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

If you have sold or transferred all your shares in JOINN Laboratories (China) Co., Ltd., you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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昭衍

JOINN

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 IN RELATION 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 IN RELATION TO THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN;
- (8) GENERAL MANDATE IN RELATION TO REPURCHASE OF A SHARES AND/OR H SHARES;
- (9) CONNECTED TRANSACTION — PURCHASE OF SERIES B+ PREFERRED SHARES IN THE TARGET COMPANY;
- (10) PROPOSED ESTABLISHMENT OF SUBSIDIARIES;
- (11) PROPOSED CAPITAL INCREASE IN SUBSIDIARIES;
- (12) PROPOSED INVESTMENT IN COMPANY;
- (13) NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022; AND
- (14) NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2022

The notice convening the Extraordinary General Meeting and the notice convening the H Share Class Meeting to be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Wednesday, January 19, 2022 at 2:00 p.m. are set out in this circular.

Whether or not you are able to attend the Extraordinary General Meeting and/or the H Share Class Meeting, please complete and sign the enclosed form of proxy for use at the Extraordinary General Meeting and/or the H Share Class Meeting in accordance with the instructions printed thereon and return it to the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event no later than 24 hours before the time appointed for the Extraordinary General Meeting and/or the H Share Class Meeting (i.e. no later than 2:00 p.m. on Tuesday, January 18, 2022 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting and/or the H Share Class Meeting if they so wish.

For joint shareholders of any Shares, only the joint Shareholder whose name appears first in the register of members is entitled to accept the certificate for the relevant shares from the Company, and receive notices or other documents of the Company. Any notice delivered to the aforesaid Shareholder shall be deemed to have been delivered to all the joint Shareholders of the relevant Shares. Any joint Shareholder may sign the proxy form, provided that if more than one joint shareholders tender a vote, whether in person or by proxy, he/she shall be accepted to the exclusion of the votes of the other joint shareholders. In this regard, the priority of shareholders shall be determined by the ranking of joint holders in the Company's register of members in relation to the relevant Shares.

This circular together with the form of proxy are also published on the website of Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and that of the Company (<http://www.joinn-lab.com/>).

References to time and dates in this circular are to Hong Kong time and dates.

December 30, 2021

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER OF THE BOARD	8
I. INTRODUCTION	9
II. PROPOSED ADOPTION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME	9
III. PROPOSED ISSUE OF RESTRICTED A SHARES UNDER SPECIFIC MANDATE	23
IV. PROPOSED ADOPTION OF THE ASSESSMENT ADMINISTRATIVE MEASURES ON THE IMPLEMENTATION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME	27
V. PROPOSED AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS IN RELATION TO THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME	27
VI. PROPOSED ADOPTION OF THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN	29
VII. PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES ON THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN	43
VIII. PROPOSED AUTHORISATION TO THE BOARD TO DEAL WITH MATTERS IN RELATION TO THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN	43
IX. REASONS FOR AND BENEFITS OF THE ADOPTION OF THE INCENTIVE SCHEME AND THE EMPLOYEE STOCK OWNERSHIP PLAN	44
X. GENERAL MANDATE IN RELATION TO REPURCHASE OF A SHARES AND/OR H SHARES	45
XI. CONNECTED TRANSACTION — PURCHASE OF SERIES B+ PREFERRED SHARES IN THE TARGET COMPANY	45
XII. PROPOSED CAPITAL INCREASE IN SUBSIDIARIES	58
XIII. PROPOSED ESTABLISHMENT OF SUBSIDIARIES	59
XIV. PROPOSED INVESTMENT IN COMPANY	60
XV. IMPLICATIONS UNDER THE HONG KONG LISTING RULES	61
XVI. EXTRAORDINARY GENERAL MEETING AND CLASS MEETINGS ..	63
XVII. RECOMMENDATION	64
XVIII. RESPONSIBILITY STATEMENT	65

CONTENTS

APPENDIX I	—	THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME (DRAFT)	66
APPENDIX II	—	THE ASSESSMENT ADMINISTRATIVE MEASURES ON THE IMPLEMENTATION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME	107
APPENDIX III	—	THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN (DRAFT)	111
APPENDIX IV	—	THE ADMINISTRATIVE MEASURES ON THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN	142
APPENDIX V	—	EXPLANATORY STATEMENT	162
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022	...		166
NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2022		171

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) promulgated by the CSRC
“Administrative Measures on the Employee Stock Ownership Plan”	the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan of the Company
“Amended and Restated Articles of Association”	the Fourth Amended and Restated Articles of Association of JOINN Biologics, which is to be adopted prior to the Closing
“Angel Investor”	A&C Brothers Holdings Limited
“Announcement Date of Incentive Scheme”	September 21, 2021, the date of the first announcement of Board resolution recommending the adoption of the Incentive Scheme
“Articles of Association”	the articles of association of the Company as amended from time to time
“A Share Class Meeting”	the first A Share class meeting of 2022 of the Company to be held on Wednesday, January 19, 2022 after the conclusion of the Extraordinary General Meeting, or any adjournment thereof
“A Shareholder(s)”	holder(s) of A Shares
“A Share(s)”	ordinary share(s) of the Company with a nominal value of RMB1.00 each listed on the Shanghai Stock Exchange
“Assessment Administrative Measures on the Implementation of Incentive Scheme”	the Assessment Administrative Measures on the Implementation of the 2021 Restricted A Share Incentive Scheme
“Assumptions”	comprising the following assumptions: (i) completion of the second closing of the Series B Financing, (ii) the conversion of all preference shares and warrants into ordinary shares of JOINN Biologics, and (iii) the exercise of ordinary shares underlying all equity incentives of JOINN Biologics
“Board” or “Board of Directors”	the board of Directors

DEFINITIONS

“CDMO”	contract development and manufacturing organization
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Class Meetings”	the A Share Class Meeting and the H Share Class Meeting
“Closing”	the consummation of the sale and issuance of the Series B+ Preferred Shares under the Share Purchase Agreement
“Company”	JOINN Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“Company Law”	the Company Law of the PRC, as amended from time to time
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“CPE”	CPE ZY Biologics Limited, a Series B investor of JOINN Biologics
“CRO”	contract research organization
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Employee Stock Ownership Plan”	the 2021 A Share Employee Stock Ownership Plan of the Company
“Equity Securities”	with respect to any person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing, or any contract providing for the acquisition of any of the foregoing

DEFINITIONS

“ESOP”	the platform holding the underlying shares of the Employee Stock Ownership Plan, being a dedicated securities account for employee stock ownership plans to be established by the Company for the Holders via China Securities Depository and Clearing Corporation Limited
“Extraordinary General Meeting” or “EGM”	the first extraordinary general meeting of 2022 of the Company to be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Wednesday, January 19, 2022 at 2:00 p.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 166 to 170 of this circular, or any adjournment thereof
“Global Offering”	the Hong Kong public offering and the international offering of the H Shares of the Company
“Grant Price”	the price at which each restricted share to be granted to the Participants
“Group” or “our Group”	the Company and its subsidiaries
“Guiding Opinions”	the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies
“Holder(s)”	Employees of the Company who contribute funds to participate in the Employee Stock Ownership Plan
“Holder’s Meeting”	Meeting of Holders of the Employee Stock Ownership Plan
“Holding Companies”	JOINN Biologics Holdco Sologen Holdings Limited, Jousn Inc., LFY Inc., FY Zhou’s Holdings Inc., Jousn Holdings LLC, Lao Feng Biotech Holdings LLC, Arc Cheetah Holdings LLC, Ice Leopard LLC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“H Share Class Meeting”	the first H Share class meeting of 2022 of the Company to be held on Wednesday, January 19, 2022 after the conclusion of the Extraordinary General Meeting and the A Share Class Meeting, to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 171 to 174 of this circular, or any adjournment thereof
“H Shareholder(s)”	holder(s) of H Shares
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
“H Share Registrar”	Tricor Investor Services Limited, the H Share registrar of the Company
“Huagai”	Huagai Healthcare Investment Company Limited and its related parties involving as Series A1 and Series B investors of JOINN Biologics
“Incentive Scheme”	the 2021 Restricted A Share Incentive Scheme of the Company
“JOINN Biologics”	JOINN Biologics Inc., an exempted company organized and existing under the laws of Cayman Islands
“JOINN Biologics Directors”	directors of JOINN Biologics
“JOINN Biologics Group”	JOINN Biologics (HK) Limited, JOINN Biologics US Inc. and Beijing Joinn Biologics Co. Ltd.
“JOINN Biologics Holdco”	JOINN BIOLOGICS HOLDINGS LTD., a company incorporated in the British Virgin Islands and the largest shareholder of the Target Company
“JOINN Biologics Shares”	shares of JOINN Biologics
“Key Principal(s)”	Ms. Feng Yuxia and Mr. Zhou Zhiwen
“Latest Practicable Date”	December 14, 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Management Committee”	management committee of the Employee Stock Ownership Plan, which is to be established by the Holder’s Meeting as the management body of the Employee Stock Ownership Plan
“Management Rights Letter”	the management rights letter to be issued by JOINN Biologics to the Company on or prior to Closing
“ODI Filings”	the acquisition of the relevant approvals, registration, filings, confirmation and/or certificate from the competent department of National Development and Reform Commission of the PRC, the Ministry of Commerce of the PRC, the State Administration of Foreign Exchange of the PRC and the related foreign exchange bank with respect to the investments of the investors in the Company as contemplated in the Share Purchase Agreement
“Participant(s)”	participants of the Incentive Scheme
“Preferred Shareholder(s)”	holder(s) of the Preferred Share(s)
“Preferred Share(s)”	comprising the Series A1 Preferred Shares, the Series B Preferred Shares and the Series B+ Preferred Shares of JOINN Biologics
“Principal(s)”	Ms. Feng Yuxia, Mr. Zhou Zhiwen, Mr. Zhou Fengyi and Mr. Zhou Fengyuan
“Prospectus”	the prospectus of the Company dated February 16, 2021
“Purchase”	the transaction contemplated under the Share Purchase Agreement
“Redeeming Holders”	each such other holder of the Preferred Shares electing to require a repurchase of its Preferred Shares within such period, together with the Preferred Shareholders who initiate the redemption right
“Redemption Notice Date”	the date of delivery of a written notice to JOINN Biologics

DEFINITIONS

“Redemption Price”	the price at which each Redeeming Share shall be redeemed
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Company
“Restricted Shares” or “Restricted A Shares”	A Shares intended to be granted by the Company to the Participants at the Grant Price pursuant to the Incentive Scheme, subject to the conditions thereof
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC, as amended from time to time
“Series B Financing”	the Series B financing of JOINN Biologics, involving the issue and transfer of Series B Preferred Shares and Series B Warrant
“Series B Preferred Shares”	the Series B Preferred Shares of JOINN Biologics
“Series B+ Preferred Shares”	the Series B+ Preferred Shares of JOINN Biologics
“Series B Warrant”	Series B Warrant of JOINN Biologics
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders Agreement”	the Shareholders’ Agreement to be entered into by and among the parties named therein on or prior to the Closing
“Share Purchase Agreement”	the Series B+ Preferred Share Purchase Agreement dated December 10, 2021 entered into by the Company, among others, with JOINN Biologics
“Share(s)”	ordinary share(s) in the issued share capital of the Company, with a nominal value of RMB1.00 each, including both A Share(s) and H Share(s)
“Special RORF Holders”	each of Huagai and CPE
“SSE”	The Shanghai Stock Exchange, a stock exchange based in the city of Shanghai, China
“Stock Exchanges”	the SSE and the Hong Kong Stock Exchange

DEFINITIONS

“Supervisor(s)”	member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company
“Target Company”	JOINN Biologics Inc., an exempted company organized and existing under the Laws of Cayman Islands
“Target Group Companies”	each of JOINN Biologics, JOINN Biologics (HK) Limited, JOINN Biologics US Inc. and Beijing Joinn Biologics Co. Ltd., together with each subsidiary of any of the foregoing
“Target Subsidiaries”	comprising JOINN Biologics (HK) Limited, JOINN Biologics US Inc. and Beijing Joinn Biologics Co. Ltd., each a subsidiary of the Target Company
“Transfer Price”	the price for the transfer of the underlying shares of the Employee Stock Ownership Plan, which are repurchased by the Company, from the Company to the ESOP
“US\$” or “U.S. dollar(s)”	United States dollar(s), the lawful currency of the United States
“Warrantor”	the Target Group Companies, the Key Principals, and the Holding Companies



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)

Executive Directors:

Ms. Feng Yuxia (*Chairperson*)
Mr. Zuo Conglin
Mr. Gao Dapeng
Ms. Sun Yunxia
Dr. Yao Dalin

Non-executive Director:

Mr. Gu Xiaolei

Independent Non-executive Directors:

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

Registered Office:

A5 Rongjing East Street
Beijing Economic-Technological
Development Area
Beijing, 100176, China

*Headquarters and Principal Place of
Business in the PRC:*

A5 Rongjing East Street
Beijing Economic-Technological
Development Area
Beijing, 100176, China

*Principal Place of Business in
Hong Kong:*

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

December 30, 2021

To the Shareholders

Dear Sir or Madam,

- (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 IN RELATION 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 IN RELATION TO THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN;
- (8) GENERAL MANDATE IN RELATION TO REPURCHASE OF A SHARES AND/OR H SHARES;
- (9) CONNECTED TRANSACTION — PURCHASE OF SERIES B+ PREFERRED SHARES IN THE TARGET COMPANY;
- (10) PROPOSED ESTABLISHMENT OF SUBSIDIARIES;
- (11) PROPOSED CAPITAL INCREASE IN SUBSIDIARIES;
- (12) PROPOSED INVESTMENT IN COMPANY;
- (13) NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022; AND
- (14) NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2022

LETTER FROM THE BOARD

I. INTRODUCTION

Reference is made to the Company's announcement dated September 21, 2021 in relation to, among others: (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 in relation 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; and (vii) the proposed authorization to the Board to deal with matters in relation to the 2021 A Share Employee Stock Ownership Plan.

Reference is also made to the Company's announcement dated December 10, 2021 in relation to the proposed connected transaction of Purchase of Series B+ Preferred Shares in JOINN Biologics.

The purpose of this circular is to provide the Shareholders with information in respect of certain resolutions to be proposed at the Extraordinary General Meeting and the H Share Class Meeting to be held on Wednesday, January 19, 2022, to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the Extraordinary General Meeting and the H Share Class Meeting. For the details of the proposed resolutions at the Extraordinary General Meeting and the H Share Class Meeting, please also refer to the notices of the Extraordinary General Meeting and the H Share Class Meeting enclosed with this circular.

II. PROPOSED ADOPTION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME

Reference is made to the Company's announcement dated September 21, 2021 in relation to, among others, the proposed adoption of the Incentive Scheme. Special resolutions will be proposed at the Extraordinary General Meeting and the H Share Class Meeting to consider and approve the proposed adoption of the Incentive Scheme.

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

(I) Purposes 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, mobilize the motivation 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.

LETTER FROM THE BOARD

(II) Source of Restricted Shares to be Granted

The source of the target Shares to be granted under the Incentive Scheme shall be ordinary A Shares to be issued to the Participants through directed offering 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 of the Announcement Date of Incentive Scheme.

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

(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, as well as Shareholders individually or in aggregate holding 5% or more of the Shares or the de facto controllers and their spouses, parents or children. All Participants must serve the Company (including its controlled subsidiaries) and enter into labour contracts upon the grant of the Restricted Shares by the Company and during the appraisal period of the Incentive Scheme.

The Board has formulated a proposed plan for the grant of Restricted Shares with the number of Restricted Shares intended to be granted to each of the Participants, which was determined after giving due consideration to various factors including, among others, the importance of the role of the respective Participant within the Group, the contribution level to the Group and the individual performance of each Participant. The proposed plan for the grant of Restricted Shares is yet to be finalised and the exact number of Restricted Shares to be granted to each Participant is subject to such possible modifications which the Board may deem necessary on or before the Grant Date, which is to be determined by the Board and is expected to be within 60 days after the Incentive Scheme is considered and approved at the EGM and the Class Meetings. For further details, please refer to the section headed “(VI) Validity Period, Grant Date, Unlocking Arrangement and Lock-up Period - (B) Grant Date” of this circular.

LETTER FROM THE BOARD

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

Name	Responsibility	Number of Restricted Shares Granted <i>(0'000 shares)</i>	Percentage to the total number of Restricted Shares Granted	Percentage to the Current Total Share Capital of the Company
	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

Pursuant to the requirements under the Administrative Measures, the Grant Price of the Restricted Shares shall be RMB83.97 per share (subject to adjustment). That is, the Participants may purchase the Restricted Shares of the Company at the price of RMB83.97 (subject to adjustment) per share upon satisfaction of the conditions of grant.

Based on the unaudited consolidated interim results of the Group for the six months ended June 30, 2021, the net asset value of the Company as of June 30, 2021 was RMB6,609,286,000. As of June 30, 2021, the weighted average number of ordinary shares was 255,860,626 and hence the Company's net asset per share as of June 30, 2021 was approximately RMB25.83. The Grant Price of RMB83.97 per share represents a premium of approximately 225% over the Company's net asset per share of RMB25.83 as of June 30, 2021.

(B) Basis of Determination of Grant Price

Pursuant to the requirements under the Administrative Measures, 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 for the last trading day preceding the Announcement Date of Incentive Scheme (total trading amount of the Shares for the last trading day / total trading volume of the Shares for the last trading day) of RMB167.93 per share, being RMB83.97 per share;

LETTER FROM THE BOARD

2. 50% of the average trading price of the Shares for the last 120 trading days preceding the Announcement Date of Incentive Scheme (total trading amount of the Shares of for the last 120 trading days/total trading volume of the Shares of for the last 120 trading days) of RMB126.31 per share, being RMB63.15 per share.

The major purpose of the Incentive Scheme is to attract and retain outstanding talents of the Company. In order for the Incentive Scheme to achieve its objective of motivating and incentivizing the Participants, the Grant Price would necessarily be of a discount to the share price of the Company.

Historically, the Company has adopted restricted share award schemes of a nature similar to that of the Incentive Scheme and the grant prices of such previous schemes were also determined at approximately 50% of the closing price of the Company's shares. Based on the Company's previous experience, the grant prices being determined at such level is effective in serving the objectives of such schemes. In addition, the Company has also made reference to other companies listed on the SSE and noted that the Grant Price being determined at approximately 50% of the closing price of the Shares is generally in line with the market practice.

Having considered a wide range of factors, including the number of Restricted Shares to be granted, the aforesaid historical experience of the Company, the expected impact on the grant of Restricted Shares on the Group's financial performance, the expected effect on the motivation of Participants as part of the Company's long-term mechanism and the grant price of similar schemes of other companies listed on the SSE, the Board is of the view that the Grant Price is fair and reasonable and is in the interest of the Shareholders as a whole. The determination of the Grant Price is also in accordance with the requirements under the Administrative Measures.

(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

LETTER FROM THE BOARD

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 any period in which the Company is prohibited from granting the 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 such Restricted Shares obtained by the Participants due to the capitalisation of capital reserve pursuant to the grant of the Restricted Shares that are not yet unlocked, bonus issue and share subdivision, shall be subject to the lock-up under the Incentive Scheme as well.

Upon the expiry of the lock-up period, the Company shall proceed with the unlocking of the Restricted Shares granted to the Participants who have met the unlocking conditions. The Restricted Shares held by the Participants who fail to satisfy the unlocking conditions shall be repurchased and cancelled by the Company. Where the unlocking conditions of the Restricted Shares are not satisfied within a specified lock-up period, the relevant interests shall not be deferred to the next period.

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

Unlocking Arrangement	Unlocking Period	Unlocking Ratio
First Unlocking Period	Commencing from the first trading day upon the expiry of the 12-month period from the completion date of registration of the grant and ending on the last trading day of the 24-month period from the completion date of registration of the grant	40%

LETTER FROM THE BOARD

Unlocking Arrangement	Unlocking Period	Unlocking Ratio
Second Unlocking Period	Commencing from the first trading day upon the expiry of the 24-month period from the completion date of registration of the grant and ending on the last trading day of the 36-month period from the completion date of registration of the grant	30%
Third Unlocking Period	Commencing from the first trading day upon the expiry of the 36-month period from the completion date of registration of the grant and ending on the last trading day of the 48-month period from the completion date of registration of the grant	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 the acquisition or buy-back of such Shares within six months after the 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.

LETTER FROM THE BOARD

(VII) Conditions of Grant and Unlocking of Restricted Shares

(A) *Conditions of Grant of Restricted Shares*

The Company shall grant the Restricted Shares to the Participants upon satisfaction of all of the following conditions. On the contrary, where any of the following conditions is not satisfied, no Restricted Share 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 Stock Exchanges within the previous 12 months;
 - (2) he/she has been identified as an inappropriate candidate by the CSRC and its agencies within the previous 12 months;
 - (3) he/she has been subject to administrative penalties 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;

LETTER FROM THE BOARD

- (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 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 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 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 penalties or market ban measures by the CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;

LETTER FROM THE BOARD

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

3. *Performance Appraisal Requirements in respect of the Company*

The appraisal year for unlocking Restricted Shares under the Incentive Scheme shall comprise the three accounting years from 2021 to 2023, and the appraisal will be conducted once every accounting year. The annual performance appraisal target in respect of the Company for unlocking the Restricted Shares are set out in the table below:

Unlocking Period	Performance Appraisal Targets
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 calculation of the above financial indicators shall be based on 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 scheduled 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.

