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## **JOINN LABORATORIES (CHINA) CO., LTD.**

### **北京昭衍新藥研究中心股份有限公司**

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

**(Stock code: 6127)**

- (1) Proposed Adoption of the 2021 Restricted A Share Incentive Scheme;**
- (2) Proposed Issue of Restricted A Shares under Specific Mandate;**
- (3) Proposed Adoption of the Assessment Administrative Measures on the Implementation of the 2021 Restricted A Share Incentive Scheme;**
- (4) Proposed Authorization to the Board to Deal with Matters relating to the 2021 Restricted A Share Incentive Scheme;**
- (5) Proposed Adoption of the 2021 A Share Employee Stock Ownership Plan;**
- (6) Proposed Adoption of the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan;**
- (7) Proposed Authorization to the Board to Deal with Matters relating to the 2021 A Share Employee Stock Ownership Plan; and**
- (8) Repurchase of A Shares by Centralized Bidding**

The Board hereby announces that on September 21, 2021, at the 29th meeting of the third session of the Board, the Board resolved and approved, among other things, (i) the proposed adoption of the 2021 Restricted A Share Incentive Scheme; (ii) the proposed issue of Restricted A Shares under Specific Mandate; (iii) the proposed adoption of the Assessment Administrative Measures on the Implementation of the 2021 Restricted A Share Incentive Scheme; (iv) the proposed authorization to the Board to deal with matters relating to the 2021 Restricted A Share Incentive Scheme; (v) the proposed adoption of the 2021 A Share Employee Stock Ownership Plan; (vi) the proposed adoption of the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan; (vii) the proposed authorization to the Board to deal with matters relating to the 2021 A Share Employee Stock Ownership Plan; and (viii) the repurchase of A Shares by centralized bidding.

Items (i) to (iv) above are subject to the approval by the Shareholders at the EGM and the Class Meetings by way of special resolutions, while items (v) to (vii) are subject to the approval by the Shareholders at the EGM by way of special resolutions.

## **I. PROPOSED ADOPTION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME**

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

### **(I) Purpose of the Incentive Scheme**

Purposes of the Incentive Scheme are to further establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents, fully mobilize the enthusiasm of the Company's employees, ensure the realization of the Company's development strategy and business objectives, and promote the long-term development of the Company.

### **(II) Source of Restricted Shares to be Granted**

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

### **(III) Number of Restricted Shares to be Granted**

The Incentive Scheme proposes to grant 675,400 Restricted Shares to the Participants, the underlying shares of which are RMB ordinary A Shares, representing approximately 0.18% of the total issued share capital of the Company as at the date of this announcement.

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

### **(IV) Participants**

There are 505 Participants under the Incentive Scheme, all of them are key technical (business) personnel.

The Participants under the Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding 5% or more of the Shares of the Company or the de facto controllers and their spouses, parents or children. All Participants must serve the Company (including its controlled subsidiaries) and sign labour contracts upon the grant of the Restricted Shares by the Company and during the appraisal period of the Incentive Scheme.

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

<b>Name</b>	<b>Responsibility</b>	<b>Number of Restricted Shares Granted</b> <i>(0'000 shares)</i>	<b>Percentage to the total number of Restricted Shares Granted</b>	<b>Percentage to the Current Total Share Capital of the Company</b>
Key technical (business)	Personnel (505 Participants)	67.54	100%	0.18%
Total (505 Participants)		<u>67.54</u>	<u>100%</u>	<u>0.18%</u>

**(V) Grant Price and Basis of Determination of Grant Price**

**(A) Grant Price of the Restricted Shares**

The Grant Price of the Restricted Shares shall be RMB83.97 per share. That is, the Participants may purchase the Restricted Shares of the Company at the price of RMB83.97 per share upon satisfaction of the grant conditions.

**(B) Basis of Determination of the Grant Price**

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

1. 50% of the average trading price of the Shares of the Company for the last trading day preceding the date of this announcement (total trading amount for the last trading day/total trading volume for the last trading day) of RMB167.93 per share, being RMB83.97 per share;
2. 50% of the average trading price of the Shares of the Company for the last 120 trading day preceding the date of this announcement (total trading amount of the Shares of for the last 120 trading day/total trading volume of the Shares of for the last 120 trading day) of RMB126.31 per share, being RMB63.15 per share.

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

### **(A) *Validity Period***

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

### **(B) *Grant Date***

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

### **(C) *Unlocking Arrangement***

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

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

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

<b>Unlocking Arrangement</b>	<b>Unlocking Period</b>	<b>Proportion of Unlocking</b>
First Unlocking Period	Commencing from the first trading day after expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant	40%
Second Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant	30%
Third Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant	30%

**(D) Lock-up Period**

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

1. Where a Participant is a Director or a member of the senior management of the Company, Shares transferred by the Participant each year during his/her term of office shall not exceed 25% of the total number of Shares held by him/her and the Shares held by him/her shall not be transferred within six months after he/she leaves office.
2. Where a Participant is a Director or a member of the senior management of the Company and he/she disposes of any Shares of the Company within six months after acquisition or buys back such Shares within six months after disposal, all gains arising therefrom shall belong to the Company and the Board shall forfeit such gains.
3. Where, during the Validity Period of the Incentive Scheme, there is any change to the requirements regarding the transfer of Shares held by the Directors and senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, the transfer of Shares of the Company held by the Participants shall comply with the amended requirements at the time of transfer.

