
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or other transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



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 SHARES INCENTIVE SCHEME; AND (2) CONNECTED TRANSACTION – PROPOSED ISSUE AND GRANT OF NEW A SHARES UNDER THE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Board is set out on pages 5 to 43 of this circular. A letter from the Independent Board Committee in respect of the issue and grant of Restricted Shares to the Connected Participants under the Incentive Scheme is set out on pages 44 to 45 of this circular. A letter of advice from Grande Capital Limited, the Independent Financial Adviser, in respect of the issue and grant of Restricted Shares to the Connected Participants under the Incentive Scheme to the Independent Board Committee and the Independent Shareholders is set out on pages 46 to 70 of this circular.

The AGM and Class Meetings of the Company will be held at No. 1 Multifunction Room, No. 339 Jialilue Road, Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC from 10:00 a.m. on 27, May 2021. For details, please refer to the notice of AGM and Class Meetings dated 16 April 2021 published on the websites of the Stock Exchange and the Company.

7 May 2021

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDEND BOARD COMMITTEE	44
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	46
APPENDIX I – THE 2021 RESTRICTED SHARES INCENTIVE SCHEME (DRAFT)	I-1
APPENDIX II – THE MANAGEMENT MEASURES FOR ASSESSMENT FOR THE IMPLEMENTATION OF THE 2021 RESTRICTED SHARES INCENTIVE SCHEME	II-1
APPENDIX III – GENERAL INFORMATION	III-1

DEFINITIONS

In this circular, unless the context otherwise required, the following terms and expressions shall have the following meanings when used herein:

“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
“AGM”	the 2020 general meeting of the Company to be held on Thursday, 27 May 2021
“Articles of Association”	the Articles of Association of the Company
“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 Thursday, 27 May 2021
“Class Meeting of H Shareholders”	the 2021 first class meeting of H Shareholders to be held on Thursday, 27 May 2021
“Class Meetings”	the Class Meeting of A Shareholders and the Class Meeting of H Shareholders
“Company”	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 PRC with limited liability, the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 01349) and the A Shares of which are listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange (stock code: 688505)
“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

DEFINITIONS

“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
“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
“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
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“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

DEFINITIONS

“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
“Latest Practical Date”	4 May 2021, being the latest practical date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“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 Company Law”	the Company Law of the PRC
“PRC Securities Law”	the Securities Law of the PRC
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“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

DEFINITIONS

“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)
“Shareholders’ meeting”	the 2020 general meeting of the Company to be held on Thursday, 27 May 2021 (or any adjournment thereof)
“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 Listing Rules”	Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange (《上海證券交易所科创板股票上市規則》)
“STAR Market”	STAR Market of the Shanghai Stock Exchange
“Supervisor(s)”	Supervisor(s) of the Company
“%”	Per cent

* *for identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Wang Hai Bo (*Chairman*)

Mr. Su Yong

Mr. Zhao Da Jun

Non-executive Directors:

Mr. Shen Bo

Mr. Yu Xiao Yang

Independent Non-executive Directors:

Mr. Zhou Zhong Hui

Mr. Lam Yiu Kin

Mr. Xu Qing

Mr. Yang Chun Bao

*Registered office and principal place of
business in the PRC:*

No. 308, Cailun Road

Zhangjiang Hi-Tech Park

Pudong New Area, Shanghai

China

201210

*Head office and principal place of
business in Hong Kong:*

19/F, Three Exchange Square,

8 Connaught Place, Central,

Hong Kong

7 May 2021

To the Shareholders,

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the announcement of the Company dated 6 April 2021 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.

Purpose of this circular is to provide you with information regarding resolutions to be proposed at the AGM and the Class Meetings, amongst other things, (i) details of the Incentive Scheme; (ii) details of the Assessment Management Measures; (iii) the authorisation granted by the general meeting to the Board of Directors to deal with matters relating to the Incentive Scheme, to enable you to make informed decisions on whether to vote for or against the proposed resolutions at the AGM and the Class Meetings.

LETTER FROM THE BOARD

THE PROPOSED ADOPTION OF 2021 RESTRICTED SHARES 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 summarised 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 core 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 38,000,000 A Shares, representing approximately 3.64% of the total number of issued share of the Company as at the date of announcing the draft of the Incentive Scheme (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.

As at the date of this Announcement, the Company has no other incentive scheme in effect. Therefore, the cumulative total number of underlying Shares involved under the fully effective share incentive schemes of the Company does 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 does not exceed 1.00% of the total share capital of the Company.

LETTER FROM THE BOARD

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, in line with the purpose of implementing the Incentive Scheme. 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 AGM and Class Meetings. The Company will announce relevant information about the Participants on the designated 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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 Latest Practicable Date
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, core technical staff	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		<u>10,400,000</u>	<u>27.37%</u>	<u>1.00%</u>
2. Other Participants				
255 Participants*		<u>22,440,000</u>	<u>59.05%</u>	<u>2.15%</u>
Total amount for the First Grant		<u>32,840,000</u>	<u>86.42%</u>	<u>3.15%</u>
3. Reserved Grant				
		<u>5,160,000</u>	<u>13.58%</u>	<u>0.49%</u>
Total		<u>38,000,000</u>	<u>100.00%</u>	<u>3.64%</u>

* The Company has already identified the 255 other Participants who are not connected persons.

LETTER FROM THE BOARD

The percentage of the reserved shares does not exceed 20.00% of the total number of the Restricted Shares to be granted 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 portion 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 as RMB8.95 per A Share, which is the same as the issue price of the A shares in the Company's listing on the STAR Market.

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 38.49% to the average trading price of RMB14.55 per A Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding 6 April 2021 (being the date on which the Board approved the Incentive Scheme);
- 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 39.57% 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 6 April 2021; and

LETTER FROM THE BOARD

- 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 44.72% 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 6 April 2021; 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 51.88% 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 6 April 2021.

2. Pricing Basis

The Grant Price was determined based on the issue price of the A Shares in the Company's listing on the STAR Market after taking into account of the STAR Market Listing Rules, in which the grant price under a restricted share incentive scheme is allowed to be lower than 50% of any of (a) the average trading price of the shares on the trading day preceding the date of announcement of the draft incentive scheme; and (b) the average trading price of the shares for the last 20, 60 or 120 trading days preceding the date of announcement of the draft incentive scheme, provided that an independent financial adviser is able to opine on the reasonableness of the pricing basis and pricing mechanism and that the grant price is in the interests of the shareholders and the company as a whole. The Company believes that the Grant Price being determined based on such issue price 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.

LETTER FROM THE BOARD

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 align 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.

For the sake of clarity, the Restricted Shares will only be issued upon the attribution but not on the Grant Date.

LETTER FROM THE BOARD

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 into 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%

LETTER FROM THE BOARD

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 Reserved Grant to the last trading day within 24 months after the Reserved Grant	50%
Second tranche	From the first trading day 24 months after the Reserved Grant to the last trading day within 36 months after the Reserved 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 for attribution in the next attribution period(s) and shall lapse. The Restricted Shares that were granted but pending attribution to Participants do not carry any voting rights or right to participate in the distribution of bonus shares or share dividends, and such Restricted Shares shall not be transferred or be utilised as guarantee or to repay debts.

Upon attribution, the Restricted Shares will be registered with the CSDC under the Participant's name. As at the date hereof, there is no plan to grant Restricted Shares under the Reserved Grant to any connected person of the Company. In this regard, the Company will comply with applicable PRC requirements and the disclosure requirements under the Listing Rules as and when appropriate.

D. Black-out period

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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB1.04 billion; Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB1 billion; Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB1 billion; Research and development goals: In 2021, no less than 3 drug clinical trials and drug registration applications have been declared and accepted.
Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.39 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.25 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.2 billion; Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.

LETTER FROM THE BOARD

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
Third tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

LETTER FROM THE BOARD

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

Tranche	Performance Assessment Target A Company attribution factor 100%	Performance Assessment Target B Company attribution factor 80%	Performance Assessment Target C Company attribution factor 60%
First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.39 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.25 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB2.2 billion; Research and development goals: In 2021 and 2022, no less than 7 drug clinical trials and drug registration applications have been declared and accepted.
Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB4.15 billion; Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.81 billion; Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB3.64 billion; Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

LETTER FROM THE BOARD

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	<u>100%</u>	<u>80%</u>	<u>60%</u>	<u>0</u>

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.

5. 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 from 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 31 December, 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

LETTER FROM THE BOARD

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 operable. 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.

LETTER FROM THE BOARD

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, the self-examination report of the insider's trading of the Shares, and the legal opinion. Where connected persons or other circumstances required by the securities 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, 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.

LETTER FROM THE BOARD

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, then 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.

LETTER FROM THE BOARD

6. The Participants of the Reserved Grant shall be determined within 12 months after the Incentive Scheme being reviewed and approved by the AGM and the Class Meetings. 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.

LETTER FROM THE BOARD

IX. METHOD AND PROCEDURE FOR ADJUSTMENT

A. Adjustment method of the number of the Restricted Shares

In the event of any capitalization of capital reserves, bonus issue, share subdivision, 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*

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

Where: Q_0 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*

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

Where: Q_0 represents the number of the Restricted Shares prior to the adjustment; P_1 represents the closing price of the Restricted Shares as at 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); and Q represents the number of the Restricted Shares after the adjustment.

3. *Share consolidation*

$$Q = Q_0 \times n$$

Where: Q_0 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.

LETTER FROM THE BOARD

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

In the event of any capitalization of capital reserves, bonus issue, share subdivision, 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

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

Where: P_0 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

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

Where: P_0 represents the Grant Price prior to the adjustment; P_1 represents the closing price of the Restricted Shares as at 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); and P represents the Grant Price after the adjustment.

3. Share consolidation

$$P = P_0 \div n$$

Where: P_0 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

$$P = P_0 - V$$

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 0.1.

5. New issue

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

LETTER FROM THE BOARD

C. Adjustment procedures

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

1. 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 shall not be attributed and shall lapse upon the approval of the Board.
2. 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 shall not be attributed and shall lapse upon the approval of the Board.
3. 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.
4. 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.
5. 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 regulatory documents,

LETTER FROM THE BOARD

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.

6. The Company shall handle the attribution registration 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.
7. Other relevant rights and obligations as stipulated under the laws, administrative regulations and regulatory documents.

B. Rights and obligations of the Participants

1. 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.
2. 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.
3. Source of funds of the Participants shall be derived from funds regulatory raised by them.
4. The Restricted Shares granted to the Participants shall not be transferred, used for guarantee or repayment of debts before attribution.
5. The Restricted Shares are not entitled with voting rights and do not involve in the distribution of bonus shares and dividends before attribution.
6. 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.
7. 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.

LETTER FROM THE BOARD

8. In the case that a Participant becomes 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 and shall lapse.
9. Other relevant rights and obligations as stipulated by laws, administrative regulations, regulatory 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 and the principle of fairness and reasonableness. 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 accelerated exercise and lower Grant Price. Where 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 laws and regulations.

The Company shall disclose the reason and the content of the amendment 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 whether there is circumstance 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 whether there is circumstance significantly detrimental to the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

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 whether there is circumstance 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

1. 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 CSRC.

2. 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.

LETTER FROM THE BOARD

3. *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.

4. 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

1. *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 dealt with in any way. 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.

LETTER FROM THE BOARD

2. *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 dealt with in any way. 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 dealt with in any way. In such case, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed and shall lapse.

3. *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.

4. *Incapacity of the Participants*

- a. If the Participants are incapacitated due to work injury and leave the Company, the Remuneration 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 dealt with in any way 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 dealt with in any way. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

5. *Death of the Participants*

- a. If the Participants die due to performing of their duty, the Remuneration 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

LETTER FROM THE BOARD

be included in the attribution conditions; or the Restricted Shares that have been attributed shall not be dealt with in any way and the Company shall cancel his/her Restricted Shares that have been granted but has not been attributed.

- b. If the Participants die for other reasons, the Restricted Shares that have been attributed for the Participants shall not be dealt with in any way. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

6. 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 dealt with in any way. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

7. 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 dealt with in any way, 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.

8. Others

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

LETTER FROM THE BOARD

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) minus the 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 6 April 2021 (being the date the Board approved the Incentive Scheme). The total amount of the equity instruments granted this time is estimated to be RMB187,516,400. The total amount as the Company's incentive cost of the Incentive Scheme will be recognized in installments 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
<u>187,516,400</u>	<u>54,692,300</u>	<u>81,257,100</u>	<u>39,065,900</u>	<u>12,501,100</u>

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 Incentive Scheme will play a positive role in the Company's long-term business improvement.

LETTER FROM THE BOARD

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 no more than 266 Participants under the First Grant, representing approximately 3.15% of the total issued share capital of the Company as at the Latest Practicable Date 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 Latest Practicable Date, 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 no more than 262 other Participants who are not connected persons of the Company as set out in the paragraph “IV. Participants of the Incentive Scheme, 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: No more than RMB340,100,000, being the aggregated Grant Price, will be paid by the Participants to subscribe for no 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 “V. 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 Latest Practicable Date:

LETTER FROM THE BOARD

Date of announcement	Fund raising activity	Net Proceeds	Actual Use of proceeds
19 June 2020	Issue of new A Shares of the Company on the STAR Market of the Shanghai Stock Exchange	Approximately RMB974,323,900	(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 – Zhangjiang

GRANT OF AUTHORIZATION TO THE BOARD OF DIRECTORS BY THE GENERAL MEETING TO DEAL WITH MATTERS RELATING TO THE INCENTIVE SCHEME

To ensure the smooth implementation of the Incentive Scheme, it is proposed at the AGM and the Class Meetings that the Board of Directors be authorized to handle matters related to the Incentive Scheme, including but not limited to the following:

1. To propose at the AGM and the Class Meetings that the Board of Directors be authorized to be responsible for the following matters in relation to the implementation of the Incentive Scheme:
 - a. To authorize the Board of Directors to determine the participation qualification and conditions of the Participants under the Incentive Scheme, and determine the Grant Date under the Incentive Scheme;
 - b. To authorize the Board of Directors to adjust the number of the Restricted Shares and the Grant Price according to the terms of the Incentive Scheme in the event of capitalization of capital reserves, bonus issue, share subdivision or consolidation, rights issue and dividend distribution of the Company;
 - c. To authorize the Board of Directors to adjust the portion of the Restricted Shares that the Participant(s) have waived to subscribe to the Reserved Grant, or allocate and adjust such Restricted Shares among the Participants before the grant of the Restricted Shares;
 - d. To authorize the Board of Directors to grant the Restricted Shares to a Participant upon his/her fulfillment of the conditions of grant, and to handle all necessary matters in connection with the grant of the Restricted Shares;

LETTER FROM THE BOARD

- e. To authorize the Board of Directors to review and confirm the attribution qualification of the Participants and the conditions for attributing the Restricted Shares, and to approve the Board of Directors delegating such rights to the Remuneration Committee;
 - f. To authorize the Board of Directors to determine whether the Restricted Shares may be attributed to a Participant;
 - g. To authorize the Board of Directors to handle all matters necessary in connection with the attribution of the Restricted Shares to the Participants, including but not limited to the submission of application to the Shanghai Stock Exchange in respect of the attribution of the Restricted Shares, applying to CSDC for registration and clearing services, amending the Articles of Association; and applying to register the change in registered capital of the Company to the administration for industry and commerce;
 - h. To authorize the Board of Directors to make decisions on the amendment and termination of the Incentive Scheme including but not limited to disqualification of the Participants for attribution, cancellation of the Restricted Shares of the Participants that have not yet been attributed, dealing with the compensation and inheritance of Restricted Shares of the deceased Participants that have not yet been attributed and termination of the Incentive Scheme;
 - i. To authorize the Board of Directors to determine all matters including the Participants, the number of Restricted Shares to be granted, the Grant Price and the Grant Date of the Restricted Shares for the Reserved Grant under the Incentive Scheme;
 - j. To authorize the Board of Directors to sign, execute, amend or terminate any agreement in connection with the Incentive Scheme and other relevant agreements;
 - k. To authorize the Board of Directors to manage and adjust the Incentive Scheme, and from time to time formulate or amend the management and implementation rules of the Incentive Scheme, subject to compliance with the terms of the Incentive Scheme. However, if such amendments are subject to approval at the general meeting or/and by relevant regulatory authorities under the requirements of laws, regulations or relevant regulatory authorities, such amendments by the Board of Directors shall be subject to such approvals;
 - l. To authorize the Board of Directors to implement all other necessary matters in connection with the Incentive Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting;
2. To propose at the AGM and the Class Meetings to authorize the Board of Directors to complete procedures with relevant governments and authorities in relation to the Incentive Scheme including review, registration, filing, approval

LETTER FROM THE BOARD

and consent; to sign, execute, amend and complete documents submitted to relevant governments, authorities, organizations, and individuals; to amend the Articles of Association and handle the registration of the change in registered capital of the Company; and to carry out all actions deemed to be necessary, appropriate, or expedient in relation to the Incentive Scheme.