LETTER FROM THE BOARD

4. *Performance Appraisal Requirements in respect of Individual Participants*

The Remuneration and Appraisal Committee will conduct an annual appraisal on the Participants and determine the unlocking ratio based on the appraisal results. The actual unlocking amount of the Participants for the current year shall be determined by multiplying the unlocking ratio in respect of an individual participant by the scheduled 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 each Participant shall be determined according to the following table:

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

(C) Scientificity and Reasonableness of Performance Appraisal Requirement

The performance appraisal requirement of the Restricted Shares comprises two levels, namely the performance appraisal at company level and the performance appraisal at individual level.

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

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

LETTER FROM THE BOARD

In conclusion, the appraisal system of the Incentive Scheme of the Company is complete, comprehensive and feasible, and the appraisal indicators are scientific and reasonable, which have binding effect on the Participants and can fulfill the evaluation purpose of the Incentive Scheme.

(VIII) Voting Rights of Restricted Shares

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

(IX) Adjustment to Number of Restricted Shares and Grant Price

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

(X) 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 by the general meeting, the amendment shall be considered and approved by the general meeting again, and such amendment shall not lead to any of the following circumstances:
 - (1) an early unlocking;
 - (2) a reduction of the Grant Price.
3. The independent Directors and the Supervisory Committee shall provide independent opinions as to whether the amended scheme is beneficial to the sustainable development of the Company and whether there is any apparent prejudice to the interests of the Company and its Shareholders as a whole.
4. Professional opinions from a law firm shall be obtained as to whether the amended scheme is in compliance with the requirements of the Administrative Measures and relevant laws and regulations, as well as whether there is any apparent prejudice to the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

(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 implementation of Incentive Scheme after the Incentive Scheme is considered and approved by the general meeting, the termination shall be considered and approved by the general meeting again.
3. Professional opinions from a law firm shall be obtained as to whether the termination of the implementation of the Incentive Scheme by the Company is in compliance with the requirements of the Administrative Measures and relevant laws and regulations, as well as whether there is any apparent prejudice to the interests of the Company and its Shareholders as a whole.
4. Upon termination of the Incentive Scheme, the Company shall repurchase the Restricted Shares which have not yet been unlocked and deal with these Restricted 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, propose the share repurchase plan at a general meeting for approval in accordance with applicable laws and publish relevant announcements in a timely manner. Where the Company implements the repurchase in accordance with the provisions of the Incentive Scheme, a securities registration and clearing house shall handle the registration and settlement matters upon confirmation by the Stock Exchanges.

(XI) Accounting Treatment and Impact on Operating Results

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

LETTER FROM THE BOARD

(A) *Accounting Treatment*

1. *Grant Date*

Bank deposits, share capital, capital reserve, treasury shares and other payables are confirmed based on the status of 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 during 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 will 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 shall be the market price of Shares of the Company minus the Grant Price, which is RMB90.11 per share.

LETTER FROM THE BOARD

(B) Expected Impact of the Implementation of 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 phase of 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 not only are 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 an accounting firm.

Based on the current information, it is the Company's preliminarily estimation that, without taking into account the stimulation effect of the Incentive Scheme on the Company's performance, whilst the amortization of the expenses of the Restricted Shares will have an impact on the net profit of each year during the validity period, the impact is insignificant. Taking into account the positive impact of the Restricted Share Incentive Scheme on the development of the Company, which will stimulate motivation of the core team members, improve the operating efficiency and reduce the agency costs, the improvement of the Company's performance brought by the Incentive Scheme will be much higher than the increase in the expenses arising therefrom.

(XII) Repurchase and Cancellation

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

LETTER FROM THE BOARD

Upon completion of the registration of the Restricted Shares granted to the Participants, in the event of any capitalisation of capital reserve, bonus issue, sub-division of Shares, 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 are not yet 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 publish relevant announcements in a timely manner.

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

III. PROPOSED ISSUE OF RESTRICTED A SHARES UNDER SPECIFIC MANDATE

Reference is made to the Company's announcement dated September 21, 2021 in relation to, among others, the proposed issue of Restricted A Shares under specific mandate. A special resolution will be proposed at the Extraordinary General Meeting and the H Share Class Meeting to consider and approve the 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 of the Latest Practicable Date, 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 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 "II. 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 are 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 supply the working capital of the Group.

LETTER FROM THE BOARD

(II) Grant Price

The Grant Price of the Restricted Shares under the Incentive Scheme shall be RMB83.97 per A Share (subject to adjustment), which is determined with reference to the basis set out in the section headed “II. 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 conditions of grant may purchase the Restricted Shares issued by the Company at the Grant Price.

(III) Dilution Effect

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

Full name of shareholder	Shareholding as of the Latest Practicable Date		Shareholding immediately after the grant and issuance of Restricted Shares (Assuming All Restricted Shares under the Incentive Scheme are Granted and Issued)	
	Number of Shares held	Percentage of shareholding (%)	Number of Shares held (including the Restricted Shares)	Percentage of shareholding (%)
A Shares				
Feng Yuxia (Note 1)	89,702,855	27.99	89,702,855	27.93
Zhou Zhiwen (Note 2)	48,396,580	15.10	48,396,580	15.07
Gu Xiaolei (Note 3)	18,676,897	5.83	18,676,897	5.81
Zuo Conglin (Note 4)	13,208,445	4.12	13,208,445	4.11
Sun Yunxia (Note 5)	2,452,442	0.77	2,452,442	0.76
Gao Dapeng (Note 6)	232,646	0.07	232,646	0.07
Li Ye (Note 7)	61,112	0.02	61,112	0.02
Yao Dalin (Note 8)	68,864	0.02	68,864	0.02
Yin Lili (Note 9)	79,348	0.02	79,348	0.02
Sun Huiye (Note 10)	135,096	0.04	135,096	0.04
Public A Share shareholders	147,520,367	46.02	148,195,767	46.15
Total Number of A Shares	320,534,652	100.00	321,210,052	100.00

LETTER FROM THE BOARD

Full name of shareholder	Shareholding as of the Latest Practicable Date		Shareholding immediately after the grant and issuance of Restricted Shares (Assuming All Restricted Shares under the Incentive Scheme are Granted and Issued)	
	Number of Shares held	Percentage of shareholding (%)	Number of Restricted Shares held (including the Restricted Shares)	Percentage of shareholding (%)
H Shares (Note 11)				
JPMorgan Chase & Co. (Note 12)	7,468,105	12.28	7,468,105	12.28
Other public H Share shareholders	<u>53,243,735</u>	<u>87.72</u>	<u>53,243,735</u>	<u>87.72</u>
Total Number of H Shares	<u>60,711,840</u>	<u>100.00</u>	<u>60,711,840</u>	<u>100.00</u>
Total	<u>381,246,492</u>		<u>381,921,892</u>	

Notes:

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

LETTER FROM THE BOARD

Assuming all Restricted Shares under the Incentive Scheme are granted and issued, the Grant Price represents a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 0.08%, which was calculated with reference to the weighted average theoretical diluted price of both classes of Shares of approximately RMB159.91 per Share (*Note 1*) to the weighted average benchmarked price of both classes of Shares of approximately RMB160.04 per Share (*Note 2*).

The Company will ensure its continued compliance with the requirements for public float under the Listing Rules upon completion of the issuance of the Restricted Shares.

(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 published by the Company dated September 24, 2021.

Save for the above, the Company has not conducted any equity fund raising activity in the 12 months preceding the Latest Practicable Date.

Notes:

1. The weighted average theoretical diluted price was calculated by adding the Company's total market capitalization (with reference to the benchmarked price and the number of issued Shares immediately before the grant and issuance of Restricted Shares, i.e. 381,246,492 Shares, being the total number of issued Shares as at the Latest Practicable Date) and the maximum total amount of RMB56,713,338 which will be raised by the Company by reason of the grant and issuance of Restricted Shares, divided by the total number of issued Shares as enlarged by the grant and issuance of Restricted Shares (i.e. 381,921,892 Shares). Please refer to note 2 in relation to the determination of the benchmarked price.
2. For the purpose of determining the benchmarked price, the last trading day preceding the Announcement Date of Incentive Scheme, i.e. September 17, 2021, being the date used for determining the Grant Price, was assumed to be the date of the agreement involving the issue pursuant to Note 1(b) to Rule 7.27B of the Listing Rules. The closing price of the last trading day preceding the Announcement Date of Incentive Scheme is also higher than the average closing price in the five trading days immediately preceding it. The weighted average benchmarked price is calculated based on the benchmarked price and number of issued shares as at the Latest Practicable Date of both classes of Shares.

LETTER FROM THE BOARD

IV. 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 Scheme, the Assessment Administrative Measures on the Implementation of Incentive Scheme are established in accordance with the requirements of relevant laws and regulations and the actual circumstances of the Company.

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

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

V. PROPOSED AUTHORIZATION TO THE BOARD TO DEAL WITH MATTERS IN RELATION 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 matters 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 matters 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 of capital reserve, bonus issue, sub-division or consolidation of Shares or rights issue in accordance with the methods stipulated in the Incentive Scheme;
 - (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 in the event of capitalisation of capital reserve, bonus issue, sub-division or consolidation of Shares, rights issue or dividend distribution of the Company;

LETTER FROM THE BOARD

- (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 share 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, 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; 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.

LETTER FROM THE BOARD

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 apply for consent with the relevant governments and authorities in relation to the Incentive Scheme; to sign, execute, amend and complete the documents submitted to the relevant governments, authorities, organizations and individuals; to amend the Articles of Association and to deal with the registration of changes in the registered capital of the Company; and to carry out 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 authorize the Board to appoint financial advisers, receiving banks, accountants, lawyers, securities companies as well as other agents for the purpose of implementation of the Incentive Scheme.
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 website of the SSE (www.sse.com.cn) or that of Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance issue from the SSE or the Hong Kong Stock Exchange in relation to the Incentive Scheme.
5. It will be proposed at the general meeting of the Company that the authorization period to the Board shall be consistent with the validity period of the Incentive Scheme.

VI. PROPOSED ADOPTION OF THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

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

(I) Introduction

(A) Purposes of the Employee Stock Ownership Plan

The purposes of the Employee Stock Ownership Plan are 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.

LETTER FROM THE BOARD

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

There are in total 11 Holders under the Employee Stock Ownership Plan, which comprise Supervisors and senior management personnel of the Company.

Each of the Holder will, out of their own legal remuneration, self-raised funds and such other methods as permitted by laws and regulations, contribute a maximum total amount of RMB2,737,422 to the ESOP, i.e. a dedicated securities account for employee stock ownership plans to be established by the Company for the Holders via China Securities Depository and Clearing Corporation Limited, which will hold the underlying shares involved in the Employee Stock Ownership Plan. The respective stake of each Holder in the ESOP is to be determined based on the actual payment of the contribution of the Holder.

The ESOP will subscribe for a maximum number of 32,600 Shares from the Company. Such Shares have been held in the special securities account for repurchase of the Company and will be transferred to the ESOP through non-trading transfer or other ways permitted by laws and regulations, upon approval of the resolutions of the Employee Stock Ownership Plan at the EGM. The subscription will be at the Transfer Price of RMB83.97 per share, representing 50% of the average trading price of the Shares of the Company on the trading day preceding the date of the Board Meeting.

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

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

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

LETTER FROM THE BOARD

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

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

1. *Source of underlying Shares*

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

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

2. *Direct holding of the Restricted Shares, as compared to indirect holding of the underlying Shares of the Employee Stock Ownership Plan via the ESOP*

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

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

3. *Decision making in relation to the underlying Shares*

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

LETTER FROM THE BOARD

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

(II) Basis and Scope for Determination by the Holders

(A) Legal Basis for Determining the Participants

The eligibility of participants is determined by the Company 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 shall participate in the Employee Stock Ownership Plan in accordance with the principles of legal compliance, voluntary participation and voluntary risk undertaking. All participants are required to work in the Company (including its controlled subsidiaries) and enter into labour contracts with the Company or its controlled subsidiaries.

(B) Position Basis for Determining the Participants

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

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

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

LETTER FROM THE BOARD

(C) List of Holders and Allocation of Stake of each Holder in the ESOP

The number of Shares to be subscribed for under the Employee Stock Ownership Plan shall not exceed 32,600 Shares, representing approximately 0.009% of the current total share capital of the Company. The stake of each Holder in the ESOP shall be determined according to the actual payment made by the employees.

The total number of Supervisors, senior management and key technical (business) personnel of the Company participating in the Employee Stock Ownership Plan shall not exceed 11, including 4 Supervisors and senior management personnel participating in the Employee Stock Ownership Plan. The relationship between such personnel and the Employee Stock Ownership Plan does not constitute a concert party relationship.

The specific proportion of subscription is as follows:

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

Note 1: The final subscription of Shares under the Employee Stock Ownership Plan by the participants shall be subject to the actual capital contribution. Where the subscription 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 by such Holders may be subscribed by other qualified participants. The Management Committee of the Employee Stock Ownership Plan may adjust the list of participants and their subscription units based on the actual payment of the employees.

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

LETTER FROM THE BOARD

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

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

Upon approval of the resolutions of the Employee 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 transferred to the ESOP 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 Employee Stock Ownership Plan*

The number of Shares to be subscribed for under the Employee Stock Ownership Plan shall not exceed 32,600 Shares, representing approximately 0.009% of the current total share capital of the Company. The stake of each Holder in the ESOP is to be 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 Employee Stock Ownership Plan, the total number of Shares held under all employee stock ownership plans of the Company which are in effect 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 Employee Stock Ownership Plan*

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

LETTER FROM THE BOARD

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 stake of each Holder in the ESOP shall be determined based on the actual payment made by the Holders.

(D) Transfer Price and Pricing Basis of the Employee Stock Ownership Plan

The Transfer Price 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.

Given that the Guiding Opinions do not impose any requirement on the transfer price of an employee stock ownership plan, the Transfer Price was primarily determined by the Company based on its actual needs and historical experience in relation to long-term incentive schemes with reference to relevant policies and precedents of other companies listed on the SSE. In particular, the Company noted that it is generally the market practice to use either 50% of the market share price or 50% of the price of repurchase of shares by the listed company as the transfer price of a stock ownership plan. In addition, given that the unlocking timing and the performance appraisals of the Employee Stock Ownership Plan are the same as those of the Incentive Scheme, for the sake of fair treatment to the Participants under the Incentive Scheme and the Holders under the Employee Stock Ownership Plan, the Company has made reference to the Grant Price when determining the Transfer Price. For further details in relation to the determination of the Grant Price, please refer to "II. PROPOSED ADOPTION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME – (V) Grant Price and Basis of Determination of Grant Price – (A) Grant Price of the Restricted Shares". Other factors which have been taken into account of by the Company include 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 Plan, further stabilize and motivate the core team, and provide mechanism and talent guarantee for the long-term and stable development of the Company.

Transfer Price has also been determined with comprehensive consideration of the effectiveness of the plan and the impact of the Company's share-based payment expenses, and has reasonably determined the scope of the Participants, unlocking time and number of Shares to be granted to the Participants, which follows the principle of matching incentives and constraints, and will not have a negative impact on the Company's operation, reflecting the actual incentive needs of the Company and is reasonable.

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

LETTER FROM THE BOARD

(IV) Duration and Lock-up Period

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

1. The term of the Employee Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the last transfer of the underlying shares to the Employee Stock Ownership Plan. Where the Employee 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, in the event that all Shares under the Employee Stock Ownership Plan have been sold, the Employee Stock Ownership Plan may be terminated early.
2. The term of the Employee Stock Ownership Plan may be extended 2 months prior to the expiry of the term of the Employee Stock Ownership Plan. If the Shares held have not been fully sold, the term of the Employee Stock Ownership Plan may be extended upon the consent of Holders holding more than two-thirds of the units among the attendees of the Holder's Meeting and submission to the Board for consideration and approval.
3. Where the Shares held by the ESOP cannot be fully realized before the expiry of the effective period due to the suspension of trading of the Shares or short trading window, the effective period of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units among the attendees of the Holder's Meeting and submission to the Board for consideration and approval.
4. The Company shall publish an indicative announcement six months prior to the expiry of the term of the Employee Stock Ownership Plan, stating the number of Shares held by the ESOP which is about to expire and its percentage to the total share capital of the Company.
5. The Company shall disclose the number of Shares held by the expired ESOP and its proportion to the total share capital of the Company upon the expiration of the term of the Employee Stock Ownership Plan, and the disposal arrangement after the expiration, and perform the corresponding review procedures and disclosure obligations in accordance with the Employee Stock Ownership Plan.

LETTER FROM THE BOARD

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

1. *The underlying shares acquired by the ESOP 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 ESOP. The lock-up period shall be up to 36 months. Details are as follows:*

First unlocking milestone: 40% of the total number of underlying shares held under the ESOP may be unlocked upon the expiry of 12 months from the date of announcement of the transfer of the last batch of underlying shares to the ESOP;

Second unlocking milestone: 30% of the total number of underlying shares held under the ESOP may be unlocked upon the expiry of 24 months from the date of announcement of the transfer of the last batch of underlying shares to the ESOP;

Third unlocking milestone: 36 months from the date of announcement of the transfer of the last batch of underlying shares to the ESOP, and the number of unlocked shares is 30% of the total number of underlying shares held by the ESOP.

The Shares derived from the underlying shares held by the ESOP as a result of the distribution of share dividends, capitalisation of capital reserve by the listed company shall also be subject to the above lock-up arrangement.

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

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

LETTER FROM THE BOARD

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

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

1. Performance appraisal at company level

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

Unlocking Arrangement	Performance Appraisal Targets	Corresponding Unlocking Ratio
First Unlocking Period	Based on the operating income for 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 2021 shall not be less than 30%;	30%
Third Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2021 shall not be less than 30%;	30%

LETTER FROM THE BOARD

Where the performance appraisal indicators of the Employee Stock Ownership Plan are not met, the target Shares and interests shall not be unlocked and shall be withdrawn by the Management Committee, which will dispose of such target Shares at an appropriate time it deems. The capital contribution of the Employment Stock Ownership Plan will be returned to the Holders out of the proceeds of sales of the target Shares. Should there be any gain from the disposal of target Shares after return of capital to the Holders, such gains shall belong to the Company.

2. *Performance appraisal at individual level*

Where the performance appraisal at company level is up to standard, the ESOP will conduct individual performance appraisal in accordance with the relevant system of the Company's performance appraisal, and determine the final number of underlying Shares to be 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 unlocking ratio shall be determined according to the following table:

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

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

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

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

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

LETTER FROM THE BOARD

(VI) Management Structure and Management Model

The Holder's Meeting shall be the highest internal management authority of the ESOP. The Holder's Meeting shall establish the Management Committee and authorize the Management Committee as the management body of the Employee Stock Ownership Plan to supervise the daily management of the Employee Stock Ownership Plan and exercise the shareholders' rights attached to the A Shares held by the ESOP as a shareholder of the Company, save and except voting rights since the Shares held by the ESOP will not carry any voting rights. Such shareholders' rights are rights conferred to the shareholders by the laws, administrative regulations, regulations of the competent departments, regulatory documents, the Listing Rules and the Articles of Association, which include, among others, supervision of operation of the Company and rights of disposal of Shares held by the ESOP after the unlocking date pursuant to the authorization of the Holder's Meeting. For further details in relation to the rights attached to the Shares held by the ESOP, please refer to "(VII) Alteration, Termination and Disposal of Holders' Interests - (D) Rights attached to the Shares Held by the ESOP and the Arrangements on the Possession, Use, Benefit and Disposal of Shares enjoyed by the Holders over the Shares" under the same section of this circular.

The members of the Management Committee shall be proposed and elected by the Holders at the Holder's Meeting. There is no specific requirement as to the eligibility of being a member of the Management Committee.

The Administrative Measures on the Employee Stock Ownership Plan shall clearly stipulate the responsibilities of the Management Committee and take adequate risk prevention and isolation measures. The Board shall be 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.

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

(A) Change in Actual Controlling Shareholder, Merger or Division of the Company

The Employee Stock Ownership Plan shall not be affected by any change in the de facto controller of the Company for any reason, or merger or division.

(B) Alteration of the Employee Stock Ownership Plan

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

LETTER FROM THE BOARD

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

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

(D) *Rights Attached to the Shares Held by the ESOP and the Arrangements on the Possession, Use, Benefit and Disposal of Shares enjoyed by the Holders over the Shares*

1. Holders of the Employee Stock Ownership Plan are entitled to the asset income rights of the Shares held by the ESOP 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, capitalisation issue and other asset income rights, excluding voting rights of the general meeting).
2. During the term of the Employee Stock Ownership Plan, unless otherwise stipulated in laws, administrative regulations, departmental rules or with the consent of the Management Committee, the stake of the Holders in the ESOP 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 held by the ESOP.
4. During the lock-up period, when the Company capitalises its capital reserve and distributes bonus shares, the shares newly acquired by the ESOP by reason of its shareholding in 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 ESOP due to its shareholding in the Company shall be included in the monetary assets of the ESOP, and will not be distributed separately. After the end of the lock-up period and during the term of the Employee Stock Ownership Plan, the Holder's Meeting shall decide whether to distribute the dividends.

