
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shanghai Bio-heart Biological Technology Co., Ltd., you should at once hand this circular with the enclosed form of proxy and reply slip to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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Shanghai Bio-heart Biological Technology Co., Ltd.
上海百心安生物技術股份有限公司

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

(Stock Code: 2185)

WORK REPORT OF THE BOARD OF DIRECTORS FOR 2021
WORK REPORT OF THE SUPERVISORY COMMITTEE FOR 2021
PROFIT DISTRIBUTION PLAN FOR 2021
AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR 2021
2021 ANNUAL REPORT
REMUNERATION OF DIRECTORS
REMUNERATION OF SUPERVISORS
RE-APPOINTMENT OF AUDITORS FOR 2022
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
PROPOSED ADOPTION OF THE 2022 H SHARE INCENTIVE SCHEME
PROPOSED AUTHORIZATION TO THE BOARD AND/OR
THE DELEGATEE TO HANDLE MATTERS PERTAINING TO
THE 2022 H SHARE INCENTIVE SCHEME
GENERAL MANDATE TO ISSUE SHARES
AND
NOTICE OF 2021 ANNUAL GENERAL MEETING

Notice convening the AGM to be held at Fourth Floor, Building 7, 59 Kaiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC at 2:00 p.m. on Monday, June 27, 2022 is set out on pages 55 to 60 of this circular.

A reply slip and a form of proxy for use at the AGM are enclosed and are also published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.bio-heart.com). Shareholders who intend to attend the AGM or to appoint a proxy to attend the AGM shall complete and return (i) the reply slip in accordance with the instructions printed thereon no later than Wednesday, June 22, 2022; and (ii) the form of proxy in accordance with the instructions printed thereon not less than 24 hours before the time appointed for the AGM (i.e. no later than 2:00 p.m. on Sunday, June 26, 2022) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not prevent you from attending and voting in person at the AGM or any adjournment thereof should you so wish. **The Company strongly recommends you to monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the AGM in person.**

Reference to times and dates in this circular are to Hong Kong local times and dates.

May 20, 2022

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DEFINITIONS

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

“2021 Annual Report”	the annual report of the Company for the year ended December 31, 2021, which can be found on the HKExnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company’s website (www.bio-heart.com)
“Actual Selling Price”	the actual price at which the RSUs are sold (net of brokerage, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of an Award pursuant to the Scheme
“Adoption Date”	the date on which the Shareholders approve the Scheme
“AGM” or “Annual General Meeting”	the 2021 annual general meeting of the Company to be held at Fourth Floor, Building 7, 59 Kaiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC at 2:00 p.m. on Monday, June 27, 2022 or any adjournment thereof for the purpose of, considering and, if thought fit, approving the resolutions contained in the notice of the 2021 annual general meeting which is set out on pages 55 to 60 of this circular
“Articles of Association”	The articles of association of the Company currently in force
“Award”	an award of RSUs granted to a selected Participant pursuant to the Scheme, which may vest in the form of RSUs or the Actual Selling Price of the RSUs in cash
“Award Period”	a term of 10 years commencing on the Adoption Date
“Board” or “Board of Directors”	the board of Directors of the Company
“China”, “PRC”, or “the PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, Macau and Taiwan, unless otherwise specified

DEFINITIONS

“Company”, “our Company”	Shanghai Bio-heart Biological Technology Co., Ltd. (上海百心安生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability on December 8, 2020, or, where the context requires (as the case may be), its predecessor with the same English name (上海百心安生物技術有限公司), a limited liability company established in the PRC on July 18, 2014
“Company Law”	the Company Law of the People’s Republic of China revised and adopted by the Standing Committee of the Twelfth National People’s Congress on December 28, 2013 and enforced on March 1, 2014 (as amended, supplemented or otherwise modified from time to time)
“Delegatee”	the Management Committee, person(s) or board committee(s) to which the Board has delegated its authority
“Director(s)”	the director(s) of the Company
“Domestic Shares(s)”	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded in any stock exchange
“Eligible Participant”	any full-time PRC or non-PRC employee of any members of the Group, who is a Director, senior management, key operating team member, employee, or, a consultant of the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the Delegatee, in compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded therefrom
“Global Offering”	the offer of H Shares for subscription as described in the prospectus of the Company dated December 13, 2021

DEFINITIONS

“Grant Date”	the date of an Grant Letter, on which the grant of an Award is made to a Selected Person
“Grant Letter”	letter issued by the Company to each Selected Person in such form as the Board or the Delegatee may from time to time determine, specifying the Grant Date, the manner of acceptance of the Award, the value of the Award and/or number of RSUs underlying the Award (with the basis on which the number of H Shares underlying the RSUs is arrived at), the vesting criteria and conditions, and the Vesting Date and such other details, terms and conditions as they may consider necessary and in compliance with the Scheme
“Group”, “our Group”, “our”, “we”, or “us”	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of our Company, with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“H Shareholder(s)”	the holder(s) of H Share(s)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollars”, “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Director(s)” or “Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Company

DEFINITIONS

“Issue Mandate”	a general and unconditional mandate proposed to be granted to the Board at the AGM to allot, issue and/or deal with the Domestic Shares, Unlisted Foreign Shares and H Shares not exceeding 20 per cent of each of the total number of Domestic Shares, Unlisted Foreign Shares and H Shares, respectively, in issue on the date of passing the related resolution, subject to the conditions set out in the resolution proposed at the Annual General Meeting for approving the general mandate
“Latest Practicable Date”	May 12, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Date”	December 23, 2021, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
“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”	the management committee of the Scheme, which includes the executive Directors of the Company to which the Board has delegated its authority to administer the Scheme
“on-market”	the acquisition of H Shares of the Company through one or more transactions through the facilities of the Stock Exchange in accordance with the Listing Rules and any other applicable laws and regulations
“Participant”	a Selected Person who has duly accepted the offer in accordance with the Grant Letter
“PRC”	the People’s Republic of China
“Remuneration Committee”	the Remuneration Committee of the Company
“Returned Shares”	Such RSUs that are not vested and/or are lapsed, cancelled or forfeited in accordance with the terms of the Scheme, or such H Shares being deemed to be Returned Shares under the Scheme Rules

DEFINITIONS

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RSU(s)”	a conditional right when the Award vests whereby the Participant shall be entitled to obtain either Shares or the payment of the Actual Selling Price with reference to the market value of the H Shares on or about Vesting Date(s) as finally and conclusively determined by the Board or the Delegatee. Each RSU shall represent a conditional right to one underlying H Share
“Scheme Limit”	the maximum size of the Scheme, being the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price, and in any case being 1,500,000 H Shares
“Scheme Rules”	the rules governing the operation of the Scheme as well as the implementation procedure (as amended from time to time)
“Selected Person”	any Eligible Participant who, in accordance with Scheme Rules, is approved for participation in the Scheme, and has been granted any Award thereunder
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Domestic Shares, Unlisted Foreign Shares and H Shares
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of the Company

DEFINITIONS

“Takeovers Code”	the Code on Takeovers and Mergers, as amended, supplemented or otherwise modified from time to time
“Trust”	the trust constituted by the Trust Deed to service the Scheme
“Trust Deed”	the trust deed to be entered into between the Company and the Trustee (as may be restated, supplemented and amended from time to time)
“Trustee”	the trustee appointed by the Company for the purpose of the Trust, and initially, THE CORE TRUST COMPANY LIMITED, a company incorporated in Hong Kong and having its registered office at 28th Floor, 33 Des Voeux Road Central, Central, Hong Kong
“Unlisted Foreign Share(s)”	ordinary shares issued by our company with a nominal value of RMB1.00 each and are held by foreign investors and are not listed on any stock exchange
“Vesting Date”	the date or dates, as determined from time to time by the Board or the Delegatee on which the Award (or part thereof) is to vest in the relevant Selected Person as set out in the relevant Grant Letter
“Vesting Notice”	a notice to be sent by the Company to each of the relevant Participants after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the number or percentage of the H Shares involved as described in the Scheme
“%”	per cent

LETTER FROM THE BOARD



Shanghai Bio-heart Biological Technology Co., Ltd.
上海百心安生物技術股份有限公司

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

(Stock Code: 2185)

Executive Directors:

Mr. Philip Li WANG (Chairman)

Ms. Yunqing WANG

Non-executive Directors:

Ms. Li CAI

Mr. Quan ZHOU

Mr. Ji CHEN

Mr. Jie YIN

Independent Non-executive Directors:

Mr. Charles Sheung Wai CHAN

Mr. Xubo LU

Mr. George Chien Cheng LIN

Registered Office, Headquarters and

Principal Place of Business in the PRC:

Room 302, 3/F, Building 4

No.590 Ruiqing Road

East Zhangjiang Hi-Tech Park Pudong

New Area

Shanghai

PRC

Principal Place of Business in Hong Kong:

Room 1901, 19/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

May 20, 2022

To the Shareholders

Dear Sir or Madam,

WORK REPORT OF THE BOARD OF DIRECTORS FOR 2021
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LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to provide you with the notice of the AGM (set out on pages 55 to 60 of this circular) and information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

At the AGM, ordinary resolutions will be proposed to approve, among others, (i) the work report of the Board of Directors for 2021 (the “**2021 Work Report of the Board**”); (ii) the work report of the Supervisory Committee for 2021 (the “**2021 Work Report of the Supervisory Committee**”); (iii) the profit distribution plan for 2021 (the “**2021 Profit Distribution Plan**”); (iv) the audited consolidated financial statements for 2021 (the “**2021 Financial Statements**”); (v) the 2021 Annual Report; (vi) to authorise the Board to determine the remuneration of the Directors; (vii) to authorise the Supervisory Committee to determine the remuneration of the Supervisors; and (viii) the re-appointment of auditors of the Company for 2022 and authorise the Board to determine their respective remuneration.

At the AGM, special resolutions concerning the following matters of the Company will be proposed to consider and approve (1) the amendments to the Articles of Association; (2) the adoption of the 2022 H Share Incentive Scheme (the “**Scheme**”); (3) the authorization to the Board and/or the Delegatee to handle matters pertaining to the Scheme; and (4) the grant of general mandate to the Board to issue Shares.

ORDINARY RESOLUTIONS:

1. 2021 Work Report of the Board

An ordinary resolution will be proposed at the AGM to approve the 2021 Work Report of the Board. Please refer to the Report of the Directors in the 2021 Annual Report.

The 2021 Work Report of the Board was considered and approved by the Board on March 18, 2022 and is hereby proposed at the AGM for consideration and approval.

2. 2021 Work Report of the Supervisory Committee

An ordinary resolution will be proposed at the AGM to approve the 2021 Work Report of the Supervisory Committee. Please refer to the Report of the Supervisors in the 2021 Annual Report.

The 2021 Work Report of the Supervisory Committee was considered and approved by the Supervisory Committee on March 18, 2022 and is hereby proposed at the AGM for consideration and approval.

3. 2021 Profit Distribution Plan

Based on the operating results, financial position and future development plan of the Company, the Board recommended not to distribute the final dividend for 2021.

LETTER FROM THE BOARD

The 2021 Profit Distribution Plan was considered and approved by the Board on March 18, 2022 and is hereby proposed at the AGM for consideration and approval.

4. 2021 Financial Statements

Please refer to the audited consolidated financial statements contained in the 2021 Annual Report.

The 2021 Financial Statements were considered and approved by the Board on March 18, 2022 and are hereby proposed at the AGM for consideration and approval.

5. 2021 Annual Report

An ordinary resolution will be proposed at the AGM to approve the 2021 Annual Report.

The 2021 Annual Report was considered and approved by the Board on March 18, 2022 and is hereby proposed at the AGM for consideration and approval.

6. To authorise the Board to determine the remuneration of the Directors

7. To authorise the Supervisory Committee to determine the remuneration of the Supervisor

8. Resolution on the re-appointment of auditors of the Company for 2022

The Board proposes that Ernst & Young Certified Public Accountants be re-appointed as the domestic auditor for the Company in 2022, responsible for providing relevant external auditing service in accordance with Chinese Accounting Standards for Business Enterprises until the close of the annual general meeting of the Company for 2022. The Board proposes that Ernst & Young Certified Public Accountants be re-appointed as the international auditor for the Company in 2022, responsible for providing relevant international auditing and reviewing service in accordance with the International Financial Reporting Standards until the close of the annual general meeting of the Company for 2022. The proposal on the re-appointment of domestic and international auditors and the authorisation to the Board to fix their remuneration is hereby proposed at the AGM for consideration and approval.

SPECIAL RESOLUTIONS:

9. Proposed Amendments to the Articles of Association

Reference is made to the announcements of the Company dated May 12, 2022 in relation to, among others, the amendments to the Articles of Association. The Board proposed to make certain amendments to the Articles of Association in relation to the composition of the Board.