3. To propose at the AGM and the Class Meetings to authorize the Board of Directors to engage intermediaries, such as receiving bank, accountants, lawyers or securities companies, for the implementation of the Incentive Scheme.
4. To propose at the AGM and the Class Meetings to approve the period of authorization given to the Board of Directors to be consistent with the validity period of the Incentive Scheme. Save as specifically required by the laws, administrative regulations, rules of the CSRC, regulatory documents, the Incentive Scheme, or the Articles of Association to be approved by the Board of Directors through resolutions, other matters may be directly exercised on behalf of the Board of Directors by the chairman of the Board of Directors or appropriate person(s) authorized thereby.

A special resolution will be proposed at the AGM and the Class Meetings to consider and, if thought fit, approve the authorization to be granted to the Board of Directors to deal with matters relating to the Incentive Scheme.

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 (including independent non-executive Directors who have considered the advice of the Independent Financial Advisor) 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.

LETTER FROM THE BOARD

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 are 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 under the First Grant 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 are 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 Rules. 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 interests 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,

LETTER FROM THE BOARD

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, the Class Meeting of Holders of H Shares and the Class Meeting of Holders of A Shares will be held at No. 1 Multifunction Room, No. 339 Jialilue Road, Zhangheng Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, the PRC at 10:00 a.m., 11:00 a.m. and 11:30 a.m., respectively, on Thursday, 27 May 2021. The Notice of AGM and the Notice of the Class Meeting of H Shareholders have been despatched to the Shareholders on 16 April 2021 and have been published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and of the Company (www.fd-zj.com).

The proxy form for the AGM has been despatched to the Shareholders in conjunction with the notice of the AGM. Such notice and proxy form are also published on the website of the Stock Exchange at www.hkex.com.hk. Holders of H Shares who intend to appoint a proxy to attend the AGM shall complete and return the proxy form in accordance with the instructions printed thereon to the H share registrar of the Company, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 24 hours before the time fixed for holding the AGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjourned meeting in person should you so desire.

For details of the eligibility for attending the AGM, the book closure and other matters in relation to the AGM holders of H Shares, please refer to the notice of the AGM of the Company dated 16 April 2021.

For the notice of AGM applicable to holders of A Shares and the relevant form of proxy, please refer to the announcement of the Company dated 17 April 2021 on the Shanghai Stock Exchange.

VOTING BY WAY OF POLL

In accordance with the relevant provisions of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, the resolution set out in the notice of AGM will be voted by poll.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

To determine the eligibility of the holders of H Shares to attend and vote at the AGM and the Class Meeting of the Holders of H Shares, the register of the holders of H Shares of the Company will be closed from Saturday, 22 May 2021 to Thursday, 27 May 2021 (both days inclusive). During this period, no transfer of H Shares will be registered. Any holder of the H Shares, whose name appears on the Company's register of the holders of H Shares at

LETTER FROM THE BOARD

the close of business hours on Friday, 21 May 2021, is entitled to attend and vote at the AGM and the Class Meeting of Holders of H Shares. In order for the holders of H Shares to be qualified to attend and vote at the AGM, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 21 May 2021.

GENERAL

To the best knowledge of the Directors and according to applicable PRC laws, regulations and regulatory requirements, the following shareholders are required to abstain from voting at the AGM and the Class Meetings:

- (i) Wang Hai Bo, who is interested in 57,886,430 A Shares, representing approximately 5.55% of the total issued share capital of the Company as of the Latest Practicable Date, is required to abstain from voting on resolution no. 11 to 13 at the AGM and no. 2 to 4 at the Class Meetings;
- (ii) Su Yong, who is interested in 22,312,860 A Shares, representing approximately 2.14% of the total issued share capital of the Company as of the Latest Practicable Date, is required to abstain from voting on resolution no. 11 to 13 at the AGM and no. 2 to 4 at the Class Meetings;
- (iii) Zhao Da Jun, who is interested in 19,260,710 A Shares, representing approximately 1.85% of the total issued share capital of the Company as of the Latest Practicable Date, is required to abstain from voting on resolution no. 11 to 13 at the AGM and no. 2 to 4 at the Class Meetings;

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

To the best of the Directors' knowledge, information and belief, save as disclosed in this circular, none of the Shareholders are required to abstain from voting at the AGM and the Class Meetings.

RECOMMENDATION

The Board, including the independent non-executive Directors, are of the view that the proposed adoption of the Incentive Scheme (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 (including the grant to the Connected Participants under the First Grant) under the Incentive Scheme)) the Assessment Management Measures and the authorization to the Board of Directors to handle all matters relating to the Incentive Scheme are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, although it is not in the usual and ordinary course of business of the Company due to the nature of such transaction. Accordingly, the Directors (including the

LETTER FROM THE BOARD

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 AGM and the Class Meetings.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in this circular.

Yours faithfully,
By Order of the Board
Wang Hai Bo
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



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)

7 May 2021

To the Independent Shareholders,

Dear Sirs or Madam,

CONNECTED TRANSACTION

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

We refer to the circular dated 7 May 2021 (the “**Circular**”) of Shanghai Fudan Zhangjiang Bio-Pharmaceutical Co Limited (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. Grande Capital Limited 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 Grande Capital Limited 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 Grande Capital Limited, we are of the view that the issue and grant of the Restricted Shares by the Company to the Connected Participants under the Incentive Scheme are on normal commercial terms and are fair and reasonable, and in the interests of the Company and the Shareholders as a whole, although it is not in the usual and ordinary course of business of the Company due to the nature of such transaction.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the special resolutions to be proposed at the AGM and the Class Meetings to approve, among other things, the proposed adoption of the Incentive Scheme.

Yours faithfully,

For and on behalf of

Independent Board Committee

Zhou Zhong Hui, *Independent non-executive Director*

Lam Yiu Kin, *Independent non-executive Director*

Xu Qing, *Independent non-executive Director*

Yang Chun Bao, *Independent non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



7 May 2021

*To the Independent Board Committee and the Independent Shareholders of
上海復旦張江生物醫藥股份有限公司
(Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*)*

Dear Sirs/Madams,

CONNECTED TRANSACTION – PROPOSED 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 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 7 May 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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 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 Latest Practicable Date, 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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Connected Participants are Mr. Wang Hai Bo, Mr. Su Yong, Mr Zhao Da Jun, and Mr. Gan Yi Min, each being a connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Connected Grant constitutes non-exempt connected transactions of the Company, and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, has been established to advise the Independent Shareholders on whether the Connected Grant is conducted in the ordinary and usual course of business of the Group and whether 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 to advise the Independent Shareholders as to voting. We, Grande Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company for the following transactions:

Date of the relevant circular and our letter of advice	Nature of the transaction
11 October 2019	Continuing connected transactions in relation to the sales and distribution agreement with 上海醫藥集團股份有限公司 (Shanghai Pharmaceuticals Holding Co., Ltd.*)
27 November 2020	Continuing connected transactions in relation to the sales and distribution agreement with 上海醫藥集團股份有限公司 (Shanghai Pharmaceuticals Holding Co., Ltd.*)

Apart from normal professional fees paid or payable to us in connection with the previous appointments mentioned above as well as this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned previous appointments would not affect our independence, and that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all statements, information and representations provided by the Directors and the management of the Company, for which they are solely and wholly responsible, were true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information has been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors and the management of the Company. We believe that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular, which includes particular 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 the Circular is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Connected Grant, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken the following principal factors and reasons into consideration:

1. Information on the Group

The Group is mainly engaged in innovative research and development, production and marketing of biomedicine. As disclosed in the Company's annual results announcement dated 25 March 2021, the Group's ultimate goal is to stay as an innovator and a leader in the bio-pharmaceutical industry, and the Group has committed to exploring unmet needs and deficiencies of clinical and patients treatment as well as developing novel and more effective treatments/medicines.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company completed the issue of A Shares which were listed and commenced trading on the STAR Market of the Shanghai Stock Exchange on 19 June 2020.

Set out below is a summary of the key consolidated financial information of the Group for the last three financial years ended 31 December 2020, as extracted from the Company's latest annual results announcement and its previous annual report:

	2020	2019	2018
<i>All amounts in RMB million</i>			<i>(Restated)</i>
Revenue	833.8	1,029.3	741.8
Research and development expenses	(139.3)	(127.8)	(114.3)
General and administrative expenses	(50.8)	(54.9)	(83.6)
Selling expenses	(426.9)	(530.6)	(399.6)
Operating profit	173.0	247.5	93.0
Net profit attributable to equity owners of the Company	164.7	227.4	112.1

We note that the Group's revenue and net profit attributable to equity owners of the Company for the year ended 31 December 2020 both declined as compared to those for the year ended 31 December 2019. As advised by the Directors and as disclosed in the Company's latest annual results announcement, we note that such decline was largely due to the impact brought by the outbreak of COVID-19 and the related control measures imposed, resulting in lower number of patients and frequency of treatments in hospital, which in turn negatively affected the Group's sales of pharmaceutical and diagnostic products. Despite such decline in 2020, we note that both the Group's revenue and net profit attributable to equity owners of the Company for the year ended 31 December 2020 were still substantially higher than those for the year ended 31 December 2018.

We further note that the Group has steadily increased its research and development ("R&D") expenses in recent years. As disclosed in the Company's latest annual results announcement, in 2020, the Group had firmly established its long-term value-oriented R&D strategy; i.e., as a pharmaceutical enterprise focusing on new drug R&D, the Group has adhered to choosing projects that can meet the unfulfilled needs and deficiencies of clinical and patient treatment. During the year ended 31 December 2020, the Group's R&D areas mainly focused on antibody-drug conjugates for tumors, photodynamic drugs for skin diseases and CIN, small molecular targeting drugs for autoimmune diseases and tumors, and nano drugs for tumors, and other generic drugs with patents or technological barriers. In the future, the Group will continue to focus and devote time and resources on the R&D of the above-mentioned fields and projects. Meanwhile, in 2021, the Group will also enter into the field of slow-release drugs for neurological diseases. In addition, based on the Group's judgment on the direction of future medical development and the application of the latest research achievements, the Group will also explore and do research in the field of gene therapy and gene editing.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed in the Company's latest annual results announcement, it has successfully accomplished the transformation from a company that focuses purely on R&D to one that equally stresses on both R&D and commercialization with a complete system featuring organic combination of R&D, product manufacturing and marketing. The Group believes that it is moving toward a virtuous stage of development.

The Company believes that the solid performance of the Group in 2020 despite the outbreak of COVID-19, as well as its R&D achievements, are to a large extent attributable to its core staff, including the Connected Participants.

2. Principal 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 summarised below:

Connected Participants

The Company proposed to grant 4,600,000 Restricted Shares to 4 Connected Participants under the First Grant, details of which are as follows:

Name of Connected Participants	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares	Percentage to the total issued share capital of the Company as at the Latest Practicable Date
Wang Hai Bo	1,000,000	2.63%	0.10%
Su Yong	1,200,000	3.16%	0.12%
Zhao Da Jun	1,200,000	3.16%	0.12%
Gan Yi Min	1,200,000	3.16%	0.12%
Total	4,600,000	12.11%	0.46%

Grant Price

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

- (i) 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 38.49% to the average trading price of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RMB14.55 per A Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding 6 April 2021 (the date of announcement of the Incentive Scheme);

- (ii) 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 39.57% 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 6 April 2021 (the date of announcement of the Incentive Scheme);
- (iii) 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 44.72% 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 6 April 2021 (the date of announcement of the Incentive Scheme); and
- (iv) 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 51.88% 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 6 April 2021 (the date of announcement of the Incentive Scheme).

Validity period

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, where such period shall not exceed 48 months.

Grant date

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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.

Attributable arrangements

Subject to the attribution conditions having been fulfilled, the Restricted Shares may be attributed to the Connected Participants (for the First Grant) in 3 tranches and (for the Reserved Grant) in 2 tranches.

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 Reserved Grant to the last trading day within 24 months after the Reserved Grant	50%
Second tranche	From the first trading day 24 months after the Reserved Grant to the last trading day within 36 months after the Reserved 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 for attribution in the next attribution period(s) and shall lapse.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions for attribution of Restricted Shares

For the Restricted Shares to be attributed to the Connected Participants, a number of conditions need to be satisfied within the attribution period, including, among other things: (i) performance assessment requirements at the Company level as evaluated on an annual basis for the financial years of 2021, 2022 and 2023, including revenue targets as well as targets for the number of drug clinical trials and drug registration applications having been declared and accepted; and (ii) performance assessment requirements at the Participant's individual level as evaluated according to the internal performance assessment system of the Company.

