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SHANGHAI JUNSHI BIOSCIENCES CO., LTD.*

上海君實生物醫藥科技股份有限公司

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

(Stock code: 1877)

**(1) PROPOSED ADOPTION OF
THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME
(2) THE PROPOSED ISSUE AND GRANT OF NEW A SHARES UNDER
THE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE
WHICH INVOLVES CONNECTED TRANSACTION**

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

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
滋博資本有限公司

The Company is pleased to announce that, on 25 May 2022 (after trading hours), the Board (with Mr. Li Cong who is a Participant under the Incentive Scheme having abstained) approved the resolutions in relation to the proposed adoption of the Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the Specific Mandate. The proposed Incentive Scheme is subject to Shareholders' approval by way of special resolution at the AGM and the Class Meetings. The Company may amend the Incentive Scheme if requested by the regulatory authorities in the PRC and/or Hong Kong. The Company proposes to grant A Shares under such scheme to the Participants, including certain connected persons of the Company.

A circular containing, among other things, details of the terms of the Incentive Scheme and the grant of the Restricted Shares is expected to be despatched to Shareholders on or before 9 June 2022 in accordance with the listing rules of the place where the Company's securities are listed and the Articles of Association.

THE PROPOSED 2022 RESTRICTED A SHARE INCENTIVE SCHEME

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

I. PURPOSE OF THE INCENTIVE SCHEME

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's talents, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the Shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure the achievement of the Company's development strategy and business goals.

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

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

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

III. NUMBER OF THE RESTRICTED SHARES TO BE GRANTED

The total number of Restricted Shares to be granted under the Incentive Scheme will be not more than 13,325,000 A Shares (subject to Adjustment), representing approximately 1.93% of the total number of issued A Shares and approximately 1.46% of the total issued share capital of the Company as at the date of this announcement, amongst which 2,620,000 A Shares (subject to Adjustment), representing approximately 19.66% of the total number of Restricted Shares under the Incentive Scheme, will be reserved for the Reserved Grant in a subsequent period, which shall be within 12 months after the adoption of the Incentive Scheme.

The cumulative total number of underlying Shares involved under all share incentive schemes of the Company which are within their validity periods shall not exceed 20% of the total share capital of the Company as at the date the Incentive Scheme is submitted for approval at the AGM and the Class Meetings. The total number of Shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity periods shall not exceed 1% of the total share capital of the Company.

IV. PARTICIPANTS OF THE INCENTIVE SCHEME

A. Basis for determining the Participants

1. Legal basis for determining the Participants

The Participants are determined after taking into account the actual circumstances of the Company and in accordance with the PRC Company Law, the PRC Securities Law, the Management Measures, the STAR Market Listing Rules, the Self-Regulatory Guidelines for Information Disclosure of Companies Listed on the STAR Market No. 4 – Information Disclosure on Equity Incentives* (《科創板上市公司自律監管指南第4號－股權激勵信息披露》) and other relevant laws, administrative regulations and regulatory documents as well as the Articles of Association.

2. Positions held by the Participants in the Company

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

B. Scope of the Participants

The First Grant proposes to cover 33 Participants, representing approximately 1.07% of the total number of 3,085 employees of the Group as at 31 March 2022.

None of the Participants are independent non-executive Directors, Supervisors, and shareholders or actual controllers who individually or collectively hold more than 5% of the Shares and their spouses, parents, and children.

All such Director or member of the senior management being Participants must have been elected at a general meeting or engaged by the Board. All Participants must have an employment or labour relationship with the Company or its subsidiaries at the time of grant and during the assessment period of the Incentive Scheme.

The Participants for the Reserved Grant shall be determined within 12 months after the Incentive Scheme is considered and approved at the AGM and Class Meetings. The Company will announce relevant information about the Participants on the Company's website timely after the Board of Directors having made such proposal, independent non-executive Directors and the Board of Supervisors having expressed clear opinions, and the Company's counsel having provided professional opinions and issued legal opinions. Overseas regulatory announcement will also be published on the Hong Kong Stock Exchange's website to remind Shareholders and potential investors of the publication of such information. The Reserved Grant shall lapse if the Participants cannot be determined within the 12-month period. The basis for determining the Participants for the Reserved Grant shall be the same as the basis for determining the Participants for the First Grant.

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

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

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

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

D. Allocation of Restricted Shares to be granted

A summary of the allocation of the Restricted Shares to be granted under the Incentive Scheme is set out below:

Name of Participant(s)	Major position of Participant(s)	Number of Restricted Shares to be granted	Percentage of the total number of Restricted Shares	Percentage to the total issued A Shares as at the date of this announcement	Percentage to the total share capital of the Company as at the date of this announcement
Li Cong ⁽¹⁾	Executive Director, Co-chief Executive Officer	3,000,000	22.51%	0.43%	0.33%
Zou Jianjun ⁽²⁾	Deputy General Manager, Global Research and Development President	3,000,000	22.51%	0.43%	0.33%
Other employees of the Company (31 Participants in total)		4,705,000	35.31%	0.68%	0.52%
First Grant Subtotal (33 Participants in total)		10,705,000	80.34%	1.55%	1.18%
Reserved Grant		2,620,000	19.66%	0.38%	0.29%
Total		13,325,000	100.00%	1.93%	1.46%

Notes:

- (1) Mr. Li Cong is an executive Director and therefore a Connected Participant under Chapter 14A of the Hong Kong Listing Rules.
- (2) Dr. Zou has been proposed to be appointed as an executive Director and is therefore a Connected Participant under Chapter 14A of the Hong Kong Listing Rules.
- (3) Discrepancies in this table between the total shown and the sum of the amounts listed are due to rounding.
- (4) The number of the Restricted Shares is subject to Adjustment.

