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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\*, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agents through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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## FOSUN PHARMA

复星医药

上海復星醫藥（集團）股份有限公司  
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\*

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

(Stock Code: 02196)

**PROPOSED ADOPTION OF THE 2022 H SHARE EMPLOYEE SHARE OWNERSHIP SCHEME**  
**MANDATE TO BE GRANTED TO THE BOARD TO DEAL WITH MATTERS PERTAINING TO THE 2022 H SHARE EMPLOYEE SHARE OWNERSHIP SCHEME**  
**DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION**  
**— RENEWAL OF FINANCIAL SERVICES AGREEMENT**  
**AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS**  
**RENEWAL OF PRODUCTS/SERVICES MUTUAL SUPPLY**  
**FRAMEWORK AGREEMENT**  
**PROPOSED ADOPTION OF THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME AND CONNECTED TRANSACTIONS IN RESPECT OF GRANT OF RESTRICTED SHARES TO CONNECTED PERSONS**  
**PROPOSED ADOPTION OF THE MANAGEMENT MEASURES FOR THE APPRAISAL SYSTEM OF THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME**  
**MANDATE TO BE GRANTED TO THE BOARD TO DEAL WITH MATTERS PERTAINING TO THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME**  
**AND**  
**NOTICE OF EGM**  
**NOTICE OF H SHAREHOLDERS CLASS MEETING**

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



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A letter from the Board is set out on pages 9 to 85 of this circular. Notices convening the EGM and H Shareholders Class Meeting to be held on Tuesday, 29 November 2022 at 1:30 p.m. at Sky Fortune Boutique Hotel Shanghai, No. 358 Hong Xu Road, Shanghai, the PRC as set out on pages EGM-1 to HCM-2 of this circular. The forms of proxy for the EGM and H Shareholders Class Meeting are enclosed herewith and also published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and of the Company (<http://www.fosunpharma.com>).

Whether or not you are able to attend the said meetings, you are reminded to complete, sign and return the forms of proxy enclosed, in accordance with the instructions printed thereon. The forms of proxy shall be lodged at the Company's Hong Kong share registrar for H Shares, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 24 hours before the time appointed for the convening of the General Meetings. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM and the H Shareholders Class Meeting should you so wish.

\* for identification purposes only

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## DEFINITIONS

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*Unless the context otherwise requires, the following expressions in this circular shall have the following meanings:*

“2022 Restricted A Share Incentive Scheme” or “A Share Scheme”	the 2022 Restricted A Share Incentive Scheme of the Company (draft), the full text of which is set out in Appendix III to this circular
“2022 H Share Employee Share Ownership Scheme” or “H Share Scheme”	the 2022 H Share Employee Share Ownership Scheme of the Company (Draft), the full text of which is set out in Appendix I to this circular
“A Share(s)”	domestic share(s) with a nominal value of RMB1 each of the Company, which is (are) listed on the Shanghai Stock Exchange and traded in RMB
“A Share First Grant”	the proposed grant of not exceeding 2,747,500 Restricted Shares to the Participants pursuant to the A Share Scheme
“A Shareholder(s)”	holder(s) of the A Shares
“A Shareholders Class Meeting”	the 2022 second class meeting of A Shareholders to be held upon the conclusion of the EGM on Tuesday, 29 November 2022 or any adjournment thereof
“Administrative Measures”	the Administrative Measures on Share Incentives of Listed Companies* (《上市公司股權激勵管理辦法》)
“Articles” or “Articles of Association”	the articles of association of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“Changjiang Pension” or “Management Agency”	Changjiang Pension Insurance Co., Ltd.* (長江養老保險股份有限公司), the management agency proposed to be appointed by the Company in respect of the 2022 H Share Employee Share Ownership Scheme
“Class Meeting(s)”	the A Shareholders Class Meeting and/or the H Shareholders Class Meeting

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## DEFINITIONS

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“close associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Company”	Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司), a joint stock limited company incorporated 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 Shanghai Stock Exchange, respectively
“Company Law”	the Company Law of the PRC* (《中華人民共和國公司法》)
“Connected Grant”	the proposed grant of up to an aggregate of 1,389,200 Restricted Shares underlying the A Share First Grant to 14 Participants who are connected persons of the Company
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Continuous Risk Assessment Report”	the half-yearly continuous risk assessment report issued by the Company for internal reference in respect of the continuous assessment of the financial risks status of Fosun Finance
“controlling shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Sky Fortune Boutique Hotel Shanghai, No. 358 Hong Xu Road, Shanghai, the PRC on Tuesday, 29 November 2022 at 1:30 p.m. or any adjournment thereof
“Employee Share Ownership Product”	Changjiang Pension Enterprise Employee Share Ownership Special Collective Group Pension Security Management Product
“Financial Services Agreement”	the financial services agreement dated 30 July 2019 entered into between the Company and Fosun Finance in relation to the financial services provided by Fosun Finance to the Group
“Fosun Finance”	Fosun Group Finance Corporation Limited* (上海復星高科技集團財務有限公司), a limited liability company established in the PRC, and a subsidiary of Fosun High Tech

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## DEFINITIONS

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“Fosun High Tech”	Shanghai Fosun High Technology (Group) Company Limited* (上海復星高科技(集團)有限公司), a limited liability company established in the PRC, a subsidiary of Fosun International and a controlling shareholder of the Company
“Fosun Holdings”	Fosun Holdings Limited, a company registered in Hong Kong with limited liability, a direct wholly-owned subsidiary of Fosun International Holdings and a controlling shareholder of the Company
“Fosun International”	Fosun International Limited, a company registered in Hong Kong with limited liability, the shares of which are listed on the main board of the Hong Kong Stock Exchange (stock code: 00656), and the controlling shareholder of the Company
“Fosun International Holdings”	Fosun International Holdings Limited, which was held as to 85.29% and 14.71% by Mr. Guo Guangchang and Mr. Wang Qunbin, respectively, as at the Latest Practicable Date, and a controlling shareholder of the Company
“Fosun Tourism”	Fosun Tourism Group, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 01992), and a subsidiary of Fosun International
“Grant Date”	the date on which the Company grants the Restricted Shares to the Participants under the A Share Scheme, and the Grant Date must be a trading day of A Shares
“Grant Price”	the purchase price payable by the Participants for the Restricted Shares under the A Share Scheme
“Group”	the Company and its subsidiaries
“Guidance”	the Guidance on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies (CSRC Announcement [2014] No. 33)* (《關於上市公司實施員工持股計劃試點的指導意見》(證監會公告[2014]33號)) issued by the CSRC
“General Meetings”	the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting to be held (in such order) on Tuesday, 29 November 2022 at 1:30 p.m. or any adjournment thereof

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## DEFINITIONS

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“H Share(s)”	overseas listed foreign share(s) with nominal value of RMB1 each of the Company, which is (are) listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share First Grant”	the proposed grant of up to 58.77 million units under the H Share Scheme to the Holders pursuant to the H Share Scheme
“H Shareholder(s)”	Holder(s) of H Shares
“H Shareholders Class Meeting”	the 2022 second class meeting of H Shareholders to be held upon the conclusion of the EGM and the A Shareholders Class Meeting on Tuesday, 29 November 2022 or any adjournment thereof
“Holder(s)”	the employee(s) of the Group who participate in the H Share Scheme
“Holders’ Meeting(s)”	the meeting(s) of Holders under the H Share Scheme
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong SFC”	the Securities and Futures Commission of Hong Kong
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, established for the purpose of making the respective recommendations to the Independent Shareholders in respect of the Connected Grant and Renewed Financial Services Agreement
“Independent Financial Adviser” or “Yue Xiu Capital”	Yue Xiu Capital Limited, the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant and Renewed Financial Services Agreement, and being a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