LETTER FROM THE BOARD

5. Upon the expiry of the lock-up period of the Employee Stock Ownership Plan and during the term of the Employee Stock Ownership Plan, the Management Committee shall, pursuant to the authorization of the Holder's Meeting, sell the corresponding underlying shares at an appropriate time during the term of the Employee Stock Ownership Plan after the unlocking date.
6. After the lock-up period of the Employee Stock Ownership Plan ends and during the term of the Employee Stock Ownership Plan, the Holder's Meeting shall decide whether to distribute the income corresponding to the Employee Stock Ownership Plan. Where the distribution is approved at the Holder's Meeting, the Holder's Meeting shall authorize the Management Committee to distribute the income corresponding to the Employee Stock Ownership Plan according to the number of Shares held by the Holders after deducting relevant taxes and fees in accordance with the law.
7. During the term of the Employee Stock Ownership Plan, in the event that the underlying shares held by the ESOP are sold for cash or other distributable income, the ESOP may declare distribution in each fiscal year and the Management Committee shall make the distribution to the Holders based on the stake of each Holder in the Stock Ownership Plan after deducting relevant taxes and fees and payables of the ESOP in accordance with the law.
8. During the term of the Employee Stock Ownership Plan, when the Company distributes dividends, the cash dividends received by the Employee Stock Ownership Plan from the Shares of the Company held by it after deducting relevant expenses shall be distributed to the holders according to their shareholdings.
9. In the event of other unspecified events, the disposal method of the units of the Employee Stock Ownership Plan held by the Holders shall be determined by the Management Committee.

The full text of the 2021 A Share Employee Stock Ownership Plan is set out in Appendix III to this circular. The 2021 A Share Employee Stock Ownership Plan was prepared in Chinese. If there is any discrepancy between the English translation of the 2021 A Share Employee Stock Ownership Plan and the Chinese version, the Chinese version shall prevail.

LETTER FROM THE BOARD

VII. PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES ON THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

In order to regulate the implementation of the Employee Stock Ownership Plan, the Company has formulated the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan in accordance with the provisions and requirements of laws, regulations and regulatory documents such as the Company Law, the Securities Law, the Guiding Opinions and the Guidelines of the SSE on Information Disclosure for Employee Stock Ownership Plans of Listed Companies.

The full text of the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan is set out in Appendix IV to this circular. The Administrative Measures on the 2021 A Share Employee Stock Ownership Plan is prepared in Chinese. If there is any discrepancy between the English translation of the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan and the Chinese version, the Chinese version shall prevail.

A special resolution will be proposed at the EGM and the Class Meeting to consider and, if thought fit, approve the adoption of the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan.

VIII. PROPOSED AUTHORISATION TO THE BOARD TO DEAL WITH MATTERS IN RELATION TO THE 2021 A SHARE EMPLOYEE STOCK OWNERSHIP PLAN

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

- (1) to authorize the Board to handle the establishment, change and termination of the Employee Stock Ownership Plan, including but not limited to the cancellation of the qualifications of the Holders and the early termination of the Employee Stock Ownership Plan in accordance with the provisions of the Employee Stock Ownership Plan;
- (2) to authorize the Board to decide on the extension and early termination of the Employee Stock Ownership Plan;
- (3) to authorize the Board to handle all matters in relation to the lock-up and unlocking of the Shares purchased under the Employee Stock Ownership Plan;
- (4) to authorize the Board to interpret the 2021 A Share Employee Stock Ownership Plan (Draft) of the Company;
- (5) to authorize the Board to make decisions on the refinancing matters such as participation in the placing of Shares of the Company during the term of the Employee Stock Ownership Plan;

LETTER FROM THE BOARD

- (6) to authorize the Board to change the participants and the determination criteria of the Employee Stock Ownership Plan;
- (7) to authorize the Board to sign the contract and relevant agreement documents of the Employee Stock Ownership Plan;
- (8) upon consideration and approval of the Employee Stock Ownership Plan at the general meeting, to authorize the Board of the Company to make corresponding adjustments to the Employee Stock Ownership Plan according to new policies or regulations in the event of changes in relevant laws, regulations and policies during the implementation period;
- (9) to propose to the general meeting to authorize the Board to deal with any announcements and circulars required to be disclosed on the website of the SSE (www.sse.com.cn) or the website of the Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance matters of the SSE or the Hong Kong Stock Exchange in relation to the 2021 A Share Employee Stock Ownership Plan; and
- (10) to authorize the Board to handle other necessary matters required for the Employee Stock Ownership Plan, except for the rights to be exercised by the general meeting as expressly stipulated in the relevant documents.

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

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

Please refer to the sections headed “II. 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 Stock Ownership Plan – (I) Purposes of the Employee Stock Ownership Plan” in this circular.

The Directors are of the opinion that, given that the maximum number of share options and restricted share units approved for grant under the Company’s existing share option and restricted share incentive schemes have been fully granted to eligible grantees, the adoption of the Incentive Scheme and the Employee Stock Ownership Plan will enable the Company to achieve incentive purposes similar to those of share options and restricted share units. Also, 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.

LETTER FROM THE BOARD

X. GENERAL MANDATE IN RELATION TO REPURCHASE OF A SHARES AND/OR H SHARES

A special resolution will be proposed at the EGM and the relevant class meeting to consider and approve a general and unconditional mandate to the Board to repurchase A Shares and/or H Shares of the Company in accordance with the relevant laws and regulations, the relevant rules of the Stock Exchange and the Articles of Association. An explanatory statement as required by the Listing Rules is set out in Appendix V to this circular, which contains all information reasonably necessary for the Shareholders to make an informed decision on whether to vote for or against the relevant resolutions at the EGM and the H Share Class Meeting.

XI. CONNECTED TRANSACTION — PURCHASE OF SERIES B+ PREFERRED SHARES IN THE TARGET COMPANY

Reference is made to the Company's announcement dated December 10, 2021 in relation to the proposed connected transaction of Purchase of Series B+ Preferred Shares in JOINN Biologics. Ordinary resolution will be proposed at the Extraordinary General Meeting to consider and approve the proposed connected transaction.

On December 10, 2021, the Company, among other parties, entered into the Share Purchase Agreement with JOINN Biologics, pursuant to which the Company has agreed to purchase, and JOINN Biologics has agreed to issue and sell, 44,116,176 Series B+ Preferred Shares, which represents approximately 4.76% of the issued share capital of JOINN Biologics on a fully-diluted and as-converted basis (based on the Assumptions) at the total consideration of US\$50 million. Other parties to the Share Purchase Agreement include JOINN Biologics Group, the Principals, the Holding Companies and the Angel Investor.

(I) The Share Purchase Agreement

The principal terms of the Share Purchase Agreement are as follows:

Date	December 10, 2021
Parties	(1) the Company; (2) the Target Company; (3) the Target Subsidiaries; (4) the Principals; (5) the Holding Companies; and (6) the Angel Investor.

LETTER FROM THE BOARD

Conditions Precedent

Conditions to the major obligations of the Company

The performance of the obligations of the Company under the Share Purchase Agreement is subject to the satisfaction of, on or prior to the completion of the Share Purchase Agreement, the conditions, including but not limited to the followings:

- (i) All consents of any competent governmental authority or of any other person that are required to be obtained by any Target Group Company or other Warrantor in connection with the consummation of the transactions contemplated by the transaction documents, including necessary board and/or stockholder approvals of the Target Group Companies and the Holding Companies, shall have been duly obtained and effective as of the Closing, and evidence thereof shall have been delivered to the Company;
- (ii) the Target Company shall have executed and delivered to the Company the Management Rights Letter; and
- (iii) Other reasonable and customary conditions.

All of the conditions to the major obligations of the Company could be waived by the Company.

Conditions to the major obligations of the Target Company

The performance of the obligations of the Target Company under the Share Purchase Agreement is subject to the satisfaction of, on or prior to the completion of the Share Purchase Agreement, the conditions, including but not limited to the followings:

- (i) the representations and warranties of the Company have been true and complete when made and as of the Closing;

LETTER FROM THE BOARD

- (ii) due performance and compliance with all covenants, obligations and conditions contained in the Share Purchase Agreement that are required to be performed or complied with by the Company on or before the Closing;
- (iii) each of the parties to the transaction documents, other than the Warrantors, shall have executed and delivered such transaction documents to the Target Company; and
- (iv) the Company shall have completed the ODI Filings or other necessary registrations and/or approvals in accordance with applicable laws and the Target Company's requirements for its holding equity interests, provided, however, if the Company fails to complete the ODI Filings or other necessary registrations and/or approvals in accordance with applicable laws and the Target Company's requirements for holding its equity interests within 120 days following the date of the Share Purchase Agreement, the Target Company shall have the right, but not the obligation, to require the Company to pay the full RMB amount being equivalent to the total consideration to Beijing Joynn Biologics Co. Ltd. by means of convertible loan and issue and sell to the Company a corresponding warrant, pursuant to which the Company, when and if the ODI Filings or other necessary registrations and/or approvals in accordance with applicable laws and the Target Company's requirements for holding equity interests in the Target Company have been completed, shall be entitled to purchase 44,116,176 Series B+ Preferred Shares for a total exercise price being equivalent to the total consideration.

All of the conditions to the major obligations of the Target Company could be waived by the Target Company.

Sale and Issuance of the Series B+ Preferred Shares

The Target Company shall issue and sell to the Company 44,116,176 Series B+ Preferred Shares, which represents approximately 4.76% of the issued share capital of the Target Company on a fully-diluted and as-converted basis (based on the Assumptions).

LETTER FROM THE BOARD

Consideration and Purchase Price	<p>US\$50 million (equivalent to a price of US\$1.13 per Series B+ Preferred Share). For the basis of the consideration, please refer to the section headed “Basis of the Consideration” below.</p> <p>The consideration is to be paid by the Company by wire transfer of immediately available funds in U.S. dollars within 30 business days following the Closing. The consideration will be funded by internal resources of the Group. The proceeds from the initial public offering of the Company will not be used to finance the Purchase.</p>
Use of Proceeds	<p>Business expansion, capital expenditures and other general working capital needs of the Target Group Companies.</p>
Closing	<p>The Closing shall take place within 10 business days (or such other time as mutually agreed by the Company and the Target Company) after all closing conditions have been waived or satisfied.</p>
Termination	<p>The Share Purchase Agreement may be terminated before the Closing, as follows:</p> <ul style="list-style-type: none">(i) at the election of the Company, if the Closing shall not have occurred on or before the day falling on the end of the six months after the date of the Share Purchase Agreement or other date extended by the mutual written consent of the Target Company and the Company;(ii) at the election of one party, if any inaccuracy in or breach of any representations or warranty, covenant or agreement made by the other party in the transaction documents occurs;(iii) at the election of one party, if any of other parties fails to perform any covenant, agreement or other provision to be performed or observed by it pursuant to the transaction documents and fails to make effective rectification with 15 business days after the notice given by the Company;

LETTER FROM THE BOARD

- (iv) at the election of the Target Company, if the Company fails to pay the purchase price on the Closing Date and fails to remedy such delay within 15 business days thereafter, and the parties have failed to agree otherwise; under such circumstance, the Target Company may also claim any losses resulting therefrom;
- (v) by mutual written consent of the Target Company and the Company.

(II) The Principal Rights Attached to the Series B+ Preferred Shares

Pursuant to the Share Purchase Agreement, prior to the Closing, the Shareholders Agreement and the Management Rights Letter shall be executed, and the Amended and Restated Articles of Association shall be adopted.

According to the form of each of the Shareholders Agreement, the Management Rights Letter and the Amended and Restated Articles of Association (which are attached to the Share Purchase Agreement), the principal rights attached to the Series B+ Preferred Shares include the followings:

Shareholders Agreement and Amended and Restated Articles of Association

Conversion Rights

The Preferred Shareholders shall have the right to convert the Preferred Shares at any time. The number of ordinary shares to which a holder shall be entitled upon conversion of each Preferred Share shall be the quotient of corresponding applicable investment price of the Preferred Share divided by the applicable conversion price then in effect.

Dividend

No dividend or distribution shall be paid except out of the realised or unrealised profits of the Target Company, or out of the share premium account or as otherwise permitted by applicable laws. If the Target Company decides to declare dividend, each of its shareholder shall be entitled to be paid dividend out of funds or assets when and as such funds or assets become legally available for distribution on a pro rata basis. In addition, the Target Company shall not declare dividend in excess of 30% of the distributable profits of the Target Company in each financial year except as approved otherwise as per the requirements under the approval by no less than 2/3 of the JOINN Biologics Directors (including affirmative vote of each of the Series A1 preferred director and the Series B preferred director). No dividend or distribution shall bear interest against the Target Company.

LETTER FROM THE BOARD

Special Rights

All or any of the special rights for the time being attached to the JOINN Biologics Shares or any class of JOINN Biologics Shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Target Company is being wound up) be varied, modified or abrogated with the affirmative vote or written consent of the majority of holders of Series A1 Preferred Shares and the same of Series B Preferred Shares. The provisions of the Amended and Restated Articles of Association relating to general meetings shall, *mutatis mutandis*, apply to every class meeting of the holders of one class of JOINN Biologics Shares except that the necessary quorum shall be one or more person(s) holding or representing by proxy at least the majority of the issued JOINN Biologics shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

The rights conferred upon the holders of the JOINN Biologics Shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further JOINN Biologics Shares ranking *pari passu* therewith.

Shareholders' Rights

1. **Registration Rights.** JOINN Biologics shareholders shall be entitled the rights including but not limited to demanding registration, deferral of registration, piggyback registration, and distributing such Registrable Securities in an underwritten offering.
2. **Drag Along Rights.** In the event that the Key Principals and/or the Target Company fails to pay the Redemption Price of any Redeeming Shares in full held by a Preferred Shareholder within 12 months after the Redemption Notice Date, then such Preferred Shareholder may, subject to the approval of the majority of holders of Series A1 Preferred Shares and the same of Series B Preferred Shares, require a proposed sale of 100% Equity Securities of the Target Company to a third party.

LETTER FROM THE BOARD

3. **Right of Participation.** Each Preferred Shareholder shall have the right to purchase its pro rata share of all or any part of any new securities that the Target Company may from time to time issue after the date of the Shareholders Agreement.
4. **Right of First Refusal.** Each non-selling Preferred Shareholder shall have the right for a period of 20 days following the receipt of a transfer notice from an ordinary shareholder indicating its intention to transfer its Equity Securities to one or more third parties (the “**Transfer Notice**”), to elect to purchase its pro rata share of the offered shares at the same price and subject to the same material terms and conditions. In addition, in the event any Series A1 Preferred Shareholder other than Huagai proposes to transfer its Equity Securities to one or more third parties, each of the Special ROFR Holder shall have the special right of first refusal to elect to purchase its pro rata share (among all ordinary shares held by all Special ROFR Holders, calculated on a fully-diluted and as-converted basis) of the offered shares at the same price and subject to the same material terms and conditions.
5. **Co-Sale Right.** Any Preferred Shareholder who has not exercised its rights of first refusal with respect to the offered shares identified in the Transfer Notice shall have the right, but not the obligation, to require the transferor to require the prospective transferee in the proposed transfer to purchase from such Preferred Shareholder its applicable portion of the Equity Securities of the Target Company on the same terms and conditions as specified in the Transfer Notice (but in no event less favourable than the terms and conditions offered to the transferor).

LETTER FROM THE BOARD

6. **Voting Rights.** At all general meetings of the Target Company: (i) each ordinary share issued and outstanding shall carry one vote, (ii) each Preferred Share other than Warrant Share issued and outstanding shall carry such number of votes equivalent to the aggregate number of ordinary shares then issuable upon its conversion into ordinary shares immediately after the close of business on the record date of the determination of the shareholders entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Shareholders is first solicited, (iii) each Series B Warrant issued and outstanding shall carry such number of votes as equals the aggregate number of ordinary shares then convertible from such Series B Warrant Shares then issuable upon the exercise of such Series B Warrant immediately after the close of business on the record date of the determination of the shareholders entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the shareholders is first solicited.
7. **Redemption Rights.** Each Preferred Shareholder shall have the right, exercisable at its absolute discretion, by serving a written notice to the Target Company to require the Target Company to redeem all or a portion of the Preferred Shares then outstanding held by it upon the occurrence of certain events.

Management Rights Letter

Management Rights

The Company shall have the right to obtain certain non-public financial information of the Target Company, inspection rights and other rights specifically provided, and the contractual management rights provided under the Management Rights Letter, which include, among others, as below:

1. The right to select one representative to consult with and advise management of the Target Company on significant business issues;

LETTER FROM THE BOARD

2. The right for its representative to examine the books and records of the Target Company and inspect its facilities and may request information at reasonable times and intervals concerning the general status of the Target Company's financial condition and operations, and may conduct, either by itself or through any authorized representative or professional advisor, an audit of the financials of the Target Subsidiaries each fiscal year;
3. The right to send representative to attend all meetings of the board in a non-voting observer capacity.

(III) Information on the Group and the Parties to the Share Purchase Agreement

Information on the Group

The Group is a leading non-clinical CRO focused on drug safety assessment. The Group is in the process of expanding its offerings to an integrated range of services covering discovery, pre-clinical and clinical trial stages in the drug R&D service chain. The Group's non-clinical studies refer to pharmaceutical R&D studies other than clinical trials conducted on human subjects. Such non-clinical studies encompass all major stages of the pharmaceutical R&D process, including discovery, pre-clinical and clinical trial stages.

Information on the Target Company

The Target Company is a company incorporated in the Cayman Islands. It is a full-service premier Contract Development & Manufacturing Organization (CDMO) which provides various clients with quality, value and speed to market from DNA to drug product. It offers a comprehensive range of services across all the phases of the drug life cycle, which includes cell line development and MCB manufacturing, process and analytical development, formulation development, drug substance manufacturing and drug product development, and commercialized manufacturing services, along with packaged services for material production and investigational new drug (IND) enabling PKPD TOX services, all under one quality system supported by global regulatory services. Its scientists and engineers bring over two decades of development experience across a broad spectrum of both platform and novel technologies.

LETTER FROM THE BOARD

Change in Shareholding Structure of the Target Company

Immediately following the Closing, the Group will be the holder of 44,116,176 JOINN Biologics Series B+ Preferred Shares. The shareholding structure of the Target Company on a fully-diluted and as-converted basis immediately before the Closing and immediately following the Closing (based on the Assumptions) is set out below:

Shareholder	Immediately before the Closing		Immediately following the Closing	
	Number of shares ⁽¹⁾	Approximate shareholding percentage	Number of shares ⁽¹⁾	Approximate shareholding percentage
JOINN Biologics Holdco	443,250,251	50.23%	434,427,016	46.89%
Huagai – Huagai Healthcare Growth Company Limited ⁽²⁾	125,000,000	14.17%	125,000,000	13.49%
– Huagai Healthcare Fund II LP	4,411,618	0.50%	13,234,853 ⁽³⁾	1.43% ⁽³⁾
CPE ⁽⁴⁾	70,585,882	8.00%	70,585,882	7.62%
The Angel Investor ⁽⁵⁾	52,800,000	5.98%	52,800,000	5.70%
The Company	–	–	44,116,176	4.76%
Other shareholders ⁽⁶⁾	186,275,781	21.12%	186,275,781	20.11%
TOTAL	882,323,532	100.00%	926,439,708	100.00%

Notes:

- (1) For a better illustration of the relative interests held by various JOINN Biologics shareholders, the shareholding structure of the Target Company in the above table is presented on a fully-diluted and as-converted basis. The percentage ratios referred to in the section headed “IMPLICATIONS UNDER THE HONG KONG LISTING RULES” below are also calculated on a fully-diluted and as-converted basis.
- (2) Huagai Healthcare Growth Company Limited is directly wholly owned by Beijing Huagai Xincheng Yuanhang Medical Industry Investment Partnership (L.P)* 北京華蓋信誠遠航醫療產業投資合夥企業(有限合夥) (“**Beijing Huagai**”), a limited liability partnership established under the laws of the PRC. The largest limited partner of Beijing Huagai is Beijing Technology Innovation Fund (Limited Partnership)* 北京市科技創新基金(有限合夥), holding 13.04% of the interests thereof. No other partner holds more than 10% of the interests of Beijing Huagai. Beijing Technology Innovation Fund (Limited Partnership)* is a limited liability partnership established under the laws of the PRC, which is controlled by the State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality.
- (3) The 13,324,853 JOINN Biologics Shares include the 8,823,235 JOINN Biologics Shares to be transferred from JOINN Biologics Holdco to Huagai Healthcare Fund II LP as part of the Series B+ financing of the Target Company.
- (4) CPE is directly wholly owned by CPEChina Fund IV, L.P., a limited liability partnership with 65 limited partnership as of 31 October 2021.

LETTER FROM THE BOARD

- (5) Please refer to the section headed “Information on the Angel Investor” in relation to the shareholding of the Angel Investor.
- (6) It includes (i) other existing shareholders of the Target Company, all of which has a shareholding of less than 2% in the Target Company; and (ii) participants of the employee incentive schemes of the Target Company. At the Closing, 72,000,000 Ordinary Shares shall have been duly reserved for issuance pursuant to the employee incentive schemes of the Target Company. There are 68 participants of the aforesaid employee incentive schemes, among which two participants are entitled to approximately 1-3% of the shareholding of the Target Company under the aforesaid employee incentive schemes, while the entitlement of each of the remaining participants is below 1%.

Information on JOINN Biologics Holdco and the Holding Companies

JOINN Biologics Holdco is a company incorporated in the British Virgin Islands, which is primarily engaged in investment holding. It is the largest shareholder of the Target Company. JOINN Biologics Holdco is ultimately beneficially owned by the Principals, being ultimately beneficially held as to 55% by Mr. Zhou, 26% by Ms. Feng and 19% by Zhou Fengyuan and Zhou Fengyi collectively via other Holding Companies. Each of the Holding Companies is ultimately beneficially owned by the Principal(s).