If a Participant, due to personal reasons, voluntarily waives the Restricted Shares which have been granted to him/her, the Board of Directors shall adjust the number of granted Restricted Shares accordingly, and allocate the portion of the Restricted Shares waived by such Participant to the Reserved Grant or allocate such portion amongst the Participants.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Connected Participants set out above, the other Participants under the First Grant are independent of the Company and its connected persons.

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

A. Grant Price of the Restricted Shares

The Grant Price of the First Grant shall be RMB70.00 per A Share (subject to Adjustment). A Participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at such Grant Price. The Grant Price of the Reserved Grant shall be the same as the Grant Price of the First Grant, being RMB70.00 per A Share (subject to Adjustment).

B. Basis of determination of the Grant Price

Pursuant to the STAR Market Listing Rules and the Management Measures, the Grant Price shall not be lower than the nominal value of each share of the Company and in principle should not be lower than the higher of the following prices:

- (i) 50% of the average trading price of the A Shares for the one day immediately preceding the date of the A Share announcement of the draft Incentive Scheme, being RMB43.87 per A Share;
- (ii) 50% of the average trading price of the A Shares for the last 20 trading days preceding the date of the A Share announcement of the draft Incentive Scheme, being RMB52.65 per A Share;
- (iii) 50% of the average trading price of the A Shares for the last 60 trading days preceding the date of the A Share announcement of the draft Incentive Scheme, being RMB45.92 per A Share; and
- (iv) 50% of the average trading price of the A Shares for the last 120 trading days preceding the date of the A Share announcement of the draft Incentive Scheme, being RMB41.28 per A Share.

The Grant Price represents:

- (i) discount of approximately 20.21% to the average trading price of RMB87.74 per A Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding 25 May 2022 (being the date on which the Board approved the Incentive Scheme);
- (ii) discount of approximately 33.52% to the average trading price of RMB105.30 per A Share as quoted on the Shanghai Stock Exchange for the 20 consecutive trading days immediately preceding 25 May 2022 (being the date on which the Board approved the Incentive Scheme);

- (iii) a discount of approximately 23.78% to the average trading price of RMB91.84 per A Share as quoted on the Shanghai Stock Exchange for the 60 consecutive trading days immediately preceding 25 May 2022 (being the date on which the Board approved the Incentive Scheme);
- (iv) a discount of approximately 15.21% to the average trading price of RMB82.56 per A Share as quoted on the Shanghai Stock Exchange for the 120 consecutive trading days immediately preceding 25 May 2022 (being the date on which the Board approved the Incentive Scheme).

In the event of any capitalization issue, bonus issue, dividend distribution, share split or share consolidation or rights issue of the Company during the period from the date of announcement of the Incentive Scheme to the date of completion of attribution registration of the Restricted Shares by the Participants, the Grant Price and the number of Restricted Shares shall be adjusted in accordance with the terms of the Incentive Scheme as summarized in the paragraph “IX. Method and Procedure for Adjustment” below.

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

A. Validity period of the Incentive Scheme

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

B. Grant Date of the Restricted Shares

The Company will convene a Board meeting to determine whether the conditions of grant under the Incentive Scheme have been met and the Grant Date after the Incentive Scheme having been adopted and approved at the AGM and the Class Meetings. The Company shall make the First Grant to the Participants and complete the relevant procedures including making relevant announcement(s), within 60 days after the Incentive Scheme having been adopted and approved at the AGM and the Class Meetings and the conditions for the grant having been satisfied. If the Company is unable to complete the procedures within the 60-day period, the Company will make a timely announcement to disclose the reason for being unable to complete the procedures and declare the termination of the Incentive Scheme.

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

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

C. Attribution arrangements under the Incentive Scheme

The Restricted Shares granted under the Incentive Scheme may be attributed in tranches as per the agreed proportions upon the grantees satisfying the corresponding attribution conditions. An attribution date must be a trading day within the validity period of the Incentive Scheme, excluding the period during which the dealing of the Shares is prohibited by the listing rules of the stock exchange(s) on which the Shares are listed. In the event the relevant provisions of the stock exchange(s) on which the Shares are listed are amended during the attribution period, the attribution date shall comply with the relevant provisions of the amended laws, regulations and regulatory documents.

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

Tranche	Attribution period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the First Grant until the last trading day within the 24 months following the Grant Date of the First Grant	40%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the First Grant until the last trading day within the 36 months following the Grant Date of the First Grant	30%
Third tranche	From the first trading day after the expiry of 36 months following the Grant Date of the First Grant until the last trading day within the 48 months following the Grant Date of the First Grant	30%

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

Tranche	Attribution period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the Reserved Grant until the last trading day within the 24 months following the Grant Date of the Reserved Grant	50%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the Reserved Grant until the last trading day within the 36 months following the Grant Date of the Reserved Grant	50%

Those Restricted Shares not being attributed to the Participants during the period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be attributed or deferred to be attributed in the next attribution period(s), and they shall lapse according to the provisions under the Incentive Scheme.