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## DEFINITIONS

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“Independent Shareholders”	(i) in respect of the Renewed Financial Services Agreement, the Shareholder(s) who are not required to abstain from voting on the resolution to be proposed at the EGM in respect of the Renewed Financial Services Agreement; and (ii) in respect of the Connected Grant, the Shareholders(s) who are not required to abstain from voting on the resolution to be proposed at the General Meetings in respect of the Connected Grant
“independent third party(ies)”	third party(ies) independent of the Company and its connected persons
“Latest Practicable Date”	26 October 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Lock-Up Period”	the period prior to the commencement of the first vesting period of the units in the H Share First Grant under the H Share Scheme, being 12 months commencing from the date on which the Target Shares under the H Share Scheme are purchased as announced by the Company
“Management Committee”	the management committee elected by the Holders at the meeting held by the Holders in accordance with the provisions of the H Share Scheme
“Management Measures for the Appraisal System”	Management Measures for the Appraisal System of the 2022 A Share Incentive Scheme of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (《上海復星醫藥(集團)股份有限公司2022年A股股票激勵計劃實施考核管理辦法》)
“Management System for Proceeds”	Management System for Proceeds of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*(《上海復星醫藥(集團)股份有限公司募集資金管理制度》)
“Member Company(ies)”	has the meaning ascribed to it under the Administrative Measures on Finance Companies of Enterprise Groups* (《企業集團財務公司管理辦法》), and includes the parent company and its subsidiary(ies) in which the parent company holds over 51% of the shareholdings; company(ies) in which the parent company and its subsidiaries (either individually or jointly) hold over 20% of the shareholdings, or hold less than 20% of the shareholdings but are the largest shareholder of such company; legal person(s) of public institution(s) or social organisation(s) under the parent company and its subsidiary

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## DEFINITIONS

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“Participant(s)”	the eligible person(s) to be granted the Restricted Share(s) under the A Share Scheme
“percentage ratio”	has the meaning ascribed to it under Chapter 14 of the Hong Kong Listing Rules
“PRC” or “China”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
“Products/Services Mutual Supply Framework Agreement” or “Framework Agreement”	the products/services mutual supply framework agreement entered into between the Company and Sinopharm on 6 April 2020 in respect of mutual supply of products/services for the term of three years from 1 January 2020 to 31 December 2022
“R&D”	research and development
“Renewed Financial Services Agreement”	the financial services agreement dated 29 August 2022 entered into between the Company and Fosun Finance in relation to the financial services provided by Fosun Finance
“Renewed Products/Services Mutual Supply Framework Agreement”	the renewed products/services mutual supply framework agreement entered into between the Company and Sinopharm on 29 August 2022 in respect of mutual supply of products/services for the term of three years from 1 January 2023 to 31 December 2025
“Reserved Grant”	the proposed grant of not exceeding 686,800 Restricted Shares to the Participants from the reserved portion under the A Share Scheme
“Restricted Share(s)”	the A Share(s) to be granted to a Participant according to the conditions and price stipulated under the A Share Scheme which are subject to the Restriction Period and can only be unlocked and transferred after the unlocking conditions are satisfied
“Restriction Period”	the period during which the Restricted Shares granted to the Participants under the A Share Scheme shall not be transferred, used as security or for repayment of debts
“Reserved Unit Grant Date”	the date on which all or part of the Reserved Units under the H Share Scheme is granted to the Holders as announced by the Company

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## DEFINITIONS

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“Reserved Units”	the remaining units under the H Share Scheme after the H Share First Grant, i.e. not more than 14.6925 million units under the H Share Scheme
“Risk Management Plan”	the Risk Management Plan for Financial Business with Fosun Group Finance Corporation Limited* (上海復星高科技集團財務有限公司) formulated by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Depository”	China Securities Depository and Clearing Corporation Limited, Shanghai Branch* (中國證券登記結算有限責任公司上海分公司)
“Securities Law”	the Securities Laws of the PRC* (《中華人民共和國證券法》)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SH-HK Stock Connect”	Shanghai-Hong Kong Stock Connect
“Shanghai Stock Exchange”	the Shanghai Stock Exchange* (上海證券交易所)
“Share(s)”	share(s) of the Company, comprising H Shares and A Shares
“Shareholder(s)”	holder(s) of Share(s)
“Sinopharm”	Sinopharm Group Co. Ltd.* (國藥控股股份有限公司), a company registered in the PRC with limited liability, the H shares of which are listed on the main board of Hong Kong Stock Exchange (stock code: 01099), and a subsidiary of Sinopharm Industrial Investment Co., Ltd.* (國藥產業投資有限公司), an affiliated company of the Company
“Sinopharm Group”	Sinopharm and its subsidiaries
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange* (《上海證券交易所股票上市規則》)
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company

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## DEFINITIONS

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“Supervisory Committee”	The committee of Supervisors
“Target Shares”	H shares of the Company acquired through the Employee Share Ownership Product under the H Share Scheme
“Term”	the term of the H Share Scheme, which shall not exceed 60 months commencing from the date on which the H Share Scheme is considered and approved at the general meeting of the Company and the Target Shares under the H Share Scheme are purchased as announced by the Company
“Unlocking Period”	the relevant period within which the corresponding portion of Restricted Shares held by the Participants may be unlocked from selling restrictions after all the unlocking conditions prescribed under the A Share Scheme are satisfied
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“%”	percent

Unless otherwise stated, the financial data and financial indicators referenced in this circular and A Share Scheme and H Share Scheme shall refer to the financial data set out in the consolidated financial reports prepared by the Company according to the China Accounting Standards for Business Enterprise and the financial indicators calculated based on such financial data, respectively.

\* *for identification purposes only*

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LETTER FROM THE BOARD

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**FOSUN PHARMA**  
**复星医药**

上海復星醫藥（集團）股份有限公司  
**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***

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

**(Stock Code: 02196)**

*Executive Directors:*

Mr. Wu Yifang (*Chairman*)  
Mr. Wang Kexin (*Co-chairman*)  
Ms. Guan Xiaohui (*Vice chairman*)  
Mr. WEN Deyong