Information on the Principals

The principals, namely Ms. Feng, Mr. Zhou, Zhou Fengyi and Zhou Fengyuan, are the shareholders of the Target Company. Zhou Fengyi and Zhou Fengyuan are the children of Ms. Feng and Mr. Zhou.

Information on the Angel Investor

The Angel Investor is a company incorporated in the British Virgin Islands, which is primarily engaged in investment holding. Ms. Lou Shengling is the ultimate beneficial owner of the Angel Investor, holding the entire issued share capital thereof.

Information on JOINN Biologics US Inc.

JOINN Biologics US Inc. is a company limited by shares incorporated and existing under the laws of the United States principally engaged in providing foreign customers with CDMO Services across all the phases of the drug life cycle. JOINN Biologics US Inc. is directly wholly owned by the Target Company. Please refer to the section headed “Information on the Target Company” in respect of the shareholding of the Target Company.

LETTER FROM THE BOARD

Information on JOINN Biologics (HK) Limited

JOINN Biologics (HK) Limited is a company limited by shares incorporated and existing under the laws of Hong Kong principally engaged in investment holding. JOINN Biologics (HK) Limited is directly wholly owned by the Target Company. Please refer to the section headed “Information on the Target Company” in respect of the shareholding of the Target Company.

Information on Beijing Joinn Biologics Co. Ltd.

Beijing Joinn Biologics Co. Ltd. is a limited liability company incorporated and existing under the laws of the PRC. Beijing Joinn Biologics Co. Ltd. is directly 91.0714% owned by the Target Company through JOINN Biologics (HK) Limited, while the remaining 8.9286% is held by the Company. Please refer to the section headed “Information on the Target Company” in respect of the shareholding of the Target Company.

(IV) Financial Information of the Target Company and Its Subsidiaries

Set out below are certain unaudited consolidated financial information of the Target Company as at June 30, 2021 and for the financial year ended December 31, 2019 and December 31, 2020:

	For the year ended December 31, 2020 (unaudited) US\$	For the year ended December 31, 2019 (unaudited) US\$
Profit/(loss) before taxation	(13,768,646)	(4,665,645)
Profit/(loss) after taxation	(10,875,521)	(3,256,366)
		As at June 30, 2021 (unaudited) USD
Total Assets		159,517,393
Net Assets		92,760,550

There was no original acquisition cost incurred by connected persons of the Company for acquiring the Target Company since it was founded by the Principals.

LETTER FROM THE BOARD

(V) Basis of the Consideration

On August 3, 2021, the Target Company entered into the series B preferred share and warrant purchase agreement with CPE, the Principals, the Holding Companies, the Target Subsidiaries and other parties in relation to the Series B Financing. Pursuant to the Series B Financing, various investors, including CPE, were introduced as shareholders of the Target Company. The consideration under the Series B Financing was approximately US\$1.13 per Series B Preference Share, which was determined by the parties after arm's length negotiation having taken into account of a wide range of factors in relation to the Target Company including the orders in hand, the expected growth of business performance, the market position and valuation among the industry. The consideration for the Purchase was determined with reference to and was identical to the consideration of the investment of Series B Financing. The consideration for the Purchase was determined with reference to and was identical to the consideration of the investment of Series B Financing. Given that the consideration for the Purchase is identical to the consideration under the Series B Financing, which was determined by third party investors without the involvement of the Company, the consideration for the Purchase represented a fair price recognized by external investors.

(VI) Reasons for and Benefits of the Purchase of Series B+ Preferred Shares

As discussed in the section headed "Management Discussion and Analysis" of the 2021 interim report published by the Company, the Group intends to selectively pursue acquisitions of businesses and assets that are complementary to its growth strategies, particularly those that can help us enrich its services offerings at a global scale. Accordingly, the Company proposed to enter into the transactions having taken into account its needs of developing a comprehensive range of services and assessment of the promising future development of the CDMO industry. The Company believes that in the long term, such transactions will benefit the Company in the future, fulfill its overall development strategy and facilitate further expansion of markets.

Integrated service capability is becoming more and more important to CRO's development and forms part of the Company's direction of further development. Integrated service is conducive to improving the efficiency of customer service, increasing the stickiness of customers, extending the service chain and improving the service experience for the same customer. Due to the Company's business positioning, it has yet to be engaged in CDMO business and hence it may not be competitive enough to attract customers with integrated service needs when compared with other competitors. The investment in the Target Company will indirectly expand the Company's footprint to CDMO business and the scope of the Target Company's services could be mutually reinforced with the Company's existing toxicological safety assessment business, clinical CRO business and pharmacovigilance PV services, etc. It could reach customers in advance and help lengthen the service cycle and extend the service chain. On the one hand, the

LETTER FROM THE BOARD

Company could share customer resources and order flow with the Target Company; on the other hand, it could save customers' time spent on R&D and improve the efficiency of new drug development.

The Target Company was established in 2018 and is currently at an initial business development stage. The CDMO industry in which the Target Company is operating is a heavy asset industry which requires substantial investment in fixed asset. In previous years due to the insufficiency of production capability and the relatively high fixed cost, the Target Company recorded net losses. Nevertheless, the Company is optimistic that the Target Company will benefit from the economies of scale and that the profitability of the Target Company will increase upon the completion of financing of the Target Company and the expansion of its facilities.

Upon the completion of the Purchase, the Target Company's customers will prioritize placing safety assessment orders to the Company, as a result from which the Company is expected to benefit from the increase in potential customers and orders. In the long run, it is expected to increase the Company's revenue. Meanwhile, the Target Company has also accumulated project experience in the field of biopharmaceutical CDMO. Through the cooperation of both sides, it is expected that synergy effect could be achieved which would improve the market competitiveness of the Company in the industry.

The terms of the Share Purchase Agreement as well as the transactions contemplated thereunder were agreed after arm's length negotiations among the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the Share Purchase Agreement as well as the transactions contemplated thereunder are, though not conducted in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

XII. PROPOSED CAPITAL INCREASE IN SUBSIDIARIES

Proposed Capital Increase in Relevant Domestic Subsidiaries by the Company

Reference is made to the announcement of the Company dated August 30, 2021 in relation to the proposed capital increase in relevant domestic subsidiaries of the Company. To meet the needs of the Company's business development and the Hong Kong share offering project, the Board agreed to increase the capital of its relevant wholly-owned domestic subsidiaries, whereby the capital of JOINN Biotech (Wuzhou) Co., Ltd. ("**JOINN Wuzhou**"), JOINN Laboratories (Suzhou) Co., Ltd. ("**JOINN Laboratories Suzhou**"), JOINN Laboratories (Guangzhou) Co., Ltd. ("**JOINN Laboratories Guangzhou**"), JOINN Laboratories (Chongqing) Co., Ltd. ("**JOINN Laboratories Chongqing**") and JOINN Medical Testing Laboratories (Beijing) Co., Ltd. ("**JOINN Medical Testing**") will be increased by RMB50 million, RMB400 million, RMB200 million, RMB250 million and RMB30 million, respectively. Upon completion of the capital injection, the registered capital of JOINN Wuzhou, JOINN Laboratories Suzhou, JOINN Laboratories Guangzhou, JOINN Laboratories

LETTER FROM THE BOARD

Chongqing and JOINN Medical Testing will be increased from RMB50 million to RMB100 million, RMB100 million to RMB500 million, RMB100 million to RMB300 million, RMB50 million to RMB300 million, and RMB20 million to RMB50 million, respectively.

The capital increase in the relevant domestic subsidiaries will be funded by the proceeds from the Global Offering, in accordance with the use of proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, including, among others, to expand the capacity of our Suzhou facilities and construct new facilities in Guangzhou and Chongqing.

Ordinary resolution will be proposed at the Extraordinary General Meeting to consider and approve the proposed capital increase in the relevant domestic subsidiaries.

Investment of the Company in JOINN Laboratories, CA Inc.

Reference is made to the announcement of the Company dated August 30, 2021 in relation to the proposed investment of the Company in JOINN Laboratories, CA Inc., its wholly-owned overseas subsidiary.

Given the strategic needs and business expansion needs of the Company, the Board agreed to invest in JOINN Laboratories, CA Inc., its wholly-owned overseas subsidiary, with US\$40 million of proceeds from the Global Offering. This investment is made in accordance with the use of proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, including, among others, to strengthen our U.S. operations and upgrade our existing facilities in northern California.

Ordinary resolution will be proposed at the Extraordinary General Meeting to consider and approve the proposed investment of the Company in JOINN Laboratories, CA Inc..

XIII. PROPOSED ESTABLISHMENT OF SUBSIDIARIES

Proposed Establishment of Biomere-Joinn (CA), Inc.

Reference is made to the announcement of the Company dated August 30, 2021 in relation to the proposed establishment of Biomere-Joinn (CA), Inc. (tentative), a wholly-owned subsidiary.

Given the overseas business expansion needs of the Company, the Board agreed to establish a wholly-owned subsidiary named Biomere-Joinn (CA), Inc. (tentative) through JOINN Laboratories (Delaware) Corporation, its wholly-owned subsidiary, with US\$20 million of proceeds from the Global Offering. This investment is made in accordance with the use of proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, including, among others, to strengthen our U.S. operations and upgrade our existing facilities in northern California.

LETTER FROM THE BOARD

Ordinary resolution will be proposed at the Extraordinary General Meeting to consider and approve the proposed establishment of Biomere-Joinn (CA), Inc..

Proposed Establishment of Wuxi JOINN Molecular Imaging Technology Co., Ltd.

Reference is made to the announcement of the Company dated August 30, 2021 in relation to the proposed establishment of Wuxi JOINN Molecular Imaging Technology Co., Ltd. (tentative).

Given the strategic needs and business expansion needs of the Company, the Board entered into an agreement with Jiangsu Sinotau Molecular Imaging Technology Co., Ltd. (江蘇先通分子影像科技有限公司), pursuant to which the Company and Jiangsu Sinotau Molecular Imaging Technology Co., Ltd. will establish a company named Wuxi JOINN Molecular Imaging Technology Co., Ltd. (tentative) with a registered capital of RMB50 million, of which RMB40 million, or 80%, will be contributed by the Company in cash out of the proceeds from the Global Offering, while RMB10 million, or 20%, will be contributed by Jiangsu Sinotau Molecular Imaging Technology Co., Ltd. in cash. The new company will be a subsidiary of the Company which will be principally engaged in the radiopharmaceuticals R&D outsourcing service and nuclide label analysis business for over-the-counter drugs.

This investment is made in accordance with the use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus, including, among others, to broaden and deepen our integrated CRO service offerings.

Ordinary resolution will be proposed at the Extraordinary General Meeting to consider and approve the proposed establishment of JOINN Molecular Imaging Technology Co., Ltd..

XIV. PROPOSED INVESTMENT IN COMPANY

Proposed Investment in Jiangsu Sinotau Molecular Imaging Technology Co., Ltd.

Reference is made to the announcement of the Company dated August 30, 2021 in relation to the proposed investment in Jiangsu Sinotau Molecular Imaging Technology Co., Ltd..

Given the strategic needs and business expansion needs of the Company, the Board agreed to acquire the new equity interests of Jiangsu Sinotau Molecular Imaging Technology Co., Ltd., an independent third party which is a company that enjoys leading position in terms of types of nuclides, number of premises and production capacity as well as professionalism domestically and internationally. The drug release R&D laboratory has a high threshold of administrative regulations, a long construction cycle and equipment with RMB25,714,286 of proceeds raised from the Global Offering. Upon completion of the capital increase, the Company will hold 30% of equity interests in the target company.

LETTER FROM THE BOARD

The Company is of the view that there are very few platforms that can provide third-party R&D services in China currently, and cooperation with Jiangsu Sinotau will not only enable us to be involved in the field of drug release CDMO on one hand, but also enable us to leverage on its facilities, equipment, nuclides and professional reserves to commence drug release CRO services, so as to gain first-mover advantage in the field of drug release, occupy the market of drug release outsourcing services, as well as expand and supplement the existing industry chain at the same time.

This investment is made in accordance with the use of proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus, including, among others, to fund potential acquisitions of suitable CROs.

Ordinary resolution will be proposed at the Extraordinary General Meeting to consider and approve the proposed investment in Jiangsu Sinotau Molecular Imaging Technology Co., Ltd..

XV. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

(I) Incentive Scheme

The Incentive Scheme is a discretionary scheme of the Company which 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.

(II) Employee Stock Ownership Plan

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

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

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

LETTER FROM THE BOARD

(III) Connected Transaction

As of the Latest Practicable Date, Ms. Feng, the chairperson of the Company and an executive Director, and Mr. Zhou, the spouse of Ms. Feng, are controlling shareholders of the Company entitled to exercise or control the exercise an aggregate of approximately 36.22% of the voting rights at general meetings of the Company and thus each of Ms. Feng and Mr. Zhou is a connected person of the Company pursuant to the Listing Rules. Ms. Feng and Mr. Zhou indirectly hold more than an aggregate of 30% of the shareholding of the Target Company. Therefore, the Target Company is an associate of Ms. Feng and Mr. Zhou and thereby a connected person of the Company pursuant to the Listing Rules. Save for the connected parties disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the parties to the Sales Purchase Agreement and its ultimate beneficial owners is not otherwise connected to the Company. Accordingly, the Purchase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Series B+ Preferred Share Purchase Agreement exceed 0.1% but are less than 5%, the Series B+ Preferred Share Purchase Agreement is subject to reporting and announcement requirements but is exempt from the circular and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Nevertheless, given that the consideration for the Purchase exceeds RMB30 million and accounts for more than 5% of the absolute value of the Company's most recent audited net assets, the Purchase is subject to the approval by the Shareholders at general meeting in accordance with the Articles of Association.

By reason of the above, Ms. Feng has abstained from voting on the relevant Board resolution approving the Share Purchase Agreement and the Purchase (the "**Resolution**"). Both Mr. Yao Dalin and Mr. Gao Dapeng have also abstained from voting on the Resolution since both of them were directors of Beijing Joynn Biologics Co., Ltd. at the time of voting on the Resolution (albeit Mr. Gao Dapeng has resigned and ceased to be a director of Beijing Joynn Biologics Co., Ltd. subsequently), while Mr. Gu Xiaolei has abstained from voting on the Resolution as well since his associate is interested in the shares of the Target Company (albeit the shareholding in the Target Company held by Mr. Gu's associate is less than 30% and hence the Target Company is not an associate of Mr. Gu). Save as aforementioned, none of the other Directors has a material interest in the Share Purchase Agreement as well as the transactions contemplated thereunder. Therefore, no other Director should abstain from voting on such Board resolution.

LETTER FROM THE BOARD

(IV) Capital Increase in Subsidiaries and Establishment of Subsidiaries

The aforementioned capital increase in subsidiaries and establishment of subsidiaries do not constitute discloseable transaction or connected transaction, and are hence not subject to any announcement requirements under the Listing Rules. However, given that the amount involved in the capital increase in subsidiaries and establishment of subsidiaries, as aggregated with investments of the same kind in the past 12 months, exceeds 50% of the Company's most recent audited net assets, pursuant to the listing rules of the SSE, they are subject to the approval by the Shareholders at general meeting.

(V) Investment in Company

For the aforementioned proposed investment in Jiangsu Sinotau Molecular Imaging Technology Co., Ltd., all of the applicable percentage ratios calculated in accordance with the Listing Rules are less than 5%, and therefore the proposed investment is not subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. Jiangsu Sinotau Molecular Imaging Technology Co., Ltd. is independent from the Company and its connected persons, and therefore the proposed investment also does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules. However, given that the amount involved in the investment, as aggregated with investments of the same kind in the past 12 months, exceeds 50% of the Company's most recent audited net assets, pursuant to the listing rules of the SSE, it is subject to the approval by the Shareholders at general meeting.

XVI. EXTRAORDINARY GENERAL MEETING AND CLASS MEETINGS

The notices of the Extraordinary General Meeting and the H Share Class Meeting are set out on pages 166 to 174 of this circular.

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

For H Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority must be delivered to the H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 24 hours before the time for holding the Extraordinary General Meeting or H Share Class Meeting in order for such documents to be valid. For A Shareholders, the proxy form, and if the proxy form is signed by a person under a power of attorney or other authority on behalf of the appointor, a notarially certified copy of that power of attorney or other authority, must be delivered to the

LETTER FROM THE BOARD

headquarters of the Company in the PRC at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China not less than 24 hours before the time for holding the Extraordinary General Meeting or A Share Class Meeting in order for such documents to be valid.

As for the special resolutions of No. 1 to No. 3 of the EGM and the Class Meetings, shareholders who are Participants or shareholders who are connected with the Participants shall abstain from voting. As for the ordinary resolutions of No. 1 to No. 3 of the EGM, any director or shareholder who is involved in the Employee Stock Ownership Plan shall abstain from voting. As for the ordinary resolution of No. 4 of the EGM, all Directors who abstained from voting of relevant board resolution and their respective associates shall abstain from voting. Saved as disclosed above, no shareholders shall abstain from voting for the rest resolutions to be proposed at the EGM and Class Meetings.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES

Pursuant to the Articles of Association, for the purpose of holding the Extraordinary General Meeting or H Share Class Meeting, the register of members of H Shares will be closed from Friday, January 14, 2022 to Wednesday, January 19, 2022 (both days inclusive), during this period no transfer of H Shares will be registered. In order to be eligible to attend and vote at the Extraordinary General Meeting and the H Share Class Meeting, non-registered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, January 13, 2022. H Shareholders whose names appear on the register of H Shareholders on Wednesday, January 19, 2022 are entitled to attend and vote at the EGM. For information about A Shareholders' attendance at the Extraordinary General Meeting or A Share Class Meeting, please see the A Share announcement published by the Company on the website of the SSE.

XVII. RECOMMENDATION

The Directors consider that all resolutions set out in the notice of Extraordinary General Meeting and notices of Class Meetings for consideration and approval by Shareholders are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of all resolutions to be proposed at the Extraordinary General Meeting and the Class Meetings.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the EGM and H Shares Class Meeting shall therefore demand voting on all resolutions set out in the notices of the EGM and H Shares Class Meeting to be taken by way of poll pursuant the Articles of Association.

LETTER FROM THE BOARD

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

XVIII. RESPONSIBILITY STATEMENT

This circular for which the Directors collectively and individually accept full responsibility, provides information in relation to the Company in compliance with the Listing Rules. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
For and on behalf of the Board
JOINN Laboratories (China) Co., Ltd.
Feng Yuxia
Chairperson

STATEMENT

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

Reminders

- I. The 2021 Restricted A Share Incentive Scheme (Draft) of Joinn Laboratories (China) Co., Ltd. (the “**Incentive Scheme**”, “**Incentive Scheme Draft**”, or “**Draft**”) is prepared under the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, the Administrative Measures for Equity Incentives of Listed Companies, the Rules Governing the Listing of Securities Investment Funds on the Shanghai Stock Exchange (“**Shanghai Listing Rules**”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Hong Kong Listing Rules**”) and other relevant laws, regulations, rules and regulatory documents, as well as the Articles of Association of Joinn Laboratories (China) Co., Ltd. (“**Articles of Association**”).
- II. The Incentive Scheme is using restricted shares as incentives. The source of the underlying shares shall be ordinary A Shares of the Company to be issued to the Participants by Joinn Laboratories (China) Co., Ltd. (the “**Company**” or “**Joinn**”).
- III. 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 379,398,200 shares issued from the total share capital of the Company as of the date of the Incentive Scheme Draft.

The total number of underlying shares involved in all the share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company as of the date of the Incentive Scheme Draft. 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 of the date of the Incentive Scheme Draft.

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

- IV. There are 505 Participants under the Incentive Scheme in total, including key technical (business) personnel of the Company (including its controlled subsidiaries) as of the date of the Company’s announcement of the Incentive Scheme.

- V. The Grant Price of the Restricted Shares shall be RMB83.97 per share.

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

- VI. 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.

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

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

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

1. He/she has been identified as an inappropriate candidate by the Stock Exchanges within the previous 12 months;

2. He/she has been identified as an inappropriate candidate by the CSRC and its agencies within the previous 12 months;
 3. He/she has been subject to administrative punishment or market ban measures by the CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;
 4. He/she is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
 5. He/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
 6. Other circumstances as determined by the CSRC.
- IX. The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Incentive Scheme.
- X. The Participants undertake, where false representations or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for the exercise of the entitlements, the Participants concerned shall return to the Company all interests gained through the share Incentive Scheme calculated from the date when it is confirmed that there are false representations or misleading statements in or material omissions from the relevant information disclosure documents of the Company.
- XI. The Incentive Scheme can only be implemented after consideration and approval at the General Meeting, the A Share Class Meeting and the H Share Class Meeting. The Company shall convene the board meeting for the purpose of granting the equities to the Participants (however, when the Participants are connected persons, the Company shall comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules) and complete the announcement and registration procedures within 60 days from the date on which the Incentive Scheme is considered and approved at the General Meeting, the A Share Class Meeting and the H Share Class Meeting of the Company according to the relevant requirements, failing which the Company shall disclose the reasons for the failure and announce the termination of the Incentive Scheme and the Restricted Shares which have not been granted will lapse; provided that in accordance with the Administrative Measures on Share Incentives of Listed Companies, the period during which no equity shall be granted shall not be included in the 60 days.
- XII. The implementation of the Incentive Scheme will not cause the shareholding structure of the Company to become ineligible for listing.