## **(VII) Conditions of Grant and Unlocking of the Restricted Shares**

### ***(A) Conditions of Grant of the Restricted Shares***

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

1. None of the following occurred to the Company:
  - (1) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the previous accounting year;
  - (2) the registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control of the financial report for the previous accounting year;
  - (3) the Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the 36 months immediately following the listing;
  - (4) the implementation of share incentive schemes is prohibited by laws and regulations;
  - (5) other circumstances as determined by the CSRC.
2. None of the following occurred to the Participants:
  - (1) he/she has been identified as an inappropriate candidate by the Sock Exchanges within the previous 12 months;
  - (2) he/she has been identified as an inappropriate candidate by the CSRC and its agencies within the previous 12 months;
  - (3) he/she has been subject to administrative punishment or market ban measures by the CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;
  - (4) he/she is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
  - (5) he/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
  - (6) other circumstances as determined by the CSRC.

**(B) *Unlocking Conditions of the Restricted Shares***

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

*1. None of the following occurred to the Company:*

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

*2. None of the following occurred to the Participants:*

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



Where any of the circumstances stipulated in the above Article 1 occurs to the Company, all Restricted Shares granted to the Participants under the Incentive Scheme but not yet unlocked shall be repurchased and cancelled by the Company at the Grant Price. Where any of the circumstances stipulated in the above Article 2 occurs to a Participant, the Restricted Shares granted to such Participant under the Incentive Scheme but not yet unlocked shall be repurchased and cancelled by the Company at the Grant Price.

3. *Performance Appraisal Requirements of the Company*

The unlocking appraisal year of the Incentive Scheme is three accounting years from 2021 to 2023, and the appraisal will be conducted once every accounting year. The annual performance appraisal targets of the Restricted Shares are set out in the table below:

<b>Unlocking Period</b>	<b>Performance Appraisal Targets</b>
First Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2021 shall not be less than 30%;
Second Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2022 shall not be lower than 69%;
Third Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2023 shall not be lower than 119.70%.

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

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

4. *Performance Appraisal Requirements of Individual Participants*

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



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

Appraisal Results	A (Excellent)	B (Good)	C (Pass)	D (Fail)
Proportion of unlocking	100%	100%	0%	0%

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

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

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

The performance appraisal indicator at the company level is the growth rate of operating income, which is an important indicator for measuring the operating conditions and market share of an enterprise and predicting the development trend of the enterprise's business because an increasing operating income is the basis for the survival and development of an enterprise. With reasonable prediction and taking into account the incentive effect of the Scheme, the Company has determined to use the operating income for 2020 as the base, with the growth rate of operating income from 2021 to 2023 not less than 30%, 69% and 119.70%, respectively.

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

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

## **(VIII) Adjustment to the Number of Restricted Shares and the Grant Price**

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

## **(IX) Amendment and Termination**

### ***(A) Procedures for Amendments to the Incentive Scheme***

1. Where the Company intends to amend the Incentive Scheme before it is considered at the general meeting, the amendment shall be considered and approved by the Board.
2. Where the Company amends the Incentive Scheme after the Incentive Scheme is considered and approved at the general meeting, the amendment shall be considered and approved at the general meeting, and the amendment shall not lead to the following circumstances:
  - (1) an early unlocking;
  - (2) a reduction of the Grant Price.
3. The independent directors and the supervisory committee shall give independent opinions on whether the amended scheme is beneficial to the sustainable development of the listed company and whether there is any apparent prejudice to the interests of the Company and all Shareholders.
4. The law firm shall give professional opinions on whether the amended Scheme complies with the requirements of the Administrative Measures and relevant laws and regulations and whether there is any apparent prejudice to the interests of the Company and all Shareholders.

### ***(B) Procedures for Termination of the Incentive Scheme***

1. Where the Company intends to terminate the implementation of the Incentive Scheme before it is considered at the general meeting, the termination shall be considered and approved by the Board.
2. Where the Company terminates the Incentive Scheme after the Incentive Scheme is considered and approved at the general meeting, the termination shall be considered and approved at the general meeting.

3. The law firm shall give professional opinions on whether the termination of the Incentive Scheme by the Company is in compliance with the requirements of the Administrative Measures and relevant laws and regulations, and whether there is any apparent prejudice to the interests of the Company and all Shareholders.
4. Upon termination of the Incentive Scheme, the Company shall repurchase the Restricted Shares which have not been unlocked and deal with these Shares in accordance with the Company Law.
5. Where the Company needs to repurchase the Restricted Shares, it shall promptly convene a Board meeting to consider the share repurchase plan, submit the share repurchase plan to the general meeting for approval according to law and make a timely announcements. Where the Company implements the repurchase in accordance with the provisions of the Incentive Scheme, the securities registration and clearing house shall handle the registration and settlement matters upon confirmation by the Stock Exchanges.

**(X) Accounting Treatment and Impact on Operating Results**

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

**(A) Accounting Treatment**

*1. Grant Date*

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

*2. Each Balance Sheet Date during the Lock-up Period*

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

### 3. *Unlocking Date*

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

### 4. *Fair Value of the Restricted Shares and Determination Method*

According to the relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company measures the fair value of the Restricted Shares based on the market price. On the measurement date, the fair value of share-based payment per Restricted Share = the market price of Shares of the Company – the Grant Price, which is RMB90.11 per share.