*Registered office:*

9th Floor, No. 510 Caoyang Road  
Putuo District  
Shanghai, 200063  
China

*Non-executive Directors:*

Mr. Chen Qiyu  
Mr. Yao Fang  
Mr. Xu Xiaoliang  
Mr. Pan Donghui

*Headquarter:*

Building A  
No. 1289 Yishan Road  
Shanghai, 200233  
China

*Independent Non-executive Directors:*

Ms. Li Ling  
Mr. Tang Guliang  
Mr. Wang Quandi  
Mr. Yu Tze Shan Hailson

*Principal Place of Business  
in Hong Kong:*

5/F, Manulife Place  
348 Kwun Tong Road  
Kowloon  
Hong Kong

31 October 2022

*To the Shareholders*

Dear Sir or Madam,

**PROPOSED ADOPTION OF THE 2022 H SHARE EMPLOYEE SHARE  
OWNERSHIP SCHEME  
MANDATE TO BE GRANTED TO THE BOARD TO DEAL WITH MATTERS  
PERTAINING TO THE 2022 H SHARE EMPLOYEE SHARE OWNERSHIP SCHEME  
DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION  
— RENEWAL OF FINANCIAL SERVICES AGREEMENT  
AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS  
RENEWAL OF PRODUCTS/SERVICES MUTUAL SUPPLY  
FRAMEWORK AGREEMENT  
PROPOSED ADOPTION OF THE 2022 RESTRICTED A SHARE INCENTIVE  
SCHEME AND CONNECTED TRANSACTIONS IN RESPECT OF GRANT OF  
RESTRICTED SHARES TO CONNECTED PERSONS  
PROPOSED ADOPTION OF THE MANAGEMENT MEASURES FOR THE  
APPRAISAL SYSTEM OF THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME  
MANDATE TO BE GRANTED TO THE BOARD TO DEAL WITH MATTERS  
PERTAINING TO THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME  
AND  
NOTICE OF EGM  
NOTICE OF H SHAREHOLDERS CLASS MEETING**

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## LETTER FROM THE BOARD

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### I. INTRODUCTION

The purpose of this circular is to give you notices of the EGM and H Shareholders Class Meeting and to provide you with information regarding certain ordinary and/or special resolutions to be proposed at the aforementioned meetings relating to the following matters to enable you to make informed decisions on whether to vote for or against the proposed resolutions at the meeting:

At the EGM, resolutions will be proposed to approve, among other things:

- (1) the proposed adoption of the 2022 H Share Employee Share Ownership Scheme;
- (2) the mandate to be granted to the Board to deal with matters pertaining to the 2022 H Share Employee Share Ownership Scheme;
- (3) the discloseable and continuing connected transaction — the renewal of Financial Services Agreement;
- (4) the proposed amendments to the Management System for Proceeds;
- (5) the renewal of Products/Services Mutual Supply Framework Agreement;
- (6) the proposed adoption of the 2022 Restricted A Share Incentive Scheme and to approve the Connected Grant;
- (7) the proposed adoption of the Management Measures for the Appraisal System of the 2022 Restricted A Share Incentive Scheme; and
- (8) the mandate to be granted to the Board to deal with matters pertaining to the 2022 Restricted A Share Incentive Scheme.

Resolution no. 6, 7 and 8 will also be proposed at the H Shareholders Class Meeting for H Shareholders' consideration and approval.

### II. DETAILS OF THE RESOLUTIONS

#### **(1) Proposed Adoption of the 2022 H Share Employee Share Ownership Scheme**

Reference is made to the announcement of the Company dated 29 August 2022 in relation to the proposed adoption of the 2022 H Share Employee Share Ownership Scheme.

On 29 August 2022, the Board resolved to approve the proposed adoption of the 2022 H Share Employee Share Ownership Scheme. According to the relevant PRC laws and regulations, the 2022 H Share Employee Share Ownership Scheme is subject to the consideration and approval by the Shareholders at the general meeting of the Company. The

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## LETTER FROM THE BOARD

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full text of the 2022 H Share Employee Share Ownership Scheme is set out in Appendix I. The principal terms of the 2022 H Share Employee Share Ownership Scheme are summarised below:

### ***Purpose of the H Share Scheme***

In order to further improve the corporate governance structure of the Group, promote the establishment and improvement of the incentive mechanism of the Group, fully mobilize the enthusiasm of the executive Directors and senior management personnel of the Company and employees of the Group, effectively align the interests of the Shareholders, corporate(s) and operators to focus on and work collectively for the long-term development of the Group, the H Share Scheme is formulated on the premise of sufficiently protecting the interests of the Shareholders and in accordance with the requirements under the Company Law, Securities Law, Guidance and other relevant laws, regulations, regulatory documents and the Articles of Association.

### ***Source of Funds and Source of Target Shares of the H Share Scheme***

The source of funds of the H Share Scheme is Company's funds designated for incentive purposes with a size of RMB73.4625 million. The source of Target Shares of the H Share Scheme is the H Shares of the Company acquired in the secondary market through the SH-HK Stock Connect. After the H Share Scheme is approved at the general meeting of the Company, the Company proposes to entrust Changjiang Pension to carry out the daily management of the H Share Scheme via the Employee Share Ownership Product. Within 6 months after the H Share Scheme being considered and approved at the general meeting of the Company, the Employee Share Ownership Product will complete the acquisition of the Target Shares under the H Share Scheme in the secondary market through the SH-HK Stock Connect. The number of Target Shares corresponding to the units to which each Holder is entitled is to be determined by reference to the number of units under the 2022 H Share Employee Share Ownership Scheme granted to him/her, as divided by the average purchase price of the Target Shares acquired by Changjiang Pension in the secondary market.

### ***Units under the 2022 H Share Employee Share Ownership Scheme to be Granted***

The upper limit of the size of funds under the H Share Scheme is RMB73.4625 million and is denominated in "units", each being RMB1 in value, i.e. the maximum number of units under the H Share Scheme is 73.4625 million. Amongst which, there are up to 58.77 million units (representing up to 80% of the upper limit of the units under the H Share Scheme) under the H Share First Grant; and the remainder of up to 14.6925 million units (representing up to 20% of the upper limit of the units under the H Share Scheme) are Reserved Units which may be granted within the period prescribed in the H Share Scheme. As it is unable to determine the purchase date, purchase price, etc. of the corresponding Target Shares under the H Share Scheme as at the date of the Board's approval of the H Share Scheme, the number of Target Shares corresponding to the units

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## LETTER FROM THE BOARD

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under the H Share Scheme remains to be determined. Nevertheless, the total number of Target Shares to be held under the H Share Scheme shall not in the aggregate exceed 0.5% of the total share capital of the Company (i.e. representing approximately 2.42% of the issued H Shares of the Company as at the Latest Practicable Date), and the number of Target Shares corresponding to units to be held by a Holder under the H Share Scheme shall not in the aggregate exceed 0.5% of the total share capital of the Company (i.e. representing approximately 2.42% of the issued H Shares of the Company as at the Latest Practicable Date). The total number of Target Shares corresponding to units held by Holders under the H Share Scheme does not include Shares acquired before the initial public offering of the Company, Shares acquired independently in the secondary market and Shares obtained through other equity incentives by the Holders.

### ***The Holders under the H Share Scheme and their Respective Interest to be Granted***

#### ***(I) Basis for determining the Holders***

The Holders under the H Share Scheme are determined in accordance with the Company Law, the Securities Law, the Guidance and the requirements under other relevant laws, regulations, regulatory documents and the Articles of Associations and the actual situation of the Group.

The Holders under the H Share Scheme include the executive Directors and senior management personnel of the Company and the mid-level management personnel of the Group and other employees to whom the Board considers provision of incentives to be appropriate.