Adjustments

The number of Restricted Shares and the Grant Price are subject to adjustments under certain circumstances, including capitalization of capital reserves, bonus issue, share subdivision or consolidation, rights issue or dividend distribution of the Company.

3. Information on the Connected Participants

As stated in the Letter from the Board, the Participants, including the Connected 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 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 (《科创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.

Based on the information provided by the Company, we set out below the relevant details of the Connected Participants:

Name	Position in the Group	Relevant past work experience and achievements	Educational background
Wang Hai Bo	Chairman, Executive Director, General Manager, core technical staff	<ul style="list-style-type: none">● Former chief technology officer of Zhejiang Shenghua Biok Biology Co., Ltd., a company listed on the Shanghai Stock Exchange (Shanghai Stock Code: 600226)● Founder of the Company	<ul style="list-style-type: none">● Bachelor's degree in Biology from Fudan University in July 1983● Master's degree from Fudan University in July 1986● Associate professor at Fudan University from May 1995 to June 1996

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name	Position in the Group	Relevant past work experience and achievements	Educational background
Su Yong	Executive Director, Deputy General Manager, core technical staff	<ul style="list-style-type: none"> ● Over 20 years of experience in the field of genetic engineering ● Chief engineer of Hangzhou Jiuyuan Gene Engineering Co., Ltd. from January 1994 to April 1997, responsible for managing the genetic engineering department 	<ul style="list-style-type: none"> ● Bachelor's degree in Biology Science from Northwest Normal University in July 1985 ● Master's degree in Biochemistry from Fudan University in July 1993 ● Ph.D. in Oncology from Zhejiang University in June 2000
Zhao Da Jun	Executive Director, Deputy General Manager	<ul style="list-style-type: none"> ● Teaching assistant at the Law School of Fudan University from August 1995 to October 1996 ● Awarded the National Education Committee on Technology Advancement Grande II Award (國家教委科技進步二等獎) ● Co-founder of the Company 	<ul style="list-style-type: none"> ● Bachelor's degree in Biology from Fudan University in July 1992 ● Master's degree in Biology from Fudan University in July 1995 ● Master's degree in Business Administration from University of Hong Kong in November 2001
Gan Yi Min	Deputy General Manager, core technical staff	<ul style="list-style-type: none"> ● General manager of Haini Pharmaceutical Co., Ltd. (Shanghai) from 2003 to 2009, responsible for completion of construction of production workshops, laboratories and workstations, recruitment of staff and managers, and establishing a performance evaluation system ● Production manager of Xi'an Janssen Pharmaceutical Co., Ltd. From 1995 to 2003, responsible for organizing and implementing a number of medium and large technological transformation projects 	<ul style="list-style-type: none"> ● Bachelor's degree in Industrial Automation from Xi'an Technology University in December 1990 ● MBA from Xi'an Jiaotong University in December 2001 ● EMBA from Antwerp University (Belgium) in October 2002 ● Master's degree in Pharma Engineering from Beijing Chemical Engineering University in December 2006

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the background and work experience of the Connected Participants and noted that their expertise and experience are relevant to the Group's operations.

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

As disclosed in the Letter from the Board and as advised by the management of the Company, we understand that the purpose of the Incentive Scheme is to, among other things, 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 Board believes that 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, including the Connected Participants. The Board considers that the proposed Incentive Scheme is 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.

Having considered that:

- (i) the Incentive Scheme can retain and motivate the Participants to make contribution to the Group through attainment of the performance targets under the Incentive Scheme;
- (ii) it is a common practice for companies listed on the STAR Market to adopt restricted A share incentive schemes for their employees as discussed in the section headed "5. Assessment of the principal terms of the Connected Grant" below in this letter; and
- (iii) there will not be any actual cash paid by the Group to the Participants under the Incentive Scheme,

we consider that the Incentive Scheme (including the Connected Grant) is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

5. Assessment of the principal terms of the Connected Grant

5.1 Comparable restricted A shares incentive schemes

In evaluating the fairness and reasonableness of the terms of the Connected Grant, we have, on a best effort basis, identified an exhaustive list of restricted A share incentive scheme proposals which (a) were announced by companies listed on the STAR Market during the period from 1 March 2021 to 31 March 2021 (the “**Review Period**”), being the latest month prior to the date of the Company’s announcement of the Incentive Scheme; and (b) involved the grant of restricted A shares to connected persons, such as executive directors of the relevant companies. Based on the aforesaid criteria, we identified 12 restricted A share incentive scheme proposals (the “**Comparable Schemes**”). Given we have identified 12 Comparable Schemes, we consider that such Comparable Schemes can provide a sufficient sample size for comparison purpose. Given that the Connected Grant involves the issue and grant of Restricted Shares to the Connected Participants, we consider the Comparable Schemes to be fair and representative.

Although the listed issuers involved in implementing the Comparable Schemes (i) have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Group and the sizes of the restricted A shares to be granted to the participants under the Comparable Schemes vary, and (ii) are not listed on the Hong Kong Stock Exchange, 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 prevailing market practice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the details of the Comparable Schemes:

Date of announcement	Company name (Stock code)	Grant Price (RMB)	Issue Price (RMB) (Note)	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the below specified period immediately preceding the announcement			Attribution period for the first grant and attribution percentage for each period following the grant date	Whether the attribution conditions are based on, among others, the participants' performance and/or the operating performance of the company	Whether there is any reserved grant under the Comparable Schemes	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company	
					On the last trading day	For the last 20 trading days	For the last 60 trading days					
31 March 2021	深圳微芯生物科技股份有限公司 Shenzhen Chipscreen Biosciences Co., Ltd. (688321.SH)	25.00	20.43	36 months	65.35%	65.58%	67.17%	61.09%	50%: 12 months to 24 months 50%: 24 months to 36 months	Yes	Yes	0.91%
31 March 2021	青岛高测科技股份有限公司 Qingdao Gaoce Technology Co., Ltd. (688556.SH)	10.00	14.41	48 months	51.47%	48.71%	43.65%	36.39%	30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	Yes	2.00%
31 March 2021	湖南金博碳素股份有限公司 KBC Corporation Ltd. (688598.SH)	80.00	47.20	36 months	45.70%	48.94%	40.94%	48.43%	50%: 12 months to 24 months 50%: 24 months to 36 months	Yes	No	1.25%
27 March 2021	深圳光峰科技股份有限公司 Appotronics Corporation Limited (688007.SH)	17.50 18.50 21.00	17.50	60 months	80.94%	75.46%	83.77%	84.92%	40%: 12 months to 24 months 30%: 24 months to 36 months 30%: 36 months to 48 months	Yes	Yes	4.09%
27 March 2021	广州蓝特生物过滤股份有限公司 Guangzhou Jet Bio-filtration Co., Ltd. (688026.SH)	30.00	16.49	96 months	50.81%	41.91%	46.38%	46.88%	30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	Yes	1.00%
26 March 2021	北京龙歌科技股份有限公司 Beijing Longruan Technologies Inc. (688078.SH)	15.65	21.59	60 months	64.49%	65.09%	64.06%	55.31%	30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	Yes	3.53%
26 March 2021	青岛海爾生物醫療股份有限公司 Qingdao Haier Biomedical Co., Ltd. (688139.SH)	42.76	15.53	48 months	50.00%	54.72%	56.23%	57.84%	50%: 12 months to 24 months 30%: 24 months to 36 months 20%: 36 months to 48 months	Yes	No	0.63%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Grant Price (RMB)	Issue Price (RMB) (Note)	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares for the below specified period immediately preceding the announcement				Attribution period for the first grant and attribution percentage for each period following the grant date	Whether the attribution conditions are based on, among others, the participants' performance and/or the operating performance of the company	Whether there is any reserved grant under the Comparable Schemes	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company
					On the last trading day	For the last 20 trading days	For the last 60 trading days	For the last 120 trading days				
25 March 2021	深圳市有方科技股份有限公司 Shenzhen Neoway Technology Co., Ltd. (688159.SH)	22.79	20.35	48 months	97.01%	98.19%	92.21%	74.52%	40%: 12 months to 24 months 30%: 24 months to 36 months 30%: 36 months to 48 months	Yes	No	6.99%
16 March 2021	江苏京源环保股份有限公司 Jiangsu Jingyuan Environmental Protection Co., Ltd. (688096.SH)	9.00	14.34	60 months	55.78%	54.52%	52.60%	43.40%	30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	Yes	3.26%
15 March 2021	吉林奥来德光电材料股份有限公司 Jilin OLED Material Tech Co., Ltd. (688378.SH)	25.01	62.57	60 months	50.01%	50.85%	47.68%	39.04%	20%: 12 months to 24 months 40%: 24 months to 36 months 40%: 36 months to 48 months	Yes	No	1.32%
4 March 2021	優刻得科技股份有限公司 Ucloud Technology Co., Ltd. (688158.SH)	35.83	33.23	72 months	81.01%	82.90%	83.19%	70.41%	50%: 24 months to 36 months 25%: 36 months to 48 months 25%: 48 months to 60 months	Yes	Yes	4.91%
2 March 2021	普元信息技术股份有限公司 Primeton Information Technologies, Inc. (688118.SH)	21.00	26.90	60 months	50.00%	50.00%	50.00%	50.00%	30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	Yes	4.87%
	Maximum			96 months	97.01%	98.19%	92.21%	84.92%				6.99%
	Minimum			36 months	45.70%	41.91%	40.94%	36.39%				0.63%
	Average			57 months	61.88%	61.41%	60.66%	55.69%				2.90%
	Median			60 months	53.63%	54.62%	54.42%	52.66%				2.63%
6 April 2021	The Company	8.95	8.95	48 months	61.51%	60.43%	55.28%	48.12%	30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	Yes	Yes	3.64%

Note: Issue price refers to the issue price of the A Shares for the Company's/the relevant companies' listing on the STAR Market.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, which shall not exceed 48 months. The validity period of the Incentive Scheme is within the range of those of the Comparable Schemes.

Attribution conditions

As disclosed in the Letter from the Board, in order for the Restricted Shares to be attributed to the Connected Participants under the Connected Grant, certain attribution conditions have to be satisfied during a specified time period, comprising the achievement of certain performance targets both at the Company's level and at the Participant's individual level. This is in line with those of the Comparable Schemes.

The performance targets at the Company's level under the Incentive Scheme include the Group's revenue, the drug clinical trials and drug registration applications have been declared and accepted, in the years 2021 to 2023. In order for the Restricted Shares to be fully attributed under the First Grant (including the Connected Grant), among other things, (a) the accumulated revenue of the Group will not be less than RMB4.15 billion (i.e. approximately RMB1.4 billion annually) in the years 2021 to 2023; and (b) there will be no less than 14 drug clinical trials and drug registration applications to be declared and accepted in the years 2021 to 2023. The individual assessment of the Participants is, on the other hand, carried out according to the internal performance assessment system of the Company. Taking into account that (a) the Group generated revenue of approximately RMB833.8 million for the year ended 31 December 2020, approximately RMB1.03 billion and RMB235.6 million for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively; (b) according to the 2019 Annual Report, by the end of the year 2019, there were 12 major projects of the Group under research and development and among such 12 major projects, 4 were under clinical trials and 2 were under process of drug registration; and (c) as of December 31, 2020, the Company has 3 products approved by the National Medical Products Administration, we consider that the aforesaid performance targets at the Company's level are determined with a certain level of difficulty as compared to the current circumstances of the Group with a view to motivating the Participants to attain before the Restricted Shares are attributed, which is beneficial to the Group's business development and future prospects.

Given that (a) the performance targets are of appropriate difficulty for motivating the Participants to contribute to the business development and prospects of the Group as discussed above; and (b) it is beneficial to the Independent Shareholders if the Company is able to achieve the performance

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

targets set in the Incentive Scheme, we are of the view that the performance targets are fair and reasonable so far as the Independent Shareholders are concerned.

Grant Price

The Grant Price is RMB8.95 per A Share, being the issue price of the A Shares in the Company's listing on the STAR Market, which represents:

- (a) approximately 61.51% of the average trading price of the A Shares on the trading day preceding the date of announcement of the Incentive Scheme, being RMB14.55 per A Share;
- (b) approximately 60.43% of the average trading price of the A Shares for the last 20 trading days preceding the date of announcement of the Incentive Scheme, being RMB14.81 per A Share;
- (c) approximately 55.28% of the average trading price of the A Shares for the last 60 trading days preceding the date of announcement of the Incentive Scheme, being RMB16.19 per A Share; and
- (d) approximately 48.12% of the average trading price of the A Shares for the last 120 trading days preceding the date of announcement of the Incentive Scheme, being RMB18.6 per A Share.

Pursuant to Rule 10.6 of Chapter 10 of the STAR Market Listing Rules, the grant price under a restricted share incentive scheme is allowed to be lower than 50% of any of (a) the average trading price of the shares on the trading day preceding the date of announcement of the draft incentive scheme; and (b) the average trading price of the shares for the last 20, 60 or 120 trading days preceding the date of announcement of the draft incentive scheme, provided that an independent financial adviser is able to opine on the reasonableness of the pricing basis and pricing mechanism and that the grant price is in the interests of the shareholders and the company as a whole.

We note that with respect to the Comparable Schemes:

- (a) the percentages of the grant prices to the average trading price of the A Shares on the trading day preceding the date of announcement ranged from approximately 45.70% to approximately 97.01%, with an average and median of approximately 61.88% and 53.63%, respectively;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the percentages of the grant prices to the average trading price of the A Shares for the last 20 trading days preceding the date of announcement ranged from approximately 41.91% to approximately 98.19%, with an average and median of approximately 61.41% and 54.62%, respectively;
- (c) the percentages of the grant prices to the average trading price of the A Shares for the last 60 trading days preceding the date of announcement ranged from approximately 40.94% to approximately 92.21%, with an average and median of approximately 60.66% and 54.42%, respectively;
- (d) the percentages of the grant prices to the average trading price of the A Shares for the last 120 trading days preceding the date of announcement ranged from approximately 36.39% to approximately 84.92%, with an average and median of approximately 55.69% and 52.66%, respectively; and
- (e) the grant prices to connected persons are same as the price granted to the independent third parties under the Comparable Schemes, except for Appotronics Corporation Limited.

With respect to the Incentive Scheme, we note that 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 incentivise the Group's employees to contribute to the business development and prospects of the Group;
- (b) the Grant Price is determined in accordance with the STAR Market Listing Rules;
- (c) the performance targets, which the Participants have to achieve before the Restricted Shares are attributed, are established with a certain level of difficulty as discussed in the paragraph headed "Attribution conditions" above;
- (d) a significant premium to the closing price of the H shares on the trading day preceding the date of announcement and for the last 20, 60 or 120 trading days preceding the date of announcement; and
- (e) we also note from the above table that the grant prices of some of the Comparable Schemes were lower than their respective issue prices. We consider that the Grant Price of the Company, being

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the issue price of the A Shares in the Company's listing on the STAR Market, are within the range of those of the Comparable Schemes,

we consider that the Grant Price is fair and reasonable.