LETTER FROM THE BOARD

Details regarding the proposed amendments to the Articles of Association are as follows:

Comparison table of the Articles of Association

Before Amendment	After Amendment
Chapter 10 Article 101	Chapter 10 Article 101
The Company shall establish a Board of Directors, which shall comprise 9 directors. There shall be 2 executive directors, 4 non-executive directors, 3 independent non-executive directors who are not shareholders of the Company and do not hold any positions within the Company. There shall be one chairman of the Board of Directors.	The Company shall establish a Board of Directors, which shall comprise <u>8</u> 9 directors. There shall be 2 executive directors, <u>3</u> 4 non-executive directors, 3 independent non-executive directors who are not shareholders of the Company and do not hold any positions within the Company. There shall be one chairman of the Board of Directors.

Except for the proposed amendments mentioned above, other provisions of the Articles of Association remain unchanged. The proposed amendments to the Articles of Association is hereby proposed at the AGM for consideration and approval by the Shareholders.

10. Proposed adoption of the Scheme

Reference is made to the announcement of the Company dated May 11, 2022 in relation to, among other things, (i) the proposed adoption of the Scheme and (ii) the proposed authorization to the Board and/or the Delegatee to handle matters pertaining to the Scheme. The proposed adoption of the Scheme is hereby proposed at the AGM for consideration and approval by the Shareholders.

The full text of the Scheme Rules is set out in Appendix to this circular.

(a) Purpose of the Scheme

The purposes of the Scheme are:

- (i) to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company;
- (ii) to modernize the Company's remuneration practices and to improve the interests balance mechanism among the Shareholders, the operational and executive management; and

LETTER FROM THE BOARD

- (iii) to (a) recognize the contributions of the prudent leadership of the Company including the Directors; (b) encourage, motivate and retain the leadership of the Company whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (c) provide additional incentive for the leadership of the Company by aligning the interests of the leadership of the Company to those of the Shareholders and the Group as a whole.

(b) Duration of the Scheme

Subject to any early termination of the Scheme pursuant to the Scheme Rules, the Scheme shall be valid and effective for ten years commencing from the date on which the Scheme is approved by the Shareholders at the AGM (after which no Awards shall be granted), and thereafter for so long as there are non-vested RSUs granted under the Scheme prior to the expiration of the Scheme, in order to give effect to the vesting of such RSUs.

(c) Source of Funds

The source of funds for funding the Scheme is the internal funds of the Company. The administration of the Scheme and the acquisition of H Shares will not be funded from the proceeds of the Global Offering.

(d) Source of RSUs and acquisition of H Shares by the Trustee

The source of the RSUs under the Scheme shall be H Shares to be acquired by the Trustee through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the Scheme Rules. The Board may specify in the instructions given to the Trustee with respect to the acquisition of H Shares any conditions or terms, including without limitation, the specified price or range of prices for the acquisition, the maximum amount of funds to be used for the acquisition, and/or the maximum number of H Shares to be acquired.

The Company shall as soon as reasonably practicable, for the purposes of satisfying the grant of Awards, transfer to the Trust the necessary funds and instruct the Trustee to acquire H Shares through on-market transactions at the prevailing market price. The Trustee shall as soon as reasonably practicable thereafter proceed to acquire such number of H Shares as instructed by the Company on-market at the prevailing market price.

The Company shall instruct the Trustee whether or not to apply any Returned Shares to satisfy any grant of Awards made, and if the Returned Shares, as specified by the Company, are not sufficient to satisfy the Awards granted, the Company shall, as soon as reasonably practicable, for purposes of satisfying the Awards granted, transfer to the Trust the necessary funds and instruct the Trustee to acquire further H Shares through on-market transactions at the prevailing market price.

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(e) Scheme Limit

Subject to the Scheme Rules, the Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price, and in any case being 1,500,000 H Shares. The Company proposed to set the Scheme Limit in terms of the number of H Shares in order to (i) regulate the costs of the Company in setting up the Scheme; and (ii) provide Shareholders with clarity on the financial outlay on the Scheme.

The maximum number of H Shares that can be purchased accounts for approximately 2.43% of the Company's total number of issued H Shares and approximately 0.61% of the Company's total share capital as at the date of this circular. The ultimate number of H Shares underlying the Scheme is uncertain as it depends on the actual implementation of the acquisition of H Shares by the Trustee.

The Company shall not make any further grant of Award which will result in the aggregate number of H Shares underlying all grants made pursuant to the Scheme (excluding RSUs that have been forfeited in accordance with the Scheme) to exceed the Scheme Limit without Shareholders' approval. The Scheme Limit shall not be subject to any refreshment.

At no time shall the Trustee be holding more than 10% of the total number of H Shares in issue. The H Shares held by the Trustee will be regarded as public float unless the Trustee becomes a core connected persons of the Company or would otherwise cease to be regarded as member of the public under the Listing Rules.

The maximum number of H Shares which may be subject to an Award or Awards to a Selected Person in a 12-month period up to and including the date of the grant of such Award shall not in aggregate exceed 1% of the total number of issued H Shares of the Company from time to time.

(f) Administration of the Scheme

The Scheme shall be subject to the administration of the following administrative bodies:

- (a) the general meeting of the Shareholders, as the institution vested with the supreme authority of the Company, is responsible for the consideration and approval of the adoption of the Scheme. The general meeting of the Shareholders may authorize the Board to deal with all matters related to the Scheme to the extent of its authority;
- (b) the Board is the institution in charge of the administration of the Scheme in accordance with the Scheme Rules and where applicable, the Trust Deed. A decision of the Board or the Delegatee shall be final and binding on all persons affected. The Remuneration Committee shall be

LETTER FROM THE BOARD

responsible for drafting and revising the Scheme and submitting the same to the Board for consideration. Upon consideration and approval of the Scheme, the Board will submit the Scheme to the general meeting of the Shareholders for consideration. The Board or the Delegatee may handle all matters related to the Scheme within the authorization by the general meeting of the Shareholders;

- (c) the independent non-executive Directors are the supervisory institution of the Scheme and shall express their views on whether the Scheme facilitates the sustainable development of the Company and whether the Scheme impairs the interests of the Company and the Shareholders as a whole. The independent non-executive Directors supervise whether the implementation of the Scheme complies with relevant laws, regulations, regulatory documents and the Listing Rules, and is responsible for reviewing the list of Selected Persons; and
- (d) the Trust will be constituted to service the Scheme whereby the Trustee shall, subject to the relevant provisions of the Trust Deed and upon the instruction of the Company, acquire not more than 1,500,000 H Shares through on-market transactions with funds to be transferred by the Company to the Trust.

Pursuant to the Scheme Rules, the authority to administer the Scheme may be delegated by the Board to the Delegatee as deemed appropriate at the sole discretion of the Board. Upon the approval and adoption of the Scheme by the Shareholders at the AGM, the Board will delegate to the Management Committee the authority to administer the Scheme, including the power to grant an Award under the Scheme.

(g) Selected Persons of the Scheme

Eligible Participant who may participate in the Scheme include any full-time PRC or non-PRC employee of any members of the Group, who is a Director, senior management, key operating team member, employee, or, a consultant of the Group.

The Board or the Delegatee may, from time to time, select any Eligible Participant to be a Selected Person of the respective plans in accordance with the Scheme Rules.

The Selected Persons are determined in accordance with the Company Law of the PRC, the Securities Law of the PRC and other applicable laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual circumstances and matters including the present and expected contribution of the relevant Selected Person to the Group.

No one should be considered as a Selected Person of the Scheme if he:

- (a) has been publicly reprimanded or deemed as an inappropriate candidate for similar award schemes or share incentive plans of a listed company by any securities regulatory bodies with authority in the last 12 months;

LETTER FROM THE BOARD

- (b) has been imposed with penalties or is banned from trading securities by securities regulatory bodies due to material non-compliance with laws or regulations in the last 12 months;
- (c) is in breach of relevant national laws and regulations or the Articles of Association; or
- (d) absent prior approval of the Company, is directly or indirectly engaged in any other business which is in competition with the business of the Group during his employment with the Group.

The Selected Persons shall undertake that if any of the above provisions occur during implementation of the Scheme which would prevent him from being considered as a Selected Person, he shall give up his rights to participate in the Scheme and shall not be given any compensation.

(h) Grant of Awards

The Board or the Delegatee may grant Awards to Selected Persons during the Award Period conditional upon fulfilment of terms and conditions of the Awards and performance targets as the Board or the Delegatee determines from time to time. Each grant of an Award to any connected person of the Group will constitute a connected transaction which will be subject to the applicable requirements under Chapter 14A of the Listing Rules.

No grant of any RSUs to any Selected Person may be made and no directions or recommendations shall be given to the Trustee with respect to a grant of an Award or the acquisition of H Shares through on-market transactions under certain circumstances including:

- (i) where the requisite approval from any applicable regulatory authorities or Shareholders has not been granted;
- (ii) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Scheme;
- (iii) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;
- (iv) where such grant of Award would result in a breach of the Scheme Limit;
- (v) after the expiry of the Award Period or after the earlier termination of the Scheme;

LETTER FROM THE BOARD

- (vi) where any Director is in possession of unpublished inside information (as defined under the SFO) in relation to the Company or where any Director reasonably believes there is inside information which must be disclosed pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO or where dealings by Directors are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations;
- (vii) during the period of 60 days immediately preceding the publication date of the annual results of the Group or, if shorter, the period from the end of the relevant financial year up to the publication date of such results; and
- (viii) during the period of 30 days immediately preceding the publication date of the quarterly or half-year results of the Group or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of such results.

(i) Vesting of the Awards

The Board or the Delegatee may determine the vesting criteria and conditions or periods for the Awards to be vested. The Vesting Date(s) and number of RSUs granted shall be specified in the Grant Letter approved by the Board or the Delegatee.

For the purposes of vesting of the RSU(s), the Board or the Delegatee may direct and procure the Trustee to release from the Trust the RSU(s) or the Actual Selling Price in cash to the Selected Person by transferring the number of the RSUs or the Actual Selling Price in cash to the Selected Person in such manner as determined by it from time to time.

The Vesting Date(s) of the Awards granted under the Scheme or the Awards to be satisfied by the application of any Returned Shares shall be determined by the Board or the Delegatee in its sole and absolute discretion, and shall in any event not extend beyond the then remaining term of the Award Period at the time of grant.

(j) Vesting Conditions

Vesting of the Award granted under the Scheme is subject to the conditions of the performance indicators of the Company and any other applicable vesting conditions as set out in the Grant Letter.

The details of the performance indicators of the Company shall be determined by the Board or the Delegatee from time to time with reference to the business performance and financial condition of the Company and the then market conditions and shall be set out in the Grant Letter.

LETTER FROM THE BOARD

If the Selected Person fails to fulfil the vesting conditions applicable to the relevant Awards, all the RSUs underlying the relevant Awards which may otherwise be vested on the Vesting Date(s) shall not be vested and become immediately forfeited with respect to such Selected Person.

(k) Transfer and sale of RSUs

For the purpose of vesting of the Award, the Board or the Delegatee may either:

- (a) direct and procure the Trustee to release from the Trust and transfer the relevant Shares underlying the RSUs to the Selected Persons in such manner as determined by them from time to time; or
- (b) to the extent that, at the determination of the Board or the Delegatee, it is not practicable for the Selected Person to receive the Award in RSUs, the Board or the Delegatee will direct and procure the Trustee to sell, on-market at the prevailing market price, the number of RSUs so vested in respect of the Selected Person and pay the Selected Person the proceeds in cash arising from such sale based on the Actual Selling Price of such RSUs as set out in the Vesting Notice.

Within a reasonable time after the vesting conditions applicable to the Award have been satisfied or otherwise waived, the Board or the Delegatee shall send to the relevant Selected Person the Vesting Notice. The Board or the Delegatee shall forward a copy of the Vesting Notice to the Trustee and instruct the Trustee the extent to which the RSUs held in the Trust shall be transferred and released from the Trust to the Selected Person in the manner as determined by the Board or the Delegatee, or be sold as soon as practicable from the Vesting Date.

Subject to the receipt of the Vesting Notice and the instructions from the Board or the Delegatee, the Trustee shall transfer and release the relevant RSUs to the relevant Selected Person in the manner as determined by the Board or the Delegatee or sell the relevant RSUs as soon as practicable from the Vesting Date and pay the Actual Selling Price to the Selected Person within a reasonable time period in satisfaction of the Award.

(l) Interest in the RSUs

Any Award granted hereunder but not yet vested shall be personal to the Selected Person to whom it is made and shall not be assignable or transferable and no Selected Person shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter any agreement to do so.

Neither the Selected Person nor the Trustee may exercise any voting rights attached to any H Shares held by the Trustee under the Trust (including any RSUs that have not yet vested).

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Any dividend underlying the non-vested RSUs shall be retained by the Trustee, and transferred to the Selected Person together with the RSUs upon vesting. In the event that the RSUs are to be forfeited, such underlying dividend shall be transferred back to the Company.