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

D. Black-out periods

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

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

VII. CONDITIONS FOR GRANT AND ATTRIBUTION OF RESTRICTED SHARES

A. Conditions for grant of the Restricted Shares

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

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

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

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

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

B. Conditions for attribution of the Restricted Shares

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

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

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

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

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

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

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

3. Requirements of length of employment of the Participants

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

4. Performance assessment requirements at the Company level

Under the Incentive Scheme, the Company's performance indicators will be evaluated on an annual basis for the financial years of 2022 to 2024, and the achievement of performance assessment target will be one of the attribution conditions for the Participants for the current year.

The attribution arrangement of the Restricted Shares granted and the performance assessment objectives under the Incentive Scheme are set out below:

Attribution arrangement		Performance assessment objective
First Grant	First tranche	In the years 2020-2022, the Company's accumulated operating income shall not be less than RMB6.6 billion.
	Second tranche	In the years 2020-2023, the Company's accumulated operating income shall not be less than RMB10.1 billion.
	Third tranche	In the years 2020-2024, the Company's accumulated operating income shall not be less than RMB15.1 billion.
Reserved grant	First tranche	In the years 2020-2023, the Company's accumulated operating income shall not be less than RMB10.1 billion.
	Second tranche	In the years 2020-2024, the Company's accumulated operating income shall not be less than RMB15.1 billion.

Note: Operating income refers to the audited operating income of the Company. The performance assessment objective for the first tranche of the First Grant is consistent with the operating income target in the performance assessment objective under the third tranche of the first grant of the Company attribution factor 100% in the 2020 Restricted A Share Incentive Scheme.

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

5. Performance assessment requirements at the Participant's individual level

The individual assessment of Participants is carried out according to the internal performance assessment system of the Company. The individual assessment results of Participants are divided into two levels – “qualified” and “unqualified” with the corresponding attribution percentage as follows:

Assessment Level	Qualified	Unqualified
Individual attribution factor	<u>100%</u>	<u>0</u>

Under the premise of the Company achieving the performance targets, the number of Restricted Shares to be attributed to the Participant in the current year equals to the number of Restricted Shares to be attributed to the Participant under the Incentive Scheme in the current year × the individual attribution factor.

If the Restricted Shares to be attributed to the Participant under the Incentive Scheme in a tranche cannot be attributed due to assessment reasons, such Restricted Shares shall not be deferred to the next tranche for attribution and shall lapse.

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

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

The Company is an innovation-driven biopharmaceutical company with products that are primarily innovative biological products, most of which are source-innovated and self-developed, and also introduced through collaborative development that have synergies with the Company's original pipeline. As at 31 March 2022, the Company has 112 authorized patents, of which 87 are domestic patents and 25 are overseas patents. The patents cover the molecular structure, preparation process, use, formulation of new drug proteins, etc., providing sufficient and long-life patent protection for the Company's products, and a number of important research and development progress has been made in the pipeline of products under development.

In order to achieve the Company's strategy and maintain its existing competitiveness, the assessment indicator of the Incentive Scheme at the Company level is the operating income, which can truly reflect the Company's operation and market situation, and is an effective indicator to predict the business development trend and measure the Company's growth potential. The performance appraisal indicators under the Incentive Scheme are determined by the Company on the basis of comprehensive consideration of the macroeconomic environment, the Company's historical performance, industry development, market competition and the Company's future development plan and other relevant factors. The performance indicators under the Incentive Scheme are challenging, which will help enhance the Company's competitiveness and motivate employees, ensure the achievement of the Company's future growth strategy and business objectives, and deliver more efficient and sustainable returns to Shareholders.

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

The Company's appraisal system under the Incentive Scheme is integrated, comprehensive and operable. Meanwhile, the scientific and reasonable performance indicators have binding effect on the Participants and can achieve the appraisal purpose of the Incentive Scheme.

VIII. IMPLEMENTATION, GRANT AND ATTRIBUTION PROCEDURES

A. Procedures for the implementation of the Incentive Scheme

1. The Remuneration and Appraisal Committee is responsible for formulating the Incentive Scheme and the Assessment Management Measures.
2. The Board shall resolve on the Incentive Scheme and the Assessment Management Measures formulated by the Remuneration and Appraisal Committee. When the Board resolves on the Incentive Scheme, Directors who have an interest in the resolution shall abstain from voting.
3. The independent Directors and the Board of Supervisors will express opinions on whether the Incentive Scheme is conducive to the sustainable development of the Company, whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders.
4. The Company will engage an independent financial consultant to give professional opinions on the feasibility of the Incentive Scheme, the reasonableness of the Grant Price, whether the Incentive Scheme is conducive to the sustainable development of the Company, whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders. The Company will engage a legal advisor to issue a legal opinion on the Incentive Scheme.
5. Within two trading days after the Board having reviewed and approved the Incentive Scheme, the Company will make an announcement of Board resolutions, the draft and summary of the Incentive Scheme, the opinions of independent Directors, and the opinions of the Board of Supervisors.
6. The Company shall carry out self-investigation on the trading of Shares by insiders during the six months' period prior to the announcement of the Incentive Scheme to examine whether any insider trading exists.
7. Before convening the AGM and the Class Meetings, the Company shall announce the name and position of the Participants internally via the Company website or other channels for not less than 10 days. The Board of Supervisors shall review the list of the Participants and take sufficient consideration of public opinion. The Company shall disclose the information regarding the review by the Board of Supervisors of the list of Participants and the publication responses five days prior to the consideration of the Incentive Scheme at the AGM and the Class Meetings.
8. When the AGM and the Class Meetings are convened to consider and, if thought fit, approve the Incentive Scheme, the independent Directors shall solicit proxy voting rights from all Shareholders regarding the resolutions related to the Incentive Scheme. The Incentive Scheme and relevant resolutions shall be considered and, if thought fit, approved by the Shareholders by way of special resolution at the AGM and the Class Meetings. Shareholders who have an interest in the resolutions shall abstain from voting.