CONTENTS

Chapter 1	Definitions	70
Chapter 2	Purpose and Principles of the Incentive Scheme	72
Chapter 3	Administrative Bodies of the Incentive Scheme	73
Chapter 4	Basis for Determining the Participants and the Scope of Participants	74
Chapter 5	Source, Quantity and Allocation of Restricted Shares	76
Chapter 6	Validity Period, Grant Date, Lock-up Period, Unlocking Arrangement and Lock-up Period of the Incentive Scheme	78
Chapter 7	Grant Price of the Restricted Shares and Determination of the Grant Price	81
Chapter 8	Conditions of Grant and Unlocking of the Restricted Shares	82
Chapter 9	Methods and Procedures for Adjustment of the Restricted Shares Incentive Scheme	86
Chapter 10	Accounting Treatment of Restricted Shares	89
Chapter 11	Procedures for Implementing the Restricted Shares Incentive Scheme	91
Chapter 12	Respective Rights and Obligations of the Company/Participants .	96
Chapter 13	Handling Unusual Changes to the Company/Participants	99
Chapter 14	Settlement of Disputes between the Company and the Participants	102
Chapter 15	Principles for Repurchase and Cancellation of Restricted Shares .	103
Chapter 16	Supplementary Provisions	106

Chapter 1 Definitions

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

“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies
“Articles of Association”	the Articles of Association of Joynn Laboratories (China) Co., Ltd.
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“Grant Date”	the date on which the Company shall grant Joynn the entitlement of the Restricted Shares to the Participants, which must be a trading day.
“Grant Price”	the price at which each Restricted Share to be granted to the Participants by the Company
“Joynn”, this “Company”, the “Company”, or the “Listed Company”	Joynn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) and its controlled subsidiaries
“Lock-up Period”	the period during which the Restricted Shares are restricted to be transferred or assigned or used as guarantee or for repayment of debts, if the conditions for exercise of entitlements by the Participants as stipulated in the Incentive Scheme are not satisfied.
“Participants”	the key technical (business) personnel of the Company (and its controlled subsidiaries) to be granted the Restricted Shares pursuant to the Incentive Scheme.
“Restricted Shares”	a certain number of Shares of the Company to be granted to the Participants according to the conditions and price stipulated in the Incentive Scheme, which are subject to a locking period and can only be unlocked for trading when the unlocking conditions as stipulated in the Incentive Scheme are satisfied.

APPENDIX I THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME (DRAFT)

“Securities Depository and Clearing Institution”	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
“Securities Law”	the Securities Law of the People’s Republic of China
“Stock Exchanges”	The Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited
This “Incentive Scheme”, this “Draft”, or this “Incentive Scheme Draft”	The Restricted 2021 A Share Incentive Scheme (Draft)
“Unlocking Conditions”	the conditions for unlocking the Restricted Shares to be granted to the Participants under the Incentive Scheme.
“Unlocking Period”	refers to the period during which the Restricted Shares held by the Participants are unlocked and can be transferred upon the fulfillment of the unlocking conditions as stipulated in the Incentive Scheme.
“Yuan”	Renminbi

Notes:

1. Unless otherwise stated, the financial data and financial indicators referenced herein shall mean the financial data prepared on a consolidation basis and the financial indicators calculated based on such financial data, respectively.
2. Number rounding may result in discrepancy between the total amount and the aggregated amount of the corresponding sub-items.

Chapter 2 Purpose and Principles of the Incentive Scheme

For the purpose of establishing and improving the Company's long-term incentive mechanism, attracting and retaining excellent talents, fully mobilizing their enthusiasm, securing the successful achievement of the Company's long-term development goals and business objectives, and driving the long-term development of the Company, under the premise of fully safeguarding the interests of the Shareholders, the Incentive Scheme is prepared in accordance with the relevant laws, regulations and regulatory documents including the Company Law, the Securities Law and the Administrative Measures, as well as the Articles of Association.

Chapter 3 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, the A Share Class Meeting and the H Share Class Meeting of the Company for review and approval, and the Board of Directors may handle matters relating to the Incentive Scheme within its scope of authority as delegated by the General Meeting.
- III. The board of supervisors and the independent directors shall act as the supervisory authority for the Incentive Scheme, and shall express opinions as to whether the Incentive Scheme is conducive to the sustainable development of the Company, and whether there are any situations that clearly harm the interests of the Company and all shareholders. The board of supervisors shall verify the list of the Participants under the Incentive Scheme, and shall supervise the implementation of the Incentive Scheme as to whether it is in compliance with the relevant laws, administrative regulations, regulatory documents and operational rules of the Stock Exchanges. The independent directors shall solicit voting rights by proxy from all shareholders in respect of the Incentive Scheme.

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

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

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

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

I. Basis for Determining the Participants

1. Legal Basis for Determining the Participants

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

2. Position Basis for Determining the Participants

The Participants under the Incentive Scheme shall be key technical or business personnel that the Company (and its controlled subsidiaries) (but excluding any independent directors, supervisors, the shareholders individually or in aggregate holding more than 5% of the shares of the Company or the de facto controllers and their spouses, parents or children).

II. Scope of Participants

There are 505 Participants under the Incentive Scheme, including key technical (business) personnel. The Participants under the Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding more than 5% of the Shares of the Company or the de facto controllers and their spouses, parents or children.

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

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

- (1) He/she has been identified as an inappropriate candidate by the Stock Exchanges within the previous 12 months;
- (2) He/she has been identified as an inappropriate candidate by the CSRC and its agencies within the previous 12 months;
- (3) He/she has been subject to administrative punishment or market ban measures by the CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;
- (4) He/she is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;

- (5) He/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
- (6) Other circumstances as determined by the CSRC.

III. Verification of Participants

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

Chapter 5 Source, Quantity and Allocation of Restricted Shares

I. Source of Shares under the Incentive Scheme

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.

II. 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 379,398,200 shares issued from the total share capital of the Company as of the date of the Incentive Scheme Draft. The total number of underlying shares involved in all the share incentive schemes of the Company within the validity period does not exceed 10% of the total share capital of the Company as of the date of the Incentive Scheme Draft. 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 of the date of the Incentive Scheme Draft.

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

III. Allocation of the Restricted Shares among the Participants

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

Name	Responsibility	Number of Restricted Shares Granted (0'000 shares)	Percentage to the total number of Restricted Shares Granted	Percentage to the Current Total Share Capital of the Company
	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>

APPENDIX I THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME (DRAFT)

Note 1: The total number of the shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity period do not exceed 1% of the total share capital of the Company. The cumulative total number of underlying shares involved under all share incentive schemes of the Company which are within their validity period do not exceed 10% of the Company's total share capital as of the date on which the Incentive Scheme is submitted for approval at the General Meeting, the A Share Class Meeting and the H Share Class Meeting. 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. When the Participants subscribe for Restricted Shares, the amount of the Restricted Shares may be reduced accordingly due to insufficient funds.

Note 2: The Participants under the Incentive Scheme do not include the independent directors, supervisors of the Company, shareholders individually or in aggregate holding more than 5% of the Shares of the Company or the de facto controllers and their spouses, parents or children.

**Chapter 6 Validity Period, Grant Date, Lock-up Period,
Unlocking Arrangement and Lock-up Period of the Incentive Scheme**

I. Validity Period of the Incentive Scheme

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

II. Grant Date of the Incentive Scheme

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

However, the 60-day period excludes the periods in which the Company is prohibited from granting Restricted Shares. The Listed Company shall not grant any Restricted Shares to the Participants during the following periods:

1. 60 days prior to the annual results announcement of the Company, 30 days prior to the half-year/quarterly results announcement and the date of announcement. Where the date of announcement of the regular report is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of announcement and end on the day prior to the announcement;
2. Within 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;
4. Such other period as stipulated by the CSRC and the Stock Exchanges.

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

III. Lock-up Period and Unlocking Arrangement of the Incentive Scheme

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

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

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

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

IV. Lock-up Period of the Incentive Scheme

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

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

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

I. Grant Price of the Restricted Shares

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

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

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

1. 50% of the average trading price of the Shares of the Company for the last trading day preceding the date of the announcement of the Incentive Scheme (total trading amount for the last trading day/total trading volume for the last trading day) of 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 of the Incentive Scheme (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.

Chapter 8 Conditions of Grant and Unlocking of the Restricted Shares

I. Conditions of Grant of the Restricted Shares

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

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

II. 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 at the Grant Price and cancelled by the Company. 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 at the Grant Price and cancelled by the Company.

3. Performance Appraisal Requirements of the Company

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

Unlocking Period	Performance Appraisal Targets
First Unlocking Period	Based on the operating income for 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 less than 69%;
Third Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2023 shall not be less 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 assessment 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 assessment on the Participants and determine the unlocking ratio based on the assessment results. The actual unlocking amount of the Participants for the current year = the unlocking ratio at individual level × the planned unlocking amount of the Participants for the current year.

The performance appraisal results of the Participants are divided into 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)
Unlocking ratio	100%		0%	

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

III. Scientificity and Reasonableness of the Appraisal Indicators

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

The performance appraisal indicator at company level is the growth rate of operating income, which is an important indicator for measuring the operating conditions and market share of an enterprise and predicting the development trend of the enterprise's business because an increasing operating income is the basis for the survival and development of an enterprise. With reasonable prediction and taking into account the incentive effect of the Scheme, the Company has determined to use the operating income for 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 company level, the Company has also set up a strict performance appraisal system at individual level of the Participants, which can make a more accurate and comprehensive assessment on the performance of the Participants. The Company will determine whether the Participants meet the conditions for unlocking based on their performance appraisal results for the previous year.

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

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

I. Adjustment Methods of the Number of the Restricted Shares

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

1. Capitalisation of capital reserve, bonus issue, share subdivision

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

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

2. Rights issue

$$Q = Q_0 \times P1 \times (1 + n) \div (P1 + P2 \times n)$$

Where: Q_0 represents the number of the Restricted Shares before the adjustment; $P1$ represents the closing price as of the record date; $P2$ represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); Q represents the adjusted number of the Restricted Shares.

3. Consolidation of shares

$$Q = Q_0 \times n$$

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

4. 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 Methods of the Grant Price of the Restricted Shares

In the event of any capitalisation issue, bonus issue, sub-division of shares, rights issue or consolidation of shares 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 methods are as follows:

1. *Capitalisation of capital reserve, 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 capitalisation of capital reserve, bonus issue or share subdivision; and P represents the Grant Price after the adjustment.

2. *Rights issue*

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

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

3. *Consolidation of shares*

$$P = P_0 \div n$$

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

4. *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 1.

5. *New Issue*

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

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

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

Chapter 10 Accounting Treatment of Restricted Shares

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

(I) Accounting Treatment

1. *Grant Date*

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

2. *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.

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

The total expenses to be recognized for the grant of 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 (RMB0'000)	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.

Chapter 11 Procedures for Implementing the Restricted Shares Incentive Scheme

I. Procedures for the Incentive Scheme to Take Effect

1. The Remuneration Committee is responsible for drafting the Incentive Scheme.
2. The Board of Directors shall resolve on the Incentive Scheme lawfully. When the Board of Directors is considering the Incentive Scheme, the Directors who are Participants of this Scheme or who are associated with this Scheme shall abstain from voting. After resolution, announcement and publication of the resolution, the Board of Directors shall submit the Incentive Scheme to the General Meeting, the A Share Class Meeting and the H Share Class Meeting for consideration; meanwhile, the Board of Directors shall apply with the General Meeting, the A Share Class Meeting and the H Share Class Meeting for the authority of granting, adjusting, unlocking, repurchasing and de-registration of Restricted shares. If the grant is made to any Directors, Supervisors or other Connected Persons under the Hong Kong Listing Rules, the Company shall comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.
3. Independent Directors and the Board of Supervisors shall issue opinions on whether the Incentive Scheme will be conducive to the sustainable development of the Company, and whether there will be any apparent prejudice to the interests of the Company and all shareholders. The Company will engage an independent financial adviser to issue professional opinions on whether the Incentive Scheme is feasible, whether it is conducive to the sustainable development of the Company, and whether it will impair the interests of the Company and its shareholders.
4. The Company shall internally publish the names and the positions of the Participants before the General Meeting, the A Share Class Meeting and the H Share Class Meeting are convened through its website or other channels for a period of no less than 10 days. The Board of Supervisors shall review the list of Participants and take sufficient consideration of the public response. The Company shall disclose the information regarding the review by the Board of Supervisors regarding the list of Participants and the publication responses 5 days prior to the consideration of the Incentive Scheme at the General Meeting, the A Share Class Meeting and the H Share Class Meeting. The Company shall carry out self-investigation on the trading of shares and derivatives of the Company by individuals in possession of inside information within 6 months prior to the announcement of the Incentive Scheme.
5. The Incentive Scheme shall be feasible only after being considered and adopted at the General Meeting, the A Share Class Meeting and the H Share Class Meeting of the Company. When the General Meeting, the A Share Class Meeting and the H Share Class Meeting of the Company is convened to vote

on the Incentive Scheme, the independent directors shall solicit proxy voting rights from all shareholders regarding the Incentive Scheme. At the General Meeting, the A Share Class Meeting and the H Share Class Meeting, it is required to vote on the content of the Incentive Scheme under Article 9 of the Administrative Measures, and the Incentive Scheme shall be passed by more than 2/3 of the voting rights held by the shareholders present at the meeting. Except for the directors, supervisors and senior management of the Company, as well as the shareholders individually or in aggregate holding more than 5% of the Company's shares, the voting by other shareholders shall be separately counted and disclosed.

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

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

II. Procedures for Grant of the Restricted Shares

1. Upon consideration and approval of the Incentive Scheme at the General Meeting, the A Share Class Meeting and the H Share Class Meeting, the Company shall sign an Agreement on the Grant of the Restricted Shares with the Participants in order to define their respective rights and obligations.
2. The Board of Directors shall consider and announce whether the conditions of a grant to a Participant as set out in the Incentive Scheme have been satisfied before the Company makes a grant of share to such Participant. The Independent Directors and the Board of Directors shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the grant of shares to the Participants are fulfilled or not.
3. The Board of Supervisors of the Company shall verify the list of Participants on the Grant Dates of the Restricted Shares and issue their views on such verification.
4. If there is any discrepancy between the grant of the shares to the Participants and the arrangement of the Incentive Scheme, the independent directors, the Board of Supervisors (in case of change of the Participants), the law firm and the independent financial adviser shall all express their views explicitly at the same time.

5. The Company shall make the grant of Restricted Shares to the Participants and complete the announcement and registration procedures within 60 days after the Incentive Scheme is considered and approved at the General Meeting, the A Share Class Meeting and the H Share Class Meeting. The Board of Directors shall disclose the implementation thereof timely by way of announcement after completion of the registration of the grant. In the event the Company fails to complete the procedures mentioned above within such 60 days, the Scheme shall be terminated, and the Board of Directors shall disclose the reason for such failure timely and shall not be allowed to consider the Incentive Scheme within the following three months (the period in which listed companies are not allowed to grant Restricted Shares in accordance with the Administrative Measures shall not included in such 60 days).
6. The Company shall make an application to the Stock Exchange first before any Restricted Shares are granted, and the Securities Depository and Clearing Institution will conduct registration procedure thereof upon confirmation by such stock exchange.

III. Procedures for Unlocking of the Restricted Shares

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

IV. Procedures for the Amendment of the Incentive Scheme

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

V. Procedures for Termination of the Incentive Scheme

1. Where the Company intends to terminate the implementation of the Incentive Scheme before it is considered at the General Meeting, the A Share Class Meeting and the H Share Class Meeting, the termination shall be considered and approved by the Board of Directors.
2. Where the Company terminates the Incentive Scheme after the Incentive Scheme is considered and approved at the General Meeting, the A Share Class Meeting and the H Share Class Meeting, the termination shall be considered and approved at the General Meeting, the A Share Class Meeting and the H Share Class 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 Depository and Clearing Institution shall handle the registration and settlement matters upon confirmation by the Stock Exchanges.

Chapter 12 Respective Rights and Obligations of the Company/Participants

I. Rights and Obligations of the Company

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

II. Rights and Obligations of the Participants

1. A participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
2. The Participants shall lock-up and deal with his/her Restricted Shares in accordance with relevant provisions.
3. Source of funds shall be self-financed by the Participants.
4. The Restricted Shares shall not be transferred or used as guarantee or for repayment of debt before unlocking of the Restricted Shares.
5. Restricted Shares granted to the Participants shall, upon registration by the Securities Depository and Clearing Institution, enjoy the rights of such shares, including but not limited to the right to dividends and options on such shares. However, during the Lock-up Period, the stock dividends, capitalisation issue, rights issue and shares placed to original shareholders during the additional issue shall not be sold in the secondary market or transferred by other means. The deadline for the Lock-up Period of such shares is the same as that of the Restricted Shares.
6. When the Company distributes cash dividends, the Participants shall enjoy the cash dividends due to his/her Restricted Shares after withholding and remitting the personal income tax, which shall be collected by the Company in principle and shall be returned to the Participants when the Restricted Shares are unlocked. If the Participants fail to unlock such part of Restricted Shares, the Company will take back corresponding cash dividend and make corresponding accounting treatment.
7. The income received by the Participants as a result of the Incentive Scheme shall be subject to personal income tax and other taxes and fees in accordance with national tax regulations.
8. The Participants undertake that during the implementation of the Incentive Scheme, if the Participants are disqualified as Participants under the Incentive Scheme, they will, from the year of disqualification, waive all the rights hereunder, without claiming for any compensation from the Company; provided that the Participants may apply for the continuing effectiveness of the Restricted Shares unlocked, while the Restricted Shares unlocked will be repurchased and cancelled by the Company at the original Grant Price.
9. The Participants undertake, where false representations or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant

or arrangements for exercise of the entitlements, the Participants concerned shall return to the Company all interests gained through the Incentive Scheme calculated from the date when it is confirmed that there are false representations or misleading statements in or material omissions from the relevant information disclosure documents of the Company.

10. Upon consideration and approval of the Incentive Scheme at the general meeting, the A Share Class Meeting and the H Share Class Meeting of the Company, the Company will sign an Agreement on the Grant of the Restricted Shares with each participant in order to define their respective rights and obligations under the Incentive Scheme and other relevant matters.
11. Other relevant rights and obligations under the laws, regulations and the Incentive Scheme.

Chapter 13 Handling Unusual Changes to the Company/Participants

I. Handling Unusual Changes to the Company

1. The Incentive Scheme shall be terminated if any of the following events occurs to the Company. The Restricted Shares which have been granted to the Participants but not yet unlocked shall not be unlocked and shall be repurchased and cancelled by the Company:
 - (1) The registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the financial and accounting report for the previous accounting year;
 - (2) The registered public accountant issues an audit report with adverse opinion or disclaimer of opinion on the internal control of the financial report for the previous accounting year;
 - (3) The Company fails to implement a profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months immediately following the listing;
 - (4) The implementation of share incentives is prohibited by laws and regulations;
 - (5) Other circumstances as determined by the CSRC.
2. The Incentive Scheme shall remain unchanged, if any of the following events occurs to the Company:
 - (1) Change in control of the Company;
 - (2) Merger and spin-off of the Company.
3. Where false representations or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with grant conditions or unlocking/exercise arrangements, all the Restricted Shares that have not been unlocked shall be repurchased and cancelled by the Company uniformly. In respect of the Restricted Shares already unlocked by the Participants, the Participants concerned shall return to the Company all interests granted.

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

II. Change in Personal Circumstances of the Participants

1. If the position of the Participant changes but he/she still works in the Company or its associates or subsidiaries, the Restricted Shares granted to him/her shall still be carried out in accordance with the procedures stipulated in the Incentive Scheme. However, if the position of the Participant changes because he/she is incompetent for the job, or violates the laws, violates professional ethics, leaks company secrets, damages the interests or reputation of the Company due to dereliction of duty or malfeasance, or if the Company terminates the labor relationship with the Participant due to the above-mentioned reasons, the Restricted Shares that have been granted but have not yet been unlocked shall not be unlocked, and shall be repurchased at the Grant Price and cancelled by the Company.
2. If a Participant is disqualified in any of the following circumstances, the Restricted Shares of the Participant that have been unlocked will continue to be effective, while the Restricted Shares locked will be repurchased at the Grant Price and cancelled by the Company:
 - (1) He/she has been identified as an inappropriate candidate by the Stock Exchanges within the previous 12 months;
 - (2) He/she has been identified as an inappropriate candidate by the CSRC and its agencies within the previous 12 months;
 - (3) He/she has been subject to administrative punishment or market ban measures by the CSRC and its agencies due to material violations of laws and regulations within the previous 12 months;
 - (4) He/she is prohibited from acting as a director or a member of the senior management of the Company pursuant to the Company Law;
 - (5) He/she is prohibited from participating in equity incentives of listed companies pursuant to laws and regulations;
 - (6) Other circumstances as determined by the CSRC.
3. If a Participant leaves the Company by resignation, layoff, or expiry of labour contract, the Restricted Shares that have been granted but have not yet been unlocked shall not be unlocked, and shall be repurchased at the Grant Price and cancelled by the Company.