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

The total expenses to be recognized for the grant of 675,400 Restricted Shares by the Company is expected to be RMB60,860,300, which shall be borne by the Company in proportion to each unlocking during the Lock-up Period of the Restricted Share Incentive Scheme, and the capital reserve will be increased accordingly. Assuming the Grant Date being early November 2021, the amortization of the cost of the Restricted Shares from 2021 to 2024 is estimated as follows:

Number of Restricted Shares (0'000 shares)	Total Expenses subject to Amortisation (RMB0'000)	2021	2022	2023	2024
		(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)
67.54	6,086.03	659.32	3,550.18	1,369.36	507.17

*Notes:*

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

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

## **(XI) Repurchase and Cancellation**

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

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

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

## **II. PROPOSED ISSUE OF RESTRICTED A SHARES UNDER SPECIFIC MANDATE**

Subject to the approval by the Shareholders at the EGM and the Class Meetings, the Board has resolved to grant no more than 675,400 Restricted Shares, representing approximately 0.18% of the total issued share capital of the Company as at the date of this announcement, all of which will be granted to no more than 505 Participants under the Incentive Scheme. The Restricted Shares to be granted will be issued and allotted under the Specific Mandate which may be granted at the EGM and the Class Meetings.

No Restricted Shares will be granted to connected persons of the Company.

In addition to the principal terms of the Incentive Scheme as set out in the section headed “I. Proposed Adoption of the 2021 Restricted A Share Incentive Scheme” above, further information in relation to the issue and allotment of the Restricted Shares under the Incentive Scheme is set out below:

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

An amount of not more than RMB56,713,338, being the total Grant Price, will be paid by the Participants to subscribe for 675,400 Restricted Shares under the Incentive Scheme. The proceeds received by the Company from the Incentive Scheme will be used to replenish the working capital of the Group.

### **(II) Grant Price**

The Grant Price of the Restricted Shares under the Incentive Scheme shall be RMB83.97 per A Share, which is determined with reference to the basis set out in the section headed “I. Proposed Adoption of the 2021 Restricted A Share Incentive Scheme – (V) Grant Price and Basis of Determination of Grant Price” above. Participants who satisfy the grant conditions may purchase the Restricted Shares issued by the Company at the Grant Price.

### (III) Dilution Effect

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

	<b>As of the Date of this Announcement</b>	<b>Assuming All Restricted Shares under the Incentive Scheme are Granted and Issued</b>
Number of A Shares	318,686,316	319,361,716
Number of H Shares	60,711,840	60,711,840
Total	<u>379,398,156</u>	<u>380,073,556</u>

### (IV) Aggregate Nominal Value

The par value of our A Shares is RMB1.00 per A Share. The aggregate nominal value of the Restricted Shares to be granted under the Incentive Scheme shall not exceed RMB675,400.

### (V) Fund Raising Activities in the Previous 12 Months

The Company raised total net proceeds of approximately HKD6,373.6 million (equivalent to approximately RMB5,285.2 million) through its initial global offering (including the partial exercise of the over-allotment option), after deducting the underwriting commission and other estimated expenses in relation to the global offer and the exercise of over-allotment option. For details of the use of such net proceeds, please refer to the interim results announcement of the Company dated August 30, 2021 and the interim report of the Company to be published.

Save for the above, the Company has not conducted any equity fund raising activity in the 12 months preceding the date of this announcement.

## III. PROPOSED ADOPTION OF THE ASSESSMENT ADMINISTRATIVE MEASURES ON THE IMPLEMENTATION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME

In order to further improve the corporate governance structure of the Company, establish and enhance the Company's incentive mechanism and ensure the smooth implementation of the Incentive Plan, the Assessment Administrative Measures on the Implementation of Incentive Scheme is formulated in accordance with the requirements of relevant laws and regulations and the actual conditions of the Company. The full text of the Assessment Administrative Measures on the Implementation of Incentive Scheme will be set out in the circular to be despatched to the Shareholders in due course.

#### **IV. PROPOSED AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATING TO THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME**

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

1. It will be proposed at the general meeting of the Company to authorize the Board to implement the following of the Incentive Scheme:
  - (1) to authorize the Board to determine the Grant Date of the Incentive Scheme;
  - (2) to authorize the Board to make corresponding adjustments to the number of the Restricted Shares and the number of underlying shares involved in the event of capitalisation issue, bonus issue, sub-division or consolidation of Shares or rights issue in accordance with the methods stipulated in the Incentive Scheme (Draft);
  - (3) to authorize the Board to make corresponding adjustments to the Grant Price of the Restricted Shares in accordance with the methods stipulated in the Incentive Scheme (Draft) in the event of capitalisation issue, bonus issue, sub-division or consolidation of Shares, rights issue or dividend distribution of the Company;
  - (4) to authorize the Board to grant the Restricted Shares to the Participants and to deal with all matters necessary for the grant of the Restricted Shares when the Participants meet the conditions, including signing the Restricted Shares Incentive Agreement with the Participants;
  - (5) to authorize the Board to review and confirm the unlocking qualifications and unlocking conditions of the Participants, and to authorize the Board to delegate such rights to the Remuneration and Appraisal Committee;
  - (6) to authorize the Board to determine whether the Participants can unlock the Restricted Shares;
  - (7) to authorize the Board to deal with all matters necessary for the unlocking of the Restricted Shares of the Participants, including but not limited to making application to the Stock Exchanges for unlocking, applying to the registration and clearing house for relevant registration and settlement issues, amending the Articles of Association and handling the registration of changes in the registered capital of the Company;
  - (8) to authorize the Board to deal with issues in relation to the lock-up of the Restricted Shares not yet unlocked;