The detailed list of Holders and their respective allocation under the H Share Scheme shall be proposed by the Board (and the Directors who are the proposed Holders under the H Share Scheme shall abstain from such proposal), and the independent non-executive Directors and supervisory committee shall opine on the same, subject to the relevant procedures in the event the approval at the general meeting of the Company is required. The Holders do not need to pay any consideration in respect of grants made to them under the H Share Scheme.

#### ***(II) Scope of the Holders***

Holders under the H Share Scheme do not include any independent non-executive Director or supervisor of the Company, or shareholder or actual controller and his/her spouse, parents and children individually or collectively holding more than 5% of the Shares of the Company. The executive Directors and senior management personnel of the Company among the Holders were elected at the general meeting of the Company or hired by the Board. All Holders shall have entered into employment agreements or engagement documents with the Company or its subsidiaries at the time of grant under the H Share Scheme and during the Term of the H Share Scheme.

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## LETTER FROM THE BOARD

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The number of Holders to be granted at the H Share First Grant under the H Share Scheme shall not exceed 143, and comprise:

- (1) the executive Directors<sup>Note</sup> and senior management personnel of the Company;
- (2) the mid-level management personnel and core technology (business) personnel of the Group; and
- (3) other core personnel having made a direct contribution to the overall business performance and sustainable development of the Group as determined by the Board.

*Note:* Each of the executive Directors is involved in the daily operation of the Group. Such executive Directors shall abstain from voting when the Board considers the H Share Scheme and shall not be involved in the management of the H Share Scheme during its implementation.

Holders of Reserved Units shall be proposed by the Board, and the independent non-executive Directors and supervisory committee shall opine on the same, and the Company shall promptly disclose the relevant information. The Reserved Units shall be granted within 12 months from the date on which the H Share Scheme is considered and approved at the general meeting of the Company. If within the period prescribed for grants of Reserved Units, no eligible employee is identified for the grant of the Reserved Units or the Reserved Units have not been fully granted, the Target Shares corresponding to the Reserved Units that have not been granted should be sold, and the relevant proceeds shall be vested in the Company. The basis for determining and the scope of the grantees of the Reserved Units shall be in compliance with the determination basis and scope of Holders under the H Share Scheme.

### *(III) Allocation of the units under the H Share Scheme to be granted to the Holders*

The upper limit of the size of funds under the H Share Scheme is RMB73.4625 million and is denominated in “units”, each being RMB1 in value. The total number of units under the H Share First Grant shall not exceed 58.77 million, representing up to 80% of the upper limit of the units under the H Share Scheme, and the number of Reserved Units shall not exceed 14.6925 million, representing up to 20% of the upper limit of the units under the H Share Scheme. Within 6 months after the H Share Scheme being considered and approved at the general meeting of the Company, the Employee Share Ownership Product will complete the acquisition of the Target Shares under the H Share Scheme in the secondary market through the SH-HK Stock Connect. The respective number of Target Shares allocated to the Holders under the H Share Scheme will then be determined with reference to the relevant purchase price of the Target Shares.

## LETTER FROM THE BOARD

The list of proposed Holders and allocation of units under the H Share First Grant of the H Share Scheme are set out below:

No.	Name	Position	Maximum number of units proposed to be granted (0'000 units)	Proportion in the total number of units proposed to be granted under the	Proportion in the upper limit of units under the H
				H Share First Grant	Share Scheme
1	WU Yifang*	Executive Director and chairman <sup>#</sup>	550.00	9.36%	7.49%
2	WANG Kexin*	Executive Director and co-chairman <sup>#</sup>	460.00	7.83%	6.26%
3	GUAN Xiaohui*	Executive Director and vice chairman <sup>#</sup>	400.00	6.81%	5.44%
4	WEN Deyong*	Executive Director and chief executive officer (CEO) <sup>#</sup>	400.00	6.81%	5.44%
5	LIU Qiang*	Assistant to chairman	400.00	6.81%	5.44%
6	MEI Jingping	Executive president	300.00	5.10%	4.08%
7	WANG Donghua	Senior vice president	200.00	3.40%	2.72%
8	FENG Rongli*	Senior vice president	200.00	3.40%	2.72%
9	LIU Yi*	Senior vice president	100.00	1.70%	1.36%
10	BAO Qingui	Senior vice president	100.00	1.70%	1.36%
11	LI Jing	Senior vice president	200.00	3.40%	2.72%
12	DONG Xiaoxian	Vice president, secretary to the Board and joint company secretary	100.00	1.70%	1.36%
13	ZHANG Yuejian	Vice president	50.00	0.85%	0.68%
14	YUAN Ning	Vice president	20.00	0.34%	0.27%
15	SU Li	Vice president	50.00	0.85%	0.68%
16	JI Hao	Vice president	100.00	1.70%	1.36%
17	ZHU Yue*	Vice president	100.00	1.70%	1.36%
18	YAN Jia*	Chief accountant	40.00	0.68%	0.54%
19	YAN Zihou*	Senior vice president of the established medicines manufacturing & supply division and innovative medicines division	100.00	1.70%	1.36%
20	ZHANG JIA AI*	Executive President and chief technology officer of global R&D centre, co-president of the established medicines manufacturing & supply division	100.00	1.70%	1.36%
21	ZHOU Yong*	Assistant to president, co-general manager of human resources department	40.00	0.68%	0.54%
22	Kong Deli*	Assistant to president, general manager of patent affairs department	40.00	0.68%	0.54%
23	MA Xinyan*	General manager of lean operation department	40.00	0.68%	0.54%
Other mid-level management personnel and core personnel of the Group			1,787.00	30.41%	24.33%
Total number of units under the H Share First Grant			5,877.00	100.00%	80.00%

*Notes:*

\* Being a connected person as defined under the Hong Kong Listing Rules.

# Being executive Directors of the Company, who are involved in the daily operation of the Group. Such executive Directors shall abstain from voting when the Board considers the H Share Scheme and shall not be involved in the management of the H Share Scheme during the implementation of the H Share Scheme.

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## LETTER FROM THE BOARD

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- (1) The number of Target Shares corresponding to the maximum amount of units under the H Share Scheme shall not exceed 0.5% of the total share capital of the Company (i.e. approximately 2.42% of the issued H Shares of the Company as at the Latest Practicable Date), and the number of Target Shares corresponding to units under the H Share Scheme to be held by any Holder listed above shall not exceed 0.5% of the total share capital of the Company (i.e. approximately 2.42% of the issued H Shares of the Company as at the Latest Practicable Date).
- (2) As at 29 August 2022 and the Latest Practicable Date, the Company has no existing share incentive scheme in effect. The aggregate size of the H Share Scheme and the 2022 Restricted A Share Incentive Scheme proposed to be adopted by the Board on the same day does not exceed 1% of the total share capital of the Company as at 29 August 2022.

### ***Term, The Lock-up Period, Vesting, Amendment and Termination of the H Share Scheme***

#### ***(I) Term***

- (1) The Term of the H Share Scheme shall not exceed 60 months commencing from the date on which the H Share Scheme is considered and approved at the general meeting of the Company and the Target Shares under the H Share Scheme are purchased as announced by the Company. Unless otherwise extended as reviewed by the Holders' Meeting and resolved and approved by the Board, the H Share Scheme shall terminate automatically upon its expiry.
- (2) The Term of the H Share Scheme may be extended after being approved by Holders of more than two-thirds of units held by Holders attending the Holders' Meeting and being considered and approved by the Board of the Company two months before the expiry of the H Share Scheme.