(m) Occurrence of certain events pertaining to the Company

(A) Change in control

If there is an event of change in control (as defined under the Takeovers Code) of the Company by way of a merger, privatization of the Company by way of a scheme or by way of an offer, change of actual control of the Company involving reorganization of major assets, the Company no longer exists after merger with another company, division of the Company, or resolution of the general meeting of the Shareholders to replace half of all members of the Board before the expiry of the term of office of the Board, the Board shall in its sole and absolute discretion determine whether this Scheme shall be terminated within 5 trading days upon the change in control of the Company.

Pursuant to the Scheme Rules, (i) no instructions may be given by a Selected Person to the Trustee in respect of the Award or any other property of the Trust and the Trustee shall not follow instructions given by a Selected Person to the Trustee in respect of the Award or any other property of the Trust; and (ii) neither the Selected Person nor the Trustee may exercise any voting rights attached to any H Shares held by the Trustee under the Trust (including any RSUs that have not yet vested). As such, neither the Selected Person nor the Trustee has a right to accept or decline any offer in connection with a privatization of the Company and in turn has no entitlement to the consideration of such offer.

(B) Open offer and rights issue

In the event the Company undertakes an open offer of new securities, the Trustee shall not subscribe for any new H Shares. In the event of a rights issue, the Trustee shall seek instruction from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

(C) Consolidation or sub-division of shares

In the event the Company undertakes a capitalization issue, rights issue, sub-division, consolidation or reduction of the H Shares, corresponding changes will be made to the number of outstanding RSUs that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Scheme for the Selected Persons. All fractional shares (if any) arising out of such consolidation or sub-division in respect of the RSUs of a Selected Person shall be deemed as Returned Shares and shall not be transferred to the relevant Selected Person on the relevant Vesting Date.

LETTER FROM THE BOARD

(n) Alteration or Termination of the Scheme

(A) Amendment of the Scheme

Subject to the Scheme Limit, the Scheme may be altered or supplemented in any respect by resolution of the Board.

(B) Termination of the Scheme

The Scheme shall terminate on the earlier of (i) the end of the Award Period except in respect of any non-vested RSUs granted hereunder prior to the expiration of the Scheme, for the purpose of giving effect to the vesting of such RSUs or otherwise as may be required in accordance with the provisions of the Scheme; or (ii) such date of early termination as determined by the Board.

(o) Scheme Costs

The Company shall bear the costs of establishing and administering the Scheme, including the fees of the Trustee. The administration of the Scheme and the acquisition of H Shares will not be funded from the proceeds of the Global Offering.

(p) Reasons for and benefits of the adoption of the Scheme

Please refer to the section headed “10. Proposed adoption of the Scheme – (a) Purpose of the Scheme” in this circular. The Directors consider that the inclusion of consultants as Eligible Participants is appropriate, as the successful development of the Group could not be achieved by Directors and employees alone and will also depend on the cooperation with external consultants (e.g. industry research and development experts), who play an important role in the business of the Group. Having the H Scheme in place is one of the means to attract and retain those consultants who contribute to the continuous development of the Group, so that they have an incentive to render improved services and/or patronage to the Group on a long-term basis. The inclusion of consultants who have contributed to the Group in the list of Eligible Participants would provide the Company with the flexibility of rewarding such persons should the situation arises that such award and incentive would encourage them to align their interest and objectives with that of the Group and work towards enhancing the value of the Company for the long-term development and would benefit of the Company and the Shareholders as a whole. The Board will consider the suitability of each consultant based on merits and his/her contribution to the growth and development of the Group on a case-by-case basis before any Award is made. In particular, the Board might consider factors including but not limited to (i) the consultant’s background and length of business relationship with the Group, (ii) the materiality and nature of their services, and (iii) the track record in the quality of the services and advices provided. The Directors are of the view that the adoption of the Scheme will realize the aforesaid goals, and that the terms and conditions of the Scheme are normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(q) Implication under the Listing Rules

The Scheme involves no issue of new shares or granting of option for any new securities of the Company. Thus it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.

11. Proposed Authorization to the Board and/or the Delegatee to handle matters pertaining to the Scheme

Reference is made to the announcement of the Company dated May 11, 2022 in relation to, among other things, (i) the proposed adoption of the Scheme and (ii) the proposed authorization to the Board and/or the Delegatee to handle matters pertaining to the Scheme. The proposed authorization to the Board and/or the Delegatee to handle matters pertaining to the Scheme is hereby proposed at the AGM for consideration and approval by the Shareholders.

In order to ensure the successful implementation of the Scheme, the Board proposed that, subject to the approval of the Scheme by the Shareholders at the AGM, the Shareholders also grant an authorization to the Board and/or the Delegatee to deal with matters in relation to the Scheme with full authority, including but not limited to:

- (i) to authorize the Board to consider, appoint and establish the Management Committee for the purpose of the Scheme, consisting of the executive Directors of the Company;
- (ii) to authorize any member of the Management Committee to enter into the Trust Deed on behalf of the Company with the Trustee and to affix the Company seal onto such Trust Deed, pursuant to which the Trustee will provide trust services for the Scheme;
- (iii) to authorize the Board to consider and approve the plan management agreement and to authorize any member of the Management Committee to enter into the plan management agreement with the Trustee on behalf of the Company, pursuant to which the Trustee will provide plan management services in respect of the Scheme;
- (iv) to authorize the Board to set up a cash securities account under the name of the Trust or its nominee so as to facilitate the provision of trading services and trading platform for the Selected Persons of the Scheme by the Trustee;
- (v) to authorize the Board to consider and authorize the Management Committee to handle matters pertaining to the Scheme with full authority during the validity period of the Scheme, including but not limited to:
 - a. to determine the terms and conditions of the grant of Awards, approve the form and content of the Grant Letter, select Eligible Participants to become Selected Persons, and grant Awards to Selected Persons from time to time;
 - b. to determine the Grant Date and Vesting Date(s) of RSUs;

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- c. to administer, amend and adjust the Scheme, including but not limited to adjusting the number of outstanding RSUs or accelerate the Vesting Dates of any Awards, provided that the Scheme Limit shall not be adjusted and if such amendments require the approval of the Shareholders' meeting and/or relevant regulatory authorities pursuant to the relevant laws, regulations or requirements of the relevant regulatory authorities, the Board or the Delegatee shall obtain the corresponding authorization for such amendments;
- d. to decide on the selection, engagement and change of bank(s), accountant(s), lawyer(s), consultant(s) and other professional parties for the purpose of the Scheme;
- e. to sign, execute, and terminate all agreements and other relevant documents in connection with the Scheme, fulfill all relevant procedures in relation to the Scheme, and adopt other methods to implement the terms of the Scheme;
- f. to determine and adjust the standards and conditions of the vesting of the Awards as well as the Vesting Periods, evaluate and manage the performance indicators, and to determine whether Awards granted to the Selected Persons can be vested;
- g. to determine the execution, amendment and termination of the Scheme, including the forfeiture of Awards and continued vesting of RSUs upon the changes in circumstances pertaining to the Selected Persons;
- h. to construe and interpret the Scheme Rules and to resolve any issues and disputes arising from or in connection with the Scheme;
- i. to exercise any other authorizations in relation to matters necessary to the implementation of the Scheme granted by the Shareholders' meeting from time to time;
- j. on behalf of the Company, execute all documents in relation to the operations of and other matters of the Scheme, or providing instructions to the Trustee in relation to its operations, the execution of relevant documents in relation to the setting up of the accounts, operations of the accounts, and the setting up and operations of the cash securities account under the name of the Company, the release of RSUs for the purpose of the vesting of the Awards, or the sale of RSUs on-market at the prevailing market price and pay the proceeds arising from such sale to Selected Persons, or directing and procuring the Trustee to release the RSUs to the Selected Persons by transferring the RSUs to the Selected Persons as determined by them from time to time, and confirming, allowing and approving all matters precedent arising from or in relation to the Trust Deed and the plan management agreement; and

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- k. on behalf of the Company, approve, execute, refine, deliver, negotiate, agree on and agree to all such agreements, contracts, documents, regulations, matters and things (as the case may be) as it deems reasonable, necessary, desirable, appropriate or expedient, in order to implement and/or implement all transactions conducted accordingly, and make any reasonable alterations, amendments, changes, modifications and/or supplements as it deems necessary, desirable, appropriate or expedient. If there is a requirement to affix a company seal on any such agreement, contract or document, it has the right to sign the agreement, contract or document and affix the company seal in accordance with the Articles of Association in that case.

The aforementioned authorization to the Board and/or the Delegatee shall be valid for the Award Period.

A special resolution will be proposed at the AGM that the Shareholders also grant an authorization to the Board and/or the Delegatee to deal with the above matters in relation to the Scheme with full authority.

12. Resolution on general mandate to issue Shares

To provide more flexibility and convenience to the fundraisings for the Company, the proposal to issue additional shares of the Company and to grant the Board a general mandate is hereby proposed at the AGM for consideration and approval by the Shareholders:

- A. To consider and approve the Company to issue additional H Shares, additional Domestic Shares and additional Unlisted Foreign Shares in the share capital of the Company ("**Additional Shares**") and to grant to the Board a general mandate ("**General Mandate**"), subject to terms and conditions set out in this resolution, for the exercise by the Board during the Relevant Period (as defined in (iv)) of powers to allot or issue Additional Shares and/or make offers, agreements or options which might require the issue, allotment or disposal of Additional Shares (such Additional Shares being subject to a maximum of 20% of the respective aggregate number of issued H Shares, Domestic Shares and Unlisted Foreign Shares of the Company as at the date of approval of this resolution), and to make or grant offers or agreements in respect of such Additional Shares:
 - i. such General Mandate shall not extend beyond the Relevant Period save that the Board may during the Relevant Period make or grant offers or agreements which might require the exercise of such powers after the end of the Relevant Period;
 - ii. the total number of Shares approved to be allotted or agreed conditionally or unconditionally to be allotted by the Board shall not exceed: (a) 20% of the total number of H Shares of the Company in issue at the date of the passing of this resolution; (b) 20% of the total number of Domestic Shares of the Company in issue at the date of the passing

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of this resolution; and/or (c) 20% of the total number of Unlisted Foreign Shares of the Company in issue at the date of the passing of this resolution, otherwise than pursuant to any scrip dividend scheme or similar arrangement providing for the allotment of such Shares in lieu of the whole or part of a dividend on such Shares in accordance with the Articles of Association;

- iii. the Board will only exercise its power under such mandate in accordance with the relevant laws and regulations of the PRC (as amended from time to time) and the Hong Kong Listing Rules and only if all necessary approvals from the China Securities Regulatory Commission and/or other relevant PRC government authorities are obtained;
- iv. for the purposes of this resolution:

“**H Shares**” means the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars;

“**Domestic Shares**” means the ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are held by domestic investors and are not listed or traded in any stock exchange;

“**Unlisted Foreign Shares**” means the ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are held by foreign investors and are not listed on any stock exchange;

“**Relevant Period**” means the period from the passing of this resolution until the earlier of:

- (a) the conclusion of the 2022 annual general meeting of the Company following the passing of this resolution; or
- (b) the date on which the authority conferred by this resolution is revoked or varied by a special resolution in a general meeting of the Company.

- B. Subject to the Board issuing additional H Shares, additional Domestic Shares and additional Unlisted Shares pursuant to this resolution, the Board be authorised to:
 - i. approve, execute and do or procure to be executed and done, all documents, deeds and things as it may consider necessary in connection with the issue of such new shares of the Company (including, but not limited to the time, price, quantity and place of issue, making all necessary applications to the relevant authorities, entering into an underwriting agreement or any other agreement);

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- ii. determine the use of proceeds and make all necessary filing, registration and applications with or to the relevant authorities in the PRC and/or Hong Kong (if required);
- iii. determine the registered capital and the number of shares of the Company pursuant to the issue or allotment of shares pursuant to this resolution, and register with the relevant authorities in the PRC and/or Hong Kong upon an increase of registered capital and the number of shares of the Company; and
- iv. make amendments to the articles of association of the Company accordingly as it thinks fit so as to reflect relevant matters such as the registered capital and new capital structure of the Company after the issue and allotment of shares of the Company.

AGM

The Company will hold the AGM at Fourth Floor, Building 7, 59 Kaiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC on Monday, June 27, 2022, at 2:00 p.m. for the Shareholders to consider, and if thought fit, approve the resolutions relating to, among others, (i) the 2021 Work Report of the Board; (ii) the 2021 Work Report of the Supervisory Committee; (iii) the 2021 Profit Distribution Plan; (iv) the 2021 Financial Statements; (v) the 2021 Annual Report; (vi) to authorise the Board to determine the remuneration of the Directors; (vii) to authorise the Supervisory Committee to determine the remuneration of the Supervisors; and (viii) the re-appointment of auditors of the Company for 2022 and authorise the Board to determine their respective remuneration. At the AGM, special resolutions concerning the following matters of the Company will be proposed to consider and approve (1) the amendments to the Articles of Association; (2) the adoption of the Scheme; (3) the authorization to the Board and/or the Delegatee to handle matters pertaining to the Scheme; and (4) the grant of general mandate to the Board to issue Shares. Notice of the AGM is set out on pages 55 to 60 of this circular.