Attribution periods

The Restricted Shares under the First Grant (including the Connected Grant) are attributed in three tranches in the proportion of 30%, 30% and 40%, respectively, commencing from the first trading day after expiry of 12 months following the Grant Date until the last trading day within 48 months following the Grant Date.

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

Reserved Grant

We note that for the Comparable Schemes that had reserved grant, the grantees of the reserved grant were to be determined within 12 months after the incentive scheme being approved at the respective annual general meetings or class meetings, where the condition is the same as the Reserved Grant under Incentive Scheme.

Adjustments

The number of Restricted Shares and the Grant Price are subject to adjustments according to various situations including capitalization of capital reserves, bonus issue, share sub-division or consolidation, rights issue or dividend distribution of the Company. For details, please refer to the section headed "IX. Method and Procedure for Adjustment" in the Letter from the Board. We have reviewed the details of the adjustment mechanism and noted that they are comparable to those under the Comparable Schemes. Therefore, we consider that the adjustment mechanism under the Incentive Scheme is fair and reasonable.

Number of Restricted Shares to be granted to Participants

According to the STAR Market Listing Rules, the cumulative total number of underlying shares involved under the fully effective share incentive schemes of a listed company shall not exceed 20% of the total share capital of the company as at the date the incentive scheme is submitted

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for approval at the general meeting(s). Pursuant to the Management Measures, the total number of shares to be granted to any participant under all the fully effective share incentive schemes of a listed company shall not exceed 1% of the total share capital of the company.

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 Latest Practicable Date, which is within the range of those of the Comparable Schemes. Having considered that (a) the number of Restricted Shares to be attributed to the Participants shall decline or lapse if the performance targets at the individual level and the Company's level are not fully fulfilled; (b) the total amortised cost in relation to the grant of Restricted Shares under the Incentive Scheme is in balance with the level of difficulty of the performance targets which the Participants must achieve for the Restricted Shares to be attributed, as explained in the section headed "Financial effect of the grant of Restricted Shares under the Incentive Scheme – (i) Operating performance" below; (c) the number of Restricted Shares to be granted to the Connected Participants under the Incentive Scheme is in compliance with the STAR Market Listing Rules; (d) it is beneficial to the Independent Shareholders if the Company is able to achieve the performance targets set in the Incentive Scheme; and (e) the percentage of the Restricted Shares to be granted under the Incentive Scheme to the total issued share capital of the Company is within the range of the Comparable Schemes, we are of the view that the number of Restricted Shares to be granted to the Participants is acceptable.

The total number of Restricted Shares to be granted to each Connected Participant is up to approximately 0.12% of the total issued share capital of the Company as at the Latest Practicable Date. We consider that the number of Restricted Shares to be granted to each Connected Participant is acceptable after considering each of their total remuneration package, details of which are set out in section 5.2 of this letter below.

Taking into account (a) that the number of Restricted Shares to be granted to the Connected Participants under the Incentive Scheme is in compliance with the STAR Market Listing Rules; (b) the benefit of the grant of Restricted Shares under the Incentive Scheme as explained in the section headed "Reasons for and benefits of the grant of Restricted Shares under the Incentive Scheme" above; and (c) the level of difficulty in achieving the performance targets under the Incentive Scheme before the Restricted Shares can be attributed as explained in the paragraph headed "Attribution conditions" above, we consider the dilution effect of the grant of Restricted Shares under the Incentive Scheme to be acceptable.

5.2 Comparison of remuneration packages

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. The Connected Participants involved under the Connected Grant are either Executive Directors or a director of one of the Group's subsidiaries. In assessing the fairness and reasonableness of the remuneration packages of the Connected Participants taking into account the Connected Grant under the Incentive Scheme, we have conducted searches on the S&P Capital IQ platform, which is a market intelligence platform established by S&P Global, on a best effort basis for companies that (i) are listed in Hong Kong Stock Exchange; (ii) are principally engaged in the bio-pharmaceutical sector; and (iii) most of its revenue derived from the PRC. Based on the above search criteria, we have identified the following comparable companies (the "**Comparable Companies**") and considered the remuneration packages of the executive Directors of the Comparable Companies as stated in their latest annual reports or prospectuses.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set below is a summary of the remuneration packages of the executive directors of the Comparable Companies as stated in their latest annual reports or prospectuses:

Name of Comparable Companies	Stock code	Range of total remunerations of executive directors (Note 1) (RMB)
Fosun International Limited	656	9,560,000 to 26,312,000
Essex Bio-Technology Limited	1061	580,124 to 2,372,747 (Note 2)
PW Medtech Group Limited	1358	1,039,000
3SBio Inc.	1530	1,072,000 to 3,347,000
Innovent Biologics, Inc.	1801	8,926,000 to 75,664,000
Shanghai Junshi Biosciences Co., Ltd	1877	3,434,000 to 7,472,000
Everest Medicines Limited	1952	4,618,000 to 5,980,000
HBM Holdings Limited	2142	2,298,348 to 4,072,856 (Note 3)
Mabpharm Limited	2181	1,432,000 to 5,949,000
WuXi Biologics (Cayman) Inc	2269	5,622,000 to 25,196,000
Shanghai Henlius Biotech, Inc.	2696	3,939,000
SciClone Pharmaceuticals (Holdings) Limited	6600	14,527,000
Immunotech Biopharm Ltd	6978	664,000 to 904,000
Antengene Corporation Limited	6996	1,133,000 to 3,573,000
JHBP (CY) Holdings Limited	6998	15,923,000
Jilin Province Huinan Changlong Bio-pharmacy Company Limited	8049	218,000 to 515,000
Zai Lab Limited	9688	Not disclosed
Akeso, Inc.	9926	1,792,000 to 2,321,000

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name of Comparable Companies	Stock code	Range of total remunerations of executive directors (Note 1) (RMB)
Kintor Pharmaceutical Limited	9939	2,278,000
Alphamab Oncology	9966	7,203,000 to 48,152,000
RemeGen Co., Ltd.	9995	562,000 to 744,000
The Company	1349	2,428,000 to 3,276,000 (Note 4)

Source: Annual reports and/or prospectuses of the Comparable Companies

Notes:

1. Primarily included salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and share-based compensation as extracted from the annual reports or prospectus of the Comparable Companies.
2. Calculation based on the exchange rate of RMB1: HK\$1.1865 as at the Latest Practicable Date.
3. Calculation based on the exchange rate of US\$1: RMB6.5480 as at the Latest Practicable Date.
4. Represented the range of annual remunerations of the Connected Participants (comprising three Executive Directors and a director of one of the Group's subsidiaries) taking into account the Connected Grant.

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

As shown in the table above, the remuneration of the executive directors of the Comparable Companies ranged from approximately RMB0.2 million to approximately RMB75.7 million, according to the latest annual reports and prospectuses of the Comparable Companies. Among the 21 Comparable Companies identified above, there are 9 companies with total annual remunerations exceeding the Company. Out of these 9 companies, 20 executive directors have annual remuneration packages of over RMB5 million according to their latest annual reports and prospectuses. On this basis, we consider that the annual remunerations of the Connected Participants are in line with those

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparable Companies. In other words, we are of the view that the number of Restricted Shares to be granted to the Connected Participants under the Connected Grant is fair and reasonable.

5.3 Our overall assessment of the principal terms of the Connected Grant

Having considered that:

- (a) the number of Restricted Shares to be granted to the Connected Participants under the Incentive Scheme is in compliance with the STAR Market Listing Rules;
- (b) the Incentive Scheme can retain and motivate the Participants to make contribution to the Group through attainment of the performance targets under the Incentive Scheme;
- (c) it is a common practice for companies listed on the STAR Market to adopt restricted A share incentive schemes for their employees as discussed above;
- (d) the performance targets are of appropriate difficulty for motivating the Participants to contribute to the business development and prospects of the Group as discussed above;
- (e) the discount of the Grant Price to the average trading price of the A Shares on the trading day preceding the date of announcement and for the last 20, 60 or 120 trading days preceding the date of announcement are comparable to those under the Comparable Schemes;
- (f) the Grant price represents a significant premium to the closing price of the H shares on the trading day preceding the date of announcement and for the last 20, 60 or 120 trading days preceding the date of announcement;
- (g) other principal terms of the Connected Grant, including the validity period, attribution periods and adjustment mechanism of the number of Restricted Shares and the Grant Price, are comparable to those under the Comparable Schemes; and
- (h) the remuneration packages of the executive directors of companies listed on the Stock Exchange which are bio-pharmaceutical companies and total remunerations of the Connected Participants, taking into account the Connected Grant, are in line with those of the Comparable Companies,

we consider that the terms of the Connected Grant are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Financial effect of the grant of Restricted Shares under the Incentive Scheme

(i) *Operating performance*

As disclosed in the section headed “XII. Accounting Treatment and Impact on the Operating Performance” in the Letter from the Board, assuming that the Company grants the 32,840,000 Restricted Shares under the First Grant (including the Connected Grant) in June 2021 and taking into account the fair value of such Restricted Shares estimated based on the closing price per A Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding 6 April 2021 (the date of announcement of the Incentive Scheme), the total amortised costs of the Restricted Shares from 2021 to 2024 in aggregate are estimated to be approximately RMB187.52 million.

The maximum number of Restricted Shares to be granted under the Incentive Scheme (including the First Grant and the Reserved Grant) is 38,000,000 A Shares. Based on (a) the closing price of RMB14.66 per A Share as quoted on the Shanghai Stock Exchange on the trading day (i.e. 5 April 2021) immediately preceding the date of announcement of the Incentive Scheme; and (b) the Grant Price of RMB8.95 per A Share (subject to Adjustment), the total amortized cost in relation to the grant of the maximum of 38,000,000 Restricted Shares under the Incentive Scheme would amount to approximately RMB216.98 million (the “**Total Share-based Payments**”).

As stated in the Company’s latest results announcement for the year ended 31 December 2020, total staff costs of the Group (including directors’ remuneration) amounted to approximately RMB129.80 million (the “**2020 Staff Costs**”), representing approximately 15.6% of the Group’s revenue for the year 2020.

Assuming that:

- (a) the Group would achieve an accumulated revenue of not less than RMB4.15 billion in the years 2021 to 2023, being part of the performance conditions that the Group has to fulfill before the Restricted Shares can be fully attributed;
- (b) total staff costs of the Group (excluding the grant of Restricted Shares) for each of the years 2021 to 2023 remained at approximately RMB129.80 million, being the 2020 Staff Costs; and
- (c) the financial impact of the grant of Restricted Shares under the Incentive Scheme would equal to the Total Share-based Payments,

total staff costs of the Group (taking into account the grant of Restricted Shares) for the entire period from 2021 to 2023 would amount to approximately RMB606.37 million (being RMB129.80 million multiplied by three years plus the Total Share-based Payments), accounting for approximately 14.6% of the Group’s

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

total revenue. This is lower than the percentage of total staff costs (including directors' remuneration) to the Group's total revenue (i.e. approximately 15.6%) for the year ended 31 December 2020. On this basis, we consider that the aggregate amortised cost in relation to the grant of Restricted Shares under the Incentive Scheme (i.e. the Total Share-based Payments) is in balance with the level of difficulty of the performance targets which the Participants must achieve for the Restricted Shares to be attributed.

Taking into account (a) the benefit of the grant of Restricted Shares under the Incentive Scheme as explained in section 4 of this letter above; and (b) that the financial impact of the grant of Restricted Shares under the Incentive Scheme, which arises from the substantial discount of the Grant Price to the prevailing trading price of the A Shares, can be justified by the level of difficulty in achieving the performance targets before the Restricted Shares can be attributed as discussed in the preceding paragraph, we consider the financial effect of the grant of Restricted Shares under the Incentive Scheme on the Group's operating performance to be acceptable.

Shareholders are reminded that the actual financial impact the grant of Restricted Shares under the Incentive Scheme is dependent on the closing price of the A Shares on the Grant Date.

(ii) Working capital

As at 31 December 2020, the Group's bank balances and cash amounted to approximately RMB1,396.9 million.

Based on (a) the Grant Price of RMB8.95 per A Share to be paid by the Participants to subscribe for the Restricted Shares (subject to Adjustment); and (b) a maximum of 38,000,000 Restricted Shares to be granted under the Incentive Scheme (subject to Adjustment), the Company would raise not more than approximately RMB340.1 million from the Participants, which will be applied towards the replenishment of the Group's liquidity. The proceeds from the issue of Restricted Shares under the Incentive Scheme is expected to strengthen the capital base and enhance the liquidity of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 recommend the Independent Shareholders, and the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the special resolution to be proposed at the AGM and the Class Meetings to approve the Connected Grant.

Yours faithfully,
For and on behalf of
Grande Capital Limited
LEUNG Kit Ming **SHUM Wing Yip**
Managing Director *Managing Director*

Mr. LEUNG Kit Ming is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital Limited. Mr. Leung has over 10 years of experience in the corporate finance industry.

Mr. SHUM Wing Yip is licensed under the Securities and Futures Ordinance to carry on Type 6 (advising on corporate finance) regulated activity and is currently a responsible officer and sponsor principal of Grande Capital Limited. Mr. Shum has over 6 years of experience in the corporate finance industry.

THE 2021 RESTRICTED SHARE INCENTIVE SCHEME OF SHANGHAI FUDAN ZHANGJIANG BIO-PHARMACEUTICAL CO., LTD.***STATEMENT**

The Company and all of its directors and supervisors undertake that there are no false records, misleading statements or material omissions in the Incentive Scheme and its summary, and assume individual and joint legal responsibility for its truthfulness, accuracy and completeness.

SPECIAL NOTE

- i. The 2020 Restricted Share Incentive Scheme of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (Draft) (the “Incentive Scheme”) is formulated by Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (“Shanghai Fudan-Zhangjiang” or the “Company”) in accordance with the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》), the Management Measures for Share Incentive Scheme Adopted by Listed Companies (《上市公司股權激勵管理辦法》), the Business Guidelines for Information Disclosure of Listed Companies on the STAR Market No. 4 – Disclosure of Equity Incentive Information (《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, administrative regulations, regulatory documents and the relevant requirements of the Articles of Association.
- ii. The form of incentive adopted by the Incentive Scheme is Restricted Shares (Type II Restricted Shares). The source of the shares shall be the Company’s RMB ordinary A shares issued by the Company to the Participants.

Participants that meet the conditions for the grant under the Incentive Scheme, after fulfilling the corresponding attribution conditions and attribution arrangement, shall obtain the Company’s ordinary A shares at the grant price during the attribution period. Such shares will be registered at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. Prior to the attribution, the Restricted Shares granted to the Participants do not carry any rights of the shareholders of the Company, and such Restricted Shares shall not be transferred, used to guarantee or repay debts.