#### ***(II) The Lock-up Period***

- (1) The Lock-up Period for the Target Shares under the H Share Scheme shall be 12 months commencing from the date on which the Target Shares under the H Share Scheme are purchased as announced by the Company.
- (2) In case of capitalisation of capital reserves, bonus issue and refinancing by the Company during the Lock-up Period, the Shares newly acquired under the H Share Scheme due to holding of the Company's Shares cannot be sold in the secondary market or otherwise disposed of. The Lock-up Period of such newly acquired Shares under the H Share Scheme shall be the same as that of their corresponding Target Shares.

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## LETTER FROM THE BOARD

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### (III) *Vesting*

- (1) The units granted under the H Share First Grant shall be vested according to the performance appraisal results at the Group level and the performance appraisal results of the respective Holder at the individual level in three batches. The vesting period of units under the H Share First Grant shall commence from the expiry of 12 months, 24 months and 36 months from the date on which the Target Shares under the H Share Scheme are purchased as announced by the Company. The specific vesting periods and vesting arrangements are set out below:

Vesting period of units under the H Share First Grant	Vesting schedule	Maximum proportion of the units that can be be vested in the total number of units granted under the H Share Scheme
First vesting period	Commencing from the first trading day after the expiry of the 12-month period from the date on which the Target Shares under the H Share Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 24-month period from such date	33%
Second vesting period	Commencing from the first trading day after the expiry of the 24-month period from the date on which the Target Shares under the H Share Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 36-month period from such date	33%
Third vesting period	Commencing from the first trading day after the expiry of the 36-month period from the date on which the Target Shares under the H Share Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 48-month period from such date	34%

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## LETTER FROM THE BOARD

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- (2) If the grant of the Reserved Units takes place in 2022, the Reserved Units shall be vested in the Holders in three batches. The vesting period shall commence from the expiry of 12 months, 24 months and 36 months from the Reserved Unit Grant Date under the H Share Scheme as announced by the Company. The specific vesting periods and vesting arrangements are set out below:

Vesting period of the Reserved Units	Vesting schedule	Maximum proportion of the units that can be vested in the total number of units granted under the H Share Scheme
First vesting period	Commencing from the first trading day after expiry of the 12-month period from the Reserved Unit Grant Date under the H Share Scheme as announced by the Company and ending on the last trading day of the 24-month period from such date	33%
Second vesting period	Commencing from the first trading day after expiry of the 24-month period from the Reserved Unit Grant Date under the H Share Scheme as announced by the Company and ending on the last trading day of the 36-month period from such date	33%
Third vesting period	Commencing from the first trading day after expiry of the 36-month period from the Reserved Unit Grant Date under the H Share Scheme as announced by the Company and ending on the last trading day of the 48-month period from such date	34%

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## LETTER FROM THE BOARD

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If the grant of the Reserved Units takes place in 2023, the Reserved Units shall be vested in the Holders in two batches. The vesting period shall commence from the expiry of 12 months and 24 months from the Reserved Grant Date under the H Share Scheme as announced by the Company. The specific vesting periods and vesting arrangements are set out below:

Vesting period of the Reserved Units	Vesting schedule	<b>Maximum proportion of the units that can be vested in the total number of units granted under the H Share Scheme</b>
First vesting period	Commencing from the first trading day after expiry of the 12-month period from the Reserved Unit Grant Date under the H Share Scheme as announced by the Company and ending on the last trading day of the 24-month period from such date	50%
Second vesting period	Commencing from the first trading day after expiry of the 24-month period from the Reserved Unit Grant Date under the H Share Scheme as announced by the Company and ending on the last trading day of the 36-month period from such date	50%

- (3) Under the H Share Scheme, the financial performance indicators of the Group shall be appraised on an annual basis during the three financial years from 2022 to 2024, and the appraisal shall be made once in each financial year. The three sub-indicators, i.e. “revenue”, “attributable net profit after deduction” and “R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment”, of each appraisal year shall be assessed to determine the aggregated performance appraisal indicator score at the Group level (X) based on the scores and weights of each performance appraisal sub-indicator in order to further calculate the vesting ratio (M) for the corresponding year, the details of which are set forth below:

- (i) The aggregated performance appraisal indicator score at the Group level (X) =  $\Sigma$  the score of each sub-indicator \* the corresponding weight.

## LETTER FROM THE BOARD

Details of the performance appraisal indicators at the Group level applicable to vesting of units under the H Share First Grant are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2022 target value	2023 target value	2024 target value	Scoring standard
Revenue	10%	448.5	515.79	593.16	The score of each sub-appraisal sub-indicator = (actual value/target value) * 100
Attributable net profit after deduction <sup>1</sup>	70%	38.67	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	8%	

In the event of the grant of the Reserved Units taking place in 2022, the corresponding years and targets of performance appraisal at the Group level shall be the same as those for units under the H Share First Grant. In the event of the grant of the Reserved Units taking place in 2023, the corresponding years of performance appraisal at the Group level shall be the two financial years of 2023 and 2024, and the appraisal shall be conducted once in each financial year, and details of the performance appraisal indicators at the Group level applicable to the vesting of such Reserved Units are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2023 target value	2024 target value	Scoring standard
Revenue	10%	515.79	593.16	The score of each sub-indicator = (actual value/target value) * 100
Attributable net profit after deduction <sup>1</sup>	70%	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	

*Notes:*

- The “attributable net profit after deduction” mentioned above refers to net profit attributable to equity holders of the listed company after deduction of non-recurring profit or loss, as set out in the auditors’ report of the relevant financial year of the Company prepared according to the China Accounting Standards for Business Enterprise;

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## LETTER FROM THE BOARD

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2. The “R&D expenses in the pharmaceutical manufacturing segment” shall be calculated based on the auditors’ report of the relevant financial year of the Company taking into account of the adjustment mechanism under the H Share Scheme.

With respect to any appraisal year, if any one of the sub-indicators does not reach its threshold value (the threshold value of revenue and attributable net profit after deduction is 80% of the target value of the year, and the threshold value of R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment is 6%), the score of such applicable sub-indicator(s) is zero; and where the aggregated performance appraisal indicator score at the Group level (X) does not reach 75 points, all corresponding units of the Holders scheduled for vesting for such year shall not be vested. The Target Shares corresponding to such units should be sold, and the relevant proceeds should be vested in the Company.

During the appraisal period, the Board may be authorised to adjust relevant indicators at its discretion as a result of material financial impact resulting from disposal/deemed disposal for assets/business restructuring; executive Directors who are Holders of the H Share Scheme shall abstain from voting when the Board considers the above matter(s).

- (ii) The relationship between the aggregated performance appraisal indicator score at the Group level (X) and the vesting ratio (M) for the corresponding year is set out below:

<b>Range of the aggregated performance appraisal indicator score at the Group level (X)</b>	<b>Vesting ratio (M)</b>
X < 75 points	0
75 points ≤ X < 85 points	50%
85 points ≤ X < 95 points	80%
X ≥ 95 points	100%

- (4) Where the performance targets at the Group level have been achieved, a Holder is only entitled to the vested units in accordance with the proportion specified in the H Share Scheme upon achieving the benchmark of “Target Achieved” (GP) or above in his or her performance appraisal at the individual level in the corresponding appraisal year in accordance with the Company’s

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## LETTER FROM THE BOARD

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administrative measures in respect of remuneration and performance appraisal, otherwise, the units scheduled for vesting for the corresponding appraisal year shall not be vested.