CLOSURE OF REGISTER OF MEMBERS OF H SHARES AND ASCERTAINING OF ELIGIBILITY FOR ATTENDING THE AGM

The register of members of H Shares of the Company will be closed from Saturday, May 28, 2022 to Monday, June 27, 2022, both days inclusive, during which no transfer of H Shares will be registered, in order to determine the holders of the H Shares who are entitled to attend and vote at the forthcoming AGM. To be eligible to attend and vote at the AGM, all properly completed transfer documents, accompanied by relevant share certificate, must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, May 27, 2022 for registration.

LETTER FROM THE BOARD

Enclosed herewith are the reply slip and proxy form for the AGM. If you intend to attend the AGM or to appoint a proxy to attend the AGM, you are required to complete and return (i) the reply slip in accordance with the instructions printed thereon no later than Wednesday, June 22, 2022; and (ii) the proxy form in accordance with instructions printed thereon and return them to the Company's H shares registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of holders of H Shares) or the Company's registered office at Room 302, 3/F, Building 4, No.590 Ruiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC (in case of holders of Domestic Shares and Unlisted Foreign Shares) as soon as possible and in any event no later than 24 hours before the time appointed for the AGM (i.e. no later than 2:00 p.m. on Sunday, June 26, 2022) or any adjournment thereof (for the proxy form (if any)). Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjournment thereof in person if you so wish. **The Company strongly recommends you to monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the AGM in person.**

Voting by Way of Poll

In accordance with Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at the AGM must be taken by poll. As such, all the resolutions set out in the notice convening the AGM will be voted by poll.

Save as disclosed in the circular, if any, no Shareholder will have a material interest in the matters to be approved and will be required to abstain from voting in respect of such resolutions.

RESPONSIBILITY STATEMENT

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

PRECAUTIONARY MEASURES FOR THE AGM

During the period for the prevention and control of the coronavirus disease (COVID-19) in China and overseas, the Company will strictly comply with the requirements regarding the pandemic prevention and control stipulated by government departments, and take relevant prevention and control measures including monitoring the temperatures of shareholders attending the AGM. Shareholders attending the AGM shall pay early attention to and comply with the relevant regulations and requirements regarding health report, quarantine and observation during the pandemic prevention and control period in Shanghai.

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Shareholders having a fever or other symptoms, not wearing a surgical mask as required, or failing to comply with the relevant regulations and requirements regarding the pandemic prevention and control will not be able to enter the venue of the AGM. If the number of shareholders attending the AGM reaches the maximum (if any) stipulated by the relevant government departments at the date of the AGM in accordance with the regulations and requirements regarding the pandemic prevention and control, shareholders shall be admitted on a “first-come-first-served” basis, and shareholders subsequently arriving may not be able to enter the venue of the AGM.

The Company reminds attendees that they should carefully consider the risks of attending the AGM, taking into account their own personal circumstances. Shareholders are reminded that physical attendance at the AGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the AGM instead of attending the AGM in person, by completing and returning the form of proxy. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the AGM.

RECOMMENDATIONS

The Directors (including the Independent Non-executive Directors) consider that all the above resolutions are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all the Shareholders to vote in favour of the aforesaid resolutions to be proposed at the AGM.

By order of the Board
Shanghai Bio-heart Biological Technology Co., Ltd.
Philip Li WANG
Chairman and executive director

APPENDIX

RULES
OF
SHANGHAI BIO-HEART
BIOLOGICAL TECHNOLOGY CO., LTD.
2022 H SHARE INCENTIVE SCHEME

(Draft)

APPENDIX

1 DEFINITIONS AND INTERPRETATION

1.1 In these Scheme Rules, unless the context otherwise requires, each of the following words and expressions shall have the meaning respectively shown opposite to it:

“Actual Selling Price”	the actual price at which the RSUs are sold (net of brokerage, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of an Award pursuant to the Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company pursuant to Rule 16.1, the consideration receivable under the related scheme or offer;
“Adoption Date”	the date the Shareholders approves this Scheme;
“Articles”	the articles of association of the Company (as amended from time to time);
“Auditors”	the auditors of the Company from time to time;
“Award”	an award of RSUs granted to a Participant pursuant to the Scheme, which may vest in the form of RSUs or the Actual Selling Price of the RSUs in cash, as the Board or the Delegatee may determine in accordance with the terms of the Scheme Rules;
“Award Period”	the period commencing on the Adoption Date, and ending on the Business Day immediately prior to the 10th anniversary of the Adoption Date;
“Board”	the board of directors of the Company (please also refer to Rule 1.2(i)), from time to time;
“Business Day”	a day (other than a Saturday or Sunday) on which the Stock Exchange is open for the business of dealing in securities, provided that where, as a result of a typhoon signal number 8, black rainstorm warning or other similar event, the period during which the Stock Exchange is open for business on any day is reduced, such day shall not be a Business Day;

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“Company”	Shanghai Bio-heart Biological Technology Co., Ltd., a company incorporated in the PRC with limited liability, whose H Shares are listed on the Stock Exchange (Stock Code: 2185);
“Company Law”	the Company Law of the People’s Republic of China (《中華人民共和國公司法》);
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules;
“Delegatee”	the Management Committee, person(s) or board committee(s) to which the Board has delegated its authority;
“Director”	a member of the Board;
“Eligible Person”	any full-time PRC or non-PRC employee of any members of the Group, who is a Director (excluding independent non-executive director), supervisor, senior management, key operating team member, employee, or, a consultant of the Group; however, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or the Delegatee, in compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Scheme and such individual shall therefore be excluded therefrom
“Grant Letter”	a letter issued by the Company to any Selected Person which addresses matters stated in Rule 11.3;
“Group”	collectively, the Company and its Subsidiaries;
“H Shares”	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in Hong Kong dollars;

APPENDIX

“H Share Incentive Scheme Rules” or “Scheme Rules”	the rules governing the operation of this Scheme as well as the implementation procedure (as amended from time to time);
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“liability”	any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any sales tax or similar tax charged or chargeable in respect thereof, other professional expenses, disbursements and legal fees and expenses on a full indemnity basis;
“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”	the management committee of the Scheme appointed by the Board to administer the Scheme;
“on-market”	the acquisition of H Shares of the Company through one or more transactions through the facilities of the Stock Exchange in accordance with the Listing Rules and any other applicable laws and regulations;
“Participant”	a Selected Person who has duly accepted the offer in accordance with the Grant Letter;
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan region;
“Remuneration Committee”	the remuneration committee of the Board;

APPENDIX

“Returned Shares”	such RSUs that are not vested and/or are forfeited in accordance with the terms of the Scheme Rules, or such H Shares being deemed to be Returned Shares under the Scheme Rules;
“RSU”	the restricted share unit, a conditional right whereby the Participant shall be entitled to obtain either H Shares or the payment of the Actual Selling Price with reference to the market value of the H Shares on or about Vesting Date(s) as finally and conclusively determined by the Board or the Delegatee and notified to the Participant in the Vesting Notice. Each RSU shall represent a conditional right to one underlying Share;
“Scheme”, “H Share Incentive Scheme”, or “this Scheme”	2022 H SHARE INCENTIVE SCHEME adopted by Company on the Adoption Date;
“Securities Law”	the Securities Law of the People’s Republic of China (《中華人民共和國證券法》);
“Selected Person”	any Eligible Person who has received a Grant Letter from the Company or (where the context so permits) any person who is entitled in accordance with Rule 18.5 to any Award in consequence of the death of the original Selected Persons;
“SFC”	the Securities and Futures Commission of Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

APPENDIX

“Subsidiary”	with respect to a specific entity, (i) any entity (x) more than fifty percent (50%) of whose shares or other interests entitled to vote in the election of directors or (y) more than a fifty percent (50%) interest in the profits or capital of such entity are owned or controlled directly or indirectly by the subject entity or through one (1) or more Subsidiaries of the subject entity, (ii) any entity whose assets, or portions thereof, are consolidated with the net earnings of the subject entity and are recorded on the books of the subject entity for financial reporting purposes in accordance with the International Financial Reporting Standards, or (iii) any entity with respect to which the subject entity has the power to otherwise direct the business and policies of that entity directly or indirectly through another Subsidiary;
“Tax”	all present and future income and other taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature which are levied in any applicable jurisdiction, together with interest thereon and penalties with respect thereto, if any, and any payments made on or in respect thereof;
“Trust”	the trust constituted pursuant to the Trust Deed to service the Scheme;
“Trust Deed”	the trust deed to be entered into between the Company and the Trustee (as may be restated, supplemented and amended from time to time);
“Trustee”	the trustee appointed by the Company for the purpose of the Trust, and initially, THE CORE TRUST COMPANY LIMITED 匯聚信託有限公司, a trust company incorporated under the laws of Hong Kong, whose registered office is at 28th Floor, 33 Des Voeux Road Central, Central, Hong Kong;
“Vesting Date(s)”	the date or dates, as determined from time to time by the Board or the Delegatee on which the Award (or part thereof) is to vest in the relevant Selected Person as set out in the relevant Grant Letter;

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“Vesting Notice” a notice to be sent by the Company to each of the relevant Participants after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the number or percentage of the H Shares involved as described in the Scheme.

1.2 In these Scheme Rules, except where the context otherwise requires:

- (a) references to Rules are to the rules of the Scheme Rules;
- (b) references to times of the day are to Hong Kong time;
- (c) references to any statutory body shall include the successor thereof and any body established to replace or assume the function of the same;
- (d) if a period of time is specified as from a given day, or from the day of an act or event, it shall be calculated exclusive of that day;
- (e) a reference to “include”, “includes” and “including” shall be deemed to be followed by the words “without limitation”;
- (f) a reference to “dollars” or to “\$” shall be construed as a reference to the lawful currency for the time being of Hong Kong;
- (g) a reference, express or implied, to statutes, statutory provisions or the Listing Rules shall be construed as references to those statutes, provisions or rules as respectively amended or re-enacted or as their application is modified from time to time by other provisions (whether before or after the date hereof) and shall include any statutes, provisions of rules of which are re-enacted (whether with or without modification) and shall include any orders, regulations, instruments, subsidiary legislation, other subordinate legislation or practice notes under the relevant statute, provision or rule;
- (h) words importing the singular include the plural and vice versa, and words importing a gender include every gender;
- (i) unless otherwise indicated, the Board can make determinations in its sole and absolute discretion and if the Board delegates its authority to administer the Scheme to the Delegatee, such Delegatee shall enjoy the same role and absolute discretion.

APPENDIX

2 PURPOSE

- 2.1 The Scheme is a share award of H Shares and trust scheme established by the Company to award Eligible Persons, who could be Director, supervisor, senior management, key operating team member, employee, or, a consultant of the Group.
- 2.2 A Trust Deed will be entered into between the Company and the Trustee, being THE CORE TRUST COMPANY LIMITED 匯聚信託有限公司 initially. Pursuant to the Trust Deed, the Trust will be constituted to service the Scheme whereby the Trustee shall assist with the administration of the Scheme and shall, subject to the relevant provisions of the Trust Deed and upon the instruction of the Company, acquire such underlying H Shares of the Scheme through on-market transactions with funds to be transferred by the Company to the Trust in accordance with Rule 6. Such underlying H Shares of the Scheme shall not exceed 1,500,000 H Shares in any event. Awards granted to the Selected Persons shall be held by the Trustee on trust for the benefit of the Selected Persons, and the Trustee shall, for the purposes of vesting of the Award and upon the satisfaction of the vesting conditions set out in Rule 14 of the Scheme by the Selected Persons, release from the Trust the RSUs to the Selected Persons or sell the number of RSUs so vested on-market at the prevailing market price and pay the Selected Persons the proceeds in cash arising from such sale in accordance with Rule 14, and relevant provisions under the Trust Deed.
- 2.3 The purpose of this H Share Incentive Scheme is
- 2.3.1 to attract, motivate and retain highly skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company;
- 2.3.2 to modernize the Company's remuneration practices and to improve the interests balance mechanism among Shareholders, the operational and executive management; and
- 2.3.3 to recognize the contributions of the prudent leadership of the Company including the Directors; encourage, motivate and retain the leadership of the Company whose contributions are beneficial to the continued operation, development and long-term growth of the Group; and provide additional incentive for the leadership of the Company by aligning the interests of the leadership of the Company to that of the Shareholders and the Group as a whole.

The Directors are of the view that the individual performance indicators as conditions for the vesting of the Awards will serve to achieve the purpose stated above.