9. The Company will make an announcement of the Shareholders' resolutions, the Incentive Scheme as approved at the AGM and the Class Meetings, as well as the self-investigation report on insider trading of the Shares and PRC legal opinion on matters including the AGM and the Class Meetings.

Where connected persons or other situations required by the listing rules of the place where the Shares are listed are involved, the Company shall comply with such laws and regulations and meet the relevant requirements (including, if necessary, obtaining prior approval from the independent Shareholders).

10. The Board will grant the Restricted Shares to the Participants, and will make announcements and complete other relevant procedures pursuant to the authorization granted by the Shareholders within 60 days after the Incentive Scheme having been adopted and approved at the AGM and the Class Meetings. The Board shall handle specific matters such as the attribution and registration of Restricted Shares in accordance with the authorization granted at the AGM and the Class Meetings.

B. Procedures for the grant of the Restricted Shares

1. The Board shall convene a meeting to grant the Restricted Shares to the Participants within 60 days after the Incentive Scheme having been adopted and approved at the AGM and the Class Meetings.
2. Before granting the Restricted Shares to the Participants, the Board shall convene a meeting to consider whether the Participants have satisfied the conditions for grant prescribed in the Incentive Scheme and make an announcement thereafter. The independent Directors and the Board of Supervisors shall also issue their explicit opinions at the same time. The legal advisor as to PRC laws shall issue legal opinions as to whether the Participants have satisfied the conditions of the grant. The Board of Supervisors shall verify the list of Participants on the Grant Date and issue an opinion.

When there is discrepancy between the Company's grant of the Restricted Shares to the Participants and the arrangement stipulated under the Incentive Scheme, the independent Directors, the Board of Supervisors (when the Participants change), legal advisor as to PRC laws and independent financial consultants shall simultaneously express clear opinions.

3. The Company shall enter into an "Agreement on the Granting of Restricted Shares" with the Participants setting out their respective rights and obligations.
4. The Company shall keep a register for management of the Restricted Shares with reference to the "Agreement on the Granting of Restricted Shares" to be signed by the Participants and the subscription situation, and such register shall record the names of the Participants, the number of Restricted Shares granted, the Grant Date and the serial number of the relevant "Agreement on the Granting of Restricted Shares".

5. The Company shall grant the Restricted Shares to the Participants and make an announcement within 60 days after the Incentive Scheme is considered and approved at the AGM and the Class Meetings (if there are conditions to the grant, then counting from the fulfilment of the granting conditions). If the Company fails to make an announcement in respect of the grant of the Restricted Shares within the 60-day period, the Incentive Scheme shall be terminated, and the Board shall promptly disclose the reasons for the failure to implement the Incentive Scheme and is prohibited from approving a share incentive scheme again within three months thereafter.
6. The Participants of the Reserved Grant shall be determined within 12 months after the Incentive Scheme is reviewed and approved by the AGM and the Class Meetings. The Reserved Grant shall lapse if such Participants cannot be determined within the said 12-month period.
7. Where connected persons or other situations required by the listing rules of the place where the Shares are listed are involved, the Company shall comply with such local laws and regulations and meet the relevant requirements (including, if necessary, any prior approval from the independent Shareholders).

C. Procedures for the attribution of the Restricted Shares

1. Prior to attribution, the Company shall confirm whether the Participants have satisfied the attribution conditions. The Board shall consider whether the attribution conditions under the Incentive Scheme have been satisfied and the independent Directors and Board of Supervisors shall issue their explicit opinions at the same time. The Company's legal advisor as to PRC laws shall issue legal opinions as to whether the conditions for attributing the Restricted Shares have been satisfied.
2. The Participants who have fulfilled the attribution conditions shall pay the Grant Price for the subscription of the Restricted Shares into the account designated by the Company, which will be verified and confirmed by a certified public accountant. Participants who have not paid the Grant Price within the requisite period shall be deemed to have waived his/her right to subscribe for the Restricted Shares. The Company shall apply to the Shanghai Stock Exchange for the attribution of the Restricted Shares to the Participants in a unified manner, and after confirmation by the Shanghai Stock Exchange, the CSDC will handle the matters for the attribution of the Restricted Shares. The Restricted Shares of the Participants who have not fulfilled the attribution conditions in the relevant tranche shall not be attributed and shall lapse. The Company shall make timely disclosure in respect of the implementation of the Incentive Scheme.
3. Participants may transfer their attributed Restricted Shares, however, the transfer of the Restricted Shares held by the Directors and members of the senior management of the Company shall comply with the requirements of the relevant laws, administrative regulations and regulatory documents.

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

IX. METHOD AND PROCEDURE FOR ADJUSTMENT

A. Adjustment method of the number of the Restricted Shares

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

1. *Capitalization issue from capital reserve, bonus issue and share split*

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

Where: Q_0 represents the number of Restricted Shares before the adjustment; n represents the ratio of increase per Share resulting from capitalization issue from capital reserve, bonus issue or share split of Shares (i.e. the number of Shares increased per Share upon capitalization issue from capital reserve, bonus issue or share split); Q represents the number of Restricted Shares after the adjustment.

2. *Share consolidation*

$$Q = Q_0 \times n$$

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

3. *Rights issue*

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

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

4. *New issue of shares*

In the event of new issue of Shares by the Company, no adjustment shall be made to the number of Restricted Shares.