### (IV) *Amendment*

During the Term, any amendment to the H Share Scheme must be approved by Holders of more than two-thirds of units held by Holders attending the Holders' Meeting and be considered and approved by the Board and/or general meeting of the Company.

### (V) *Termination*

- (1) Unless otherwise extended as considered by the Holders' Meeting and resolved and approved by the Board, the H Share Scheme shall automatically be terminated upon its expiry.
- (2) After the end of the Lock-up Period of the H Share Scheme, the H Share Scheme may be terminated in advance when all assets under the H Share Scheme are monetary funds.
- (3) In case of major changes in the market or other major events of the Group, the H Share Scheme may be terminated after Holders of more than two-thirds of units held by Holders attending the Holders' Meeting approve the termination and the termination is submitted to and considered and approved by the Board or general meeting.

### *Vesting and Disposal of the Interests in the Shares under the H Share Scheme*

- (I) During the Term and after the end of the Lock-up Period, as stipulated in the contracts, agreements and documents relating to the Employee Share Ownership Product, the Management Agency shall sell the Target Shares corresponding to the corresponding units of the Employee Share Ownership Product and pay the Holders in cash. The Management Committee will allocate the interests according to the corresponding units vested in the Holders under the H Share Scheme.
- (II) During the Term, the cash dividends from the Target Shares under the H Share Scheme shall be paid to the Holders as dividends payable when payment is made upon vesting. If any units cannot be vested according to the H Share Scheme, the cash dividends from the Target Shares corresponding to such unvested units shall belong to the Company. During the Term, if any units have no objects to be vested due to the relevant requirements under the H Share Scheme, the Target Shares corresponding to such units shall be sold, and the relevant proceeds shall be vested in the Company.

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## LETTER FROM THE BOARD

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- (III) Before the Management Committee makes a decision on vesting, the units or interests in the H Share Scheme granted to but not vested in the Holders shall not be transferred, withdrawn or used for mortgage, pledge, guarantee and repayment of debts; otherwise, the corresponding act shall be invalid.
- (IV) The H Share Scheme will strictly abide by the market trading rules, and the regulations on restrictions on trading of shares during sensitive information period. No party shall use the H Share Scheme to conduct insider trading, market manipulation and other securities fraud. Unless otherwise provided by the CSRC, the Hong Kong SFC, the stock exchange of the place where the Shares of the Company are listed and other regulatory authorities, Shares of the Company shall not be traded under the H Share Scheme during the following periods:
- (1) within 30 days (or 60 days in the event of annual report of results) prior to the publication of any periodic report of results of the Company (and including the date of publication), and in the event of delay in publication of such periodic reports of results due to special circumstances, such period shall commence from either 30 days or 60 days prior to the original expected date of publication;
  - (2) within 10 days prior to the publication of performance forecast or preliminary performance results;
  - (3) during the period when any significant transaction or significant event of the Group is in the decision-making process until the date of disclosure in accordance with relevant laws, regulations and rules of the stock exchange of the place where the Shares of the Company are listed;
  - (4) the Company is in possession of any unpublished inside information;
  - (5) the period commencing from the date of occurrence of any other significant event which may have a significant impact on the trading prices of the Company's securities and their derivatives or the date on which relevant decision-making procedures start and ending on the date of disclosure in accordance with relevant laws, regulations and rules of the stock exchange of the place where the Shares of the Company are listed; and
  - (6) such other period as stipulated by the CSRC, Shanghai Stock Exchange, Hong Kong SFC and Hong Kong Stock Exchange.

The "significant transaction", "significant event" and "significant event which may have a significant impact on the trading prices of the Company's securities and their derivatives" as referred to above mean any transaction or other significant event that is required to be disclosed under the listing rules of the stock exchange of the place where the Shares of the Company are listed and relevant laws and regulations.

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## LETTER FROM THE BOARD

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### *Participation of the H Share Scheme in Financing of the Company*

During the Term of the H Share Scheme, if the Company conducts financing by means of rights issue, issue of shares and convertible bonds, the Management Committee shall decide whether to participate in the same and the funding solutions, and submit them to the Holders' Meeting for consideration. As at the Latest Practicable Date, the Management Committee has no plan to participate in any financing proposal of the Company during the Term of the H Share Scheme; if such participation is considered necessary in the future, it will be subject to the Company's compliance with the relevant requirements, including obtaining any necessary shareholders' approval under the Hong Kong Listing Rules (if applicable).

### *Administration of the H Share Scheme*

The remuneration and appraisal committee of the Board of the Company shall be responsible for preparing the H Share Scheme, and the Board shall handle other matters relating to the H Share Scheme within its scope of authority as delegated by the general meeting. The Company will entrust a professional agency with asset management qualifications to carry out the daily management of the H Share Scheme. The Holders' Meeting is the internal ultimate management authority of the H Share Scheme. The Management Committee shall be elected at the Holders' Meeting, and shall perform the daily supervisory and management duties in accordance with the H Share Scheme and exercise relevant rights on behalf of the Holders.

The executive Directors being the proposed Holders under the H Share Scheme shall abstain from voting when the Board considers the H Share Scheme and shall not be involved in the management of the H Share Scheme during the implementation of the H Share Scheme.

### *Matters to be resolved by the Board with the Authorisation from the General Meeting*

The general meeting may authorise the Board to deal with matters relating to the H Share Scheme, including but not limited to:

- (1) to formulate the detailed plan of the H Share Scheme, including but not limited to ascertain the number of Holders, the qualifications of the Holders, the source of funds, the size of the H Share Scheme, the Term, the Lock-up Period, the management pattern, grant and grant date of Reserved Units and other matters in accordance with the applicable laws, regulations and relevant rules of the regulatory authorities and the resolution(s) of the general meeting of the Company and taking into consideration of the circumstances of the Group;

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## LETTER FROM THE BOARD

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- (2) to adjust and deal with matters relating to the H Share Scheme (except those subject to another approval at the general meeting of the Company as required by the relevant laws, regulations and the Articles of Association), including considering the amendment, extension, termination (including early termination) of the H Share Scheme, in accordance with the opinions of the regulatory authorities, and the changes in policies or market conditions;
- (3) to apply for all the necessary approvals in relation to the H Share Scheme in accordance with relevant requirements, including but not limited to the preparation, amendment, submission and execution of the relevant materials, and to disclose information in accordance with the relevant laws, regulations and the listing rules of the stock exchange of the place where the Shares of the Company are listed;
- (4) to determine the asset management agency and trustee agency of the H Share Scheme, which will assist the Company to implement the H Share Scheme, in accordance with the applicable laws, regulations and relevant rules of the regulatory authorities;
- (5) to deal with matters in relation to the lock-up and unlocking of the Shares purchased under the H Share Scheme;
- (6) to determine the vesting proportion based on the fulfillment of vesting conditions under the H Share Scheme and deal with all matters that are necessary for vesting; and
- (7) to deal with other matters that are necessary for the H Share Scheme.

The abovementioned authorisations (if approved) shall be effective from the date of review and approval by the general meeting of the Company until the completion of the liquidation of the H Share Scheme.