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2.4 The Company formulates this H Share Incentive Scheme in accordance with the relevant laws, regulations and regulatory documents including the Company Law, the Securities Law, and the Listing Rules.

3 TERM OF THIS SCHEME

3.1 Subject to Rule 24, this H Share Incentive Scheme shall be valid and effective for the Award Period (after which no further Awards will be granted), and thereafter for so long as there are any non-vested RSUs granted hereunder prior to the expiration of the Scheme, in order to give effect to the vesting of such RSUs or otherwise as may be required in accordance with the provisions of the Scheme Rules.

4 CONDITIONS

4.1 The Scheme is conditional upon the passing of a resolution by (i) the Shareholders and (ii) the Board to approve the adoption of the Scheme and to authorize the Management Committee to grant Awards under the Scheme and to procure the transfer of and otherwise deal with the RSUs granted in connection with the Scheme.

5 ADMINISTRATION OF THIS SCHEME

5.1 The H Share Incentive Scheme shall be subject to the administration of the following administrative bodies:

5.1.1 the general meeting of the Shareholders, as the organ of authority of the Company, is responsible for the deliberation and approval of the adoption of the Scheme. The general meeting of the Shareholders may authorize the Board and/or the Delegatee to deal with all matters related to the Scheme to the extent of its authority;

5.1.2 the Board is the institution in charge of the administration of the Scheme in accordance with the Scheme Rules and where applicable, the Trust Deed. A decision of the Board or the Delegatee shall be final and binding on all persons affected. The Remuneration Committee shall be responsible for drafting and revising the H Share Incentive Scheme and submitting the same to the Board for consideration. Upon consideration and approval of the Scheme, the Board will submit the Scheme to the general meeting of the Shareholders for consideration. The Board or the Delegatee may handle all matters related to the H Share Incentive Scheme within the authorization by the general meeting of the Shareholders;

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- 5.1.3 the independent non-executive Directors are the supervisory institution of the H Share Incentive Scheme and shall express their views on whether the H Share Incentive Scheme facilitates the sustainable development of the Company and whether the H Share Incentive Scheme impairs the interests of the Company and the Shareholders as a whole. The independent non-executive Directors supervise whether the implementation of the H Share Incentive Scheme complies with relevant laws, regulations, regulatory documents and the Listing Rules, and is responsible for reviewing the list of Selected Persons; and
- 5.1.4 the Trust will be constituted to service the H Share Incentive Scheme whereby the Trustee shall, subject to the relevant provisions of the Trust Deed and upon the instruction of the Company, acquire not more than 1,500,000 H Shares through on-market transactions with funds to be transferred by the Company to the Trust.
- 5.2 The authority to administer the H Share Incentive Scheme may be delegated by the Board to the Delegatee as deemed appropriate at the sole discretion of the Board, provided that the Board at its absolute discretion may revoke such delegation at any time or derogate from the discretion vested with the Board as contemplated in Rule 5.1.2.
- 5.3 Subject to any restrictions in the Scheme Rules, it is noted that as at the Adoption Date, the Board has delegated to the Management Committee the authority to administer the H Share Incentive Scheme, including the power to grant an Award under the H Share Incentive Scheme.
- 5.4 Subject to the Scheme Rules, the Listing Rules and any applicable laws and regulations, the Board or the Delegatee shall have the power from time to time to: (a) construe and interpret the Scheme Rules and the terms of the Awards granted under the Scheme; (b) make or vary such arrangements, guidelines, procedures and/or regulations for the administration, interpretation, implementation and operation of the Scheme, provided that they are not inconsistent with the Scheme Rules; (c) decide how the vesting of the RSUs will be settled pursuant to Rule 14; (d) determine the basis of eligibility of any Eligible Person for the grant of Awards from time to time on the basis of their contribution to the development and growth of the Group or such other factors deemed appropriate; (e) grant Awards to those Eligible Persons whom it shall select from time to time; (f) determine the terms and conditions of the Awards; (g) establish, assess and administer performance targets in respect of the Scheme; (h) approve the form and content of a Grant Letter; (i) adjust the number of outstanding RSUs or accelerate the Vesting Date(s) of any Awards pursuant to Rule 16; (j) exercise any authority as may be granted by the Shareholders from time to time (k) engage bank(s), accountant(s), lawyer(s), consultant(s) and other professional parties for the purpose of the Scheme; and (l) sign, execute, amend and terminate all documents relating to the

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Scheme, undertake all procedures relevant to the Scheme and take such other steps or actions to give effect to the terms and intent of the Scheme Rules.

- 5.5 Without prejudice to the Board's general power of administration, the Board or the Delegatee may from time to time appoint one or more administrators, who may be independent third-party contractors, to assist in the administration of the Scheme, to whom they, in their sole and absolute discretion, may delegate such functions relating to the administration of the Scheme as they may think fit. The duration of office, terms of reference and remuneration (if any) of such administrator(s) shall be determined by the Board or the Delegatee in its sole and absolute discretion from time to time.
- 5.6 Without prejudice to the Board's general power of administration, to the extent not prohibited by applicable laws and regulations, the Board or the Delegatee may also from time to time appoint one or more Trustees in respect of granting, administration or vesting of any RSUs. For the avoidance of doubt, notwithstanding any provision herein, the Board or, if delegated to the Delegatee, then the Delegatee shall be the sole body which has the authority to give any direction, instruction or recommendation to the Trustee or from which the Trustee seeks direction, instruction or recommendation with respect to the Scheme and the Trust.
- 5.7 None of the Directors or any Delegatee shall be personally liable by reason of any contract or other instrument executed by him, or on his behalf or for any mistake of judgment made in good faith, for the purposes of the Scheme, and the Company shall indemnify and hold harmless each member of the Board and any Delegatee in relation to the administration or interpretation of the Scheme, against any cost or expense (including legal fees) or liability (including any sum paid in settlement of a claim with the approval of the Board) arising out of any act or omission to act in connection with the Scheme unless arising out of such person's own wilful default, fraud or bad faith.
- 5.8 In respect of the administration of the Scheme, the Company shall comply with all applicable disclosure regulations including those imposed by the Listing Rules and all applicable PRC laws, regulations and rules.

6 SOURCE OF RSUS AND ACQUISITION OF H SHARES BY THE TRUSTEE

- 6.1 The source of the RSUs under the H Share Scheme shall be H Shares to be acquired by the Trustee through on-market transactions at the prevailing market price in accordance with the instructions of the Board or the Delegatee and the relevant provisions of the Scheme Rules. The Board or the Delegatee may specify in the instructions given to the Trustee with respect to the acquisition of H Shares any conditions or terms, including without limitation, the specified price or range of prices for the acquisition, the maximum amount of funds to be used for the acquisition, and/or the maximum number of H Shares to be acquired.

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- 6.2 Subject to Rule 6.6, the Board or the Delegatee shall as soon as reasonably practicable, and if applicable, once the relevant requirements for the grant of Awards to any connected person under Rule 13.2 have been met, for the purposes of satisfying the grant of Awards, transfer to the Trust the necessary funds and instruct the Trustee to acquire H Shares through on-market transactions at the prevailing market price. The Trustee shall as soon as reasonably practicable thereafter proceed to acquire such number of H Shares as instructed by the Company on-market at the prevailing market price.
- 6.3 Subject to Rule 16, the Board or the Delegatee shall instruct the Trustee whether or not to apply any Returned Shares to satisfy any grant of Awards made, and if the Returned Shares, as specified by the Company, are not sufficient to satisfy the Awards granted, the Company shall, as soon as reasonably practicable, for purposes of satisfying the Awards granted, transfer to the Trust the necessary funds and instruct the Trustee to acquire further H Shares through on-market transactions at the prevailing market price.
- 6.4 The Board or the Delegatee may specify in the instructions given with respect to the acquisition of H Shares pursuant to this Rules 6.2 and 6.3 any conditions or terms, including without limitation, the specified price or range of prices for the acquisition, the maximum amount of funds to be used for the acquisition, and/or the maximum number of H Shares to be acquired.
- 6.5 Where the Trustee has received instructions from the Board or the Delegatee to acquire H Shares through on-market transactions, the Trustee shall acquire such number of H Shares in such manner as instructed by the Company on-market at the prevailing market price as soon as reasonably practicable after receiving the necessary funds from the Company. The Trustee shall only be obliged to transfer RSUs to Selected Persons on vesting to the extent that RSUs are comprised in the Trust.
- 6.6 The Board or the Delegatee shall not instruct the Trustee to acquire H Shares through on-market transactions at the prevailing market price, where (i) during such periods as stated in Rules 12.1.8 and 12.1.9; (ii) when the Board is in possession of unpublished inside information in relation to the Group; or (iii) where dealings in the securities of the Company by the Directors are prohibited or in any other circumstance which are prohibited under any code or requirement of the Listing Rules, the SFO, and all applicable laws, rules or regulations from time to time. Where such a prohibition causes the prescribed timing imposed by the Scheme Rules or the Trust Deed to be missed, such prescribed timing shall be treated as extended until as soon as reasonably practicable after the first Business Day on which the prohibition no longer prevents the relevant action.

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6.7 At any time during the Award Period, the Board or the Delegatee may instruct the Trustee to remit unused funds to the Trust that were previously transferred to the Trust by the Group for the purchase of H Shares back to the Group in a manner as instructed by the Board or the Delegatee.

7 TRUSTEE

7.1 The Company may appoint the Trustee to assist with the administration and vesting of RSUs granted pursuant to this Scheme. The Board or the Delegatee may direct and procure the Trustee to

7.1.1 purchase existing H Shares on-market to satisfy the RSUs upon exercise;
and

7.1.2 give directions to the Trustee under Rule 14.3 for the purpose of vesting the Awards.

7.2 The Company shall procure that sufficient funds are provided to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of this Scheme.

8 INTERPRETATION OF SCHEME

8.1 The decision of the Board or the Delegatee as to all matters relating to this Scheme or its interpretation or effect shall be final and binding. In particular, the Board or the Delegatee shall finally determine whether a person is eligible to participate in this Scheme.

9 MAXIMUM NUMBER OF RSUS UNDER THIS SCHEME

9.1 The maximum number of RSUs that may be granted under this Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with these Rules) shall be such number of H Shares held or to be held by the Trustee for the purpose of this Scheme from time to time, and which shall in any event, be no more than 1,500,000 H Shares (the “**Scheme Limit**”). The Company shall not make any further grant of Award which will result in the aggregate number of H Shares underlying all grants made pursuant to the Scheme (excluding the RSUs that have been forfeited in accordance with the Scheme) to exceed the Scheme Limit without Shareholders’ approval.

9.2 The maximum number of H Shares which may be subject to an Award or Awards to a Selected Person in a 12-month period up to and including the date of the grant of such Award shall not in aggregate exceed 1% of the total number of issued H Shares of the Company from time to time.

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10 BASIS OF ELIGIBILITY FOR RSUS

- 10.1 The Board or the Delegatee may select any Eligible Person for participation in this Scheme as a Selected Person. Unless so selected, no Eligible Person shall be entitled to participate in this Scheme. The basis of eligibility of any Selected Person for the grant of RSUs shall be determined by the Board or the Delegatee from time to time and may be on the basis of their contribution to the development and growth of the Group or such other factors as the Board or the Delegatee may deem appropriate.
- 10.2 No one should be considered as a Selected Persons of the Scheme if he: (a) has been publicly reprimanded or deemed as an inappropriate candidate for similar award schemes or share incentive schemes of a listed company by securities regulatory bodies with authority in the last 12 months; (b) has been imposed with penalties or is banned from trading securities by securities regulatory bodies due to material non-compliance with laws or regulations in the last 12 months; (c) has been subject to administrative penalties (except those unrelated to the securities market) or criminal penalties by functional departments of the Chinese government within the last three years due to material non-compliance with laws or regulations; (d) is in serious breach of relevant national laws and regulations or the Articles; or (e) has been proven with sufficient evidence by the Company that he is in breach of the undertakings in Rule 17 during his term of service. The Selected Persons shall undertake that if any of the above provisions occur during implementation of the Scheme which would prevent him from being considered as a Selected Person, he shall give up his rights to participate in the Scheme and shall not be given any compensation.
- 10.3 Notwithstanding the provisions of Rule 10.1 and 10.2, no grant of any RSUs to any Selected Person may be made and no directions or recommendations shall be given to the Trustee with respect to a grant of an Award under the circumstances in Rule 12.

11 OFFER OF GRANT OF RSUS

- 11.1 Subject to the limitations and conditions of this Scheme, the Board may, at its absolute discretion, grant RSUs to any Selected Person on such terms and conditions as the Board thinks fit.
- 11.2 RSUs that have lapsed in accordance with Rule 18 or for any other reasons can be re-granted by the Board or the Delegatee at its absolute discretion.