4. If a Participant no longer takes office in the Company due to retirement, the Restricted Shares that have been granted but have not yet been unlocked shall not be unlocked, and shall be repurchased at the Grant Price and cancelled by the Company. If a Participant that has retired is re-hired in the position still qualified for the Incentive Scheme, the Restricted Shares granted to them will be carried out in accordance with the procedures stipulated in the Incentive Scheme.
5. The resignation of a Participant due to loss of capacity shall be treated depending on the following two circumstances:
 - (1) If the Participant resigns due to loss of capacity resulting from performance of duties, the Restricted Shares granted to the Participant shall be fully subject to the procedures under the Incentive Scheme in accordance with the case prior to loss of capacity, and the individual performance appraisal results will no longer be included in the Unlocking Conditions;
 - (2) If the Participant resigns not due to loss of capacity resulting from performance of duties, the Restricted Shares which have been granted to the Participant but not yet unlocked shall not be unlocked and shall be repurchased at the Grant Price and cancelled by the Company.
6. The death of a Participant shall be treated depending on the following two circumstances:
 - (1) If the Participant deceases due to the performance of duties, the Restricted Shares which have been granted to the Participant shall be held by his/her designated successor or legal successor on his/her behalf. The Restricted Shares granted to the Participant but not yet unlocked shall be subject to the procedures under the Incentive Scheme in accordance with the case prior to the death, and the individual performance appraisal results will no longer be included in the Unlocking Conditions;
 - (2) If the Participant deceases due to other reasons, the Restricted Shares which have been granted to the Participant but not yet unlocked shall not be unlocked and shall be repurchased at the Grant Price and cancelled by the Company.
7. Other circumstances not stated above and the treatments thereof shall be recognized and determined by the Board of Directors.

Chapter 14 Settlement of Disputes between the Company and the Participants

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

Chapter 15 Principles for Repurchase and Cancellation of Restricted Shares

In the event the Company shall repurchase and cancel the Restricted Shares under this Incentive Scheme, unless otherwise agreed, the repurchase price shall be the Grant Price, except when the repurchase price shall be adjusted under the Incentive Scheme.

After the registration of the Restricted Shares granted to the Participants is completed, if matters such as capitalisation issue, bonus issue, sub-division, rights issue or consolidation of shares or dividend distribution occurred to the Company, the Company shall adjust the repurchase price or quantity of Restricted Shares that are not yet unlocked.

1. Adjustment Methods of the Repurchase Price**(1) Capitalisation of capital reserve, bonus issue, share subdivision**

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

Where: P represents the Grant Price after the adjustment, P_0 represents the Grant Price prior to the adjustment; n represents the ratio of increase per share resulting from the capitalisation of capital reserve, bonus issue or share subdivision (i.e. the number of increased share(s) per share upon capitalisation of capital reserve, bonus issue or subdivision of shares).

(2) Rights issue

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

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

(3) Consolidation of shares

$$P = P_0 \div n$$

Where: P represents the Grant Price after the adjustment, and P_0 represents the Grant Price prior to the adjustment; n represents the ratio of consolidation of shares (i.e. one share shall be consolidated into n share).

(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 1.

2. Adjustment Methods of Repurchase Quantity

(1) Capitalisation of capital reserve, bonus issue, share subdivision

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

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

(2) Rights issue

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

Where: Q_0 represents the number of the Restricted Shares before the adjustment; P_1 represents the closing price as of the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); Q represents the adjusted number of the Restricted Shares.

(3) Consolidation of shares

$$Q = Q_0 \times n$$

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

(4) New issue

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

3. Adjustment Procedures for the Repurchase Price and Quantity

- (1) The Board of Directors shall convene a meeting in a timely manner according to the authorization of the General Meeting, the A Share Class Meeting and the H Share Class Meeting, and formulate a repurchase adjustment plan according to the above-mentioned listed reasons. After the Board adjusts the repurchase quantity or repurchase price according to the above-mentioned provisions, it shall make a timely announcement.

- (2) The adjustment to the repurchase quantity or price of the Restricted Shares for other reasons shall be subject to resolution of the Board of Directors and consideration and approval at the General Meeting, the A Share Class Meeting and the H Share Class Meeting.

4. Procedures for Repurchase and Cancellation

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. The law firm shall give its professional opinions on whether this repurchase plan is in compliance with relevant laws, administrative regulations, the Administrative Measures and the arrangements of Incentive Scheme.

When the Company implements repurchase in accordance with the Incentive Scheme, it shall apply to the Stock Exchanges for unlocking of such Restricted Shares. Upon confirmation by the Stock Exchanges, the Securities Depository and Clearing Institution shall conduct the registration and settlement procedures.

Chapter 16 Supplementary Provisions

- I. The Incentive Scheme shall become effective after being considered and approved at the General Meeting, the A Share Class Meeting and the H Share Class Meeting of the Company.
- II. The Board of Directors of the Company shall be responsible for the interpretation of the Incentive Scheme.
- III. In case of any conflict between the relevant national laws, regulations and administrative rule and regulatory documents, the SSE Listing Rules, or the Hong Kong Listing Rules, the relevant national laws, regulations and administrative regulations, the SSE Listing Rules, and the Hong Kong Listing Rules shall prevail. For anything not covered herein, the relevant national laws, regulations and administrative rules, regulatory documents, the SSE Listing Rules and the Hong Kong Listing Rules shall apply.

Board of Directors of
Joynn Laboratories (China) Co., Ltd.
September 21, 2021

**APPENDIX II THE ASSESSMENT ADMINISTRATIVE MEASURES ON
THE IMPLEMENTATION OF THE 2021 RESTRICTED
A SHARE INCENTIVE SCHEME**

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

I. PURPOSES OF THE ASSESSMENT

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

II. PRINCIPLES OF THE ASSESSMENT

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

III. SCOPE OF THE ASSESSMENT

These Measures are applicable to all Participants of the Company's Restricted Share Incentive Scheme, including the key technical (business) personnel of the Company (including controlled subsidiaries).

IV. ASSESSMENT INSTITUTION

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

V. INDICATORS AND STANDARDS OF THE PERFORMANCE APPRAISAL

1. Performance Appraisal Requirements of the Company

In the next three fiscal years, the Restricted Shares granted under this scheme shall be subject to annual performance appraisal and the unlocking, with the achievement of performance appraisal as the unlocking condition of the Participants.

**APPENDIX II THE ASSESSMENT ADMINISTRATIVE MEASURES ON
THE IMPLEMENTATION OF THE 2021 RESTRICTED
A SHARE INCENTIVE SCHEME**

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

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

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

2. Performance Appraisal Requirements of Individual Participants

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

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

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

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

3. Application of appraisal results

If the performance appraisal requirements of the Company are met each year, The actual amount of unlocking of the individual of the Participants for the current year = the individual level coefficient × the individual's plan of unlocking limit for the current year;

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

VI. DURATION AND FREQUENCY OF ASSESSMENT

1. Duration of the Assessment

The assessment years for the Restricted Share Incentive Scheme are 2021, 2022, 2023.

2. Frequency of assessment

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

VII. UNLOCKING

1. The Remuneration and Appraisal Committee of the Board shall determine the unlocking qualifications and the number of unlocking Shares for the Participants based on the performance appraisal report.

2. The results of the performance appraisal shall be taken as the basis for the unlocking of the Restricted Shares.

VIII. APPRAISAL PROCEDURES

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

**APPENDIX II THE ASSESSMENT ADMINISTRATIVE MEASURES ON
THE IMPLEMENTATION OF THE 2021 RESTRICTED
A SHARE INCENTIVE SCHEME**

IX. FEEDBACK AND APPLICATION OF THE ASSESSMENT RESULTS

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

X. FILINGS OF THE ASSESSMENT RESULTS

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

XI. SUPPLEMENTARY PROVISIONS

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

Board of Directors of
Joynn Laboratories (China) Co., Ltd.
September 21, 2021

STATEMENT

The Company and all members of the Board of Directors and undertake that the information contained in the Employee Stock Ownership Plan is true, accurate and complete, and there is no false representations and misleading statements in or material omissions from the Employee Stock Ownership Plan.

RISK WARNING

1. The 2021 A Share Employee Stock Ownership Plan (“**the Employee Stock Ownership Plan**”) of Joynn Laboratories (China) Co., Ltd. (“**Joynn**” or the “**Company**”) will not be implemented until the general meeting of the Company. It is uncertain whether the Employee Stock Ownership Plan can be approved by the general meeting of the Company.
2. The detailed source of funds, proportion of contribution and implementation plan of the Employee Stock Ownership Plan are preliminarily decided. It is uncertain as to whether the implementation can be completed.
3. Employees shall abide by the principles of legal compliance, voluntary participation and voluntary risk undertaking. It is uncertain as to whether the Employee Stock Ownership Plan will be established.
4. The Company will subsequently disclose relevant progress in accordance with regulations, and Investors are advised to exercise caution when making decision and pay attention to investment risks.

SPECIAL NOTICE

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

1. The Employee Stock Ownership Plan is formulated in accordance with the requirements of the Company Law of the People’s Republic of China, the Securities Law of the People’s Republic of China, SSE Listing Rules, Hong Kong Listing Rules, and the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies, relevant laws, administrative regulations, rules, regulatory documents, and the Articles of Association.
2. The Employee Stock Ownership Plan follows the principles of discretionary decision of the Company and voluntary participation of employees without apportionment, mandatory distribution or other circumstances in which employees are forced to participate in the Employee Stock Ownership Plan.
3. The participants of the Employee Stock Ownership Plan shall include supervisors, senior management and key technical (business) personnel of the Company. The total number of participants in the Employee Stock Ownership Plan shall not exceed 11, including 4 supervisors and senior management. The specific number of participants is determined based on the actual payment made by the employees.
4. The source of funds for the Employee Stock Ownership Plan shall be the legal remuneration of employees, self-raised funds and other methods permitted by laws and regulations. The Company shall not provide advances, guarantees, loans and other financial assistance to the Holders.
5. The source of shares under the Employee Stock Ownership Plan is the A shares repurchased through the Company’s Special Account for Repurchase. The Employee Stock Ownership Plan is passed at the General Meeting of the Company, which contemplates to receive the A shares to be repurchased by the Company into the non-transfer accounts or other means permitted by laws and regulations, the total number of A shares to be received shall not exceed 32,600 shares, or 0.009% of the total share capital of the Company at present. The specific number of shares to be held is dependent on the actual contribution amount of employee, and the Company is liable for timely disclosure of such information as required.
6. After implementation of the Employee Stock Ownership Plan, the cumulative number of all shares effectively owned by employees within the Company shall not exceed 10% of the total share capital of the Company, while the cumulative number of all shares owned by a single employee shall not exceed 1% of the total share capital of the Company. The number of underlying shares shall not include the shares acquired by the Holder before the initial public offering and listing of shares of the Company and through material asset restructuring, shares purchased through the secondary market and shares acquired through share incentives.

7. Under the Employee Stock Ownership Plan, the shares shall be repurchased at RMB83.97 per share, i.e. 50% of the average trading price on the trading day prior to the meeting of Board of Directors.
8. The term of the Employee Stock Ownership Plan is 48 months, commencing from the date on which the last transfer of underlying shares to the Employee Stock Ownership Plan, as announced by the Company. The underlying shares hereunder shall be unlocked 12 months, 24 months, and 36 months respectively after such date with the longest lock-up period being 36 months, and the unlocking ratio being 40%, 30% and 30% respectively, provided that the specific unlocking ratio of each year depends on the Company's operating results and shareholders' appraisal results.
9. During the term, the Employee Stock Ownership Plan will be managed by the Company on its own. A Management Committee is set up to exercise all the rights on behalf of shareholders hereunder, other than the voting right, and to take charge of the ordinary course of the Plan.
10. Prior to the implementation of the Employee Stock Ownership Plan, the Company will take full consideration of the opinions from employees through the Workers' Congress or the Trade Union Committee. After the Board of Directors has considered and approved the Employee Stock Ownership Plan, the Company will issue the notice of General Meeting, and the Plan can be implemented only when it is considered and approved by the General Meeting. The General Meeting that considers the Employee Stock Ownership Plan will take place and adopt the combination of on-site voting and online voting. The Company will enable shareholders to vote online through the Shanghai Stock Exchange trading system and the Internet voting system in the voting hours.
11. The issues such as finance, accounting treatment and respective tax expenses, in relation to the implementation of the Employee Stock Ownership Plan will be carried out according to the relevant policies of finance, accounting and tax. Relevant taxes and fees payable regarding the implementation of the Employee Stock Ownership Plan shall be borne by the employees.
12. The implementation of the Employee Stock Ownership Plan will not cause the shareholding structure of the Company to fail to meet the listing requirements.

CONTENT

DEFINITIONS	115
I. PURPOSES	117
II. BASIC PRINCIPLES	117
III. TARGET PARTICIPANTS AND DETERMINATION CRITERIA	118
IV. SOURCE OF FUNDS, SOURCE OF SHARES, SIZE AND PRICE	119
V. DURATION, LOCK-UP PERIOD AND PERFORMANCE APPRAISAL ..	121
VI. PARTICIPATION IN FINANCING ARRANGEMENTS OF THE COMPANY BY THE STOCK OWNERSHIP PLAN DURING THE TERM	125
VII. MANAGEMENT MODEL OF THE EMPLOYEE STOCK OWNERSHIP PLAN	125
VIII. ASSET COMPOSITION OF THE EMPLOYEE STOCK OWNERSHIP PLAN	134
IX. ALTERATION, TERMINATION AND DISPOSAL OF HOLDERS' INTERESTS OF THE EMPLOYEE STOCK OWNERSHIP PLAN	134
X. DISPOSAL OF SHARES UPON THE EXPIRY OF THE EMPLOYEE STOCK OWNERSHIP PLAN	138
XI. ACCOUNTING TREATMENT OF THE EMPLOYEE STOCK OWNERSHIP PLAN	139
XII. IMPLEMENTING PROCESS OF THE EMPLOYEE STOCK OWNERSHIP PLAN	140
XIII. OTHER IMPORTANT MATTERS	141

DEFINITIONS

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

“Administrative Measures on the Employee Stock Ownership Plan”	the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan of Joinn Laboratories (China) Co., Ltd.
“Articles of Association”	the Articles of Association of Joinn Laboratories (China) Co., Ltd.
“Company Law”	refers to the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“Employee Stock Ownership Plan”	the 2021 A Share Employee Stock Ownership Plan of Joinn Laboratories (China) Co., Ltd.
“Guiding Opinions”	the Guiding Opinions on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies
“Holder”	Employees of the Company who contribute funds to participate in the Employee Stock Ownership Plan
“Holder’s Meeting”	Meeting of Holders of the Employee Stock Ownership Plan
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Joinn”, this “Company”, or the “Company”	Joinn Laboratories (China) Co., Ltd. (北京昭衍新藥研究中心股份有限公司) and its controlled subsidiaries
“Management Committee”	Management Committee of the Employee Stock Ownership Plan
“Securities Law”	the Securities Law of the People’s Republic of China
“SSE”	The Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Securities on The Shanghai Stock Exchange

“The Draft of the Employee Stock Ownership Plan, or the Draft of the Plan” the 2021 A Share Employee Stock Ownership Plan of Joynn Laboratories (China) Co., Ltd. (Draft)

“Underlying Shares” the A Shares of the Company to be granted by the Employee Stock Ownership Plan

“Yuan, 10 thousand yuan and 100 million yuan” Renminbi, Renminbi ten thousand, Renminbi one hundred million

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

I. PURPOSES

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

The employees of the Company participate in and comply with the Plan voluntarily and lawfully. The purposes of holding shares of the Company are to establish and improve the benefit-sharing mechanism for employees shareholders, improve the corporate governance level, enhance the cohesion of employees and corporate competitiveness, while effectively mobilizing the enthusiasm and creativity of employees, and promote the long-term, sustainable, and healthy development of the Company.

II. BASIC PRINCIPLES

(I) Legal compliance

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

(II) Voluntary participation

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

(III) Voluntary risk undertaking

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

III. TARGET PARTICIPANTS AND DETERMINATION CRITERIA

(I) Legal Basis for Determining the Participants

The eligibility of participants is 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 shall participate in the Employee Stock Ownership Plan in accordance with the principles of legal compliance, voluntary participation and voluntary risk undertaking. All participants are required to work in the Company (including its controlled subsidiaries) and enter into labour contracts with the Company or its controlled subsidiaries.

(II) Position Basis for Determining the Participants

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

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

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

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

The number of Shares to be subscribed for under the Employee Stock Ownership Plan shall not exceed 32,600 Shares, representing approximately 0.09% of the current total share capital of the Company. The specific units held by the Holders of the Employee Stock Ownership Plan shall be determined according to the actual payment made by the employees.

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

The specific proportion of subscription is as follows:

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

Note 1: The final subscription of Shares under the Employee Stock Ownership Plan by the participants shall be subject to the actual capital contribution. Where the subscription 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 by such Holders may be subscribed by other qualified participants. The Management Committee of the Employee Stock Ownership Plan may adjust the list of participants and their subscription units based on the actual payment of the employees.

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

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

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

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

Upon approval of the Draft of the Employee Stock Ownership Plan at the general meeting, no more than 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. The Company convened the 29th meeting of the third session of the Board of Directors on September 21, 2021 to consider and approve the share repurchase plan (please refer to the relevant announcement of the Company on the designated information disclosure media for details), which is still in the implementation stage, and shall be subject to the completion of the full or partial repurchase of the Underlying Shares, and shall acquire the shares held by the Company's special securities account for repurchase through non-trading transfer and other methods permitted by laws and

regulations. There are still uncertainties in the purchase of the final underlying shares. The specific number of Shares held is determined based on the actual capital contribution made by the employees. The Company will perform the obligation of information disclosure in a timely manner as required.

(II) Size of the Underlying Shares involved in the Employee Stock Ownership Plan

The number of Shares to be subscribed for under the Employee 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 Employee 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 Employee Stock Ownership Plan, the total number of Shares held under all effective Employee Stock Ownership Plan in aggregate shall not exceed 10% of the total share capital of the Company, and the number of Underlying Shares corresponding to the units of the Employee Stock Ownership Plan held by any Holder shall not exceed 1% of the total share capital of the Company (excluding 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).

(III) Source of Funds of the Employee Stock Ownership Plan

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

The maximum total amount of funds under the Employee 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 made by the employees.

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

The purchase price of the Underlying Shares to the Holders of the Employee Stock Ownership Plan shall be 50% of the average trading price of the Shares of the Company on the trading day preceding the date of the Board Meeting, i.e. RMB83.97 per share.

The purchase price of the Employee Stock Ownership Plan is determined by the Company with reference to relevant policies and precedents of other 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 Plan, further stabilize and motivate the core team, and provide mechanism and talent guarantee for the long-term and stable development of the Company.

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

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

V. DURATION, LOCK-UP PERIOD AND PERFORMANCE APPRAISAL

(I) Term of the Employee Stock Ownership Plan

1. The term of the Employee Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the last transfer of the Underlying Shares to the Employee Stock Ownership Plan. Where the Employee 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 Employee Stock Ownership Plan have been sold, subject to early termination.
2. The term of the Employee Stock Ownership Plan may be extended 2 months prior to the expiry of the term of the Employee Stock Ownership Plan. If the Shares of the Company held have not been fully sold, the term of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holder's Meeting and submission to the Board for consideration and approval.
3. Where the Shares of the Company held by the Employee Stock Ownership Plan cannot be fully realized before the expiry of the effective period due to the suspension of trading of the Shares of the Company or short trading window period, the effective period of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holder's Meeting and submission to the Board for consideration and approval.

4. The Company shall disclose an indicative announcement six months prior to the expiry of the term of the Employee Stock Ownership Plan, stating the number of Shares held by the Employee Stock Ownership Plan which is about to expire and its percentage to the total share capital of the Company.
5. The Company shall disclose the number of Shares held by the expired Employee Stock Ownership Plan and its proportion to the total share capital of the Company upon the expiration of the term of the Employee Stock Ownership Plan, and the disposal arrangement after the expiration, and perform the corresponding review procedures and disclosure obligations in accordance with the Employee Stock Ownership Plan.

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

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

First unlocking milestone: 40% of the total number of Underlying Shares held under the Employee Stock Ownership Plan may be unlocked upon the expiry of 12 months from the date of announcement of the transfer of the last batch of Underlying Shares to the Employee Stock Ownership Plan;

Second unlocking milestone: 40% of the total number of Underlying Shares held under the Employee Stock Ownership Plan may be unlocked 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 Plan;

Third unlocking milestone: 36 months from the date of announcement of the transfer of the last batch of Underlying Shares to the Employee Stock ownership plan, and the number of unlocked shares is 30% of the total number of Underlying Shares held by the Employee Stock ownership plan.

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

2. Trading Restrictions of the Employee Stock Ownership Plan

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

- (1) 60 days prior to the annual results announcement of the Company, 30 days prior to the half-year/quarterly results announcement and the date of announcement. Where the date of announcement of the regular report is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of announcement and end on the day prior to the announcement;
- (2) within ten days prior to the announcement of results forecast and preliminary results;
- (3) 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 and derivatives of the Company or the date of entering into the decision-making process;
- (4) such other period as stipulated by the CSRC and the stock exchange.

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

(III) Performance Appraisal of the Employee Stock Ownership Plan

1. *Performance Appraisal at company level*

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

Unlocking Arrangement	Performance Appraisal Targets	Corresponding Unlocking Ratio
First Unlocking Period	Based on the operating income for 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 less than 69%;	30%
Third Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2023 shall not be less than 119.70%.	30%

Where the performance appraisal indicators of the Employee Stock Ownership Plan are not met, the Underlying Shares and interests shall not be unlocked and shall be recovered by the Employee Stock Ownership Plan Management Committee, and 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 company level is up to standard, the Employee Stock Ownership Plan will conduct individual performance appraisal in accordance with the relevant system of the Company's performance appraisal, and determine the number of underlying shares finally unlocked by the Holders based on the individual performance appraisal results.