### ***Disposal Methods in Case of Changes in the Circumstances of the Company and the Holders***

#### ***(I) Changes in the circumstances of the Company***

Upon occurrence of any of the following events, subject to the extent of the relevant change in circumstances, the Board, as authorised by Shareholders at the general meeting of the Company, shall determine whether to continue to implement, amend, suspend or terminate the H Share Scheme, save for any powers specifically required under relevant documents to be exercised by the general meeting:

- (1) change in control of the Company;
- (2) merger/de-merger of the Company; and

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## LETTER FROM THE BOARD

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- (3) other material changes.

### (II) *Changes in the circumstances of the Holders*

- (1) Upon occurrence of any of the following events in respect of a Holder, the units granted to such Holder remain unchanged and shall continue to be subject to the Lock- up Period and vesting in accordance with the H Share Scheme:
  - (i) change in position of a Holder, but who remains within the scope of the Holders as defined under the H Share Scheme; and
  - (ii) re-hiring of a Holder after he/she attains the retirement age stipulated by law and the Company.
- (2) Upon occurrence of any of the following events (except for those set out in item 3 in the next paragraph below) during the Term, the relevant Holder shall be disqualified on the date of occurrence of the relevant event, and the units under the H Share Scheme granted but not vested in such Holder under the H Share Scheme shall not be vested and shall be mandatorily forfeited by the Management Committee. The vested but unsold units in the H Share Scheme held by such Holder shall be sold by the Management Agency as and when appropriate since the date of the occurrence of any of the following events, and the Management Agency shall pay the proceeds and related gains to the Holder or his/her legal heirs after selling the relevant units and deducting the relevant expenses according to laws:
  - (i) internal transfer of a Holder resulting in him/her being no longer within the scope of the Holders as defined under the H Share Scheme;
  - (ii) departure due to attaining the retirement age stipulated by law and the Company;
  - (iii) departure or death due to incapacity;
  - (iv) becoming an independent non-executive Director or other person not allowed to hold Shares of the Company;
  - (v) resignation;
  - (vi) termination of employment upon expiration of the labour contract or employment agreement without renewal due to personal reason; and
  - (vii) other circumstances under which the relevant laws, regulations or regulatory documents prohibit an individual from being a Holder under the H Share Scheme.

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## LETTER FROM THE BOARD

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- (3) Upon occurrence of any of the following events during the Term, the relevant Holder shall be disqualified on the date of occurrence of the relevant event, and the units under the H Share Scheme granted but not vested in such Holder under the H Share Scheme shall not be vested and shall be mandatorily forfeited by the Management Committee. The vested but unsold units in the H Share Scheme held by such Holder shall be sold by the Management Agency as entrusted by the Management Committee as and when appropriate since the date of the occurrence of any of the following events, and the Management Agency shall pay the proceeds and related gains to the Holder after selling the relevant units and deducting the relevant expenses according to laws. In egregious cases, the Management Committee may, based on the actual situation, take action against such Holder and claim for damages suffered by the Group:
- (i) dismissal due to failure to accomplish individual performance targets; and
  - (ii) change in position due to incompetence for work position, disqualification in performance appraisal, violation of laws, leakage of the Company's confidential information, dereliction of duty or malpractice or any other acts that seriously damage the interests or reputation of the Group.
- (4) Other unspecified circumstances shall be identified by the Board which shall determine how such matters are to be dealt with.

### ***Reasons and Benefits of the Adoption of the 2022 H Share Employee Share Ownership Scheme***

Please refer to the section headed "Purpose of the H Share Scheme" of this circular.

The H Share Scheme aims to, among others, promote the establishment and improvement of the incentive and restraint mechanism of the Group, fully mobilize the enthusiasm of the executive Directors and senior management personnel of the Company and employees of the Group, align the interests of the Company, Shareholders and the operators to focus on the long-term development of the Group and achieve the development goals of the Group. The Board is of the view that the adoption of the H Share Scheme will assist the Company in achieving the aforesaid goals, and that the terms and conditions of the H Share Scheme are on normal commercial terms, fair, reasonable and in the interests of the Company and Shareholders as a whole.

The grants of units under the H Share First Grant to those grantees who are connected persons are fully exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules

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## LETTER FROM THE BOARD

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pursuant to Rule 14A.95 and/or Rule 14A.76(1) of the Hong Kong Listing Rules. In accordance with the relevant laws and regulations, each of Mr. Wu Yifang, Mr. Wang Kexin, Ms. Guan Xiaohui and Mr. Wen Deyong, each an executive Director and proposed Holder of the H Share Scheme, has abstained from voting on the relevant board resolutions in relation to the H Share Scheme. Save as disclosed above, none of the Directors has a material interest in the H Share Scheme.

An ordinary resolution will be proposed at the EGM for consideration and, if thought fit, approval of the H Share Scheme.

**(2) Mandate to be granted to the Board to deal with matters pertaining to the 2022 H Share Employee Share Ownership Scheme**

To ensure the implementation of the H Share Scheme, it is proposed at the EGM that the Board be authorised to deal with the following matters pertaining to the H Share Scheme, including but not limited to:

1. to formulate the detailed plan of the H Share Scheme, including but not limited to ascertaining the number of Holders, the qualifications of the Holders, the source of funds, the size of the H Share Scheme, the Term, the Lock-Up Period, the management pattern, and Reserved Units and other matters in accordance with the applicable laws, regulations and relevant rules of the regulatory authorities and the resolution(s) of the general meeting of the Company and taking into consideration of the circumstances of the Group;
2. to adjust and deal with matters relating to the H Share Scheme (except those subject to another approval at the general meeting of the Company as required by the relevant laws, regulations and the Articles of Association), including considering the amendment, extension, termination (including early termination) of the H Share Scheme, in accordance with the opinions of the regulatory authorities, and the changes in policies or market conditions;
3. to apply for all the necessary approvals in relation to the H Share Scheme in accordance with relevant requirements, including but not limited to the preparation, amendment, submission and execution of the relevant materials, and to disclose information in accordance with the relevant laws, regulations and the listing rules of the stock exchange of the place where the shares of the Company are listed;
4. to determine the asset management agency and trustee agency of the H Share Scheme which will assist the Company to implement the H Share Scheme, in accordance with the applicable laws, regulations and relevant rules of the regulatory authorities;
5. to deal with matters in relation to the lock-up and unlocking of the Target Shares purchased under the H Share Scheme;

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## LETTER FROM THE BOARD

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6. to determine the vesting proportion based on the fulfillment of vesting conditions under the H Share Scheme and deal with all matters that are necessary for vesting;
7. to deal with other matters that are necessary for the H Share Scheme;
8. to obtain Shareholders' approval that the abovementioned authorisations shall be effective from the date of review and approval by the general meeting of the Company until the completion of the liquidation of the H Share Scheme.

With respect to the matters prescribed in the above authorisation, save for matters that explicitly required to be approved by Board resolutions under the relevant laws, administrative regulations, CSRC rules, regulatory documents, the H Share Scheme or the Articles of Association, other matters may be exercised directly by the chairman of the Board, or an appropriate delegate thereof, on behalf of the Board.