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- 11.3 Upon the grant of RSUs, a Grant Letter should be issued to the Selected Person and such Grant Letter shall address, among other things, the following matters:
- (a) the Selected Person's name;
 - (b) the number of RSUs granted and the number of underlying H Shares represented by the RSUs or the percentage of the issued share capital of the Company represented by the RSUs granted;
 - (c) the vesting criteria and conditions;
 - (d) the Vesting Date(s); and
 - (e) such other terms and conditions as the Board shall determine and are not inconsistent with this Scheme.

The Grant Letter shall serve as evidence of the grant of the RSUs and no further certificate shall be issued to the Selected Person.

- 11.4 A Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Grant Letter. Once accepted, the RSUs are deemed granted from the date of the Grant Letter. Upon acceptance, the Selected Person becomes a Participant in this Scheme.
- 11.5 The Board shall, after the appointment of the Trustee and after any Award has been granted and duly accepted by a Participant, inform the Trustee of the name of the Participant, the number of RSUs to which each such Award relates, the Vesting Date(s) of RSUs and other terms and conditions (if any) that RSUs are subject to as determined by the Board.

12 RESTRICTION ON GRANT OF RSUS

- 12.1 No grant of any RSUs to any Selected Persons may be made and no directors or recommendations shall be given to the Trustee with respect to a grant of an Award under any of the following circumstances below:
- 12.1.1 where the requisite approval from any applicable regulatory authorities or Shareholders has not been granted;
 - 12.1.2 the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the Scheme, unless the Board determines otherwise;
 - 12.1.3 where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdictions;

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- 12.1.4 any member of the Board is in possession of unpublished inside information (as defined under the SFO) in relation to the Group or where any Director reasonably believes there is inside information which must be disclosed pursuant to the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO or where dealings in the securities of the Company by the Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations from time to time;
- 12.1.5 where granting the RSUs would result in a breach by the Company, any member of the Group or any of their directors of any applicable securities laws, rules or regulations or require the issue of any share(s) by the Company fully-paid for a consideration less than the par value of such Share(s), or in any other circumstance which are prohibited under any applicable laws, rules or regulations from time to time;
- 12.1.6 where such grant of any RSUs would result in a breach of the Scheme Limit;
- 12.1.7 after the expiry of the Award Period or after the earlier termination of this Scheme in accordance with Rule 24;
- 12.1.8 during the period of 60 days immediately preceding the publication date of the annual results of the Group or, if shorter, the period from the end of the relevant financial year up to the publication date of such results;
- 12.1.9 during the period of 30 days immediately preceding the publication date of the quarterly or half-year results of the Group or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of such results

and any such grant so made shall be null and void to the extent (and only to the extent) that it falls within the circumstances above.

- 12.2 No instructions shall be given to the Trustee to purchase H Shares when the Board is in possession of unpublished inside information in relation to the Group or where dealings in the securities of the Company by the Directors are prohibited or in any other circumstance which are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations from time to time.

13 IMPLICATIONS UNDER THE LISTING RULES

- 13.1 The H Share Incentive Scheme involves no issue of new shares or granting of option for any new securities of the Company. Thus it does not constitute a share option scheme as defined and regulated under Chapter 17 of the Listing Rules.
- 13.2 For as long as the H Shares are listed on the Stock Exchange, if required by the Stock Exchange or the Listing Rules, the grant of any Awards shall be subject to the compliance with the requisite requirements under the Listing Rules or otherwise required by the Stock Exchange. Any grant of Awards to the Directors or senior management of the Group must first be approved by the Remuneration Committee and any grant of Awards to the Directors and any other connected person of the Company shall comply with all applicable laws, rules and regulations, including the Listing Rules and any corresponding code or securities dealing restrictions adopted by the Company. The Company will seek independent shareholders' approval for any grant of Awards to the Directors or any other connected person as required under Chapter 14A of the Listing Rules.

14 VESTING OF AWARD

- 14.1 The Board or the Delegatee may determine the vesting criteria, conditions, Vesting Date(s) and such criteria, conditions and time schedule shall be stated in the Grant Letter.
- 14.2 Within a reasonable time after the vesting criteria, conditions (if any) applicable to the Award have been reached, fulfilled, satisfied or waived, the Board shall send the Vesting Notice to each of the relevant Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number/percentage of H Shares involved or the amount of Actual Selling Price to be received.
- 14.3 A copy of the Vesting Notice shall be forwarded to the Trustee. Upon receipt of the Vesting Notice, the Trustee shall transfer and release from the Trust the relevant Shares underlying the RSUs to the relevant Selected Persons in the manner as determined by the Board or the Delegatee on the Vesting Date(s), or pay the relevant Selected Person in cash based on the Actual Selling Price of such RSUs as set out in the Vesting Notice within a reasonable time period in satisfaction of the Award, provided that the Trust has sufficient cash to pay such proceeds.

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- 14.4 If the Selected Persons fails to fulfill any or all of the vesting conditions applicable to the relevant Awards and no waiver of such conditions is granted, all the RSUs underlying the relevant Awards which may otherwise be vested on the respective Vesting Date(s) shall not be vested and become immediately forfeited with respect to such Selected Person. The Trustee shall be notified of such forfeiture and such forfeited shares shall be held by the Trustee as Returned Shares. The Board's or the Delegatee's decision on whether the vesting conditions are satisfied shall be conclusive and final.
- 14.5 If the Vesting Date(s) is not a Business Day, the Vesting Date(s) shall, subject to any trading halt or suspension in the H Shares, be the Business Day immediately thereafter.
- 14.6 For the avoidance of doubt, the Vesting Date(s) of the Awards granted under the Scheme or the Awards to be satisfied by the application of any Returned Shares shall be determined by the Board or the Delegatee in its sole and absolute discretion, and shall in any event not extend beyond the then remaining term of the Award Period at the time of grant. The Trustee shall be notified of such Vesting Date(s).
- 14.7 If the Board or the Delegatee determines that the RSUs shall be vested by payment of the Actual Selling Price in satisfaction of the Award, after payment of the Actual Selling Price to the Participant, the H Shares to which such vesting of the RSU(s) relates shall cease to form part of the RSU under the Award, and the Participant shall have no right, benefit, interest and title to or in the relevant H Shares. The Board or the Delegatee shall inform the Trustee in writing of the number of the H Shares underlying the RSU(s) or the amount of Actual Selling Price being transferred, paid and/or released to the relevant Participant in the manner as determined by the Board or the Delegatee.
- 14.8 Any stamp duty or other direct costs and expenses arising on the vesting and transfer of the RSUs to or for the benefit of the Selected Persons shall be borne by the funds in the Trust, and if the funds in the Trust is insufficient to cover, it shall be borne by the Group.
- 14.9 All taxes, costs and expenses in relation to all dealings with the RSUs after vesting shall be borne by the Selected Person and neither the Group nor the Trustee shall be liable for any such costs and expenses thereafter.
- 14.10 The Participants shall conduct necessary filing or registration or any other administrative proceedings as required by PRC laws, rules or regulations, including but not limited to the foreign exchange registration.
- 14.11 Other than the stamp duty to be borne by the Group in accordance with Rule 14.8, all other taxes (including personal income taxes, professional taxes, salary taxes and similar taxes, as applicable), duties, social security contributions, impositions, charges and other levies arising out of or in

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connection with the Selected Person's participation in the Scheme or in relation to the RSUs or cash amount of equivalent value of the RSUs (the "Taxes") shall be borne by the Selected Person and neither the Group nor the Trustee shall be liable for any Taxes. The Selected Person will indemnify the Trustee and all members of the Group against any liability each of them may have to pay or account for such Taxes, including any withholding liability in connection with any Taxes. To give effect to this, the Trustee or any member of the Group may, notwithstanding anything else in these Scheme Rules (but subject to applicable law):

- 14.11.1 reduce or withhold the number of Selected Person's RSUs underlying the Award, provided that it is limited to the number of RSUs that have a fair market value on the date of withholding that, in the reasonable opinion of the Company is sufficient to cover any such liability);
- 14.11.2 sell, on the Selected Person's behalf, such number of H Shares to which the Selected Person becomes entitled under the Scheme and retain the proceeds and/or pay them to the relevant authorities or government agency;
- 14.11.3 deduct or withhold, without notice to the Selected Person, the amount of any such liability from any payment to the Selected Person made under the Scheme or from any payments due from a member of the Group to the Selected Person, including from the salary payable to the Selected Person by any member of the Group; and/or
- 14.11.4 require the Selected Person to remit to the Trustee or any member of the Group, in the form of cash or a certified or bank cashier's check, an amount sufficient to satisfy any Taxes or other amounts required by any governmental authority to be withheld and paid over to such authority by the Trustee or any member of the Group on account of the Selected Person or to otherwise make alternative arrangements satisfactory to the Company for the payment of such amounts.

The Trustee shall not be obliged to transfer any RSUs (or pay the Actual Selling Price) to a Selected Person unless and until the Selected Person satisfies the Trustee and the Company that such Selected Person's obligations under this Rule has been met.

15 TRANSFERABILITY OF RSUS

- 15.1 The Awards granted pursuant to this Scheme are personal to each Participant, and are not assignable. Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the Trustee on trust for the Participants, the RSUs or any interest or benefits therein, unless the Award or any interest thereof is transferred as a result of the Selected Person's death in accordance with the Rule 18.5.

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15.2 Any actual or purported breach of Rule 15.1 shall entitle the Company to cancel any outstanding RSUs or part thereof granted to such Selected Person. For this purpose, a determination from such person(s) delegated with this function by the Board, to the effect that the Selected Person has or has not breached any of the foregoing shall be final and conclusive as to such Selected Person.

16 RIGHTS ON A TAKEOVER, WINDING-UP AND RESTRUCTURING

Change in control

16.1 If there is an event of change in control of the Company by way of a merger, privatization of the Company by way of a scheme or by way of an offer, change of actual control of the Company involving reorganization of major assets, the Company no longer exists after merger with another company, division of the Company, or resolution of the general meeting of the Shareholders to replace half of all members of the Board before the expiry of the term of office of the Board, the Board shall in its sole and absolute discretion determine whether this Scheme shall be terminated within 5 trading days upon the change in control of the Company.

16.2 For the purpose of Rule 16.1, "control" shall have the meaning as specified in The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC from time to time.

Open offer and rights issue

16.3 In the event the Company undertakes an open offer of new securities, the Trustee shall not subscribe for any new H Shares. In the event of a rights issue, the Trustee shall seek instruction from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

Bonus warrants

16.4 In the event the Company issues bonus warrants in respect of any H Shares which are held by the Trustee, the Trustee shall not, unless otherwise instructed by the Company, subscribe for any new H Shares by exercising any of the subscription rights attached to the bonus warrants, and shall sell the bonus warrants created and granted to it, and the net proceeds of sale of such bonus warrants shall be held as funds of the Trust.

Scrip dividend

16.5 In the event the Company undertakes a scrip dividend scheme, the Trustee shall elect to receive the script Shares and such Shares will be held as Returned Shares.

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Capitalization issue, rights issue, consolidation, sub-division, Share Bonus issue and other distribution

- 16.6 In the event the Company undertakes a capitalization issue, rights issue, sub-division, consolidation or reduction of the H Shares, corresponding changes will be made to the number of outstanding RSUs that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Scheme for the Selected Persons. All fractional shares (if any) arising out of such consolidation or sub-division in respect of the RSUs of a Selected Person shall be deemed as Returned Shares and shall not be transferred to the relevant Selected Person on the relevant Vesting Date(s).
- 16.7 In the event of an issue of H Shares by the Company credited as fully paid to the holders of the H Shares by way of capitalization of profits or reserves (including share premium account), the H Shares attributable to any RSUs held by the Trustee shall be deemed to be an accretion to such RSUs and shall be held by the Trustee as if they were RSUs purchased by the Trustee hereunder and all the provisions hereof in relation to the original RSUs shall apply to such additional Shares.
- 16.8 In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding RSUs of each Selected Person as the Board shall consider to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Scheme for the Selected Persons. The Company shall provide such funds, or such directions on application of the Returned Shares or other funds in the Trust, as may be required to enable the Trustee to purchase H Shares on-market at the prevailing market price to satisfy the additional Award.
- 16.9 In the event of other non-cash and non-scrip distributions made by the Company not otherwise referred to in the Scheme Rules in respect of the H Shares held upon Trust, the Trustee shall sell such distribution and the net sale proceeds thereof shall be deemed as cash income of an H Share held upon the Trust.

Voluntary winding-up

- 16.10 If an effective resolution is passed during the Award Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), the Board or the Delegatee shall in its sole and absolute discretion determine whether the Vesting Dates of any Awards will be accelerated and whether the Selected Person will be entitled to receive out of the assets available in liquidation on an equal basis with the Shareholders such sum as they would have received in respect of the Awards. Any determination made under this Rule 14.9 shall be notified to the Trustee.