- (9) to authorize the Board to deal with the modification and termination of the Incentive Scheme in accordance with the provisions of the Incentive Scheme (Draft), including but not limited to the disqualification of the Participants for unlocking, the repurchase and cancellation of the Restricted Shares which have not been unlocked to the Participants, the procedures in relation to the inheritance of the Restricted Shares which have not been unlocked to the deceased Participants; provided that where such modification and termination is required by the laws, regulations or relevant regulatory authorities to be approved by the general meeting or/and relevant regulatory authorities, such resolutions of the Board shall be approved accordingly;
  - (10) to authorize the Board to manage and adjust the Incentive Scheme, and to formulate or amend the management and implementation rules of the Incentive Scheme from time to time without contradicting the terms of the Incentive Scheme (Draft); provided that where such amendments is required by the laws, regulations or relevant regulatory authorities to be approved by the general meeting or/and relevant regulatory authorities, such amendments by the Board shall be approved accordingly; and
  - (11) to authorize the Board to implement other necessary matters required by the Incentive Scheme, except for those rights expressly stipulated in relevant documents to be exercised by the general meeting.
2. It will be proposed at the general meeting of the Company to authorize the Board to deal with the procedures for approval, registration, filing, verification and consent with the relevant governments and authorities in relation to the 2021 Restricted A Share Incentive Scheme; to sign, execute, amend and complete the documents submitted to the relevant governments, authorities, organizations and individuals; to amend the Articles of Association and to deal with the registration of changes in the registered capital of the Company; and to do all such acts as it deems necessary, expedient or appropriate in relation to the Incentive Scheme.
3. It will be proposed at the general meeting to implement the 2021 Restricted A Share Incentive Scheme, and to authorize the Board to appoint financial advisers, receiving banks, accountants, lawyers, securities companies and other intermediaries.
4. It will be proposed at the general meeting to authorize the Board to deal with any announcement and circular required to be disclosed on the websites of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) or Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance issue of the SSE or the Hong Kong Stock Exchange in relation to the 2021 Restricted A Share Incentive Scheme.
5. It will be proposed at the general meeting of the Company that the authorization period to the Board shall be consistent with the validity period of the 2021 Restricted A Share Incentive Scheme.

## **V. PROPOSED ADOPTION OF THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

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

### **(I) Purpose of the Stock Ownership Plan**

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

### **(II) Basis and Scope for Determination by the Holders**

#### ***(A) Legal Basis for Determining the Participants***

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

#### ***(B) Position Basis Determined by Participants***

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

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

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

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

The number of Shares to be subscribed for under the Stock Ownership Plan shall not exceed 32,600 Shares, representing approximately 0.009% of the current total share capital of the Company. The specific units held by the Holders of the Employee Share Ownership Plan shall be determined according to the actual payment by the employees.

The total number of supervisors, senior management and core technical (business) personnel of the Company participating in the Stock Ownership Plan shall not exceed 11, including 4 supervisors and senior management personnel participating in the Stock Ownership Plan. Such personnel do not constitute a concert party relationship with the Employee Stock Ownership Plan.

The specific proportion of subscription is as follows:

No.	Holder	Maximum number of Shares to be subscribed <i>(0'000 shares)</i>	Percentage of the Employee Stock Ownership Scheme <i>(%)</i>
1	Yu Aishui, the Chief Financial Officer	0.50	15.34%
2	3 persons, namely Li Ye, Yin Lili, Sun Huiye, our Supervisors	1.20	36.81%
3	7 persons, which are our core technical (business) personnel	1.56	47.85%
Total (11 persons)		3.26	100.00%

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

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

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

#### ***(A) Source of the Underlying Shares involved in the Scheme***

Upon approval of the draft of the Stock Ownership Plan at the general meeting, no more than 32,600 Shares of the Company held in the special securities account for repurchase will be obtained through non-trading transfer or other ways permitted by laws and regulations. There are still uncertainties in the purchase of the final underlying shares. The specific number of Shares held is determined based on the actual capital contribution made by the employees. The Company will perform the obligation of information disclosure in a timely manner as required.

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

The number of Shares to be subscribed for under the Stock Ownership Plan shall not exceed 32,600 Shares, representing approximately 0.009% of the current total share capital of the Company. The specific share held by the Holders of the Stock Ownership Plan is determined based on the actual payment made by the employees, and the Company will perform its information disclosure obligations in a timely manner as required.

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

#### ***(C) Source of Funds of the Stock Ownership Plan***

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

The maximum total amount of funds under the Stock Ownership Plan shall not exceed RMB2,737,422. The total amount of funds payable by the participating employees shall be the maximum number of Shares subscribed by the employees of 32,600 Shares, calculated based on RMB83.97 per share. The specific number of units held by the Holders of the Scheme shall be determined based on the actual payment by the employees.

**(D) *Purchase Price and Pricing Basis of the Stock Ownership Plan***

The purchase price of the underlying shares to the Holders of the Scheme shall be 50% of the average trading price of the Shares of the Company on the trading day preceding the date of the Board Meeting, i.e. RMB83.97 per share.