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

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

1. Capitalization issue from capital public reserve, bonus issue and share split

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

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of increase per Share resulting from the capitalization issue from capital public reserve, bonus issue or share split to each Share; P represents the Grant Price after the adjustment.

2. Share consolidation

$$P = P_0 \div n$$

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of consolidation of Shares per Share; P represents the Grant Price after the adjustment.

3. Rights issue

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

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

4. Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Grant Price before the adjustment; V represents the dividend per Share; P represents the Grant Price after the adjustment. P shall be greater than the par value of the Shares after the dividend distribution.

5. New issue of shares

In the event of new issue of Shares by the Company, no adjustment shall be made to the Grant Price of the Restricted Shares.

C. Adjustment procedures

The Grant Price adjusted according to the terms of the Incentive Scheme shall also comply with the STAR Market Listing Rules and the Management Measures. The Board of Directors is required to make such adjustments based on the principles, methods and procedures of the Incentive Scheme. The Company's counsel as to PRC laws will issue an opinion as to whether the above adjustment is in compliance with the Management Measures, the Articles of Association and the Incentive Scheme and whether the relevant adjustment procedures have been complied with.

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

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

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

A. Rights and obligations of the Company

1. The Company has the right to interpret and implement the Incentive Scheme, to conduct performance assessment on the Participants, and to supervise and examine whether the Participants are eligible for attribution. If the Participants fail to meet the attribution conditions as determined under the Incentive Scheme, upon approval by the Board, the Restricted Shares that have been granted to the Participants but have not yet been attributed shall not be attributed and shall lapse.
2. The Company has the right to require the Participants to work for the Company according to the requirements of the positions at which he/she is employed. If the Participant is not qualified for the positions or fails the assessment, or if the Participant violates the law, violates professional ethics, divulges company secrets, violates the Company's rules and regulations, neglects his/her duty or engages in malfeasance or has other acts that seriously damage the Company's interests or reputation, upon approval by the Board, the Restricted Shares that have been granted to the Participants but have not yet been attributed shall not be attributed and shall lapse.
3. The Company shall withhold and pay the personal income tax and other taxes and fees payable by the Participants according to the relevant provisions of the national tax laws and regulations.
4. The Company undertakes not to provide loans and any other forms of financial assistance, including providing guarantee for their loans, to the Participants to obtain relevant Restricted Shares according to the Incentive Scheme.

5. The Company shall timely, truly, accurately and completely disclose the information disclosure documents related to the Incentive Scheme in accordance with the relevant laws, regulations and regulatory documents, ensure that there are no false records, misleading statements or material omissions, and timely fulfill the relevant reporting obligations of the Incentive Scheme.
6. In accordance with the Incentive Scheme and the relevant requirements of the CSRC, the Shanghai Stock Exchange and registration and clearing companies, the Company shall handle the registration of the attribution of Restricted Shares for the Participants that meet the attribution conditions. However, the Company shall not be held liable if the Participants fails to complete the registration matters of the attribution of Restricted Shares and suffers loss due to reasons on the part of the CSRC, the Shanghai Stock Exchange and the registration and clearing companies.
7. Other relevant rights and obligations stipulated in laws, administrative regulations and regulatory documents.

B. Rights and obligations of the Participants

1. The Participants shall be diligent and responsible, abide by professional ethics, and make due contributions to the development of the Company in accordance with the requirements of the positions at which he/she is employed by the Company.
2. The Participants have the right to receive the attributed Restricted Shares granted in accordance with the Incentive Scheme, and shall lock-up and deal with his/her Restricted Shares in accordance with relevant provisions.
3. The source of funds for the Participants is their own financing.
4. Prior to the attribution, the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, used to guarantee or repay debts.
5. Prior to the attribution, the Restricted Shares granted to the Participants under the Incentive Scheme do not carry any voting rights or right to participate in the distribution of bonus shares or share dividends.
6. The income received by the Participants as a result of the Incentive Scheme shall be subject to personal income tax and other taxes and fees in accordance with national tax regulations.
7. The Participants undertake that if there are false records, misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting rights and interests, the Participants shall fulfill their undertakings and return all the benefits obtained from the Incentive Scheme to the Company after confirming the existence of false records, misleading statements or major omissions in the relevant information disclosure documents.

8. If the Participant is no longer eligible to be a Participant under the Incentive Scheme as stipulated in Rule 10.4 of the STAR Market Listing Rules during the implementation of the Incentive Scheme, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.
9. Other relevant rights and obligations stipulated in laws, administrative regulations, regulatory documents and the Incentive Scheme.

C. Dispute settlement mechanism between the Company and the Participants

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

XI. AMENDMENT AND TERMINATION OF THE INCENTIVE SCHEME

A. Procedures for the amendment and termination of the Incentive Scheme

1. Procedure for the amendment of the Incentive Scheme

- (a) If the Company intends to make amendments to the Incentive Scheme before it is considered and approved by the Shareholders at the AGM and the Class Meetings, the amendments shall be considered and approved by the Board. If the Company intends to make amendments to the Incentive Scheme that has been adopted by Shareholders at the AGM and the Class Meetings, such amendments shall be submitted to the general meeting and class meetings of A Shareholders and H Shareholders for its approval and shall not include circumstances that would result in the acceleration of attribution or reduction of the Grant Price. Where other situations required by the listing rules of the place where the Company’s securities are listed are involved, the Company shall comply with such local laws and regulations.
- (b) The Company shall timely disclose the reasons and contents of the amendments. The independent Directors and the Board of Supervisors shall give clear opinions on whether the amended scheme is conducive to the sustainable development of the Company and whether there are any situations that clearly harm the interests of the Company and all Shareholders. The legal advisor shall express its professional opinions on whether the amended scheme conforms to the provisions of the Management Measures and relevant laws and regulations, and whether there are any circumstances that clearly harm the interests of the Company and all the Shareholders.