- iii. The Restricted Shares proposed to be granted to the Participants under the Incentive Scheme shall be 38,000,000 shares, representing 3.64% of the total share capital of the Company of 1,043,000,000 shares as at the date of the announcement of the draft Incentive Scheme. Among which, 32,840,000 Restricted Shares are proposed to be granted under the first grant, representing 3.15% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme and 86.42% of the total number of the Restricted Shares proposed to be granted under the Incentive Scheme; and

5,160,000 Restricted Shares are to be reserved, representing 0.49% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme and 13.58% of the total number of the Restricted Shares proposed to be granted under the Incentive Scheme.

As of the date of the announcement of the draft Incentive Scheme, the cumulative total number of underlying shares involved under all share incentive schemes of the Company which are within their validity period shall not exceed 20.00% of the Company's total share capital as at the date on which the Incentive Scheme is submitted for approval at a general meeting. The total number of shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity period shall not exceed 1.00% of the total share capital of the Company.

- iv. The number of the Participants under the Incentive Scheme shall be 266 persons in total, including directors, members of the senior management, core technical staff and other persons considered the board of directors to be required to be incentivized working at the Company (including its subsidiaries, the same applies below) at the time of the Company's announcement of the Incentive Scheme, but excluding the independent directors and supervisors of Shanghai Fudan-Zhangjiang.

The Participants for the reserved grant shall mean those who are not yet determined when the Incentive Scheme is approved at a general meeting but are to be included in the Incentive Scheme during the validity period of the Incentive Scheme, and shall be determined within 12 months after the Incentive Scheme being considered and approved at a general meeting. 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.

- v. The grant price of the Restricted Shares to be granted to the Participants under the Incentive Scheme shall be RMB8.95 per share. The grant price of the Restricted Shares under the reserved grant shall be the same as the grant price of the Restricted Shares under the first grant. In the event of any capitalization issue, bonus issue, dividend distribution, share split or share consolidation or rights issue of the Company during the period from the date of announcement of the Incentive Scheme to the date of completion of the attribution registration by the Participants, the grant price of the Restricted Shares and the number of Restricted Shares shall be adjusted in accordance with the Incentive Scheme accordingly.
- vi. The validity period of the Incentive Scheme commences from the grant date of the Restricted Shares until the date on which all Restricted Shares granted to the Participants have been attributed or lapsed. The validity period shall not exceed 48 months.

- vii. The Restricted Shares under the first grant of the Incentive Scheme shall be attributed in three tranches after the expiry of 12 months following the grant date, with the proportion of attribution in each tranche being 30%, 30% and 40%, respectively. The Restricted Shares under the reserved grant shall be attributed in two tranches after the expiry of 12 months from the grant date of the reserved grant, with the proportion of attribution in each tranche being 50% and 50%, respectively.

The attribution arrangements, performance targets and attribution factors in relation to the Restricted Shares to be granted are shown in the following table:

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%
Restricted shares granted for the first time	First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021, the revenue will not be less than RMB 1.04 billion; 2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021, the revenue will not be less than RMB 1 billion; 2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021, the revenue will not be less than RMB 1 billion; 2. Research and development goals: In 2021, no less than 3 drug clinical trials and drug registration applications have been declared and accepted.

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%
	Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.39 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.25 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.2 billion; 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.
	Third tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

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%
Reserved restricted shares granted	First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.39 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.25 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.2 billion; 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.
	Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

Note: The above “revenue” refers to the audited consolidate revenue of the Group.

- viii. None of the following circumstances under which the implementation of the Incentive Scheme shall not be carried out as stipulated in the Management Measures for Share Incentives of Listed Companies has occurred to the Company:
- (i) 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;
 - (ii) 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;
 - (iii) 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 undertakings;
 - (iv) laws and regulations stipulate that equity incentives shall not be implemented;
 - (v) other circumstances as determined by the CSRC.
- ix. None of the following circumstances under which one shall not be a Participant as stipulated in the Management Measures for Share Incentive Scheme Adopted by Listed Companies has occurred to a Participant under the Incentive Scheme:
- (i) the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
 - (ii) the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 - (iii) 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;
 - (iv) the Participant has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
 - (v) laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 - (vi) other circumstances as determined by the CSRC.

- x. Shanghai Fudan-Zhangjiang undertakes not to provide loans and any other forms of financial assistance, including providing guarantee for their loans, to the Participants to obtain their Restricted Shares through the Incentive Scheme under the Restricted Share Incentive Scheme.
- xi. Shanghai Fudan-Zhangjiang undertakes that there are no false records, misleading statements or material omissions in the relevant information disclosure documents of the Incentive Scheme.
- xii. The Participants of the Incentive Scheme undertake if there are false records, misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting or attributing rights and interests, the Participants shall return all the benefits obtained from the Incentive Scheme to the Company after confirming the existence of false records, misleading statements or major omissions in the relevant information disclosure documents.
- xiii. The Incentive Scheme shall be implemented after being considered and approved at the general meeting of the Company by way of special resolution.
- xiv. The Company shall convene a meeting of the board of directors in accordance with the relevant requirements to grant the Restricted Shares to the Participants and complete the announcement and other relevant procedures within 60 days after the Incentive Scheme is considered and approved at a general meeting (if there are conditions to the grant, then counting from the fulfilment of the conditions of grant). If the Company fails to complete the above procedures within the 60-day period, it shall promptly disclose the reasons for the failure to complete such procedures and declare the termination of the Incentive Scheme. The period during which no interests shall be granted pursuant to the Management Measures for Share Incentives of Listed Companies is excluded from the calculation of the 60-day period.
- xv. The implementation of the Incentive Scheme shall not result in the shareholding structure of the Company to fail to meet the listing requirements.

CONTENTS

	<i>Page</i>
Statement	I-1
Special Note	I-1
Chapter I Definitions	I-9
Chapter II Purpose of the Incentive Scheme	I-11
Chapter III Administrative Bodies of the Incentive Scheme	I-12
Chapter IV Basis for Determining the Participants and Scope of Participants	I-13
Chapter V Restricted Shares to be Granted under the Incentive Scheme	I-16
Chapter VI List of Participants and Allocation of Restricted Shares to Be Granted	I-17
Chapter VII Validity Period, Grant Date, Attribution Arrangement and Black-out Period	I-19
Chapter VIII Grant Price and Basis of Determination of the Grant Price of Restricted Shares	I-22
Chapter IX Grant and Attribution Conditions of the Restricted Shares	I-24
Chapter X Methods and Procedures for Adjustment under the Incentive Scheme	I-31
Chapter XI Accounting Treatment on the Restricted Shares	I-34
Chapter XII Procedures for Implementation, Grant, Attribution of and Amendments to, and Termination of the Incentive Scheme	I-36
Chapter XIII Other Rights and Obligations of the Company and Participants	I-40
Chapter XIV Arrangements for the Incentive Scheme in the Event of Change at the level of Company/Participants	I-43
Chapter XV Supplementary Provisions	I-47

CHAPTER I DEFINITIONS

Unless otherwise requires, the following expressions herein shall have the following meanings:

Term	Meaning
Shanghai Fudan-Zhangjiang, Company, Listed Company	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (上海復旦張江生物醫藥股份有限公司)
Restricted Share Incentive Scheme, Incentive Scheme, Scheme :	(the 2021 Restricted Share Incentive Scheme of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*) (上海復旦張江生物醫藥股份有限公司)2021年限制性股票激勵計畫)
Restricted Shares	the shares of the Company to be obtained in tranches and registered by the Participants who meet the conditions for grant under the Incentive Scheme after meeting the corresponding attribution conditions Type II Restricted Shares refers to a type of restricted shares under a share incentive scheme that the participants who meet the conditions for grant under the relevant incentive scheme can obtain the restricted shares at the grant price and then freely trade after black-out period
Participant(s):	the directors, members of senior management, core technical staff and other persons considered by the board of directors to be required to be incentivized of the Company (including its subsidiaries), who shall be granted the Restricted Shares pursuant to the Incentive Scheme
Grant Date:	the date on which the Company grants the Restricted Shares to the Participants, which must be a trading day
Grant Price:	the price at which a Participant obtains the Company's shares, as determined at the time of grant of Restricted Shares to the Participant by the Company
Attribution:	the act of registering the Restricted Shares by the Listed Company to the account of a Participant after the attribution conditions having been satisfied by the Participant
Attribution Date:	the date on which the registration of the granted Restricted Shares is completed after the attribution conditions having been satisfied by a Participant, which must be a trading day

Attribution Conditions:	the attribution conditions as stipulated under the Restricted Share Incentive Scheme which must be satisfied by a Participant in order to obtain the incentive shares
Validity Period:	the period commencing on the grant date of the Restricted Shares and ending on the date on which all Restricted Shares granted to the Participants have been attributed or lapsed
Remuneration Committee:	the remuneration and appraisal committee of the board of directors of the Company
CSRC:	the China Securities Regulatory Commission
Stock Exchange:	Shanghai Stock Exchange
CSDC:	the Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Company Law:	the Company Law of the People's Republic of China (《中華人民共和國公司法》)
Securities Law:	the Securities Law of the People's Republic of China (《中華人民共和國證券法》)
Listing Rules:	the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange (《上海證券交易所科創版股票上市規則》)
Management Measures:	the Management Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》)
Business Guidelines:	the Business Guidelines for Information Disclosure of Companies Listed on the STAR Market No. 4 -Information Disclosure of Equity Incentive (《科創版上市公司信息披露業務指南第4號一 股權激勵信息披露》)
Articles of Association:	the Articles of Association of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (《上海復旦張江生物醫藥股份有限公司章程》)
Company's Assessment Management Measures:	the Management Measures for Assessment for the Implementation of the 2021 Restricted Share Incentive Scheme of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (《上海復旦張江生物醫藥股份有限公司2021年限制性股票激勵計劃實施考核管理辦法》)
RMB/RMB'0,000/ RMB'00,000,000:	RMB/RMB'0,000/RMB'00,000,000, the unit of the lawful currency of the People's Republic of China

CHAPTER II PURPOSE OF THE INCENTIVE SCHEME

For the purpose of further improving the corporate governance structure, establishing and improving the Company's long-term incentive and restraint mechanism, attracting and retaining members of the management, core technical staff and other staff of the Company, fully mobilizing their enthusiasm and creativity, effectively enhancing the cohesion of the core team and core competitiveness of the enterprise, bonding the interests of shareholders, the Company and core teams together effectively, enabling all parties to jointly pay attention to the long-term development of the Company and securing the achievement of the Company's development strategies and business objectives, and under the premise of fully safeguarding the interests of shareholders, the Incentive Scheme is formulated following the principle of income equivalent to contribution in accordance with the relevant laws, regulations and regulatory documents including the Company Law, the Securities Law, the Management Measures, the Listing Rules and the Business Guidelines, as well as the Articles of Association.

As of the date of the announcement of the Incentive Scheme, the company has no equity incentive plan being implemented at the same time.

CHAPTER III ADMINISTRATIVE BODIES OF THE INCENTIVE SCHEME

- i. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, amendment and termination of the Incentive Scheme. The general meeting may, within its powers and authority, authorize the board of directors to handle certain matters relating to the Incentive Scheme.
- ii. The board of directors shall act as the executive and administrative body for the Incentive Scheme and be responsible for the implementation of the Incentive Scheme. The Remuneration Committee under the board of directors shall be responsible for drafting and revising the Incentive Scheme, and submitting the Incentive Scheme to the board of directors of the Company for review and approval. Upon approval by the board of directors, the Incentive Scheme shall be further submitted to the general 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 Exchange. The independent directors shall solicit voting rights by proxy from all shareholders in respect of the Incentive Scheme.
- iv. 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 granted Restricted Shares are attributed to a Participant, the independent directors and the board of supervisors shall express clear opinions as to whether the attribution conditions stipulated under the Incentive Scheme for the Participant have been fulfilled.

CHAPTER IV BASIS FOR DETERMINING THE PARTICIPANTS AND SCOPE OF PARTICIPANTS

i. Basis for Determining the Participants

a) *Legal Basis for Determining the Participants*

The Participants of the Incentive Scheme are determined in accordance with the relevant laws, administrative regulations, regulatory documents including the Company Law, the Securities Law, the Management Measures, the Listing Rules and the Business Guidelines as well as the relevant provisions of the Articles of Association and the actual situation of the Company.

b) *Positions held by the Participants*

The Participants under the Incentive Scheme shall include the directors, members of the senior management, core technical staff and other persons considered by the board of directors to be required to be incentivized of the Company (including its subsidiaries, the same applies below) (excluding independent directors and supervisors of Shanghai Fudan-Zhangjiang), in accordance with the purposes of implementing the Share Incentive Scheme. The list of persons who fall within the scope of Participants of the Incentive Scheme shall be drawn up by the Remuneration Committee, and verified by the Company's board of supervisors.

ii. Scope of Participants

The total number of the Participants for the first grant under the Incentive Scheme shall be 266 persons, representing 42.36% of the total number of 628 employees of the Company as at 31 December 2020, including:

- a) Directors and members of the senior management;
- b) Core technical staff;
- c) Other persons considered by the board of directors to be required to be incentivized.

The above Participants exclude independent directors and supervisors of the Company. Among the above Participants, all such directors or members of the senior management must have been elected at a general meeting of the Company or engaged by the board of directors of the Company. All Participants must have an employment or labour relationship with the Company or its subsidiaries at the time of grant and during the assessment period of the Incentive Scheme.

The above Participants include Wang Hai Bo, who directly hold more than 5% of the Company's shares as an individual shareholder holding of more than 5% of the Company's shares. The reasons for which he is included in the Incentive Scheme are that: Wang Hai Bo as the Chairman, Executive Director, General Manager and core technical staff is of the

Company's, the chairman of the board of directors, Executive Director, general manager and core technical personnel of the company, and plays a pivotal role in the Company's strategic planning, operation management and business development. The Company's inclusion of him in the Incentive Scheme will help promote the stability and enthusiasm of the Company's core personnel, and hence conducive to the Company's long-term development.

The Participants of the Reserved Grant shall be determined within 12 months after the Incentive Scheme being considered and approved at a general meeting. The Company will announce relevant information about the Participants on the designated website timely and accurately in accordance with the requirements after the board of directors having made such proposal, the independent directors and the board of supervisors having expressed clear opinions, and the Company's counsel having provided professional opinions and issued 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.

iii. Circumstances in which a person is prohibited from being a Participant under the Incentive Scheme:

- a) The person has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
- b) The person has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
- c) The person 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 person has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
- e) Laws and regulations stipulate that the person shall not participate in the equity incentives of listed companies;
- f) 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.

iv. Verification of Participants

- a) After the board of directors of the Company has reviewed and approved the Incentive Scheme, the Company shall publish the names and positions of the Participants internally via the Company's website or other channels for 10 days.