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

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

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

**(IV) Duration and Lock-up Period**

**(A) *Term of the Stock Ownership Plan***

1. The term of the Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the last transfer of the underlying shares to the Stock Ownership Plan. Where the Stock Ownership Plan is terminated automatically upon the expiry of its term, it may be terminated earlier or extended subject to the approval of the Board. During the term, all Shares under the Stock Ownership Plan have been sold, subject to early termination.
2. The term of the Stock Ownership Plan may be extended 2 months prior to the expiry of the term of the Stock Ownership Plan, if the Shares of the Company held have not been fully sold, the term of the Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holders' Meeting and submission to the Board for consideration and approval.

3. Where the Shares of the Company held by the Stock Ownership Plan cannot be fully realized before the expiry of the effective period due to the suspension of trading of the Shares of the Company or short window period, the effective period of the Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holders' Meeting and submission to the Board for consideration and approval.
4. The company shall disclose an indicative announcement six months prior to the expiry of the term of the Stock Ownership Plan, stating the number of Shares held by the Stock Ownership Plan which is about to expire and the percentage of the total share capital of the Company.
5. The company shall disclose the number of Shares held by the expired Stock Ownership Plan and its proportion to the total share capital of the Company upon the expiration of the term of the Stock Ownership Plan, and the disposal arrangement after the expiration, and perform the corresponding review procedures and disclosure obligations in accordance with the Stock Ownership Plan.

***(B) Lock-up Period of the Stock Ownership Plan and its Rationality and Compliance***

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

The unlocking time of the first batch is 12 months from the date of announcement of the transfer of the last batch of the underlying shares to the Employee Share Ownership Plan, and the number of unlocked Shares is 40% of the total number of the subject shares held by the Employee Share Ownership Plan.

Second unlocking time: 30% of the total number of underlying shares held under the Employee Stock Ownership Scheme upon the expiry of 24 months from the date of announcement of the transfer of the last batch of underlying shares to the Employee Stock Ownership Scheme;

Time of unlocking of the third batch: 36 months from the date of announcement of the transfer of the last batch of underlying shares to the Employee Stock Ownership Scheme, and the number of unlocked shares is 30% of the total number of underlying shares held by the Employee Stock Ownership Scheme.

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

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

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

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

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



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

**1. Performance appraisal at company level**

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

<b>Unlocking Arrangement</b>	<b>Performance Appraisal Targets</b>	<b>Corresponding Unlocking Ratio</b>
First Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2021 shall not be less than 30%;	40%
Second Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2022 shall not be lower than 69%; and	30%
Third Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2023 shall not be lower than 119.70%.	30%

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

**2. Performance Appraisal at Individual Level**

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

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

Appraisal Results	A (Excellent)	B (Good)	C (Pass)	D (Fail)
Proportion of Unlocking	100%	100%	0%	0%

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

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

#### **(V) Management Structure and Management Model**

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

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

## **(VI) Alteration, Termination and Disposal of Holders' Interests**

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

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

### ***(B) Alteration of the Stock Ownership Plan***

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

### ***(C) Termination of the Stock Ownership Plan***

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

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

1. Holders of the Stock Ownership Plan are entitled to the asset income rights of the Shares held by the Employee Stock Ownership Plan according to the actual capital contribution. The corresponding shares obtained by the Holders through the Stock Ownership Plan shall be entitled to shareholders' rights (including dividend rights, rights issue, conversion of Shares and other asset income rights, excluding voting rights of the general meeting).
2. During the term of the Stock Ownership Plan, Unless the context requires otherwise by laws, administrative regulations, departmental rules or with the consent of the Management Committee, the units of the Employee Stock Ownership Plan held by the Holders shall not be withdrawn, transferred or used for mortgage, pledge, guarantee, repayment of debt or other similar disposal without authorization.
3. During the lock-up period, the Holders shall not request for distribution of interests under the Stock Ownership Plan.

4. During the lock-up period, when the Company converts capital reserve into Share capital of the Company and distributes bonus shares, the newly acquired shares of the Scheme due to the holding of Shares of the Company shall be locked up together and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such Shares is the same as the corresponding shares. During the lock-up period, when the Company distributes dividends, the cash dividends received by the Stock Ownership Plan due to the holding of the Shares of the Company shall be included in the monetary assets of the Stock Ownership Plan, and will not be distributed separately. After the end of the lock-up period and within the duration of the Stock Ownership Plan, the Holders' Meeting shall decide whether to distribute the dividends.
5. After the expiry of the lock-up period of the Stock Ownership Plan and during the term of the Stock Ownership Plan, the Management Committee shall, pursuant to the authorization of the Holders' Meeting, sell the corresponding underlying shares at an appropriate time during the term of the Stock Ownership Plan after the unlocking date.
6. After the lock-up period of the Stock Ownership Plan ends and during the term, the Holders' Meeting shall decide whether to distribute the income corresponding to the Employee Stock Ownership Plan. Where the distribution is decided, the Holders' Meeting shall authorize the Management Committee to distribute the income corresponding to the Employee Stock Ownership Plan according to the number of Shares held by the Holders after deducting relevant taxes and fees according to law.
7. During the term of the Stock Ownership Plan, the Stock Ownership Plan may be distributed in each fiscal year when the underlying shares held by the Stock Ownership Plan are sold for cash or other distributable income, and the Management Committee shall distribute the Shares held by the Holders in proportion to the total Shares of the Stock Ownership Plan after deducting relevant taxes and fees and payables of the Plan in accordance with the law.
8. During the duration period, when the Company distributes dividends and distributes dividends, the cash dividends received by the Stock Ownership Plan from the Shares of the Company held by it after deducting relevant expenses shall be distributed to the holders according to their shareholdings.
9. In the event of other unspecified events, the disposal method of the units of the Stock Ownership Plan held by the Holders shall be determined by the Management Committee.