2. Procedure for the termination of the Incentive Scheme

- (a) If the Company intends to terminate the Incentive Scheme before it is considered and approved at the AGM and the Class Meetings, the Board shall consider and approve and disclose such intended termination of the Incentive Scheme. If the Company intends to terminate the implementation of the Incentive Scheme after it is considered and approved at the AGM and the Class Meetings, it shall be submitted to the Board and the general meeting and class meetings of A Shareholders and H Shareholders for approval and be disclosed.
- (b) The Company shall timely disclose the announcement of resolutions of the general meeting or the Board. The legal advisor as to PRC laws shall express its professional opinions on whether the termination of Incentive Scheme conforms to the provisions of the Management Measures and relevant laws and regulations, and whether there are any circumstances that clearly harm the interests of the Company and all the Shareholders.

B. In the event of any changes occurred at the Company level

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

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

3. Change of control of the Company

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

4. If the Company fails to meet the conditions for granting or attributing the Restricted Shares due to false records, misleading statements or material omissions in the information disclosure documents, the Restricted Shares that have not yet been attributed to the Participants shall not be attributed and shall lapse.

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

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

1. Change in position of the Participants

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

2. *Resignation of the Participants*

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

3. *Retirement of the Participants*

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

4. *Incapacity of the Participants*

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

5. *Death of the Participants*

- (a) If the Participants become deceased due to their work duties, the Remuneration and Appraisal Committee shall decide that the Restricted Shares granted to them shall be held by the designated inheritor of their properties or legal inheritor on their behalf, and shall be carried out in accordance with the procedures stipulated in the Incentive Scheme which took effect before their death, and the results of their personal performance evaluation shall not be included in the attribution conditions; or the Restricted Shares that have been attributed shall not be handled and the Company shall cancel his/her Restricted Shares that have been granted but has not been attributed.

- (b) If the Participants become deceased for other reasons, the Restricted Shares that have been attributed for the Participants shall not be handled. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

6. *Change of control of the subsidiary where the Participants work*

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

7. *Change in eligibility of the Participants*

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

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

8. *Others*

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

XII. ACCOUNTING TREATMENT AND IMPACT ON THE OPERATING PERFORMANCE

A. Accounting treatment

In accordance with the relevant requirements of Accounting Standards for Business Enterprises No. 11 – Share-based Payments* (《企業會計準則第11號 – 股份支付》) and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments* (《企業會計準則第22號 – 金融工具確認和計量》) published by the Ministry of Finance, the Company shall, at each balance sheet date prior to the attribution date, revise the number of Restricted Shares expected to be attributed in accordance with the latest available information such as changes in number of persons eligible to be attributed the Restricted Shares and fulfilment of the performance indicators, and recognize the services acquired in the current period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the date of grant.

The Company uses the Black-Scholes model (B-S model) as the pricing model, and uses 25 May 2022 as the base date for calculation under this model to predict the fair value of the granted Type II Restricted Shares (formal calculation will be carried out at the time of grant). The specific parameters are selected as follows:

1. Target share price: RMB89.10 (the closing price of the A Shares of the Company on the trading day immediately before the announcement of the Company's draft Incentive Scheme)
2. The validity period is: one, two and three years (the period from the Grant Date to the first attribution date of each period)
3. Historical volatility: 30.77%, 34.28%, 31.19% (based on the annualized volatility of the Shenwan Biological Products (second tier) Index in the past one year, two years and three years, respectively)
4. Risk-free interest rates: 1.50%, 2.10%, 2.75% (adopting the one-year, two-year and three-year RMB deposit benchmark interest rates of financial institutions formulated by the People's Bank of China, respectively)

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

The Company will grant 13,325,000 Restricted Shares (subject to Adjustment) to the Participants, among which 10,705,000 Restricted Shares (subject to Adjustment) will be granted under the First Grant. The fair value of the Restricted Shares was estimated based on the closing data in relation to the A Shares on the Shanghai Stock Exchange on the trading day prior to the publication of the draft Incentive Scheme, and the total equity expense of the First Grant was estimated to be RMB289,890,200. The total amount of above expenses as the incentive cost of the Incentive Scheme will be recognized over the course of the Incentive Scheme in attribution proportion in installments and will be charged to operating profit or loss. In accordance with applicable accounting standards, the actual amount shall be based on the fair value of the Shares calculated on the “actual grant date”, assuming the Grant Date to be in June 2022 and all Participants fulfill the attribution conditions as stipulated by the Incentive Scheme and all interests are attributed during the respective attribution periods, and the amortization of cost of the Restricted Shares from the years 2022 to 2025 is as follows:

Unit: RMB0'000

Amortization cost of the Restricted Shares	Year 2022	Year 2023	Year 2024	Year 2025
28,989.02	8,853.32	12,812.57	5,641.19	1,681.94

Notes:

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

The cost of the Incentive Scheme will be charged to cost expenses. Without considering the positive effect of the Incentive Scheme on the Company's performance, the Company estimates that, based on current information, the amortization of cost expenses of the Incentive Scheme will have an impact on the net profit of each year within the validity period. Considering the positive effect of the Incentive Scheme on the Company's operation and development, which will stimulate the enthusiasm of core employees, improve operating efficiency and reduce operating costs, the Incentive Scheme will have a positive effect on the Company's long-term performance.