Compromise or arrangement

16.11 If a compromise or arrangement between the Company and its Shareholders or creditors is proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies and a notice is given by the Company to its Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such shareholders' approval is obtained, the Board or the Delegatee shall in its sole and absolute discretion determine whether the Vesting Dates or any Awards will be accelerated. Any such acceleration shall be notified to the Trustee.

17 RESTRICTIVE COVENANTS

17.1 By accepting any Award granted pursuant to the Scheme, a Selected Person shall be deemed to have made the restrictive covenants set forth in this Rule 17 to and for the benefit of the Group.

17.2 The Participant hereby undertakes to the Group that he will not at any time whilst an employee, director, shareholder or otherwise interested in the Group (save in so far as is reasonably necessary to fulfil his duties to the Group) or at any time thereafter, directly or indirectly use or disclose or communicate to any person any information concerning the affairs, business methods, processes, systems, inventions, plans or research and development of the Group or those of its customers, clients or suppliers and which may be reasonably regarded as being confidential to the Group or to such persons (other than information which he is required to disclose by law or which is for the relevant time being in the public domain other than by reason of wrongful disclosure of the same by him) and will use his best endeavours to prevent the publication or disclosure of any such information by any third party.

17.3 The Participant undertakes to the Group that:

17.3.1 he will not, except with the prior written approval of the Company, be directly or indirectly concerned with or engaged or interested in any other business which is in any respect in competition with or similar to the business of the Group during his employment with the Group;

17.3.2 for so long as he is employed by the Company or any other member within the Group he will devote his full time and attention to the business of the Group and will use his best endeavours to develop the business and interests of the Group and will not be concerned with any other (competitive or other) business; and

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17.3.3 upon his ceasing (for any reason) to be employed by the Group he will not for a period of two (2) years from the date he ceases to be so employed, whether on his own account or on behalf of any other person, firm or company:

- (a) solicit (in connection with any business of a type then carried on by the Group) interfere with or endeavour to entice away from any member within the Group any person, firm or company who at any time during the period of one year immediately preceding such cessation, was to his knowledge a material customer, client, supplier, agent, distributor, or an employee (not being a junior employee) or consultant (by whatever title called) of a member within the Group;
- (b) seek to interfere with the continuance of the supply of goods or services to any member within the Group or the terms of any such supply;
- (c) carry on, engage in or be concerned or interested either as principal or agent or as a shareholder, partner or employee of any other person in any business or activity which involves the offer, sale or supply of products or services to customers in the People's Republic of China or any other territory in which the Group offers such sale or supply for the relevant time being, competes with the business in which any member within the Group is or was engaged in the twelve months prior to the date he ceases to be employed by the Group; or
- (d) use or allow the use by any third party of any name, logo or other intellectual property rights used by any member within the Group or any name or logo likely to be confused therewith otherwise than in the conduct of the business of the Group.

17.3.4 The Participant undertakes to the Group that he shall not, during either the course of his employment by the Group or for a period of two (2) years from the date he ceases to be employed by the Group, make, publish, or otherwise transmit any disparaging or defamatory statements, whether written or oral, regarding the Group or its employees, products, operations, procedures, policies, business or services.

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18 CHANGE OF CIRCUMSTANCES PERTAINING TO THE SELECTED PERSONS

- 18.1 If a Selected Person ceases to be an Eligible Person by reason of a change of job position in the Group, or reemployment after retirement by the Company upon the execution of a reemployment agreement, the outstanding RSUs not yet vested shall continue to vest in accordance with the Vesting Date(s) set out in the Grant Letter, unless the Board or the Delegatee determines otherwise in its sole and absolute discretion.
- 18.2 However, if a Selected Person has a change in job position due to any of the following reasons: (a) violation of laws, professional ethics or the leakage of confidential information of the Company; (b) causing damage to the interests or reputation of the Company due to failure to discharge his duties or a wilful misconduct; or (c) termination of his employment contract by the Company for any of the above reasons, the Selected Person shall return to the Trust all interests in the RSUs already vested that such RSUs become Returned Shares, and in the event of series violation or damage, the Company reserves the right to bring a claim against the Selected Person for the damages suffered as a result of the reasons above stated. Any outstanding RSUs not yet vested shall be immediately forfeited, unless the Board or the Delegatee determines otherwise in its sole and absolute discretion.
- 18.3 If a Selected Person ceases to be an Eligible Person by reason of (a) disqualification from participating in the Scheme due to any of the reasons set forth in Rule 10.2 under which no one should be considered as a Selected Person; (b) leaving the Company due to resignation, expiration or termination of labor contract, employment or contractual engagement by the Company for reason such as redundancy; (c) being in a rank or position that does not allow him to hold H Shares Awards of the Company, or being transferred to such a rank or position as a result of reorganization within the Group; (d) termination of the Selected Person's labor contract, employment or contractual engagement with the Group or resignation due to incapacity not resulting from work injury; (e) retirement upon reaching retirement age stipulated by law; and (f) death of the Selected Person not due to work injury, any outstanding RSUs not yet vested shall be immediately forfeited, unless the Board or the Delegatee determines otherwise in its sole and absolute discretion.
- 18.4 If a Selected Person ceases to be an Eligible Person by reason of termination of the Selected Person's labor contract, employment or contractual engagement with the Group or resignation due to incapacity resulting from work injury, any outstanding RSUs not yet vested shall continue to vest in accordance with the Vesting Date(s) set out in the Grant Letter.

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- 18.5 If a Selected Person ceases to be an Eligible Person by reason of death of the Selected Person due to work injury, any outstanding RSUs not yet vested shall continue to vest in accordance with the Vesting Date(s) set out in the Grant Letter, or alternative vesting procedures as determined by the Board or Delegatee, unless the Board or the Delegatee determines otherwise in its sole and absolute discretion. The legal personal representatives or the lawful successors of the Selected Person shall become entitled to the RSUs, in the absence of which and unless the Board or the Delegatee determines otherwise in its sole and absolute discretion, the RSUs shall be forfeited and held by the Trust as Returned Shares. The individual performance indicator of such Selected Person will no longer be included as vesting conditions.
- 18.6 If a Selected Person ceases to be an Eligible Person for reasons other than those set out in Rules 18.1 to 18.5, any outstanding RSUs not yet vested shall be immediately forfeited, unless the Board or the Delegatee determines otherwise in its sole and absolute discretion.

19 RIGHTS ATTACHED TO RSUS AND AWARDED H SHARES

- 19.1 A Participant does not have any contingent interest in any H Shares underlying the RSUs unless and until such H Shares are actually transferred to the Participant. Further, a Participant may not exercise voting rights in respect of the H Shares underlying the RSUs prior to their exercise.
- 19.2 No instructions may be given by a Selected Person to the Trustee in respect of the Award or any other property of the Trust and the Trustee shall not follow instructions given by a Participant to the Trustee in respect of the Award or any other property of the Trust.
- 19.3 Neither the Participants nor the Trustee may exercise any voting rights attached to any H Shares held by the Trustee under the Trust (including any RSUs that have not yet vested).
- 19.4 Any dividend underlying the non-vested RSUs shall be retained by the Trustee, and at the sole and absolute discretion of the Board and/or the Delegatee, be transferred to the Participant together with the RSUs upon vesting. In the event that the RSUs are to be forfeited, such underlying dividend shall be transferred back to the Company.
- 19.5 A Selected Person shall have no rights in the balance of the fractional shares arising out of consolidation of H Share (if any) and such H Shares shall be deemed as Returned Shares for the purposes of the Scheme.

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20 RETURNED SHARES

20.1 The Trustee shall hold Returned Shares to be applied towards future Awards in accordance with the provisions hereof for the purpose of the Scheme. When H Shares have been deemed to be Returned Shares under the Scheme Rules, the Trustee shall notify the Company accordingly.

21 CANCELLATION OF AWARDS

21.1 The Board or the Delegatee may at its discretion cancel any Award that has not vested or forfeited. Such cancellation shall be notified to the Trustee.

22 DISPUTES

22.1 The Board shall determine any question of interpretation and settle any dispute arising under or in connection with this Scheme. In such matters, the Board's decision shall be final.

23 AMENDMENT OF THIS SCHEME

23.1 Subject to the Scheme Limit and save as provided in this Scheme, the Board may alter any of the terms of this Scheme at any time. Written notice of any amendment to this Scheme shall be given to all Participants and the Trustee. The Board's determination as to whether any proposed alteration to the terms and conditions of this Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

23.2 Where the Board alters the Scheme, the independent non-executive Directors shall express their independent opinion on whether the altered Scheme facilitates the sustainable development of the Company and whether the altered Scheme impairs the interests of the Company and Shareholders as a whole.

24 TERMINATION OF THIS SCHEME

24.1 The Board may terminate this Scheme at any time before the expiry of the Award Period. The provisions of this Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to these Rules prior to the termination of the operation of this Scheme. The Company or relevant Subsidiary shall notify the Trustee and all Participants of such termination and of how any property held by the Trustee on trust for the Participants (including, but not limited to, any H Shares held) and the outstanding RSUs shall be dealt with.

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24.2 On the Business Day following the settlement, lapse, forfeiture or cancellation (as the case may be) of the last outstanding Award made under the Scheme, the Trustee shall sell all the H Shares remaining in the Trust within a reasonable time period as agreed between the Trustee and the Company upon receiving notice of the settlement, lapse, forfeiture or cancellation (as the case may be) of such last outstanding Award (or such longer period as the Company may otherwise determine), and remit all cash and net proceeds of such sale referred to in this Rule 24.2 and other funds remaining in the Trust (after making appropriate deductions in respect of all disposal costs, expenses and other existing and future liabilities in accordance with the Trust Deed) to the Company. For the avoidance of doubt, the Trustee shall not transfer any H Shares to the Company nor may the Company otherwise hold any H Shares whatsoever (other than the proceeds in the sale of such H Shares pursuant to this Rule 24.2).

25 COSTS OF THIS SCHEME

25.1 The Company shall bear the costs of establishing and administering this Scheme. For the avoidance of doubt, all stamp duty and/or transfer tax or duty and any other charges payable upon the transfer of the H Shares to the Participant upon exercise of the RSUs shall be borne by the Participants.

26 MISCELLANEOUS

26.1 The Scheme shall not form part of any contract of employment between the Company or any Subsidiary and any Eligible Person, and the rights and obligations of any Eligible Person under the terms of his office or employment shall not be affected by his participation in the Scheme or any right which he may have to participate in it and the Scheme shall afford such Eligible Person no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.

26.2 For the avoidance of doubt, the Company shall not be liable for any Tax or expenses of such other nature payable on the part of any Eligible Person in respect of any sale, purchase, vesting or transfer of H Shares (or cash amount of equivalent value being paid), other than for any withholding tax liability of the Company or any member of the Group under applicable laws.

26.3 Any notice or other communication between the Company and any Eligible Person may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its registered office in Hong Kong or the PRC or such other address as notified to the Eligible Person from time to time and in the case of an Eligible Person, his/her address as notified to the Company from time to time or by hand delivery. In addition, any notice (including the Vesting Notice) or other communication from the Company to any Eligible Person or Selected Person may be given by any electronic means through the Trustee, as the Board considers appropriate.

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- 26.4 Any notice or other communication served by post shall be deemed to have been served 24 hours after the same was put in the post. Any notice or other communication served by electronic means shall be deemed to have been received on the day following that on which it was sent.
- 26.5 Each and every provision hereof shall be treated as a separate provision and shall be severally enforceable as such in the event of any provision or provisions being or becoming unenforceable in whole or in part. To the extent that any provision or provisions are unenforceable they shall be deemed to be deleted from these Scheme Rules, and any such deletion shall not affect the enforceability of the Scheme Rules as remain not so deleted.
- 26.6 Save as specifically provided herein, the Scheme shall not confer on any person any legal or equitable rights (other than those constituting and attaching to the RSUs themselves) against the Group directly or indirectly or give rise to any cause of action at law or in equity against the Group. No person shall, under any circumstances, hold the Board or the Delegatee and/or the Company liable for any costs, losses, expenses and/or damages whatsoever arising from or in connection with the Scheme or the administration thereof.
- 26.7 In the event that an Award lapses in accordance with the Scheme Rules, no Selected Persons shall be entitled to any compensation for any loss or any right or benefit or prospective right or benefit under the Scheme which he or she might otherwise have enjoyed.
- 26.8 The Scheme shall operate subject to the Articles and to any restrictions under any applicable laws, rules and regulations.
- 26.9 By participating in the Scheme, the Selected Person consents to the holding, processing, storage and use of personal data or information concerning him or her by any member of the Group, the Trustee or other third party service provider, in Hong Kong or elsewhere, for the purpose of the administration, management or operation of the Scheme. Such consent permits, but is not limited to, the following: (a) the administration and maintenance of records of the Selected Person; (b) the provision of data or information to members of the Group, the Trustee, registrars, brokers or third party administrators or managers of the Scheme, in Hong Kong or elsewhere; (c) the provision of data or information to future purchasers or merger partners of the Company, the Selected Person's employing company, or the business in which the Selected Person works; (d) the transfer of data or information about the Selected Person to a country or territory outside the Selected Person's home country which may not provide the same statutory protection for the information as his home country; and (e) in the case where an announcement is required to be made or a circular is required to be despatched pursuant to the Listing Rules or other applicable laws, rules and regulations for the purposes of granting an Award, the disclosure of the identity of such Selected Person, the number of

APPENDIX

RSUs and the terms of the Award granted and/or to be granted and all other information as required under the Listing Rules or other applicable laws, rules and regulations. The Selected Person is entitled, on payment of a reasonable fee, to a copy of the personal data held about him or her, and if such personal data is inaccurate, the Selected Person has the right to have it corrected.