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

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

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

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

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

When the Company raises funds through placing of shares, issue of new shares, issue of convertible bonds or other financing methods at any time during the term of the Employee Stock Ownership Plan, the Management Committee shall propose to the Holder's Meeting and the Board Meeting for considering, whether the Employee Stock Ownership Plan will participate in such financing arrangements and the detailed plan for participation.

VII. MANAGEMENT MODEL OF THE EMPLOYEE STOCK OWNERSHIP PLAN

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

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

(I) Holder's Meeting

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

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

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

5. Voting procedures of the Holder's Meeting
 - (1) After each proposal has been fully discussed, the chairman shall invite Holders attending the meeting to vote in a timely manner. The chairman may also invite Holders attending the meeting to vote only after all proposals for the meeting have been discussed. Voting shall be carried out by paper ballot.
 - (2) Each unit held by the Holders of the Employee Stock Ownership Plan is entitled to one vote.
 - (3) The Holders may choose to vote for or against any resolution, or abstain from voting on any resolution. The Holders attending the meeting shall select one of the aforesaid voting options, and any vote with no option or more than one option indicated will be deemed as abstention. Any Holder who leaves in the course of the meeting without indicating any voting options shall be deemed as abstained from voting. The un-filled,

wrongly-filled, illegible and un-voted votes shall be deemed as abstention. Any vote made after the announcement of voting results by the chairman of the meeting or lapse of voting period shall not be counted.

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

(II) The Management Committee

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

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

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

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

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

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

(III) Holders

1. The rights of the Holder are as follows:
 - (1) Enjoy the rights and interests of the employee stock ownership plan according to the proportion of shares under his/her name;
 - (2) Enjoy the dividends and/or dividends (if any) of the Employee Stock Ownership Plan from the purchase to the sell-off period according to the proportion of the shares under his/her name;
 - (3) Participate in the Holder's Meeting in accordance with the law and enjoy the rights as stipulated in the Administrative Measures;
 - (4) Other rights as specified by laws, administrative regulations and department rules.

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

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

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

1. to authorize the Board to handle the establishment, change and termination of the Employee Stock Ownership Plan, including but not limited to the cancellation of the qualifications of the Holders and the early termination of the Employee Stock Ownership Plan in accordance with the provisions of the Employee Stock Ownership Plan;
2. to authorize the Board to decide on the extension and early termination of the Employee Stock Ownership Plan;

3. to authorize the Board to handle all matters in relation to the lock-up and unlocking of the Shares purchased under the Employee Stock Ownership Plan;
4. to authorize the Board to interpret the 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 Employee Stock Ownership Plan;
6. to authorize the Board to change the participants and the determination criteria of the Employee Stock Ownership Plan;
7. to authorize the Board to sign the contract and relevant agreement documents of the Employee Stock Ownership Plan;
8. upon consideration and approval of the Employee Stock Ownership Plan at the general meeting, to authorize the Board of the Company to make corresponding adjustments to the Stock Ownership Plan according to new policies or regulations in the event of changes in relevant laws, regulations and policies during the implementation period;
9. to propose to the general meeting to authorize the Board to deal with any announcements and circulars required to be disclosed on the website of the SSE (www.sse.com.cn) or the website of the Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance matters of the SSE or the Hong Kong Stock Exchange in relation to the 2021 A Share Employee Stock Ownership Plan;
10. to authorize the Board to handle other necessary matters required for the Employee Stock Ownership Plan, except for the rights to be exercised by the general meeting as expressly stipulated in the relevant documents.

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

(V) Management institutions

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

VIII. ASSET COMPOSITION OF THE EMPLOYEE STOCK OWNERSHIP PLAN

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

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

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

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

The Employee Stock Ownership Plan shall not be affected by any change in the de facto controller of the Company for any reason, or merger or division.

(II) Alteration of the Employee Stock Ownership Plan

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

(III) Termination of the Employee Stock Ownership Plan

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

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

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

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

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

locked up together and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such Shares is the same as the corresponding shares. During the lock-up period, when the Company distributes dividends, the cash dividends received by the Employee Stock Ownership Plan due to the holding of the Shares of the Company shall be included in the monetary assets of the Employee Stock Ownership Plan, and will not be distributed separately. After the end of the lock-up period and during the term of the Employee Stock Ownership Plan, the Holder's Meeting shall decide whether to distribute the dividends.

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

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

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

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

- (1) The Holder leaves the Company due to resignation, corporate layoffs, or expiration of the labor contract;
- (2) The Holder is not eligible to participate in the Employee Stock Ownership Plan due to his/her major fault or failure in performance appraisal and other reasons;
- (3) The position of the Holder is changed due to incompetence, violation of law, violation of professional ethics, leak of corporate secrets, dereliction of duty or malfeasance, serious violation of corporate system and other acts that damage the interests or reputation of the Company, or the Company terminates the labor relationship with the Holder due to the foregoing reasons;
- (4) The Holder no longer works in the Company due to retirement;
- (5) The Holder loses work ability due to reasons other than performance of duties;
- (6) The Holder deceases due to reasons other than performance of duties;
- (7) Other circumstances as determined by the Management Committee.

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

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

2. Circumstances of adjustment of shares held by the Holders

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

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

- (1) Loss of work ability: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be affected due to the loss of work ability in the performance of duties, and their personal performance appraisal conditions shall not be included in the Unlocking Conditions.
- (2) Retirement: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be changed if the Holders are rehired by the Company after retirement and the rehired position is still qualified of the Incentive Scheme.
- (3) Death: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be changed due to the death while performing duties, and shall continue to be enjoyed by their legal successors; such successors shall not be subject to the qualification to participate in the Employee Stock Ownership Plan, and their personal performance appraisal conditions shall not be included in the Unlocking Conditions.
- (4) Other circumstances as determined by the Management Committee.

X. DISPOSAL OF SHARES UPON THE EXPIRY OF THE EMPLOYEE STOCK OWNERSHIP PLAN

Upon the expiry of the Employee Stock Ownership Plan, the Management Committee will negotiate on the disposal measures.

If all the shares under the Plan are sold, liquidated and allocated according to the Plan, the Employee Stock Ownership Plan can be terminated after the motion of such termination is considered and passed at the meeting of Holders, and at the meeting of the Board of Directors.

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

XI. ACCOUNTING TREATMENT OF THE EMPLOYEE STOCK OWNERSHIP PLAN

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

Assuming that the Company will transfer 32,600 subject shares into the Employee Stock Ownership Plan in early November 2021, upon the expiry of the Lock-up Period, the Employee Stock Ownership Plan will sell the Underlying Shares in the proportion as agreed previously. At estimate, assuming that the fair value per unit of equity instrument takes reference to the closing price RMB174.08 per share of the Company’s shares on the trading day prior to the consideration of the Employee Stock Ownership Plan at the meeting of the Board of Directors, the Company shall recognise the total expenses estimated to be RMB2,937,600, which will be amortised at the unlocking ratios within the lock-up period, and the amortisation of expenses for the Employee Stock Ownership Plan from 2021 to 2024 is expected to be measured below:

Total expenses to be amortised (RMB0’000)	2021 (RMB0’000)	2022 (RMB0’000)	2023 (RMB0’000)	2024 (RMB0’000)
293.76	31.82	171.36	66.10	24.48

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

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

XII. IMPLEMENTING PROCESS OF THE EMPLOYEE STOCK OWNERSHIP PLAN

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

9. Other procedures to be performed as required by the rules of CSRC and Shanghai Stock Exchange.

XIII. OTHER IMPORTANT MATTERS

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

Board of Directors of
Joynn Laboratories (China) Co., Ltd.
September 21, 2021

Chapter 1 General Provisions

Article 1 In order to regulate the implementation of the 2021 A Share Employee Stock Ownership Plan (hereinafter referred to as the “**Employee Stock Ownership Plan**” or the “**Plan**”) of Joynn Laboratories (China) Co., Ltd. (hereinafter referred to as “**Joynn**” or the “**Company**”), the Company has formulated the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan of Joynn Laboratories (China) Co., Ltd. (hereinafter referred to as the “**Administrative Measures**”) in accordance with the requirements of the Company Law of the People’s Republic of China (the “**Company Law**”), the Securities Law of the People’s Republic of China (the “**Securities Law**”), the Guiding Opinions on the Pilot Implementation of the Employee Stock Ownership Plan by Listed Companies (the “**Guiding Opinions**”) issued by the China Securities Regulatory Commission and other relevant laws, regulations and regulatory documents, and the Articles of Association of Joynn Laboratories (China) Co., Ltd. (hereinafter referred to as the “**Articles of Association**”) and the 2021 A Share Employee Stock Ownership Plan (Draft) of Joynn Laboratories (China) Co., Ltd.

Chapter 2 Formulation of the Employee Stock Ownership Plan

Article 2 Basic principles of the Employee Stock Ownership Plan

(I) Principle of legal compliance

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

(II) Principle of voluntary participation

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

(III) Principle of voluntary risk undertaking

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

Article 3 Holder of the Employee Stock Ownership Plan

(I) Legal Basis for Determining the Participants

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

(II) Position Basis for Determining the Participants

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

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

The total number of supervisors, senior management and key technical (business) backbones participating in the Employee Stock Ownership Plan shall not exceed 11, including 4 supervisors and senior management participating in the Employee Stock Ownership Plan. The specific number of participants is determined based on the actual payment made by the employees.

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

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

Article 4 Size of the Underlying Shares involved in the Plan

The number of the underlying shares involved in the Employee Stock Ownership Plan shall not exceed 32,600 Shares, representing 0.009% of the current total share capital of the Company. The specific number of shares held by the Holders 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 Employee Stock Ownership Plan, the total number of Shares held under all effective Employee Stock Ownership Plan in aggregate shall not exceed 10% of the total share capital of the Company, and the number of underlying shares corresponding to the units of the Employee Stock Ownership Plan held by any Holder

shall not exceed 1% of the total share capital of the Company (excluding the shares acquired by employees before the initial public offering and listing of Shares of the Company, the shares purchased through the secondary market and the shares acquired through equity incentives).

Article 5 Source of the Underlying Shares involved in the Plan

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

Article 6 Source of Funds of the Employee Stock Ownership Plan

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

The maximum total amount of funds under the Employee 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 made by the employees.

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

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

(I) The term of the Employee Stock Ownership Plan and the decision-making procedure for renewing the term after the expiration

1. The term of the Employee Stock Ownership Plan shall be 48 months, commencing from the date on which the Company announces the last transfer of the Underlying Shares to the Employee Stock Ownership Plan. Where the Employee 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 Employee Stock Ownership Plan have been sold, subject to early termination.
2. The term of the Employee Stock Ownership Plan may be extended 2 months prior to the expiry of the term of the Employee Stock Ownership Plan. If the Shares of the Company held have not been fully sold, the term of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holder's Meeting and submission to the Board for consideration and approval.
3. Where the Shares of the Company held by the Employee Stock Ownership Plan cannot be fully realized before the expiry of the effective period due to the suspension of trading of the Shares of the Company or short trading window, the effective period of the Employee Stock Ownership Plan may be extended upon the consent of more than two-thirds of the units held by the Holders attending the Holder's Meeting and submission to the Board for consideration and approval.
4. The listed companies shall disclose an indicative announcement six months prior to the expiry of the term of the Employee Stock Ownership Plan, stating the number of Shares held by the Employee Stock Ownership Plan which is about to expire and its percentage to the total share capital of the Company.
5. The listed companies shall disclose the number of Shares held by the expired Employee Stock Ownership Plan and its proportion to the total share capital of the Company upon the expiration of the term of the Employee Stock Ownership Plan, and the disposal arrangement after the expiration, and perform the corresponding review procedures and disclosure obligations in accordance with the Employee Stock Ownership Plan.

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

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

First unlocking milestone: 40% of the total number of Underlying Shares held under the Employee Stock Ownership Plan may be unlocked upon the expiry of 12 months from the date of announcement of the transfer of the last batch of Underlying Shares to the Employee Stock Ownership Plan;

Second unlocking milestone: 40% of the total number of Underlying Shares held under the Employee Stock Ownership Plan may be unlocked 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 Plan;

Third unlocking milestone: 36 months from the date of announcement of the transfer of the last batch of Underlying Shares to the Employee Stock ownership plan, and the number of unlocked shares is 30% of the total number of Underlying Shares held by the Employee Stock ownership plan.

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

**APPENDIX IV THE ADMINISTRATIVE MEASURES ON THE 2021
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

2. Performance Appraisal of the Company

1. Performance Appraisal at Company Level

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

Unlocking Arrangement	Performance Appraisal Targets	Corresponding Unlocking Ratio
First Unlocking Period	Based on the operating income for 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 less than 69%;	30%
Third Unlocking Period	Based on the operating income for 2020, the growth rate of operating income for 2023 shall not be less than 119.70%.	30%

Where the performance appraisal indicators of of the Employee Stock Ownership Plan are not met, the Underlying Shares and interests shall not be unlocked and shall be recovered by of the Employee 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.

3. Performance Appraisal at Individual Level

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

**APPENDIX IV THE ADMINISTRATIVE MEASURES ON THE 2021
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

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

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

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

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

4. The Employee Stock Ownership Plan will strictly comply with the market trading rules and observe the relevant requirements of the CSRC, the SSE and the Hong Kong Stock Exchange on stock trading. The Employee Stock Ownership Plan shall not trade the Shares of the Company during the following periods:
 - (1) 60 days prior to the annual results announcement of the Company, 30 days prior to the half-year/quarterly results announcement and the date of announcement. Where the date of announcement of the regular report is postponed due to special reasons, the period shall commence 30 days prior to the original scheduled date of announcement and end on the day prior to the announcement;
 - (2) within ten days prior to the announcement of results forecast and preliminary results;
 - (3) 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 and derivatives of the Company or the date of entering into the decision making process;
 - (4) such other period as stipulated by the CSRC and the SSE.

Article 8 Implementing Process of the Employee Stock Ownership Plan

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

Chapter 3 Management of the Employee Stock Ownership Plans

Article 9 Management Model of the Employee Stock Ownership Plan

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

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

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

**APPENDIX IV THE ADMINISTRATIVE MEASURES ON THE 2021
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

- (7) Other matters that are considered as necessary by the Management Committee for consideration at the Holder's Meeting.
3. The first Holder's Meeting shall be convened and presided over by the secretary to the Board of the Company or his authorized person, and subsequent Holder's Meeting shall be convened by the Management Committee and presided over by the officer of the Management Committee. When the officer of the Management Committee is unable to perform his duties, he/she shall appoint a member of the Management Committee to preside over the meeting.
4. To convene a Holder's Meeting, the Management Committee shall deliver a notice of meeting in writing 5 days prior to the meeting to all Holders by direct delivery, post, facsimile, electronic mail or other means. The written notice of meeting shall at least include the following details:
- (1) Time and venue of the meeting;
 - (2) Way of convening the meeting;
 - (3) Proposed matters to be considered at the meeting;
 - (4) Convener and chairman of the meeting and the proposer(s) of interim meeting and his/her (their) written proposals;
 - (5) Meeting materials required for voting;
 - (6) Requirements for the Holders to attend the meeting in person or assign other Holders to attend the meeting on their behalf;
 - (7) Contact person and contact information;
 - (8) Date of issuance of the notice.

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

5. Voting procedures of the Holder's Meeting
 - (1) After each proposal has been fully discussed, the chairman shall invite Holders attending the meeting to vote in a timely manner. The chairman may also invite Holders attending the meeting to vote only after all proposals for the meeting have been discussed. Voting shall be carried out by paper ballot.
 - (2) Each unit held by the Holders of the Employee Stock Ownership Plan is entitled to one vote.
 - (3) The Holders may choose to vote for or against any resolution, or abstain from voting on any resolution. The Holders attending the meeting shall select one of the aforesaid voting options, and any vote with no option or more than one option indicated will be deemed as abstention. Any Holder who leaves in the course of the meeting without indicating any voting options shall be deemed as abstained from voting. The un-filled, wrongly-filled, illegible and un-voted votes shall be deemed as abstention. Any vote made after the announcement of voting results by the chairman of the meeting or lapse of voting period shall not be counted.
 - (4) The chairman of the meeting shall announce the onsite voting results at the spot of the meeting. A proposed resolution shall only become a valid resolution after being passed by more than 50% (excluding 50%) of units held by the Holders attending the meeting, unless the consent of more than two-thirds of the portion of units is required by the Employee Stock Ownership Plan.
 - (5) In the event that a resolution of the Holder's Meeting must be submitted to the Board and the General Meeting of the Company for consideration, it shall be submitted to the Board and the general meeting of the Company for consideration in accordance with the provisions of the Articles of Association.
 - (6) The chairman of the meeting shall arrange for keeping records for the Holder's Meeting.
6. Holders who individually or jointly hold over 3% of the units in the Employee Stock Ownership Plan may submit a temporary proposal to the Holder's Meeting; and the temporary proposal shall be submitted to the Management Committee 3 days prior to the Holder's Meeting.
7. Holders who individually or jointly hold over 10% of the units in the Employee Stock Ownership Plan may propose convening a Holder's Meeting.

**APPENDIX IV THE ADMINISTRATIVE MEASURES ON THE 2021
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

Article 11 Management Committee of the Employee Stock Ownership Plan

1. The Management Committee shall be set up for the Employee Stock Ownership Plan to conduct daily management of the Employee Stock Ownership Plan and to exercise the shareholders' rights other than voting rights on behalf of the Holders.
2. The Management Committee comprises three members with one officer of the Management Committee. All members of the Management Committee shall be elected by the Holder's Meeting. The officer of the Management Committee shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the duration of the current Employee Stock Ownership Plan.
3. The members of the Management Committee have the following fiduciary duties to the Employee Stock Ownership Plan in accordance with laws, administrative regulations and the Management Measures on Employee Stock Ownership Plan:
 - (1) Not to take advantage of their positions and authority to accept bribes or other illegal income; not to occupy any property of the Employee Stock Ownership Plan;
 - (2) Not to misappropriate funds of the Employee Stock Ownership Plan;
 - (3) Without the consent of the Management Committee, not to open personal account under his or her own name or other people's names with the assets or funds of the Employee Stock Ownership Plan as the deposits;
 - (4) Not to lend the funds of the Employee Stock Ownership Plan to other persons or provide guarantee for other persons with the properties of the Employee Stock Ownership Plan without the consent of the Holder's Meeting;
 - (5) Not to take advantages of their positions and authority to jeopardise the interests of the Employee Stock Ownership Plan.

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

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

**APPENDIX IV THE ADMINISTRATIVE MEASURES ON THE 2021
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

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

**APPENDIX IV THE ADMINISTRATIVE MEASURES ON THE 2021
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

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

Article 12 Board of Directors at the Authority of General Meeting

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

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

**APPENDIX IV THE ADMINISTRATIVE MEASURES ON THE 2021
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

4. to authorize the Board to interpret 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 Employee Stock Ownership Plan;
6. to authorize the Board to change the participants and the determination criteria of the Employee Stock Ownership Plan;
7. to authorize the Board to sign the contract and relevant agreement documents of the Employee Stock Ownership Plan;
8. upon consideration and approval of the Employee Stock Ownership Plan at the general meeting, to authorize the Board of the Company to make corresponding adjustments to the Stock Ownership Plan according to new policies or regulations in the event of changes in relevant laws, regulations and policies during the implementation period;
9. to propose to the general meeting to authorize the Board to deal with any announcements and circulars required to be disclosed on the website of the SSE (www.sse.com.cn) or the website of the Hong Kong Stock Exchange (<https://www.hkexnews.hk>), and to deal with any compliance matters of the SSE or the Hong Kong Stock Exchange in relation to the 2021 A Share Employee Stock Ownership Plan;
10. to authorize the Board to handle other necessary matters required for the Employee Stock Ownership Plan, except for the rights to be exercised by the general meeting as expressly stipulated in the relevant documents.

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

Article 13 Management institutions

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

**Chapter 4 Alteration, Termination and Disposal of Holders' Interests
of the Employee Stock Ownership Plan**

Article 14 Change in Actual Control, Merger or Division of the Company

The Employee Stock Ownership Plan shall not be affected by any change in the de facto controller of the Company for any reason, or merger or division.

Article 15 Alteration of the Employee Stock Ownership Plan

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

Article 16 Termination of the Employee Stock Ownership Plan

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

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

Article 17 Liquidation and Distribution of the Employee Stock Ownership Plan

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

**APPENDIX IV THE ADMINISTRATIVE MEASURES ON THE 2021
A SHARE EMPLOYEE STOCK OWNERSHIP PLAN**

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

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

income, and the Management Committee shall distribute the Shares held by the Holders in proportion to the total Shares of the Employee Stock Ownership Plan after deducting relevant taxes and fees and payables of the Plan in accordance with the law.

8. During the duration period, when the Company distributes dividends, the cash dividends received by the Employee Stock Ownership Plan from the Shares of the Company held by it after deducting relevant expenses shall be distributed to the Holders according to their shareholdings.
9. In the event of other unspecified events, the disposal method of the units of the Employee Stock Ownership Plan held by the Holders shall be determined by the Management Committee.

