive Scheme (including the grant to the Connected Participants under the First Grant).

AGM AND CLASS MEETINGS

The AGM and the Class Meetings may be held on 27 May 2021 for Independent Shareholders to consider and, if thought fit, approve the resolutions in relation to, among others, the proposed Incentive Scheme, the Assessment Management Measures, the Specific Mandate for issue and allotment of the Restricted Shares under the Incentive Scheme and the grant of the Restricted Shares (including the grant to the Connected Participants under the First Grant) under the Incentive Scheme. The notice of the AGM and the Class Meetings will be published on the websites of the Company (www.fd-zj.com) and the Stock Exchange (www.hkexnews.hk) and dispatched to the Shareholders on or before 27 April 2021.

A circular containing, among other things, further details of the terms of the proposed Incentive Scheme, the proposed grant under the Incentive Scheme pursuant to the Specific Mandate, the recommendation from the Independent Financial Adviser and the letter from the Independent Board Committee on the issue and grant of Restricted Shares by the Company to the Connected Participants is expected to be dispatched to the Shareholders on or before 7 May 2021.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Articles of Association”	the Articles of Association of the Company
“A Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB0.10 each, which are subscribed for and paid for in Renminbi and are listed on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares
“Assessment Management Measures”	the assessment management measures adopted for the implementation of the Incentive Scheme
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board of Directors or “Board”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Class Meeting of A Shareholders”	the 2021 first class meeting of A Shareholders to be held on 27 May 2021
“Class Meeting of H Shareholders”	the 2021 first class meeting of H Shareholders to be held on 27 May 2021

“Class Meetings”	the Class Meeting of A Shareholders and the Class Meeting of H Shareholders
“Company”	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* 上海復旦張江生物醫藥股份有限公司， a joint stock limited company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the main board of the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“Connected Participant(s)”	a Participant(s) who is a connected person of the Company
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules, see also “Information of the Company and the Participants”
“CSDC”	China Securities Depository and Clearing Co., Ltd.
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“AGM”	the 2020 general meeting of the Company to be held on 27 May 2021
“Shareholders’ meeting”	the 2020 general meeting of the Company to be held on 27 May 2021 (or any adjournment thereof)
“First Grant”	the proposed grant of not more than 32,840,000 Restricted Shares, representing approximately 86.42% of the total number of Restricted Shares under the Incentive Scheme
“Grant Date”	the date on which the Company grants the Restricted Shares to the Participants
“Grant Price”	the price of each Restricted Share to be granted to the Participants
“Group”	the Company and its subsidiaries
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong
“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 share(s) in the share capital of the Company, with a nominal value of RMB0.10 each, which are traded in Hong Kong dollars and are listed on Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“Incentive Scheme”	the 2021 restricted incentive scheme of the Company
“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”	Grande Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571), and the independent financial adviser of the Company appointed 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
“Independent Shareholders”	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 AGM and the Class Meetings
“Management Measures”	the Management Measures for Share Incentive Scheme Adopted by Listed Companies (《上市公司股權激勵管理辦法》)
“Participant(s)”	the participants of the Incentive Scheme
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Company Law”	the Company Law of the PRC
“PRC Securities Law”	the Securities Law of the PRC

“Remuneration Committee”	the Remuneration Committee of the Company
“Reserved Grant”	the reserved grant of not more than 5,160,000 Restricted Shares, representing approximately 13.58% of the total number of Restricted Shares under the Incentive Scheme
“Restricted Share(s)”	A Share(s) to be granted to the Participants by the Company on such conditions and at the Grant Price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfactory with the attribution conditions
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB0.10 each, comprising H Shares and A Shares
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the AGM and the Class Meetings to issue and allot not more than 38,000,000 A Shares as Restricted Shares under the Incentive Scheme
“STAR Market”	STAR Market of the Shanghai Stock Exchange
“STAR Market Listing Rules”	Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》)
“Supervisor(s)”	Supervisor(s) of the Company

By order of the Board

Wang Hai Bo

Chairman

As at the date on the publication of this announcement, the Board comprises:

Mr. Wang Hai Bo (Executive Director)

Mr. Su Yong (Executive Director)

Mr. Zhao Da Jun (Executive Director)

Mr. Shen Bo (Non-executive Director)

Ms. Yu Xiao Yang (Non-executive Director)

Mr. Zhou Zhong Hui (Independent Non-executive Director)

Mr. Lam Yiu Kin (Independent Non-executive Director)

Mr. Xu Qing (Independent Non-executive Director)

Mr. Yang Chun Bao (Independent Non-executive Director)

Shanghai, the PRC

6 April 2021

** For identification purpose only*