## **VI. PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES ON THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

In order to regulate the implementation of the Stock Ownership Plan, the Company has formulated the Stock Ownership Plan Administrative Measures in accordance with the provisions and requirements of laws, regulations and regulatory documents such as the Company Law, the Securities Law, the Guiding Opinions and the Guidelines of the SSE on Information Disclosure for Employee Stock Ownership Plans of Listed Companies. The full text of the Scheme Measures will be set out in the circular to be despatched to the Shareholders in due course.

## **VII. PROPOSED AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS RELATING TO THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

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

- (1) to authorize the Board to handle the establishment, change and termination of the Stock Ownership Plan, including but not limited to the cancellation of the qualifications of the Holders and the early termination of the Employee Stock Ownership Plan in accordance with the provisions of the Stock Ownership Plan;
- (2) to authorize the Board to decide on the extension and early termination of the Ownership Scheme;
- (3) to authorize the Board to handle all matters in relation to the lock-up and unlocking of the Shares purchased under the Stock Ownership Plan;
- (4) to authorize the Board to make explanations on the 2021 A Share Employee Share Ownership Plan (Draft) of the Company;
- (5) to authorize the Board to make decisions on the refinancing matters such as participation in the placing of Shares of the Company during the term of the Stock Ownership Plan;
- (6) to authorize the Board to change the participants and the determination criteria of the Stock Ownership Plan;
- (7) to authorize the Board to sign the contract and relevant agreement documents of the Stock Ownership Plan;
- (8) upon consideration and approval of the Stock Ownership Plan at the general meeting, to authorize the Board of the Company to make corresponding adjustments to the Stock Ownership Plan according to new policies or regulations in the event of changes in relevant laws, regulations and policies during the implementation period;

- (9) to propose to the general meeting to authorize the Board to deal with any announcements and circulars required to be disclosed on the website of the SSE ([www.sse.com.cn](http://www.sse.com.cn)) or the website of the Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance matters of the SSE or the Hong Kong Stock Exchange in relation to the 2021 A Share Employee Stock Ownership Plan; and
- (10) to authorize the Board to handle other necessary matters required for the Employee Stock Ownership Scheme, except for the rights to be exercised by the general meeting as expressly stipulated in the relevant documents.

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

## VIII. REPURCHASE OF A SHARES BY CENTRALISED BIDDING

### (I) Procedures for Consideration and Implementation of the Repurchase Plan

On September 21, 2021, the Company convened the 29th meeting of the third session of the Board, at which the Resolution on Repurchase of Shares of the Company through Centralized Bidding Trading was considered and approved. The Independent Directors of the Company expressed their independent opinions on this resolution and approved the repurchase of Shares by the Company.

According to the Articles of Association, the share repurchase plan can be implemented after being considered and approved at the Board meeting attended by more than two-thirds of the Directors, and is not required to be submitted to the general meeting for consideration.

### (II) Main contents of the Repurchase Plan

#### (A) *Purpose and Use of Share Repurchase*

Based on the confidence in the future development prospects of the Company and the high recognition of the Company's value, in order to protect the interests of investors and enhance investors' confidence, at the same time, improve the Company's long-term incentive mechanism, fully mobilize the enthusiasm of the Company's management personnel and core personnel, enhance team cohesion and competitiveness, and effectively promote the long-term development of the Company, the Company intends to use its own funds to repurchase the Shares of the Company by way of centralized bidding. The repurchased Shares of the Company are proposed to be used for the employee stock ownership plan. The Board of the Company will determine the actual implementation progress of the share repurchase according to the changes in the securities market.

***(B) Type of Shares to be Repurchased***

The type of Shares to be repurchased is RMB ordinary Shares (A shares) issued by the Company.

***(C) Method of Share Repurchase***

The Company proposed to repurchase its Shares through centralized bidding trading on the trading system of the SSE.

***(D) Period of Share Repurchase***

The term of the share repurchase shall be within 12 months from the date of approval by the Board.

The Repurchase Period shall expire early if the following conditions are met:

1. Where the use of repurchase funds reaches the maximum limit during the repurchase period, the implementation of the repurchase plan shall be completed and the repurchase period shall expire in advance from such date; and
2. Where the Board decides to terminate the repurchase plan, the repurchase period shall expire in advance from the date when the Board resolves to terminate the repurchase plan.

The Company shall not repurchase Shares during the following periods

- (1) within ten trading days prior to the announcement of periodic reports, results forecast or preliminary results of the Company;
- (2) within two trading days after disclosure in accordance with laws, from the date of occurrence of significant events that may have a significant impact on the trading price of the Shares of the Company or during the decision-making process; and
- (3) other circumstances as stipulated by the CSRC and the stock exchange.