27 RESPONSIBILITY FOR OBTAINING CONSENTS

27.1 A Participant shall be responsible for obtaining any governmental or other official consent that may be required in order to permit the acceptance or exercise of the RSUs. The Company and the Trustee shall not be responsible for any failure by a Participant to obtain any such consent and shall not be liable for any cost incurred in obtaining such consent.

28 RESPONSIBILITY FOR TAX ETC.

28.1 The Company and the Trustee shall not be liable for any tax, expenses, fees or other liability to which a Participant may become subject as a result of his or her participation in this Scheme.

29 GOVERNING LAW AND DISPUTE

29.1 This Scheme and all RSUs granted under it shall be governed by and construed in accordance with the laws of Hong Kong Special Administrative Region of the PRC.

29.2 The Board shall determine any question of interpretation and settle any dispute arising under or in connection with this Scheme. In such matters, the Board's decision shall be final.

30 TRANSLATION

30.1 In case of discrepancies between the Chinese and English versions of this Scheme, the English version shall prevail.

NOTICE OF 2021 ANNUAL GENERAL MEETING



Shanghai Bio-heart Biological Technology Co., Ltd. 上海百心安生物技術股份有限公司

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

(Stock Code: 2185)

NOTICE OF 2021 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2021 annual general meeting (the “AGM”) of Shanghai Bio-heart Biological Technology Co., Ltd. (the “Company”) will be held at Fourth Floor, Building 7, 59 Kaiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC on Monday, June 27, 2022, at 2:00 p.m. for the purpose of considering, and if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the work report of board of directors of the Company (the “Board”) for 2021.
2. To consider and approve the work report of supervisory committee (the “Supervisory Committee”) of the Company for 2021.
3. To consider and approve the profit distribution plan for 2021.
4. To consider and approve the audited consolidated financial statements of the Company for 2021.
5. To consider and approve the annual report of the Company for 2021.
6. To authorise the Board to determine the remuneration of the Directors.
7. To authorise the Supervisory Committee to determine the remuneration of the supervisors of the Company.
8. To consider and approve the re-appointment of Ernst & Young as the auditors of the Company for a term until the conclusion of the next annual general meeting of the Company and to authorise the Board to determine its remuneration.

NOTICE OF 2021 ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

9. To consider and approve the proposed amendments to the Articles of Association.
10. To consider and approve the proposed adoption of the 2022 H Share Incentive Scheme.
11. To consider and approve the proposed authorization to the Board and/or the Delegatee to handle matters pertaining to the 2022 H Share Incentive Scheme.
12. To consider and approve the Company to issue additional H Shares, additional Domestic Shares and additional Unlisted Foreign Shares, in the share capital of the Company (“**Additional Shares**”) and to grant to the Board a general mandate (“**General Mandate**”), subject to terms and conditions set out in this resolution, for the exercise by the Board during the Relevant Period (as defined below) of powers to allot or issue Additional Shares and/or make offers, agreements or options which might require the issue, allotment or disposal of Additional Shares (such Additional Shares being subject to a maximum of 20% of the respective aggregate number of issued H Shares, Domestic Shares and Unlisted Foreign Shares of the Company as at the date of approval of this resolution), and to make or grant offers or agreements in respect of such Additional Shares:
 - (1) To consider and approve the Company to issue additional H Shares, additional Domestic Shares and additional Unlisted Foreign Shares in the share capital of the Company and to grant to the Board a general mandate, subject to terms and conditions set out, to allot or issue Additional Shares and/or make offers, agreements or options which might require the issue, allotment or disposal of Additional Shares and to make or grant offers or agreements in respect of such Additional Shares:
 - i. such General Mandate shall not extend beyond the Relevant Period (as defined in (iv)) save that the Board may during the Relevant Period make or grant offers or agreements which might require the exercise of such powers after the end of the Relevant Period;
 - ii. the total number of shares of the Company approved to be allotted or agreed conditionally or unconditionally to be allotted by the Board, shall not exceed: (a) 20% of the total number of H Shares of the Company in issue at the date of the passing of this resolution; (b) 20% of the total number of Domestic Shares of the Company in issue at the date of the passing of this resolution; and/or (c) 20% of the total number of Unlisted Foreign Shares of the Company in issue at the date of the passing of this resolution, otherwise than pursuant to any scrip dividend scheme or similar

NOTICE OF 2021 ANNUAL GENERAL MEETING

arrangement providing for the allotment of such shares of the Company in lieu of the whole or part of a dividend on such shares in accordance with the articles of association of the Company;

iii. the Board will only exercise its power under such mandate in accordance with the relevant laws and regulations of the PRC (as amended from time to time) and the Hong Kong Listing Rules and only if all necessary approvals from the China Securities Regulatory Commission, The Stock Exchange of Hong Kong Limited. (the “**Hong Kong Stock Exchange**”) and/or other relevant PRC government authorities are obtained; and

iv. for the purposes of this resolution:

“**H Shares**” means the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars;

“**Domestic Shares**” means the ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are held by domestic investors and are not listed or traded in any stock exchange;

“**Unlisted Foreign Shares**” means the ordinary shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are held by foreign investors and are not listed on any stock exchange;

“**Relevant Period**” means the period from the passing of this resolution until the earlier of:

- (a) the conclusion of the 2022 annual general meeting of the Company following the passing of this resolution; or
- (b) the date on which the authority conferred by this resolution is revoked or varied by a special resolution in a general meeting of the Company.

(2) Subject to the Board issuing additional H Shares, additional Domestic Shares and additional Unlisted Foreign Shares pursuant to this resolution, the Board be authorised to:

i. approve, execute and do or procure to be executed and done, all documents, deeds and things as it may consider necessary in connection with the issue of such new shares of the Company (including, but not limited to the time, price, quantity and place of issue, making all necessary applications to the relevant authorities, entering into an underwriting agreement or any other agreement);

NOTICE OF 2021 ANNUAL GENERAL MEETING

- ii. determine the use of proceeds and make all necessary filing, registration and applications with or to the relevant authorities in the PRC and/or Hong Kong (if required);
- iii. determine the registered capital and the number of shares of the Company pursuant to the issue or allotment of shares pursuant to this resolution, and register with the relevant authorities in the PRC and/or Hong Kong upon an increase of registered capital and the number of shares of the Company; and
- iv. make amendments to the articles of association of the Company accordingly as it thinks fit so as to reflect relevant matters such as the registered capital and new capital structure of the Company after the issue and allotment of shares of the Company.

By order of the Board
Shanghai Bio-heart Biological Technology Co., Ltd.
Philip Li WANG
Chairman and executive director

Shanghai, the People's Republic of China, May 20, 2022

As at the date of this notice, the Board comprises:

Executive directors:

Mr. Philip Li WANG (*Chairman*)
Ms. Yunqing WANG

Non-executive directors:

Ms. Li CAI
Mr. Quan ZHOU
Mr. Ji CHEN
Mr. Jie YIN

Independent non-executive directors:

Mr. Charles Sheung Wai CHAN
Mr. Xubo LU
Mr. George Chien Cheng LIN

NOTICE OF 2021 ANNUAL GENERAL MEETING

Notes:

1. Closure of register of members of H Shares and ascertaining of eligibility for attending the AGM

The register of members of H Shares of the Company will be closed from Saturday, May 28, 2022 to Monday, June 27, 2022, both days inclusive, during which no transfer of H Shares will be registered, in order to determine the holders of the H Shares who are entitled to attend and vote at the forthcoming AGM. To be eligible to attend and vote at the AGM, all properly completed transfer documents, accompanied by relevant share certificate, must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, May 27, 2022 for registration.

2. Proxy

- (1) Each shareholder entitled to attend and vote at the AGM may appoint one or more proxies in writing to attend and vote at the meeting on his behalf. A proxy need not be a shareholder of the Company. **The Company strongly recommends you to monitor the development of the situation with the COVID-19 and to assess, based on the social distancing policies, the necessity for attending the above meeting in person, and the board of directors of the Company respectfully recommends that, for the same reason, the shareholders to appoint the chairman of the above meeting as their proxy rather than a third party to attend and vote on their behalf at the above meeting (or any adjournment thereof).**
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other document of authorisation must be notarised.
- (3) To be valid, the form of proxy and notarised power of attorney or other document of authorisation (if any) must be delivered to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (if any) at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in case of holders of H Shares) or the Company's registered office at Room 302, 3/F, Building 4, No.590 Ruiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC (in case of holders of Domestic Shares and Unlisted Foreign Shares) not less than 24 hours before the time appointed for the AGM (i.e. no later than 2:00 p.m. on Sunday, June 26, 2022) or any adjournment thereof (as the case may be). Completion and return of the proxy will not preclude shareholders from attending and vote at the meeting should they wish to do so.
- (4) Any voting at the AGM shall be taken by poll.

3. Registration procedures for attending the AGM

- (1) Shareholders of the Company whose names appear on the register of members of the Company on June 27, 2022 will be entitled to attend and vote at the AGM or any adjourned meetings.
- (2) A shareholder or his proxy should present proof of identity when attending the AGM. If a shareholder is a legal person, its legal representative or other person authorised by the Board or other governing body of such shareholder may attend the AGM by providing a copy of the resolution of the Board or other governing body of such shareholder appointing such person to attend the meeting.
- (3) Shareholders of the Company intending to attend the AGM in person or by their proxies should complete and return the reply slip for attending the AGM on or before Wednesday, June 22, 2022 to (a) the Company's registered office at Room 302, 3/F, Building 4, No.590 Ruiqing Road, East Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC (for holders of Domestic Shares and Unlisted Foreign Shares); or (b) Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares).
- (4) A shareholder may return the above reply slip in person, by post or by facsimile to the Company's registered office (for holders of Domestic Shares and Unlisted Foreign Share) or the office of Computershare Hong Kong Investor Services Limited (for holders of H Shares).

NOTICE OF 2021 ANNUAL GENERAL MEETING

- (5) Shareholders or proxies attending the AGM should state clearly, in respect of each resolution requiring a vote, whether they are voting for or against a resolution. The votes abstained will be counted in the calculation of the required majority.

4. Voting method at the AGM

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a shareholders' general meeting must be taken by poll. Accordingly, the chairman of the AGM will demand a poll in relation to all the proposed resolutions at the AGM.

5. Miscellaneous

- (1) The AGM is expected to take no more than half a day. Shareholders who attend the AGM shall bear their own travelling and accommodation expenses.

- (2) The address of the Company's H Share Registrar is:

Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

- (3) The address and contact details of the Company's registered office is:

Room 302, 3/F, Building 4
No.590 Ruiqing Road, East Zhangjiang Hi-Tech Park
Pudong New Area, Shanghai
The People's Republic of China

Telephone: (86) 021-68798511
Facsimile: (86) 021-50720533-8016
Email: info@bio-heart.com

- (4) Precautionary measures for the AGM

During the period for the prevention and control of the coronavirus disease (COVID-19) in China and overseas, the Company will strictly comply with the requirements regarding the pandemic prevention and control stipulated by government departments, and take relevant prevention and control measures including monitoring the temperatures of shareholders attending the AGM. Shareholders attending the AGM shall pay early attention to and comply with the relevant regulations and requirements regarding health report, quarantine and observation during the pandemic prevention and control period in Shanghai.

Shareholders having a fever or other symptoms, not wearing a surgical mask as required, or failing to comply with the relevant regulations and requirements regarding the pandemic prevention and control will not be able to enter the venue of the AGM. If the number of shareholders attending the AGM reaches the maximum (if any) stipulated by the relevant government departments at the date of the AGM in accordance with the regulations and requirements regarding the pandemic prevention and control, shareholders shall be admitted on a "first-come-first-served" basis, and shareholders subsequently arriving may not be able to enter the venue of the AGM.

The Company reminds attendees that they should carefully consider the risks of attending the AGM, taking into account their own personal circumstances. Shareholders are reminded that physical attendance at the AGM is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the AGM instead of attending the AGM in person, by completing and returning the form of proxy. The Company will keep the evolving COVID-19 situation under review and may implement additional measures which it will announce closer to the date of the AGM.

- (5) All times set out in this notice refer to Hong Kong local time.