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

Subject to the approval of the Independent Shareholders at the AGM and the Class Meetings, the Board has resolved to grant not more than a total of 13,325,000 Restricted Shares (subject to Adjustment), of which (i) 10,705,000 Restricted Shares (subject to Adjustment) will be granted to not more than 33 Participants under the First Grant, representing approximately 1.55% of the total number of issued A Shares and approximately 1.18% of the total issued share capital of the Company as at the date of this announcement and (ii) 2,620,000 Restricted Shares (subject to Adjustment) will be granted under the Reserved Grant, representing approximately 0.38% of the total number of issued A Shares and approximately 0.29% of the total issued share capital of the Company as at the date of this announcement, pursuant to the terms of the Incentive Scheme set out above. The Restricted Shares to be granted (including those under the First Grant and the Reserved Grant) will be issued and allotted pursuant to the Specific Mandate which may be granted at the AGM and the Class Meetings.

Among the Restricted Shares to be granted in the First Grant, 6,000,000 Restricted Shares (subject to Adjustment) in aggregate will be granted to two Connected Participants in total, and not more than 4,705,000 Restricted Shares (subject to Adjustment) will be granted to not more than 31 other Participants who are not connected persons of the Company as set out in the paragraph “D. Allocation of Restricted Shares to be granted” above.

In addition to the principal terms of the proposed Incentive Scheme summarized in the section “The Proposed 2022 Restricted A Share Incentive Scheme” above, further information in relation to the issue and allotment of the Restricted Shares under the Incentive Scheme (including the First Grant and the Reserved Grant) are set out below:

The total funds to be raised and the proposed use of proceeds: Not more than RMB932,750,000, being the aggregated Grant Price of RMB70.00 per A Share (subject to Adjustment), will be paid by the Participants to subscribe for not more than 13,325,000 Restricted Shares (subject to Adjustment) under the Incentive Scheme. The Company intends to use the proceeds towards the replenishment of the Group’s liquidity.

Grant Price: The Grant Price under both the First Grant and the Reserved Grant shall be RMB70.00 per A Share (subject to Adjustment). Basis for determination is set out in the paragraph “V. Grant Price and Basis of Determination of the Grant Price” above. A Participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at such Grant Price.

Aggregate nominal value: The nominal value of the A Shares is RMB1.00 per A Share. The aggregate nominal value of the Restricted Shares to be granted under the Incentive Scheme (including the First Grant and the Reserved Grant) is not more than RMB13,325,000.

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

Date of announcement	Fund raising activity	Net proceeds	Intended use of proceeds
16 June 2021 and 23 June 2021	Placing of an aggregate of 36,549,200 new H Shares under general mandate to not less than six places	Approximately RMB2,105 million	For R&D of drugs and pipeline expansion, expansion of the commercialization team, domestic and overseas investment, mergers and acquisitions & business development, and general corporate purpose
7 March 2022 and 6 April 2022	Issuance of no more than 70 million A Shares to no more than 35 target subscribers (inclusive) under general mandate	Not more than RMB3,980 million	For R&D projects of innovative drugs, and Shanghai Junshi Biotech headquarters and R&D base project

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

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

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

INFORMATION OF THE COMPANY AND THE PARTICIPANTS

The Company is a joint stock limited liability company established in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange (stock code: 1877) and A Shares listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688180). The Group is an innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs and their clinical research and commercialization on a global scale.

The Connected Participants under the First Grant are Mr. Li Cong, who is an executive Director, and Dr. Zou Jianjun, who is proposed to be appointed as an executive Director. Details of the proposed appointment of Dr. Zou Jianjun are set out in the announcement of the Company dated 20 April 2022.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for the Connected Participants set out above, the other Participants under the First Grant are independent of the Company and its connected persons.

IMPLICATIONS OF THE HONG KONG LISTING RULES

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

The Connected Participants include Mr. Li Cong, who is an executive Director, and Dr. Zou Jianjun, who is proposed to be appointed as an executive Director. The Connected Participants are therefore connected persons of the Company. Accordingly, the issue and grant of the Restricted Shares to the Connected Participants under the Incentive Scheme constitute non-exempt connected transactions of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The resolutions in relation to the adoption of the proposed Incentive Scheme and the Assessment Management Measures, the issue and grant of the Restricted Shares to the Participants (including the issue and grant of the Restricted Shares to the Connected Participants) under the Incentive Scheme were considered and approved at the meeting of the Board held on 25 May 2022. Mr. Li Cong is a Connected Participant under Chapter 14A of the Hong Kong Listing Rules and abstained from voting on the resolutions in relation to the adoption of the proposed Incentive Scheme and the Assessment Management Measures, the issue and grant of the Restricted Shares to the Participants (including the issue and grant of the Restricted Shares to the Connected Participants) under the Incentive Scheme at the Board meeting as a result of his interests. Save as disclosed, none of the remaining Directors has a material interest in the above resolutions and they approved the above resolutions unanimously.

The Company will establish an Independent Board Committee (consisting of all independent non-executive Directors, namely, Dr. Chen Lieping, Dr. Roy Steven Herbst, Mr. Qian Zhi, Mr. Zhang Chun and Dr. Feng Xiaoyuan) to advise the Independent Shareholders in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme. The Company has appointed Rainbow Capital (HK) Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme.