- b) The board of supervisors of the Company shall review the list of the 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 situation 5 days prior to the Incentive Scheme being considered at the general meeting. Any adjustments to the list of the Participants made by the board of directors of the Company shall also be reviewed by the board of supervisors of the Company.

**CHAPTER V RESTRICTED SHARES TO BE GRANTED UNDER
THE INCENTIVE SCHEME**

i. Form of Entitlements to Be Granted by the Incentive Scheme

The form of incentive to be adopted under the Incentive Scheme is the Type II Restricted Shares.

ii. Source and Type of Underlying Shares Involved in Restricted Shares to Be Granted under the Incentive Scheme

The Company will issue RMB ordinary A shares of the Company to Participants as the source of shares under the Incentive Scheme.

iii. The Number of Restricted Shares to be Granted under the Incentive Scheme and its Proportion to the Total Shares of the Company

The total number of the Restricted Shares proposed to be granted to the Participants under the Incentive Scheme shall be 38,000,000 shares, representing 3.64% of the total share capital of the Company of 1,043,000,000 shares as at the date of the announcement of the draft Incentive Scheme, and among which 32,840,000 Restricted Shares are proposed to be granted under the first grant, representing 3.15% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme and 86.42% of the total number of the Restricted Shares proposed to be granted under the Incentive Scheme; and 5,160,000 Restricted Shares are to be reserved, representing 0.49% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme and 13.58% of the total number of the Restricted Shares proposed to be granted under the Incentive Scheme.

As of the date of the announcement of the draft Incentive Scheme, the cumulative total number of underlying shares involved under all share incentive schemes of the Company which are within their validity period shall not exceed 20.00% of the Company's total share capital as at the date on which the Incentive Scheme is submitted for approval at a general meeting. The total number of the shares to be granted to any Participant in the Incentive Scheme under all share incentive schemes of the Company which are within their validity period shall not exceed 1.00% of the total share capital of the Company.

**CHAPTER VI LIST OF PARTICIPANTS AND ALLOCATION OF RESTRICTED
SHARES TO BE GRANTED**

i. List of Participants and Allocation of Restricted Shares to be Granted

Name	Nationality	Position	Number of the Restricted Shares to be granted (‘0,000 shares)	Percentage to the total number of the Restricted Shares to be granted	Percentage to the current total share capital
1. Directors, Chief Executives, Key Technical officers					
Wang Hai Bo	China	Chairman, Executive Director, General Manager, core technical staff	100	2.63%	0.10%
Su Yong	China	Executive Director, Deputy General Manager, core technical staff	120	3.16%	0.12%
Zhao Da Jun	China	Executive Director, Deputy General Manager	120	3.16%	0.12%
Li Jun	China	Deputy General Manager	110	2.89%	0.11%
Yang Xiao Lin	China	Deputy General Manager	120	3.16%	0.12%
Gan Yi Min	China	Deputy General Manager, core technical staff	120	3.16%	0.12%
Xue Yan	China	Company Secretary, Chief Financial Officer	110	2.89%	0.11%
Zhang Wen Bo	China	Core technical staff	100	2.63%	0.10%
Jiang Jian Ping	China	Core technical staff	70	1.84%	0.07%
Tao Ji Ning	China	Core technical staff	30	0.79%	0.03%
Shen Yi Jun	China	Core technical staff	40	1.05%	0.04%
		Total	1,040	27.37%	1.00%
2. Other Participants					
255 Participants			2,244	59.05%	2.15%
Total amount for the First Grant			3,284	86.42%	3.15%
3. Reserved Grant					
			516	13.58%	0.49%
		Total	3,800	100.00%	3.64%

Note: Any discrepancies in this table between the total shown and the breakdowns of the amounts listed in the Incentive Scheme are due to rounding (the same applies below).

ii. Explanatory Notes

- a) 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 1.00% of the total share capital of the Company. 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 20.00% of the Company's total share capital as at the date on which the Incentive Scheme is submitted for approval at the general meeting. The percentage of the reserved shares does not exceed 20.00% of the total number of the Restricted Shares to be granted 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 portion or allocate such portion amongst the Participants.
- b) The above Participants exclude independent directors and supervisors of the Company.
- c) The Participants under the reserved grant shall be determined within 12 months after the Incentive Scheme being considered and approved at a general meeting. The Company will announce relevant information about the Participants on the designated website timely and accurately in accordance with the requirements after the board of directors having made such proposal, independent directors and the board of supervisors having expressed clear opinions, and the Company's legal advisor having provided professional opinions and issued legal opinions.

**CHAPTER VII VALIDITY PERIOD, GRANT DATE, ATTRIBUTION
ARRANGEMENT AND BLACK-OUT PERIOD**

i. Validity Period of the Incentive Scheme

The validity period of the Incentive Scheme commences on the grant date of the Restricted Shares and ends on the date on which all Restricted Shares granted to the Participants have been attributed or lapsed. Such validity period shall not exceed 48 months.

ii. Grant Date of the Incentive Scheme

The Company will convene a meeting of the board of directors to grant the Restricted Shares to the Participants and complete the relevant procedures including making relevant announcement(s) according to the relevant regulations, within 60 days after the Incentive Scheme having been adopted and approved at a general meeting (counting from the date on which the conditions for the grant having been satisfied, if there are any granting conditions). If the Company is unable to complete the above procedures within the 60-day period, the Company shall make a timely announcement to disclose the reason for being unable to complete the procedures and declare the termination of the Incentive Scheme. The period during which no Restricted Shares shall be granted pursuant to the Management Measures for Share Incentives of Listed Companies is excluded from the calculation of the 60-day period.

The grant date shall be determined by the board of directors of the Company after the Incentive Scheme has been considered and approved at a general meeting of the Company. The grant date must be a trading day. If the date determined pursuant to the above principles falls on a non-trading day, the grant date will be postponed to the next trading day immediately after such non-trading day.

iii. Attribution Arrangement under the Incentive Scheme

The Restricted Shares granted under the Incentive Scheme may be attributed in tranches as per the agreed proportions after the expiry of 12 months following the grant date and upon the Participants satisfying the corresponding attribution conditions. The 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:

- a) within 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;
- b) within 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 quarter or the half-year and the publication of the relevant report, whichever is shorter;
- c) within 10 days prior to the disclosure of results preview or preliminary financial results of the Company;

- d) 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;
- e) any other period stipulated by the CSRC and the Stock Exchange.

The above “material events” are the transactions or other significant events that should be disclosed by the Company in accordance with the requirement of the Listing Rules.

The attribution arrangements for the first grant of the Restricted Shares are shown in the table below:

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%

The attribution arrangements for the Reserved Grant of the Restricted Shares are shown in the table below:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day 12 months after the Reserved Grant to the last trading day within 24 months after the Reserved Grant	50%
Second tranche	From the first trading day 24 months after the Reserved Grant to the last trading day within 36 months after the Reserved 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 attributed or deferred to be attributed in the next year(s) and shall lapse according to the provisions under the Incentive Scheme.

After the attribution conditions of the Restricted Shares are met, the Company shall handle the matters in relation to the attribution of the Restricted Shares which have met the conditions.

iv. Black-out Period under the Incentive Scheme

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

- a) 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;
- b) 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 Company's 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 of directors shall forfeit the gains;
- c) During the validity period of the Incentive Scheme, if the relevant requirements under the relevant laws, administrative regulations, regulatory documents including the Company Law and the 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 under this section shall comply with the relevant laws, regulations and regulatory documents including the Company Law and the Securities Law and the Articles of Association as amended at the time of transfer.

**CHAPTER VIII GRANT PRICE AND BASIS OF DETERMINATION OF
THE GRANT PRICE OF RESTRICTED SHARES**

i. Grant Price of Restricted Shares

The grant price of the first grant of the Restricted Shares shall be RMB8.95 per share. A Participant who has met the granting conditions and attribution conditions may subscribe for the Company's share at the price of RMB8.95 per share.

The grant price of the reserved grant of the Restricted Shares shall be the same as the grant price of the first grant of the Restricted Shares.

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

a) Pricing method

The grant price of Restricted Shares under the Incentive Scheme is the price of the Company's initial public offering, which is RMB8.95 per share.

The average trading price of the Company's shares on the trading day immediately preceding the announcement¹ of the draft Incentive Scheme is RMB14.55 per share, and the grant price of the Restricted Shares under the Incentive Scheme represents 61.53% of the average trading price of the Company's shares on such trading day immediately preceding the announcement of the draft Incentive Scheme;

The average trading price of the Company's shares for the 20 trading days immediately preceding to the announcement of the draft Incentive Scheme is RMB14.81 per share, and the grant price of the Restricted Shares under the Incentive Scheme represents 60.45% of the average trading price of the Company's shares on such 20 trading days immediately preceding the announcement of the draft Incentive Scheme;

The average trading price of the Company's shares for the 60 trading days immediately preceding to the announcement of the draft Incentive Scheme is RMB16.19 per share, and the grant price of the Restricted Shares under the Incentive Scheme represents 55.27% of the average trading price of the Company's shares on such 60 trading days immediately preceding the announcement of the draft Incentive Scheme;

The average trading price of the Company's shares for the 120 trading days immediately preceding to the announcement¹ of the draft Incentive Scheme is RMB18.60 per share, and the grant price of the Restricted Shares under the Incentive Scheme represents 48.13% of the average trading price of the Company's shares on such 120 trading days immediately preceding the announcement of the draft Incentive Scheme;

b) Basis for price determination

The grant price of the Restricted Shares adopts the independent pricing method. The purpose of determining the grant price by the independent pricing method is to promote the development of the Company, safeguard the rights and interests of its shareholders, and provide mechanism and talent guarantee for the long-term and stable development of the Company.

The Company is a talent and technology oriented enterprise, fully ensuring the effectiveness of equity incentive is an important way to stabilize core talents. The Company's business environment is facing many challenges, including industry cycle, technological innovation, talent competition, capital market fluctuations, etc. The grant price of the Incentive Scheme is conducive to the Company's effective talent incentive in different cycles and business environments, so that the Company can gain advantages in the industry competition.

In addition, based on the principle of equal incentives and restraints, the Incentive Scheme has set up certain challenging performance targets, adopting an independent pricing method to determine the grant price can further stimulate the subjective initiative and creativity of the Participants. Based on this, the Incentive Scheme will have a positive effect on the Company's future sustainable development operations and shareholder equity, and promote the smooth realization of incentive goals.

Given the above, on the basis of complying with relevant laws and regulations and regulatory documents, the Company has decided to set the grant price of Restricted Shares at RMB8.95 per share. The implementation of the Incentive Scheme will stabilize its core team and realize the deep intertwinement between employee interests and shareholders' interests.

The independent financial adviser engaged by the Company will express its opinions on the feasibility of the Incentive Scheme, the rationality of the relevant pricing basis and pricing method, whether it is conducive to the sustainable development of the Company, and whether it harms the interests of shareholders.

For details, please refer to the independent financial adviser's report of Shanghai JunYu Enterprise Management Consulting Co., Ltd. on the Company's 2021 Restricted Share Incentive Scheme (Draft) (《上海雋玉企業管理諮詢有限公司關於公司2021年限制性股票激勵計畫(草案)之獨立財務顧問報告》) published on the website of Shanghai Stock Exchange (www.sse.com.cn) on 7 April 2021:

“After review, the independent financial adviser is of the opinion that:

The grant price under the Incentive Scheme of Shanghai Fudan-Zhangjiang complies with Article 23 of the Management Measures and Article 10.6 of Chapter 10 of the Listing Rules. The relevant pricing basis and pricing method are reasonable and feasible, and is conducive to the smooth implementation of the Incentive Scheme, the stability of the Company's existing team and the introduction of outstanding high-end talents, and the Company's sustainable development. There is no situation that harms the interests of the Listed Company and all shareholders.”

**CHAPTER IX GRANT AND ATTRIBUTION CONDITIONS OF
THE RESTRICTED SHARES**

i. 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.

- a) None of the following has occurred on the part of the Company:
 - 1. 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;
 - 2. 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;
 - 3. 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 undertakings;
 - 4. laws and regulations stipulate that equity incentives shall not be implemented;
 - 5. other circumstances as determined by the CSRC.

- b) None of the following has occurred on the part of the Participants:
 - 1. the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
 - 2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 - 3. 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;
 - 4. the Participant has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
 - 5. laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 - 6. other circumstances as determined by the CSRC.

ii. Conditions for Attribution of the Restricted Shares

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

- a) None of the following has occurred on the part of the Company:
 1. 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;
 2. 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;
 3. 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 undertakings;
 4. laws and regulations stipulate that equity incentives shall not be implemented;
 5. other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified in the above subparagraph a) 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.

- b) None of the following has occurred on the part of the Participants:
 1. the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
 2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 3. 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;
 4. 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 a company;
 5. laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 6. other circumstances as determined by the CSRC.

In the event that any one of the circumstances specified in the above subparagraph b) arises in relation to a certain Participant, the Company shall 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.

- c) Requirements on length of employment of the Participants for attribution of Restricted Shares:

Before each tranche of Restricted Shares granted to the Participants is attributed, the length of employment of the Participant must be more than 12 months.

- d) Performance assessment requirements at company level:

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

The attribution arrangement of the Restricted Shares granted, the performance assessment indicators and attribution factors are shown in the following table:

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%
Restricted shares granted for the first time	First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB 1.04 billion; Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB 1 billion; Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> Business objective: In 2021, the revenue will not be less than RMB 1 billion; Research and development goals: In 2021, no less than 3 drug clinical trials and drug registration applications have been declared and accepted.

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%
	Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.39 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.25 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.2 billion; 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.
	Third tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

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%
Reserved restricted shares granted	First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.39 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.25 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.2 billion; 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.
	Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

Note: The above “revenue” refers to the audited consolidate 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.

- e) 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 results of the individual assessment of Participants are divided into four levels – "excellence", "good", "qualified" and "unqualified" and the corresponding attribution percentage is as follows:

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

Under the premise of the Company achieving above its performance assessment target C (inclusive), the number of Restricted Shares to be attributed to the Participant in the current year equals to the number of Restricted Shares planned to be attributed to the individual Participant in the current year × the Company attribution factor × the individual attribution factor.

In any event if the Restricted Shares to be attributed to the Participant under the Incentive Scheme in the current year cannot be attributed or fully attributed due to assessment reasons, such Restricted Shares shall lapse and cannot be deferred to the next year for attribution.

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

iii. Explanation on the scientificity and 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 31 December 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. The performance appraisal indicators under the Incentive Scheme are determined by the Company on the basis of comprehensive consideration of the macroeconomic environment, the Company's historical performance, industry development, market competition and the Company's future development plan and other relevant factors. The performance indicators under the Incentive Scheme are challenging, which will help enhance the Company's competitiveness and motivate employees, ensure the achievement of the Company's future growth strategy and business objectives, and deliver more efficient and sustainable returns to shareholders.