During the implementation period of the Repurchase Plan, if the trading of the Shares of the Company is suspended for more than 10 consecutive trading days due to the planning of material matters, the implementation of the Repurchase Plan will be postponed upon resumption of trading of Shares.



***(E) Use, Quantity, Proportion to the Total Share Capital of the Company and Total Amount of Funds to be Repurchased***

The Shares after the repurchase will be used for the Stock Ownership Plan. The total amount of funds for the share repurchase shall not be less than RMB4,000,000 and not more than RMB8,000,000. Where calculated based on the maximum repurchase price of RMB219 per share, the number of Shares to be repurchased by the Company is approximately 18,264 Shares to 36,529 Shares, representing approximately 0.0048% to 0.0096% of the total share capital of the Company. The specific number of Shares to be repurchased shall be subject to the actual number of Shares repurchased upon the completion of the repurchase or the expiry of the repurchase period.

***(F) Price of Shares Repurchased***

The repurchase price of the Shares shall not exceed RMB219 per share (inclusive), and the maximum repurchase price shall not exceed 150% of the average trading price of the Shares of the Company for the 30 trading days prior to the passing of the repurchase resolution by the Board. The specific repurchase price shall be determined by the Board of the Company during the implementation of the repurchase with reference to the Company's share price, financial position and operating conditions. In the event of any ex-right or ex-dividend event such as conversion of capital reserve into Share capital of the Company, cash dividend, bonus issue, rights issue, sub-division or share consolidation during the Repurchase Period, the Company will make corresponding adjustments to the price of the repurchased Shares in accordance with the relevant requirements of the CSRC and the SSE.

***(G) Funding of Buy-Back***

The source of funds for the Repurchase is the Company's own funds.

***(H) Expected Changes in the Shareholding Structure of the Company after the Repurchase***

1. It is assumed that the repurchase is calculated based on the minimum repurchase amount of RMB4,000,000 and the maximum repurchase price of RMB219 per share, and the repurchase is completed. The number of Shares to be repurchased is approximately 18,264 Shares, representing approximately 0.0048% of the current total share capital of the Company.

Assuming that all the repurchased Shares are used for the Employee Stock Ownership Scheme and locked-up, it is expected that the shareholding structure of the Company after the repurchase will be changed as follows:

Nature of Shares	Before the Change		Increase/decrease		After the Change	
	Number (shares)	Percentage (%)	Increase (shares)	Decrease (shares)	Number (shares)	Percentage (%)
Shares subject to Trading Restrictions	537,485	0.0014	18,264	-	555,749	0.0015
Shares not subject to Trading Restrictions	<u>378,860,671</u>	<u>0.9986</u>	<u>-</u>	<u>18,264</u>	<u>378,842,407</u>	<u>0.9985</u>
Total Share Capital	<u>379,398,156</u>	<u>1.0000</u>	<u>18,264</u>	<u>18,264</u>	<u>379,398,156</u>	<u>1.0000</u>

2. It is assumed that the maximum repurchase amount is RMB8,000,000 and the maximum repurchase price is RMB219 per share, and the repurchase is completed. The number of Shares to be repurchased is approximately 36,529 Shares, representing approximately 0.0096% of the current total share capital of the Company.

Nature of Shares	Before the Change		Increase/decrease		After the Change	
	Number (shares)	Percentage (%)	Increase (shares)	Decrease (shares)	Number (shares)	Percentage (%)
Shares subject to Trading Restrictions	537,485	0.0014	36,529	-	574,014	0.0015
Shares not subject to Trading Restrictions	<u>378,860,671</u>	<u>0.9986</u>	<u>-</u>	<u>36,529</u>	<u>378,824,142</u>	<u>0.9985</u>
Total Share Capital	<u>379,398,156</u>	<u>1.0000</u>	<u>36,529</u>	<u>36,529</u>	<u>379,398,156</u>	<u>1.0000</u>

*Note:* The above changes have not taken into account other factors. The specific number of Shares to be repurchased is subject to the actual number of Shares repurchased upon the expiry of the repurchase period.

***(I) Analysis of the Impact of the Share Repurchase on the Company's Operation, Finance, Research and Development, Debt Performance Ability, Future Development and Maintenance of Listing Status***

As of June 30, 2021, the total assets of the Company amounted to RMB7,869,165,100, the owner's equity attributable to the shareholders of the Company amounted to RMB6,610,662,700, and the monetary capital amounted to RMB4,199,434,700 (the above data is unaudited). Assuming that the maximum amount of repurchase funds of RMB8,000,000 is fully utilized, the proportion of repurchase funds to the total assets, net assets attributable to shareholders of the listed company and monetary funds of the Company as at June 30, 2021 is 0.1017%, 0.1210% and 0.1905%, respectively. The Shares to be repurchased will be used for the employee stock ownership plan and improve the Company's long-term incentive mechanism, which will help fully mobilize the enthusiasm of core employees, enhance investors' confidence in the Company and help safeguard the Company's value and shareholders' interests. Based on the above calculation and taking into account the profitability and development prospects of the Company, the Repurchase will not have significant impact on the daily operation, finance, research and development, debt performance ability and future development of the Company. After the repurchase of Shares, the shareholding structure of the Company still meets the listing conditions, does not affect the listing status of the Company, and will not result in a change in control of the Company.