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

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

AGM AND CLASS MEETINGS

The Company will convene the AGM and the Class Meetings for Independent Shareholders to consider and, if thought fit, approve the resolutions in relation to, among others, the proposed Incentive Scheme, the Assessment Management Measures, the Specific Mandate for issue and allotment of the Restricted Shares under the Incentive Scheme and the grant of the Restricted Shares (including the grant to the Connected Participants under the First Grant) under the Incentive Scheme. The notice of the AGM and the Class Meetings will be published and despatched to the Shareholders separately by the Company.

A circular containing, among other things, further details of the terms of the proposed Incentive Scheme, the proposed grant under the Incentive Scheme pursuant to the Specific Mandate, the recommendation from the Independent Financial Adviser and the letter from the Independent Board Committee on the issue and grant of Restricted Shares by the Company to the Connected Participants and the notices convening the AGM and the Class Meetings, is expected to be despatched to the Shareholders on or before 9 June 2022 in accordance with the listing rules of the place where the Company's securities are listed and the Articles of Association.

Reference is also made to the overseas regulatory announcements of the Company dated 25 May 2022.

DEFINITIONS

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

“2020 Restricted A Share Incentive Scheme”	the Company's 2020 restricted A Share incentive scheme approved and adopted by its Shareholders at the 2020 third extraordinary general meeting, the 2020 second class meeting of A Shareholders and the 2020 second class meeting of H Shareholders held on 16 November 2020
“A Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi and are listed on the STAR Market
“A Shareholder(s)”	holder(s) of A Shares
“AGM”	the annual general meeting of the Company
“Articles of Association”	the Articles of Association of the Company

“Assessment Management Measures”	the assessment management measures adopted for the implementation of the Incentive Scheme (《2022年限制性股票激勵計劃實施考核管理辦法》) of the Company
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board of Directors” or “Board”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Class Meeting of A Shareholders”	the 2022 first class meeting of A Shareholders
“Class Meeting of H Shareholders”	the 2022 first class meeting of H Shareholders
“Class Meetings”	the Class Meeting of A Shareholders and the Class Meeting of H Shareholders
“Company”	Shanghai Junshi Biosciences Co., Ltd.* 上海君實生物醫藥科技股份有限公司, a joint stock limited company established in the PRC with limited liability, the H Shares and A Shares of which are listed and traded on the main board of the Hong Kong Stock Exchange and the STAR Market, respectively
“Connected Participant(s)”	a Participant(s) who is or will become a connected person of the Company
“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules, see also “Information of the Company and the Participants”
“CSDC”	China Securities Depository and Clearing Co., Ltd.
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“First Grant”	the proposed grant of not more than 10,705,000 Restricted Shares, representing approximately 80.34% of the total number of Restricted Shares under the Incentive Scheme (subject to Adjustment)
“Grant Date”	the date on which the Company grants the Restricted Shares to the Participants
“Grant Price”	the price of each Restricted Share to be granted to the Participants
“Group”	the Company and its subsidiaries

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and are listed on Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“Incentive Scheme”	the 2022 restricted A Share incentive scheme of the Company
“Independent Board Committee”	an independent board committee of the Company comprising all independent non-executive Directors who are independent from related matters to advise the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants under the Incentive Scheme
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571), and the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants
“Independent Non-executive Director(s)”	the independent non-executive Director(s)
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions in relation to the Incentive Scheme and the issue and grant of the Restricted Shares by the Company to the Connected Participants to be considered and, if thought fit, approved at the AGM and the Class Meetings
“Management Measures”	the Management Measures for Share Incentive Scheme Adopted by Listed Companies* (《上市公司股權激勵管理辦法》)
“Participant(s)”	the participants of the Incentive Scheme
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Company Law”	the Company Law of the PRC (《中華人民共和國公司法》) (as amended, supplemented or otherwise modified from time to time)
“PRC Securities Law”	the Securities Law of the PRC (《中華人民共和國證券法》)(as amended, supplemented or otherwise modified from time to time)
“Remuneration and Appraisal Committee”	the remuneration and appraisal committee of the Company

“Reserved Grant”	the reserved grant of not more than 2,620,000 Restricted Shares, representing approximately 19.66% of the total number of Restricted Shares under the Incentive Scheme
“Restricted Share(s)”	A Share(s) to be granted to the Participants by the Company on such conditions and at the Grant Price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfactory with the attribution conditions
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and A Shares
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the AGM and the Class Meetings to issue and allot not more than 13,325,000 A Shares as Restricted Shares under the Incentive Scheme
“STAR Market”	STAR Market of the Shanghai Stock Exchange
“STAR Market Listing Rules”	Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange* (《上海證券交易所科創板股票上市規則》)
“Supervisor(s)”	Supervisor(s) of the Company

By order of the Board
Shanghai Junshi Biosciences Co., Ltd.*
Mr. Xiong Jun
Chairman

Shanghai, the PRC, 26 May 2022

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xiong Jun, Dr. Li Ning, Dr. Feng Hui, Mr. Zhang Zhuobing, Dr. Yao Sheng and Mr. Li Cong as executive Directors; Dr. Wu Hai, Mr. Tang Yi and Mr. Lin Lijun as non-executive Directors; and Dr. Chen Lieping, Dr. Roy Steven Herbst, Mr. Qian Zhi, Mr. Zhang Chun and Dr. Feng Xiaoyuan as independent non-executive Directors.

* For identification purpose only