Article 19 Disposal of the rights and interests of the Holders

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

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

- (1) The Holder leaves the Company due to resignation, corporate layoffs, or expiration of the labor contract;
- (2) The Holder is not eligible to participate in the Employee Stock Ownership Plan due to his/her major fault or failure in performance appraisal and other reasons;
- (3) The position of the Holder is changed due to incompetence, violation of law, violation of professional ethics, leak of corporate secrets, dereliction of duty or malfeasance, serious violation of corporate system, etc. and other acts that damage the interests or reputation of the Company, or the Company terminates the labor relationship with the Holder due to the foregoing reasons;
- (4) The Holder no longer works in the Company due to retirement;
- (5) The Holder loses working ability due to reasons other than performance of duties;
- (6) The Holder deceases due to reasons other than performance of duties;
- (7) Other circumstances as determined by the Management Committee.

The Management Committee has the right to cancel the Holder's qualifications to participate in the Employee Stock Ownership Plan and handle the cancellation and withdrawal procedures for the shares held under the Plan, and has the right to decide to

allocate the shares to other Holders, who shall meet the criteria for the participation of the Employee Stock Ownership Plan (the Management Committee will then independently agree on the transfer of the shares according to the actual situation and relevant restrictions, such as whether such shares are transferred to other qualified employees, shares transferred and transfer price, etc.). Where the allocation of such portion is not completed during the term of the Employee Stock Ownership Plan, the undistributed portion shall be disposed of at an appropriate time during the term after the unlocking date, and the original amount of capital contribution of the self-raised funds shall be returned to the Holders. Where there is still revenue after the return to the Holders, the revenue shall be returned to the Company.

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

2. *Circumstances of adjustment of shares held by the Holders*

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

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

- (1) Loss of work ability: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be affected due to the loss of work ability in the performance of duties, and their personal performance appraisal conditions shall not be included in the Unlocking Conditions.
- (2) Retirement: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be changed if the Holders are rehired by the Company after retirement and the rehired position is still qualified of the Incentive Scheme.
- (3) Death: During the term, the rights and interests of the Holders in the Employee Stock Ownership Plan shall not be changed due to the death while performing duties, and shall continue to be enjoyed by their legal successors; such successors shall not be subject to the qualification to participate in the Employee Stock Ownership Plan, and their personal performance appraisal conditions shall not be included in the Unlocking Conditions.
- (4) Other circumstances as determined by the Management Committee.

Chapter 5 Supplementary Provisions

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

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

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

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

Board of Directors of
Joynn Laboratories (China) Co., Ltd.
September 21, 2021

This appendix serves as an explanatory statement as required under the Listing Rules, to provide the requisite data to you for consideration of the matters in relation to the Repurchase Mandate.

SHARE CAPITAL

As of December 14, 2021 (the “**Latest Practicable Date**”), the total issued share capital of the Company is RMB381,246,492, comprising 60,711,840 H Shares and 320,534,652 A Shares, each with a par value of RMB1.00.

If the relevant special resolutions as set out in the notice of the EGM and in the notice of the Class Meetings are approved, the Board will be granted the Repurchase Mandate until the earlier of (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of twelve months from the date of passing of the relevant special resolutions at the EGM and the Class Meetings of the Company respectively; and (c) the date on which the relevant mandate is revoked or varied by a special resolution passed by the shareholders of the Company at any general meeting or by a special resolution passed by the H Shareholders and A Shareholders of the Company at their respective Class Meetings (the “**Relevant Period**”).

REASONS FOR REPURCHASE OF A SHARES AND/OR H SHARES

The Directors believe that the flexibility offered by the Repurchase Mandate will be beneficial to the Company as well as its Shareholders. If at any time in the future, the Shares are traded at a discount to their relevant value, the ability of the Company to repurchase shares will benefit the Shareholders who continue to invest in the Company as their proportionate interest in the shareholding and thereby assets of the Company will increase in proportion to the number of shares repurchased by the Company from time to time. Repurchase of Shares may also lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors are of the view that such repurchase will benefit the Company and the Shareholders in a whole. In addition, the Repurchase Mandate may also be used for the repurchase and cancellation of the Restricted Shares.

EXERCISE OF THE REPURCHASE MANDATE

In the event that the Company exercises the Repurchase Mandate in full, the total Shares being repurchased thereunder shall not exceed 10% of the total A Shares and H Shares in issue as of the date of the passing of the relevant special resolution at the EGM and the Class Meetings. Based on 320,534,652 A Shares and 60,711,840 H Shares in issue as of the Latest Practicable Date and provided that no H Shares or A Shares will be allotted, issued or repurchased by the Company on or before the date of the EGM and the Class Meetings, during the Relevant Period, the Company shall be entitled to repurchase up to 32,053,465 A Shares and 6,071,184 H Shares under the Repurchase Mandate.

FUNDING OF REPURCHASE

In repurchasing its A Shares and H Shares, the Company intends to and shall only apply its own funds or funds raised by itself that are legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Directors are of the opinion that the Repurchase Mandate, if exercised in full at any time during the Relevant Period, will not have a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Company's audited financial statements in the Company's 2021 interim results announcement dated August 30, 2021).

H SHARES PRICES

The highest and lowest prices at which the H Shares have been traded on the Hong Kong Stock Exchange during each of the months between February 26, 2021 (the date on which H Shares began trading on the Hong Kong Stock Exchange) and the Latest Practicable Date were as follows:

Month	Highest (HK\$)	Lowest (HK\$)
2021		
February	148.000	138.000
March	150.500	125.000
April	146.100	130.800
May	153.000	133.700
June	137.600	106.571
July	138.000	101.500
August	136.100	86.850
September	116.500	94.400
October	110.90	96.20
November	105.600	74.650
December (up to the Latest Practicable Date)	93.55	85.000

A SHARES PRICES

The highest and lowest prices at which the A Shares have been traded on the SSE during each of the twelve months preceding the Latest Practicable Date were as follows:

Month	Highest (RMB)	Lowest (RMB)
2020		
December	75.88	64.75
2021		
January	107.52	70.39
February	119.95	92.79
March	109.65	78.23
April	118.02	97.75
May	124.46	98.16
June	137.30	119.75
July	143.04	103.68
August	166.66	125.32
September	182.02	130.66
October	163.88	141.58
November	163.19	120.75
December (up to the Latest Practicable Date)	140.98	124.00

DIRECTOR'S UNDERTAKING AND GENERAL INFORMATION

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases under the Repurchase Mandate in accordance with the Listing Rules and the applicable laws, rules and regulations of the PRC.

None of the Directors nor, to the best of their knowledge and having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell A Shares or H Shares to the Company under the Repurchase Mandate in the event that the Repurchase Mandate is approved by the Shareholders in the EGM and Class Meetings and the conditions (if any) to which the Repurchase Mandate is subject are fulfilled.

The Company has not been notified by any core connected person (as defined in the Listing Rules) of the Company that they have a present intention to sell any A Shares or H Shares to the Company, or that they have undertaken not to sell any A Shares or H Shares held by them to the Company in the event that the Repurchase Mandate is approved by the Shareholders in the EGM and Class Meetings and the conditions (if any) to which the Repurchase Mandate is subject are fulfilled.

THE REQUIREMENTS OF THE TAKEOVERS CODE AND THE PUBLIC FLOAT

If, on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase may be treated as an acquisition of voting rights for the purpose of Rule 32 of the Takeovers Code. If such increase results in a change of control or concentration of control, it may, in certain circumstances, result in a mandatory offer for the Shares being made under Rule 26 of the Takeovers Code.

As of the Latest Practicable Date and to the best knowledge of the Directors, the controlling Shareholders of the Company are Ms. Feng Yuxia and Mr. Zhou Zhiwen, who are beneficially interested in approximately 36.22% of the issued ordinary Shares.

In the event that the Directors exercise the Repurchase Mandate in full, the interest of Ms. Feng Yuxia and Mr. Zhou Zhiwen in the Company will be increased to approximately 40.23% of the issued Shares. To the best of the Directors' knowledge and belief, such increase will give rise to an obligation to make a mandatory offer under the Takeovers Code. The Directors confirm that they have no present intention to repurchase Shares which would give rise to an obligation to make a mandatory offer under the Takeovers Code on the part of the controlling Shareholders of the Company, Ms. Feng Yuxia and Mr. Zhou Zhiwen.

The Directors do not intend to repurchase Shares which would result in the public float being less than the minimum public float requirement under Rule 8.08 of the Listing Rules.

SHARES REPURCHASED BY THE COMPANY

No repurchase of Shares has been made by the Company in the previous six months preceding the Latest Practicable Date (whether on the Hong Kong Stock Exchange or on other stock exchanges).



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)

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

NOTICE IS HEREBY GIVEN that the first Extraordinary General Meeting (the “EGM”) of 2022 of JOINN Laboratories (China) Co., Ltd. (the “**Company**”) will be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Wednesday, January 19, 2022, at 2:00 p.m. for the following purposes of considering and, if deemed appropriate, approving the following resolutions:

ORDINARY RESOLUTIONS

To consider and approve:

1. The adoption of the 2021 A Share Employee Stock Ownership Plan;
2. The proposed adoption of the Administrative Measures on the 2021 A Share Employee Stock Ownership Plan;
3. The proposed authorization to the Board to deal with matters in relation to the 2021 A Share Employee Stock Ownership Plan;
4. The connected transaction in relation to purchase of Series B+ Preferred Shares in JOINN Biologics;
5. The proposed capital increase in relevant wholly-owned domestic subsidiaries by the Company;
6. The proposed capital increase in the wholly-owned subsidiary, JOINN Laboratories, CA Inc., by the Company;
7. The proposed establishment of a wholly-owned subsidiary, Biomere-Joinn (CA), Inc., by the Company;
8. The proposed investment in Jiangsu Sinotau Molecular Imaging Technology Co., Ltd. by the Company;
9. The proposed establishment of a subsidiary, Wuxi JOINN Molecular Imaging Technology Co., Ltd., by the Company.

SPECIAL RESOLUTIONS

To consider and approve:

1. The adoption of the 2021 Restricted A Share Incentive Scheme including the issuance of Restricted A Shares under specific mandate;
2. The adoption of the Assessment Administrative Measures on the Implementation of the 2021 Restricted A Share Incentive Scheme;
3. To authorize the Board of Directors to deal with matters in relation to the 2021 Restricted A Share Incentive Scheme;
4. To authorize the Board to repurchase A Shares and H Shares of the Company:
 - (a) Subject to paragraphs (b) and (c) below, to approve the Board to exercise all powers of the Company to repurchase the issued and SSE listed A Shares and/or the Hong Kong Stock Exchange listed H Shares of the Company during the Relevant Period, in accordance with all applicable laws, regulations and/or requirements of the securities administrative authorities or regulatory bodies in the PRC, the Hong Kong Stock Exchange, SSE or any other governmental or regulatory authorities.
 - (b) Pursuant to the above approval and during the Relevant Period, the Company is authorised to repurchase A Shares and/or H Shares of the Company with an aggregate nominal value not exceeding 10% of the number of issued A Shares and/or H Shares of the Company as of the date of consideration and approval of this proposal by the general meeting and the A Share Class Meeting and H Share Class Meeting respectively.
 - (c) The implementation of the matters as set out in (a) above shall be subject to the satisfaction of all of the following conditions:
 - (1) the passing of a special resolution with substantially the same content as the terms of this proposal at both the H Share Class Meeting and the A Share Class Meeting of shareholders of the Company;
 - (2) the obtaining of all approvals from the competent regulatory authorities (if applicable) in accordance with the laws and regulations of the PRC; and

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

- (3) in accordance with the notification procedures set out in the Company Law and the Articles of Association, the Company has, in its sole discretion, made repayments or provided security for any amounts owed to creditors by the Company if no creditor of the Company has requested the Company to do so, or if any creditor of the Company has requested the Company to make repayments or provide security, the Company has made repayments or provided security for such amounts. If the company decides to repay any amount to any creditor, it will use its internal funds to repay such amount.
- (d) Upon the approval of all relevant governmental authorities in the PRC for the repurchase of the relevant shares of the Company and the fulfillment of the above conditions, the Board is authorized to:
 - (1) formulate and implement a specific repurchase plan, including but not limited to the repurchase price, the number of shares to be repurchased, etc., and to determine the timing of the repurchase and the repurchase period, etc.;
 - (2) notify creditors and make announcements in accordance with the provisions of the Company Law and other relevant laws, regulations and regulatory documents and the Articles of Association;
 - (3) open overseas stock account and complete the corresponding foreign exchange registration procedures;
 - (4) fulfill the relevant approval and filing procedures in accordance with the requirements of the regulatory authorities and the stock exchange where the company's shares are listed;
 - (5) conduct, sign and take all documents, actions, matters or steps they deemed appropriate, necessary or proper in connection with and giving effect to the proposed share repurchase in accordance with the requirements of relevant laws and regulations and the listing rules of the stock exchange where the shares of the company are listed;
 - (6) conduct the cancellation of the repurchased shares, reduce the registered capital, make amendments to the Articles of Association in relation to the total share capital, shareholding structure and other relevant contents, and comply with the relevant statutory registration and filing procedures within and outside the PRC;

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

- (7) sign and handle other documents and matters in relation to the share repurchase; and
- (8) For the purpose of this proposal, the “Relevant Period” means the period commencing from the date of the approval of this proposal at the general meeting of the Company and the consideration and approval of the proposals with the same content as this proposal at the A Share Class Meeting and H Share Class Meeting respectively, to the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of twelve months from the date of the approval of this proposal at the general meeting of the Company and the consideration and approval of the proposals identical to the contents of this proposal at the A Share Class Meeting and H Share Class Meeting respectively; and
 - (iii) upon the passing of a special resolution by the shareholders of the Company at any general meeting or a special resolution by the H Shareholders and A Shareholders at their respective Class Meetings to revoke or amend the mandate in respect of this proposal.

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

Hong Kong, December 30, 2021

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2022

Notes:

1. Unless the context otherwise stated, capitalized terms used in this notice shall have the meanings as those defined in the circular of the Company dated December 30, 2021.
2. For the purpose of holding the EGM, the register of members of the Company will be closed from Friday, January 14, 2022 to Wednesday, January 19, 2022 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, January 13, 2022 for registration. The Shareholders whose names appear on the register of members of the Company on Wednesday, January 19, 2022 are entitled to attend and vote at the EGM.
3. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H Shareholders of the Company, to the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time for holding the EGM (i.e. not later than 2:00 p.m. on Tuesday, January 18, 2022 (Hong Kong time)) or the adjourned meeting (as the case may be). If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings should they so wish.
6. Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the EGM. If corporate Shareholders appoint authorised representative to attend the EGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the Board of Directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the EGM.
7. Shareholders attending the EGM shall be responsible for their own travel and accommodation expenses.
8. All resolution(s) at the EGM will be taken by poll (except where the chairman decides to allow a resolution in relation to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules.
9. References to time and dates in this notice are to Hong Kong time and dates.
10. For any matter in relation to the EGM, please contact Mr. Jia Fengsong (via email: jjafengsong@joinn-lab.com or telephone: +86 010 6786 9582).



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)

NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2022

NOTICE IS HEREBY GIVEN that the first H Share Class Meeting (the “**H Share Class Meeting**”) of 2022 of JOINN Laboratories (China) Co., Ltd. (the “**Company**”) will be held at A5 Rongjing East Street, Beijing Economic-Technological Development Area, Beijing, China on Wednesday, January 19, 2022 after the conclusion of the first Extraordinary General Meeting of 2022 and the first A Share Class Meeting of 2022 and any adjournments thereof, for the following purposes of considering and, if deemed appropriate, approving the following resolutions.

SPECIAL RESOLUTIONS

To consider and approve:

1. The adoption of the 2021 Restricted A Share Incentive Scheme including the issuance of Restricted A Shares under specific mandate;
2. The adoption of the Assessment Administrative Measures on the Implementation of the 2021 Restricted A Share Incentive Scheme;
3. To authorize the Board of Directors to deal with matters in relation to the 2021 Restricted A Share Incentive Scheme;
4. To authorize the Board to repurchase A Shares and H Shares of the Company:
 - (a) Subject to paragraphs (b) and (c) below, to approve the Board to exercise all powers of the Company to repurchase the issued and SSE listed A Shares and/or the Hong Kong Stock Exchange listed H Shares of the Company during the Relevant Period, in accordance with all applicable laws, regulations and/or requirements of the securities administrative authorities or regulatory bodies in the PRC, the Hong Kong Stock Exchange, SSE or any other governmental or regulatory authorities.
 - (b) Pursuant to the above approval and during the Relevant Period, the Company is authorised to repurchase A Shares and/or H Shares of the Company with an aggregate nominal value not exceeding 10% of the number of issued A Shares and/or H Shares of the Company as of the date of consideration and approval of this proposal by the General Meeting and the A Share Class Meeting and H Share Class Meeting respectively.

NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2022

- (c) The implementation of the matters as set out in (a) above shall be subject to the satisfaction of all of the following conditions:
- (1) the passing of a special resolution with substantially the same content as the terms of this proposal at both the H Share Class Meeting and the A Share Class Meeting of the Company;
 - (2) the obtaining of all approvals from the competent regulatory authorities (if applicable) in accordance with the laws and regulations of the PRC; and
 - (3) in accordance with the notification procedures set out in the Company Law and the Articles of Association, the Company has, in its sole discretion, made repayments or provided security for any amounts owed to creditors by the Company if no creditor of the Company has requested the Company to do so, or if any creditor of the Company has requested the Company to make repayments or provide security, the Company has made repayments or provided security for such amounts. If the company decides to repay any amount to any creditor, it will use its internal funds to repay such amount.
- (d) Upon the approval of all relevant governmental authorities in the PRC for the repurchase of the relevant shares of the Company and the fulfillment of the above conditions, the Board is authorized to:
- (1) formulate and implement a specific repurchase plan, including but not limited to the repurchase price, the number of shares to be repurchased, etc., and to determine the timing of the repurchase and the repurchase period, etc.;
 - (2) notify creditors and make announcements in accordance with the provisions of the Company Law and other relevant laws, regulations and regulatory documents and the Articles of Association;
 - (3) open overseas stock account and complete the corresponding foreign exchange registration procedures;
 - (4) fulfill the relevant approval and filing procedures in accordance with the requirements of the regulatory authorities and the stock exchange where the company's shares are listed;

NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2022

- (5) conduct, sign and take all documents, actions, matters or steps they deemed appropriate, necessary or proper in connection with and giving effect to the proposed share repurchase in accordance with the requirements of relevant laws and regulations and the listing rules of the stock exchange where the shares of the company are listed;
- (6) conduct the cancellation of the repurchased shares, reduce the registered capital, make amendments to the Articles of Association in relation to the total share capital, shareholding structure and other relevant contents, and to comply with the relevant statutory registration and filing procedures within and outside the PRC;
- (7) sign and handle other documents and matters in relation to the share repurchase; and
- (8) for the purpose of this proposal, the “Relevant Period” means the period commencing from the date of the approval of this proposal at the general meeting of the Company and the consideration and approval of the proposals with the same content as this proposal at the A Share Class Meeting and H Share Class Meeting respectively, to the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of twelve months from the date of the approval of this proposal at the general meeting of the Company and the consideration and approval of the proposals identical to the contents of this proposal at the A Share Class Meeting and H Share Class Meeting respectively; and
 - (iii) upon the passing of a special resolution by the shareholders of the Company at any general meeting or a special resolution by the H Shareholders and A Shareholders at their respective Class Meetings to revoke or amend the mandate in respect of this proposal.

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

Hong Kong, December 30, 2021

NOTICE OF THE FIRST H SHARE CLASS MEETING OF 2022

Notes:

1. Unless the context otherwise stated, capitalized terms used in this notice shall have the meanings as those defined in the circular of the Company dated December 30, 2021.
2. For the purpose of holding the H Share Class Meeting, the register of members of the Company will be closed from Friday, January 14, 2022 to Wednesday, January 19, 2022 (both days inclusive), during which period no transfer of shares can be registered. In order for H Share Shareholders to be qualified to attend and vote at the H Share Class Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, January 13, 2022 for registration. The Shareholders whose names appear on the register of members of the Company on Wednesday, January 19, 2022 are entitled to attend and vote at the H Share Class Meeting.
3. Shareholders who are entitled to attend and vote at the H Share Class Meeting may appoint one or more proxies to attend and vote on their behalves. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same on its behalf.
5. In order to be valid, the proxy form must be deposited, for H Shareholders of the Company, to the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 24 hours before the time for holding the H Share Class Meeting (i.e. not later than 2:00 p.m. on Tuesday, January 18, 2022 (Hong Kong time)) or the adjourned meeting (as the case may be). If the proxy form is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the proxy form. Completion and return of the proxy form will not preclude Shareholders from attending and voting in person at the H Share Class Meeting or any adjourned meetings should they so wish.
6. Shareholders shall produce their identity documents and supporting documents in respect of the shares of the Company held when attending the H Share Class Meeting. If corporate Shareholders appoint authorised representative to attend the H Share Class Meeting, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the Board of Directors or other authorised parties of the corporate Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the proxy form signed by the Shareholders or their attorney when attending the H Share Class Meeting.
7. Shareholders attending the H Share Class Meeting shall be responsible for their own travel and accommodation expenses.
8. All resolution(s) at the H Share Class Meeting will be taken by poll (except where the chairman decides to allow a resolution in relation to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules.
9. References to time and dates in this notice are to Hong Kong time and dates.
10. For any matter in relation to the H Share Class Meeting, please contact Mr. Jia Fengsong (via email: jjafengsong@joinn-lab.com or telephone: +86 010 6786 9582).