In addition to the performance assessment at the Company level, the Company has also set up a strict performance appraisal system at the Participant's individual level, which allows a more accurate, comprehensive evaluation of the work performance of the Participants. The Company will determine whether the Participants meet the attribution conditions based on the annual performance evaluation results of the Participants.

In summary, the Company's appraisal system under the Incentive Scheme is integrated, comprehensive and operable. Meanwhile, the scientific and reasonable performance indicators restrain the Participants and can achieve the appraisal purpose of the Incentive Scheme.

**CHAPTER X METHODS AND PROCEDURES FOR ADJUSTMENT UNDER
THE INCENTIVE SCHEME****i. 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:

a) Capitalization of capital reserves, bonus issue, share subdivision

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

Where: Q_0 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.

b) Rights issue

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

Where: Q_0 represents the number of the Restricted Shares prior to the adjustment; P_1 represents the closing price of the Restricted Shares as at 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); and Q represents the number of the Restricted Shares after the adjustment.

c) Share consolidation

$$Q = Q_0 \times n$$

Where: Q_0 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.

d) New issue

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

ii. 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:

a) Capitalization of capital reserves, bonus issue, share subdivision

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

Where: P_0 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.

b) Rights issue

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

Where: P_0 represents the Grant Price prior to the adjustment; P_1 represents the closing price of the Restricted Shares as at 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); and P represents the Grant Price after the adjustment.

c) Share consolidation

$$P = P_0 \div n$$

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

d) Dividend distribution

$$P = P_0 - V$$

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 0.1.

e) New issue

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 Incentive Scheme

The Company's general meeting authorizes the board of directors to adjust the number and the grant price of Restricted Shares based on the reasons set forth in the Incentive Scheme. After the board of directors adjusts the number and the grant price of Restricted Shares in accordance with the above provisions, it shall promptly announce and notify the Participants. 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 Management Measures, the Articles of Association and the Incentive Scheme.

If the number and the grant price of the Restricted Shares need to be adjusted due to matters other than the above circumstances, in addition to the approval of the relevant proposals from the board of directors, such adjustments must be submitted to the general meeting of the Company for approval.

CHAPTER XI ACCOUNTING TREATMENT ON THE RESTRICTED SHARES

In accordance with 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 published by the Ministry of Finance, at each balance sheet date within the Black-out Period, the Company shall revise the number of the Restricted Shares which are expected to be attributed according to the changes in the latest available number of persons eligible to be attributed the Restricted Shares, fulfilment of the performance targets and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the grant date.

i. Fair Value of the Restricted Shares and the Determination Method

According to 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 unit cost of the Restricted Shares = Fair value of the Restricted Shares – grant price, where fair value of the Restricted Shares is the closing price on the grant date.

ii. The Estimated Impact on the Operating Performance in Each Accounting Period due to of the implementation of the Restricted Shares

The Company will grant 38,000,000 Restricted Shares to the Participants, among which 32,840,000 Restricted Shares will be granted under the first grant. The fair value of the Restricted Shares was estimated based on the closing data on the trading day prior to the publication of the draft Incentive Scheme, and the total equity expense for the first grant was estimated to be RMB187,516,400. The total amount of above expenses as the incentive cost of the Company’s Incentive Scheme will be recognized over the course of the Incentive Scheme in attribution proportion in installments and will be charged to operating profit or loss. In accordance with accounting standards, the actual amount shall be based on the fair value of the Shares calculated on the “actual grant date”, assuming the grant date to be in June 2021, the amortization of cost of the Restricted Shares from the years 2021 to 2024 is as follows:

Amortized costs of the Restricted Shares (RMB0'000)	Year 2020	Year 2021	Year 2022	Year 2023
18,751.64	5,469.23	8,125.71	3,906.59	1,250.11

Notes:

1. The above costs are projected costs, and actual costs are related to the actual grant price, the grant date, the closing price on the grant date, the number of Restricted Shares granted and the best estimate of the number of attributable equity instrument;
2. Shareholders' attention is drawn to the possible dilutive effect of the share-based payment described above;
3. The final impact of the above projected amortization expenses on the Company's operating results is subject to the audit report issued by the accountant.

The costs of the Incentive Scheme shall be charged to the cost expenses. Without considering the positive effect of the Incentive Scheme on the Company's performance, the Company estimates that, based on current information, the amortization of cost expenses of the Incentive Scheme will have an impact on the net profit each year within the validity period, but the impact is not significant. Considering the positive effect of the Incentive Scheme on the Company's operation and development, which will stimulate the enthusiasm of the management and business team, improve operating efficiency and reduce operating costs, the Incentive Scheme will have a positive effect on the Company's long-term performance.

CHAPTER XII PROCEDURES FOR IMPLEMENTATION, GRANT, ATTRIBUTION OF AND AMENDMENTS TO, AND TERMINATION OF THE INCENTIVE SCHEME**i. Procedures for Implementation of the Incentive Scheme**

- a) The Remuneration Committee is responsible for formulating the draft Incentive Scheme and the Company's Assessment Management Measures.
- b) The board of directors shall resolve on the draft Incentive Scheme and the Company's Assessment Management Measures formulated by the Remuneration Committee. When the board of directors resolves on the Incentive Scheme, related directors shall abstain from voting.
- c) The independent directors and the board of supervisors should express opinions as to whether the Incentive Scheme is conducive to the sustainable development of the Company and whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders.
- d) The Company will engage an independent financial adviser to give professional opinions on the feasibility of the Incentive Scheme, the reasonableness of the determination of the grant price, whether the Incentive Scheme is conducive to the sustainable development of the Company and whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders. The legal adviser engaged by the Company will issue a legal opinion on the Incentive Scheme.
- e) Within two trading days after the board of directors having reviewed and approved the draft Incentive Scheme, the Company will make an announcement of the board resolutions, the draft and summary of the Incentive Scheme, the opinions of independent directors, and the opinions of the board of supervisors.
- f) The Company shall carry out self-investigation on the trading of shares of the Company by individuals in possession of inside information within 6 months prior to the announcement of the Incentive Scheme.
- g) Before convening a general meeting, the Company shall announce the names and positions of the Participants internally via the Company's website or other channels for 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.
- h) During voting on the Incentive Scheme and related resolutions at the general meeting of the Company, the independent directors shall solicit proxy voting rights from all shareholders regarding the Incentive Scheme and related resolutions. When the Incentive Scheme and related resolutions are considered by way of special resolution at the general meeting, the related shareholders shall abstain from voting.

- i) The Company will make an announcement of the resolutions of the general meeting, the Incentive Scheme as considered and approved at the general meeting, the self-investigation report on the trading of shares of the Company by individuals in possession of inside information and the legal opinions.

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, obtaining prior approval from the independent Shareholders).

- j) After the Incentive Scheme has been considered and approved by the general meeting of the Company, the board of directors will grant the Restricted Shares to the Participants and complete the announcements and other relevant procedures pursuant to the authorization granted by the shareholders within 60 days after the Incentive Scheme having been adopted and approved at a general meeting. The board of directors shall handle matters including the attribution and registration of Restricted Shares in accordance with the authorization at a general meeting.

ii. Procedures for Grant of the Restricted Shares

- a) The Company shall convene a meeting of the board of directors to grant the Restricted Shares to the Participants within 60 days from the date on which the Incentive Scheme has been adopted and approved at a general meeting.
- b) Before granting the Restricted Shares to the Participants, the board of directors shall consider whether the Participants have satisfied the conditions for grant prescribed in the Incentive Scheme and make an announcement thereafter. The independent directors and the board of supervisors shall also issue their express opinions at the same time. The legal advisor shall issue a legal opinion on whether the Participants have satisfied the conditions of the grant. The board of supervisors of the Company shall verify the list of the Participants on the grant date of the Restricted Shares and issue its opinion.

When there is any discrepancy between the Company's grant of the Restricted Shares to the Participants and the arrangement stipulated under the Incentive Scheme, the independent directors, the board of supervisors (when there are changes to the Participants), legal advisor and the independent financial adviser shall issue their clear opinions simultaneously.

- c) The Company shall enter into the Agreement on the Granting of Restricted Shares with the Participants setting out their respective rights and obligations.
- d) 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 the Granting of Restricted Shares.

- e) Upon the general meeting's consideration and approval of the Share Incentive Scheme, the Company shall grant the Restricted Shares to the Participants and make an announcement within 60 days (if there are conditions to the grant, then counting from the fulfilment of the granting conditions). If the Company fails to publish 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 of directors shall promptly disclose the reasons for the failure to complete and is prohibited from approving a share incentive scheme again within 3 months thereafter.
- f) The Participants of the reserved grant shall be determined within 12 months after the Incentive Scheme being reviewed and approved at the general meeting. The reserved grant shall lapse if such Participants cannot be determined within the said 12-month period.
- g) 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).

iii. Procedures for the Attribution of the Restricted Shares

- a) Prior to attribution, the Company shall confirm whether the Participants have satisfied the attribution conditions. The board of directors shall consider whether the attribution conditions under the Incentive Scheme have been satisfied, and the independent directors and the board of supervisors shall express clear opinions at the same time. The legal advisor shall issue a legal opinion on whether the conditions for attributing the Restricted Shares have been satisfied.
- b) The Participants who have fulfilled the attribution conditions shall pay the funds for the subscription of the Restricted Shares into the account designated by the Company according to the Company's requirements, which will be verified and confirmed by a certified public accountant. Participants who have not paid the funds within the requisite period shall be deemed to have waived his/her right to subscribe for the Restricted Shares. The Company shall in a unified manner make an application to the Stock Exchange, and after confirmation by the Stock Exchange, the CSDC will handle the matters for the attribution of the Restricted Shares. 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.
- c) 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, administrative regulations and regulatory documents.

iv. Procedures for Amendment and Termination of the Incentive Scheme***a) Procedures for the Amendment of the Incentive Scheme***

1. If the Company intends to make amendments to the Incentive Scheme before it is considered and approved at the general meeting, the amendments shall be considered and approved by the board of directors. If the Company intends to make amendments to the Incentive Scheme that has been adopted at the general meeting, such amendments shall be submitted to the general meeting for its approval and shall not include circumstances that would result in the acceleration of attribution or reduction of the grant price. Where 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.
2. The Company shall timely disclose the reasons for and the content of the amendments. The independent directors and the board of supervisors of the Company shall give clear opinions as to whether the amendments to 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 legal advisor shall express its professional opinions as to whether the amended proposal is in compliance with the requirements of the Management Measures and relevant laws and regulations, and whether there are any circumstances that clearly harm the interests of the Company and all shareholders.

b) Procedures of termination of the Incentive Scheme

1. If the Company intends to terminate the Incentive Scheme before it is considered and approved at the general meeting, the board of directors shall consider and approve and make an announcement. If the Company intends to terminate the implementation of the Incentive Scheme after it is considered and approved at the general meeting, such termination shall be submitted to the board of directors and the general meetings for approval and be disclosed.
2. The Company shall timely disclose the resolutions of the general meetings or the resolutions of the board of directors. The legal advisor shall express its 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 whether there are any circumstances that clearly harm the interests of the Company and all shareholders.

**CHAPTER XIII OTHER RIGHTS AND OBLIGATIONS OF
THE COMPANY AND PARTICIPANTS**

i. Rights and Obligations of the Company

- a) The Company has the right to interpret and implement the Incentive Scheme, to conduct performance assessment of the Participants, and to supervise and examine whether the Participants are eligible for attribution. If a Participant fails to fulfill the attribution conditions as determined under the Incentive Scheme, upon the approval of the board of directors of the Company, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed and shall lapse.
- b) The Company has the right to require the Participants to work for the Company according to the requirements of the positions at which he/she is employed. If the Participant is not qualified for the positions or fails the assessment, or if the Participant violates the laws and professional ethics, divulges company secrets, violates the rules and regulations of the Company, and neglects his/her duty or malfeasance or has other acts that seriously damage the Company's interests or reputation, upon the approval of the board of directors, the Restricted Shares that have been granted to the Participant but have not yet been attributed shall be attributed and shall lapse.
- c) 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.
- d) The Company undertakes not to provide loans and any other forms of financial assistance, including providing guarantee for their loans, to the Participants to obtain relevant Restricted Shares according to the Incentive Scheme.
- e) The Company shall timely, truthfully, accurately and completely disclose the information disclosure documents related to the Incentive Scheme in accordance with relevant laws, regulations and regulatory documents, ensure that there are no false records, misleading statements or material omission and fulfil relevant reporting obligations under the Incentive Scheme in a timely manner.
- f) In accordance with the Incentive Scheme and relevant requirements of the CSRC, the Stock Exchange and registration and clearing companies, the Company shall handle the registration of the attribution of Restricted Shares for the Participants that meet the attribution conditions. However, the Company shall not be held liable if the Participants fails to complete the registration of the attribution of Restricted Shares and causes losses to the Participants due to the reasons on the part of the CSRC, the Stock Exchange and the registration and clearing companies.
- g) Other relevant rights and obligations as stipulated under the laws, administrative regulations and regulatory documents.

ii. Rights and Obligations of the Participants

- a) The Participants shall be diligent and responsible, abide by professional ethics, and make due contributions to the development of the Company in accordance with the requirements of the positions at which he/she is employed by the Company.
- b) The Participants have the right to receive the attributed Restricted Shares granted in accordance with the provisions of the Incentive Scheme, and should lock-up and deal with his/her Restricted Shares in accordance with relevant provisions.
- c) Source of funds for the Participants shall be their own financing.
- d) Prior to the attribution, the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, used to guarantee or repay debts.
- e) Prior to the attribution, the Restricted Shares granted to the Participants under the Incentive Scheme do not carry any voting rights or right to participate in the distribution of bonus shares or share dividends.
- f) 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.
- g) The Participants undertake that, if there are false records, misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting rights and interests, the Participants shall fulfill their undertakings and return all the benefits obtained from the Incentive Scheme to the Company after confirming the existence of false records, misleading statements or major omissions in relevant information disclosure documents.
- h) If the Participant is no longer eligible to be a Participant under the Incentive Scheme as stipulated in Article 8 of the Management Measures during the implementation of the Incentive Scheme, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.
- i) Other relevant rights and obligations as stipulated by laws, administrative regulations, regulatory documents and the Incentive Scheme.

iii. Other Explanatory Notes

The Company shall enter into the Agreement on the Granting of Restricted Shares with each Participant after the Incentive Scheme having been considered and approved at the general meeting, setting out the parties' respective rights and obligations under the Incentive Scheme and other relevant matters.