***(M) Relevant Arrangements for Cancellation or Transfer in accordance with Laws after Repurchase of Shares***

The repurchased Shares are intended to be used for the Employee Stock Ownership Scheme. Where the Company fails to implement the above-mentioned use within 3 years after the publication of the announcement of repurchase results and changes in Shares, the unused repurchased Shares will be cancelled in accordance with relevant laws and regulations.

**IX. REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE SCHEME AND THE STOCK OWNERSHIP SCHEME**

Please refer to the sections headed "I. Proposed Adoption of the 2021 Restricted A Share Incentive Scheme – (I) Purpose of the Incentive Scheme" and "VI. Proposed Adoption of the 2021 A Share Employee Share Ownership Plan – (I) Purpose of the Stock Ownership Plan" in this announcement.

**Directors' Confirmation**

The Directors consider that the adoption of the Incentive Scheme and the Stock Ownership Scheme can achieve the above purpose and the terms and conditions of both schemes are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors have abstained from voting on the relevant Board resolutions as a result of their participation in the two plans. None of the Directors have a material interest in the two plans.

## **X. LISTING RULES IMPLICATIONS**

### **(I) Incentive Scheme**

The Incentive Scheme is a discretionary scheme of the Company and does not involve the grant of options over new Shares or any other new securities issued by the Company (or any of its subsidiaries), and does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules. None of the Participants is a connected person of the Company and thus the Incentive Scheme does not constitute a connected transaction under Chapter 14A of the Listing Rules. The Company will also ensure compliance with the public float requirement under the Listing Rules.

At the meeting of the Board held on September 21, 2021, the resolutions in relation to the proposed Incentive Scheme, the Administrative Measures for Appraisal System of the Implementation of Incentive Scheme, the issue of Restricted Shares under the Specific Mandate and the authorization to the Board to deal with matters relating to the Incentive Scheme were considered and approved. Relevant proposals will be further submitted to the EGM and the Class Meetings to be convened in due course for consideration and approval by the Shareholders.

### **(II) Stock Ownership Plan**

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

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

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

At the meeting of the Board held on September 21, 2021, the resolution in relation to the proposed authorization to the Board to deal with matters relating to the Stock Ownership Plan and the Administrative Measures of the Stock Ownership Plan was considered and approved. Relevant proposals will be further submitted to the EGM to be convened in due course for consideration and approval by the Shareholders.

## **XI. GENERAL MEETING AND CIRCULAR**

The Board proposed to adopt the Incentive Plan and the Stock Ownership Plan and resolved to propose to the Shareholders to approve the Incentive Scheme at the forthcoming EGM and Class Meetings and the Stock Ownership Plan at the forthcoming EGM, and to authorize the Board to deal with matters relating to the two plans. Further information on the EGM and Class Meetings to be held for the Shareholders to consider and approve the two plans, a circular containing the full text of the two plans, and a notice of the EGM and Class Meetings will be despatched to the Shareholders in due course. Shareholders and potential investors should note that, the proposed Incentive Plan and Employee Share Ownership Plan may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

## **XII. DEFINITION**

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

“A Share Class Meeting”	the second A Share class meeting of the Company of 2021 to be convened in due course
“A Share(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each listed on the Shanghai Stock Exchange
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies
“Administrative Measures on Stock Ownership Plan”	Administrative Measures on the 2021 A Share Employee Stock Ownership Plan of Joynn Laboratories (China) Co., Ltd.
“Articles of Association”	Articles of Association of the Company currently in force
“Assessment Administrative Measures on the Implementation of Incentive Scheme”	Assessment Administrative Measures on the Implementation of the 2021 Restricted A Share Incentive Scheme
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Class Meetings”	the A Share Class Meeting and the H Share Class Meeting
“Company”	Joynn Laboratories (China) Co., Ltd., a joint stock company incorporated in the People’s Republic of China with limited liability, whose H shares are listed on the Main Board of the Hong Kong Stock Exchange
“Company Law”	the Company Law of the People’s Republic of China, as amended from time to time
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting” or “EGM”	the third extraordinary general meeting of the Company of 2021 to be convened in due course, or any adjournment thereof
“Grant Price”	the price at which each restricted share to be granted to Participants
“Group” or “our Group”	the company and its subsidiaries
“Guiding Opinions”	the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies
“H Share Class Meeting”	the second H Share class meeting of the Company of 2021 to be convened in due course
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Incentive Scheme”	the 2021 Restricted A Share Incentive Scheme of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Participants”	participants of the Incentive Scheme

“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Company
“Restricted Shares”	A shares intended to be granted by the Company to the Participants at the Grant Price of the Incentive Scheme, subject to the conditions of the Incentive Scheme
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China, as amended from time to time
“Stock Exchanges”	the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited
“Stock Ownership Plan”	the 2021 A Share Employee Stock Ownership Plan of the Company
“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company

By order of the Board  
**JOINN Laboratories (China) Co., Ltd.**  
**Feng Yuxia**  
*Chairperson*

Hong Kong, Tuesday, September 21, 2021

*As at the date of this announcement, the Board comprises Ms. FENG Yuxia as the Chairperson and executive Director, Mr. ZUO Conglin, Mr. GAO Dapeng, Ms. SUN Yunxia and Dr. YAO Dalin as executive Directors, Mr. GU Xiaolei as a non-executive Director, and Mr. SUN Mingcheng, Dr. ZHAI Yonggong, Mr. OU Xiaojie and Mr. ZHANG Fan as independent non-executive Directors.*