Any dispute between the Company and the Participants shall be resolved in accordance with the provisions of the Incentive Scheme and the Agreement on the Granting of Restricted Shares. In event of any dispute that is not clearly covered by such provisions, both parties shall negotiate and resolve their disputes in accordance with national laws and the principles of fairness and reasonableness. Where any dispute cannot be settled by negotiation, it shall be resolved through litigation by submitting to the People's Court with jurisdiction over the Company's place of business.

The Company's determination of a Participant under the Incentive Scheme does not constitute an undertaking with regards to the employment period of any employee. The employment relationship between the Company and the Participants shall be determined in accordance with the labor contract or employment contract signed.

**CHAPTER XIV ARRANGEMENTS FOR THE INCENTIVE SCHEME IN
THE EVENT OF CHANGE AT THE LEVEL OF COMPANY/PARTICIPANTS**

i. In the Event of any Changes Occurred at the Company Level

a) In the event that any of the circumstances below occurs in respect of the Company, 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:

1. 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;
2. 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;
3. 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 undertakings;
4. laws and regulations stipulate that equity incentives shall not be implemented;
5. other circumstances where the Incentive Scheme should be terminated as determined by the CSRC.

b) Merger or division of the Company, etc.;

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

c) Change of Control of the Company

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

d) If the Company fails to meet the conditions for granting or attributing the Restricted Shares due to false records, misleading statements or major omissions in the information disclosure documents, the Restricted Shares that have been granted to the Participants but 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 relevant arrangements under the Incentive Scheme. The board of directors shall recover the proceeds from the Participants in accordance with the requirements under the preceding paragraph and relevant arrangements under the Incentive Scheme.

ii. In the Event of Changes in the Personal Circumstances of the Participants

a) Change in Position of the Participants

1. 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.
2. If the Participant is a supervisor or an independent director of the Company 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.
3. 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, or causes the Company to terminate the labor relationship with the Participant due to the above reasons, the Participants shall return all gains obtained 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 the event of serious circumstances, the Company may also recover the losses suffered by the Company in accordance with relevant laws and regulations.

b) Resignation of the Participants

1. 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.

2. 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.

c) 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 took 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 granted but not yet attributed shall not be attributed and shall lapse.

d) Incapacity of the Participants

1. If the Participants are incapacitated and leave the Company due to work injury, the Remuneration 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 assessment 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 have not yet been attributed.
2. If the Participants leave the Company, which is not due to the incapability arising from work injury, 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.

e) Death of the Participants

1. If the Participants die due to their duty, the Remuneration 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 Company shall cancel his/her Restricted Shares that have been granted but have not yet been attributed.
2. If the Participants die 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.

f) 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 of the subsidiary and the Participants still work in 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.

g) Changes in Eligibility of 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:

1. the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
3. 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;
4. the Participant has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
5. laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
6. other circumstances as determined by the CSRC.

iii. Others

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

CHAPTER XV SUPPLEMENTARY PROVISIONS

- i. The Incentive Scheme shall become effective after being considered and approved at the general meeting of the Company;
- ii. The board of directors of the Company shall be responsible for the interpretation of the Incentive Scheme.

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

Board of Directors

6 April 2021

**THE MANAGEMENT MEASURES FOR ASSESSMENT FOR THE
IMPLEMENTATION OF THE 2021 RESTRICTED SHARE INCENTIVE SCHEME**

To further perfect the corporate governance structure of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (the “**Company**” or the “**Fudan-Zhangjiang**”), establish and improve the Company’s long-term incentive and restraint 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 core competitiveness of the enterprise, align the interests of shareholders, the Company and core teams effectively, bring their attention to the long-term development of the Company and ensure the achievement of the Company’s development strategies and business goals. Under the premise of fully safeguarding the interests of shareholders, the Company has formulated the 2021 Restricted Share Incentive Scheme (Draft) of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.* (the “**Share Incentive Scheme**” or the “**Incentive Scheme**”) following the principles of income equivalent to contribution.

To ensure the smooth implementation of the Share Incentive Scheme of the Company, these measures are specially formulated according to the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Management Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) and other relevant laws, administrative regulations, regulatory documents, relevant articles of the Articles of Association as well as the actual situation, the Company has formulated the Management Measures for Assessment for the implementation of the 2021 Restricted Share Incentive Scheme of Fudan-Zhangjiang (the “**Scheme**”).

Article 1 Purpose of Assessment

The purposes of these measures are to strengthen the planned implementation of the Company’s Share Incentive Scheme, quantify the specific objectives set by the Company’s Share Incentive Scheme, promote the scientific, standardized and institutionalized assessment management of Participants, and ensure the realization of the various performance indicators under the Company’s Share Incentive Scheme; at the same time, these measures are to guide the Participants to improve work performance and competence and evaluate employees’ performance and contribution in an objective and fair manner, to provide an objective and comprehensive evaluation basis for the implementation of the Incentive Scheme.

Article 2 Principles of Assessment

- (i) Assessment and evaluation of the Participants shall be conducted in strict accordance with these measures following the principles of fairness, justice, and openness;
- (ii) The assessment indicators shall be combined with the Company's medium and long-term development strategies and annual business objectives; as well as the work performance, work competence and work attitude of the Participants.

Article 3 Scope of Assessment

These measures apply to all Participants identified in the Incentive Scheme, including directors, senior management personnel, core technical staff and other persons considered the board of directors to be required to be incentivized of the Company (including its subsidiaries, the same applies below) but excluding the independent directors and supervisors of Fudan-Zhangjiang. All Participants must have an employment or labour relationship with the Company or its subsidiaries at the time of grant under and during the assessment period of the Incentive Scheme.

Article 4 Assessment Body and Implementation Body

- (i) The remuneration and appraisal committee of the board of directors is responsible for organizing and implementing the Share Incentive Scheme;
- (ii) The HR and administration department of the Company shall form an assessment team that is responsible for the specific assessment work and reporting to the Remuneration Committee;
- (iii) Under the supervision of the internal audit department of the Company, the HR and administration department, finance department and other relevant departments of the Company are responsible for the collection and provision of relevant assessment data, as well as the authenticity and reliability of the data;
- (iv) The board of directors of the Company is responsible for reviewing the assessment results.

Article 5 Performance Assessment Indicators and Standards

The attribution of the Restricted Shares that have been granted to the Participants will depend on the assessment results at both the Company level and at the level of the Participants.

(i) Performance assessment requirements at the Company level

Under the Incentive Scheme, in the accounting years of 2021 to 2023, the Company's performance indicators will be evaluated on an annual basis and the achievement of the performance assessment targets will be one of the attribution conditions for the Participants for the current year. The performance assessment objectives and attribution factors of the Incentive Scheme are shown in the following table:

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%
Restricted shares granted for the first time	First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021, the revenue will not be less than RMB1.04 billion; 2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021, the revenue will not be less than RMB1 billion; 2. Research and development goals: In 2021, no less than 4 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021, the revenue will not be less than RMB1 billion; 2. Research and development goals: In 2021, no less than 3 drug clinical trials and drug registration applications have been declared and accepted.

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%
	Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.39 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.25 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.2 billion; 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.
	Third tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

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%
Reserved restricted shares granted	First tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.39 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.25 billion; 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>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 and 2022, the accumulated revenue will not be less than RMB 2.2 billion; 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.
	Second tranche	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 4.15 billion; 2. Research and development goals: In 2021 to 2023, no less than 14 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.81 billion; 2. Research and development goals: In 2021 to 2023, no less than 12 drug clinical trials and drug registration applications have been declared and accepted. 	<p>The Company needs to meet the following conditions at the same time:</p> <ol style="list-style-type: none"> 1. Business objective: In 2021 to 2023, the accumulated revenue will not be less than RMB 3.64 billion; 2. Research and development goals: In 2021 to 2023, no less than 11 drug clinical trials and drug registration applications have been declared and accepted.

Note: The above “revenue” refers to the audited consolidate revenue of the Group.

During the attribution period, the Company will handle the registration of attributed Restricted Shares for Participants who have satisfied the attribution conditions. In the event that the performance assessment requirements at the Company level have not been reached

or have been partially reached within the respective attribution tranche, the Restricted Shares that have been granted but are yet to be attributed to the Participants for the current assessment year shall not be attributed and shall lapse.

(ii) Performance assessment requirements at the individual level of Participants:

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

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

Under the premise of the Company achieving its performance target C (inclusive) or higher, the number of actual attributable Restricted Shares to the Participant for the current year = the number attributable to the individual under the scheme for the current year × company attribution factor × individual attribution factor.

The Restricted Shares of a Participant that have been granted but are yet to be attributed or fully attributed for the current year due to assessment shall not be attributed shall lapse, and shall not be deferred to the next year.

Article 6 Assessment Procedures

The HR and administration department of the Company is responsible for the specific assessment work under the guidance of the Remuneration Committee and retaining the assessment results. On this basis, a performance assessment report shall be prepared and submitted to the Remuneration Committee, and the board of directors of the Company is responsible for reviewing the assessment results.

Article 7 Period and Times of Assessment

(i) Assessment Period

The accounting year prior to attribution of each tranche of Restricted Shares of the Participants.

(ii) Number of times of assessment

The assessment years of the Incentive Scheme are the three accounting years of 2021-2023, and the assessment shall be conducted once a year.

Article 8 Management of Assessment Results**(i) Feedback and application of assessment results**

1. The assessment targets are entitled to know their own assessment results. The direct supervisor of the employees shall inform the assessment targets of the assessment results within 5 working days after the completion of the assessment.
2. If the assessment targets have objections against the assessment results, they can communicate with the HR and administration department to resolve. If the objections cannot be resolved through communication, the assessment objects may appeal to the Remuneration Committee which shall review and determine the final assessment result or level within 10 working days.
3. The assessment results shall be the basis for the attribution of Restricted Shares.

(ii) Filing of assessment records

1. After the completion of assessment, the HR and administration department shall retain all the records of the performance assessment. The assessment results shall be kept as confidential information.
2. In order to ensure the validity of the performance records, the performance records are not allowed to be altered. If the records are to be revised or re-recorded, it must be signed by the parties concerned.
3. The performance assessment records shall be kept for 10 years. Documents and records that exceed the storage period shall be uniformly destroyed by the Remuneration Committee.

Article 9 Supplementary Provisions

- (i) The board of directors is responsible for the formulation, interpretation and revision of these measures.
- (ii) If the relevant provisions of these measures conflict with the relevant national laws, administrative regulations, regulatory documents, and the draft of the Share Incentive Scheme, the relevant national laws, administrative regulations, regulatory documents, and the draft of the Share Incentive Scheme shall prevail. If there are no clear provisions in these measures, the relevant national laws, administrative regulations, regulatory documents, and the Share Incentive Scheme shall be implemented.

- (iii) These measures shall be subject to consideration and approval at the general meeting and become effective upon the Share Incentive Scheme becoming effective.

Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.*
Board of Directors

6 April 2021

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 position 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 Hong Kong Stock Exchange.

Name	Position	Class of shares	Number of shares held (0'000)	Capacity	Type of interest	Percentage	Percentage
						in A Shares	in total number of issued shares
Wang Hai Bo	Director	A Shares	5,888.06 (L)	Beneficial owner	Personal	8.38%	5.65%
Su Yong	Director	A Shares	2,310.89 (L)	Beneficial owner	Personal	3.29%	2.22%
Zhao Da Jun	Director	A Shares	2,005.68 (L)	Beneficial owner	Personal	2.85%	1.92%
Wang Luo Chun	Supervisor	A Shares	140.87 (L)	Beneficial owner	Personal	0.20%	0.14%
Yu Dai Qing	Supervisor	A Shares	109.84 (L)	Beneficial owner	Personal	0.16%	0.11%

Notes:

- The letter "L" stands for long position;
- The number of shares held by the Directors and Supervisors in the above table included the approximate number of shares calculated based on their respective interests in a special assets management plan (around 994,200 A Shares, 796,100 A Shares, 796,100 A Shares, 238,700 A Shares

and 298,400 A Share being allotted to Mr. Wang Hai Bo, Mr. Su Yong, Mr. Zhao Da Jun, Mr. Wang Luo Chun and Ms. Yu Dai Qing, respectively). For more details, please refer to the announcements of the Company dated 26 April 2019, 21 June 2019 and 6 June 2020, and the circular of the Company dated 5 June 2019.

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 of substantial shareholders	Class of shares	Number of shares held (0'000)	Capacity	Type of interest	Percentage in the respective class of shares	Percentage in total number of issued shares
Shanghai Industrial Investment (Holdings) Co., Ltd.	A Shares	139,578,560 (L)	Interest of controlled corporation	Corporate	19.85%	20.15%
	H Shares	70,564,000 (L)			20.75%	
Shanghai Pharmaceuticals	A Shares	139,578,560 (L)	Beneficial owner	Corporate	19.85%	20.15%
	H Shares	70,564,000 (L)			20.75%	
China New Enterprise Investment Fund II	A Shares	156,892,912 (L)	Beneficial owner	Corporate	22.32%	15.04%
Yang Zong Meng	A Shares	80,000,000 (L)	Beneficial owner	Personal	11.38%	7.67%
Invesco Hong Kong Limited	H Shares	30,835,000 (L)	Investment manager	Corporate	9.07%	2.96%

Notes: The letter "L" stands for long position

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.

3. COMPETITION 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 save as the below:

4. DIRECTORS' AND SUPERVISORS' INTERESTS 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 31 December 2020, 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 confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2020, 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
Grande Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Adviser issued a letter dated 7 May 2021 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.

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 31 December 2019, 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 or to nominate persons to subscribe for securities in any member of the Group.

9. GENERAL

- (a) The registered office of the Company is situated at No. 308, Cailun Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, 201210, the PRC;
- (b) The principal place of business of the Company in Hong Kong is 19/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong
- (c) The Company's H Share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
- (d) Mr. Zhao Da Jun is an authorized representative of the Company. He graduated from Fudan University with a master's degree in biology. He also holds a master's degree in Business Administration from the University of Hong Kong

- (e) Ms. Xue Yan is the company secretary and an authorized representative of the Company. She is a member of Hong Kong Institute of Certified Public Accountants (HKICPA), a fellow of the Association of Chartered Certified Accountants (ACCA) and a member of the Chinese Institute of Certified Public Accountants (CICPA).
- (f) Unless otherwise indicated, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any working day (public holidays excepted) at the Company's principal place of business in Hong Kong at 19/F, Three Exchange Square, 8 Connaught Place, Central, Hong Kong during normal business hours on any weekday (except for public holidays) up to the date which is 14 days from the date of the circular:

- (a) The letter from the Independent Board Committee as set out in pages 44 to 45 of this circular;
- (b) The letter from the Independent Financial Adviser as set out in pages 46 to 70 of this circular;
- (c) The material contracts referred to in the paragraph headed "Material Contracts" above;
- (d) The written consent of Grande Capital Limited, the Independent Financial Adviser, referred to in the paragraph headed "Expert's Qualification and Consent" above; and
- (e) This circular.