An ordinary resolution will be proposed at the EGM for the consideration and, if thought fit, approval of the mandate to be granted to the Board to deal with matters pertaining to the 2022 H Share Employee Share Ownership Scheme.

### **(3) Discloseable and Continuing Connected Transaction — Renewal of Financial Services Agreement**

#### ***A. Background and Principal Terms of the Renewed Financial Services Agreement***

Reference is made to the announcement of the Company dated 30 July 2019 in relation to the continuing connected transaction in respect of the Financial Services Agreement entered into between the Company and Fosun Finance.

As the Financial Services Agreement will expire on 31 December 2022, the Company entered into the Renewed Financial Services Agreement with Fosun Finance on 29 August 2022.

The principal terms of the Renewed Financial Services Agreement are summarised as follows:

Signing Date:	29 August 2022
Parties:	The Company; and Fosun Finance
Term:	From 1 January 2023 to 31 December 2025

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## LETTER FROM THE BOARD

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Subject matter:

Fosun Finance shall provide non-exclusive financial services to the Group in accordance with the terms of the Renewed Financial Services Agreement as below:

1. *Comprehensive Credit Services*

- (1) Based on the operational and development needs of the Group and under the premise of complying with relevant Chinese laws and regulations, Fosun Finance shall provide the Group with comprehensive credit services, including but not limited to loan, note, discount, entrusted loan, consumption credit, entrusted investment, bond investment, guarantee and other forms of financing. The provision of such credit services by Fosun Finance is not conditional upon the provision of guarantees, asset pledges or other forms of security by the Group.
- (2) During the effective term of the Renewed Financial Services Agreement, the Group intend to make an application to Fosun Finance for a comprehensive credit facility of not more than RMB2.0 billion. The Group will enter into agreement(s) based on the performance and the integrated credit rate of the Group.
- (3) The interest rate(s) for the loan to be provided by Fosun Finance to the Group shall be determined with reference to the interest rate(s) as published by the People's Bank of China from time to time and the prevailing market rate(s). Such interest rate(s) shall not exceed the interest rate(s) for the same kind of loan offered by other financial institutions in the PRC for the same period and shall not exceed the interest rate(s) for the same kind of loan for the same period provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.

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## LETTER FROM THE BOARD

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### 2. *Deposit Services*

- (1) Fosun Finance will strictly follow the principle of freedom of deposit and withdrawals in compliance with relevant requirements of the People's Bank of China and provide the deposit services to the Group.
- (2) The deposit services including but not limited to demand deposit, time deposit, call deposit and agreed deposit provided by Fosun Finance to the Group shall comply with the relevant requirements of the People's Bank of China.
- (3) The interest rate(s) for the deposit of the Group with Fosun Finance shall be determined with reference to the benchmark interest rate(s) for RMB deposit as published by the People's Bank of China provided that such rate(s) shall be no less than the average of the deposit rate(s) for the same kind of deposit offered by commercial banks in the PRC for the same period and no less than the deposit rate(s) for the same kind of deposit for the same period provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is higher.
- (4) The Group agrees to open deposit accounts with Fosun Finance, and to choose among different types and terms of deposit products.
- (5) The Group agrees that the maximum daily outstanding balance of deposits placed by the Group with Fosun Finance shall not exceed RMB2.0 billion.
- (6) Fosun Finance shall ensure the safety of the Group's deposits, and promptly and fully release the funds as requested by the Group.

### 3. *Settlement Services*

- (1) Fosun Finance will provide settlement services for payment and receipt and other ancillary services relating to settlement services to the Group in accordance with the instructions of the Group.
- (2) The service fees for the settlement services to be provided by Fosun Finance to the Group shall be charged at the rate to be agreed by the parties, and shall not exceed the fees for the same kind of services offered by other financial institutions in the PRC, and at the same time shall not exceed the fees for the same kind of services provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.

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## LETTER FROM THE BOARD

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### 4. *Other Financial Services*

- (1) Fosun Finance will provide the Group with other financial services within its business scope as approved by the CBIRC, including financial and financing advisory, credit verification and related consulting and agency services.
  - (2) The service fees for other financial services other than the deposit services and credit services shall comply with the fees standard promulgated by the People's Bank of China or the CBIRC (if applicable), and Fosun Finance has undertaken to the Group that its service fees for such financial services shall not exceed the fees for the same kind of services offered by other financial institutions in the PRC and shall not exceed the fees for the same kind of services provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.
5. The aggregate service fees for the settlement services and other financial services provided by Fosun Finance to the Group shall not exceed RMB1 million for each financial year.

### 6. *Risk Assessment and Control Measures*

- (1) The Group has the right to verify the deposits with Fosun Finance from time to time to understand the safety and liquidity of the relevant deposits, and to carry out risk assessment.
- (2) Fosun Finance shall ensure the safe operation of the fund management network, ensure the security of funds, control the risk of assets and liabilities, meet the payment needs of the Group and will also operate strictly in accordance with the specification for risk monitoring indicators of financial companies promulgated by the CBIRC. Major regulatory indicators such as capital adequacy ratio and liquidity ratio shall comply with the provisions of the CBIRC and other relevant laws and regulations.
- (3) Fosun Finance undertakes to provide the Group with annual audit reports on a regular basis.
- (4) Fosun Finance undertakes that in the event of any circumstances that may endanger the safety of the Group's deposits or other events that may bring risks to the security of funds deposited by the Group, it will promptly inform the Group whereupon the Group shall have the right to immediately and unconditionally withdraw its deposits.

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## LETTER FROM THE BOARD

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### **B. *Historical Transaction Amounts, Annual Caps and Basis of Determination***

#### *Historical transaction amounts*

The historical transaction amounts under the Financial Services Agreement for the last two years ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

*Unit: RMB million*

	Historical transaction amounts		
	For the year ended 31 December 2020	2021	For the six months ended 30 June 2022
(i) Maximum daily amount of the credit facility granted by Fosun Finance and used by the Group	59.30	176.38	136.43
(ii) Maximum daily balance of deposits placed by the Group with Fosun Finance	979.62	993.25	986.17
(iii) Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	0.00	0.00	0.00

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## LETTER FROM THE BOARD

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### *Historical annual caps*

The historical annual caps of the transactions under the Financial Services Agreement for the last three years ending 31 December 2022 are as follows:

*Unit: RMB million*

		<b>Historical annual caps</b>		
		<b>For the year ended/ending 31 December</b>		
		<b>2020</b>	<b>2021</b>	<b>2022</b>
(i)	Maximum daily amount of the credit facility granted by Fosun Finance to the Group	1,000	1,000	1,000
(ii)	Maximum daily balance of deposits placed by the Group with Fosun Finance	1,000	1,000	1,000
(iii)	Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	1	1	1

### *Proposed annual caps*

The proposed annual caps of the transactions contemplated under the Renewed Financial Services Agreement are as follows:

*Unit: RMB million*

		<b>Proposed annual caps</b>		
		<b>For the year ending 31 December</b>		
		<b>2023</b>	<b>2024</b>	<b>2025</b>
(i)	Maximum daily amount of the credit facility granted by Fosun Finance to be used by the Group	2,000	2,000	2,000
(ii)	Maximum daily balance of deposits placed by the Group with Fosun Finance	2,000	2,000	2,000
(iii)	Fees and charges paid by the Group to Fosun Finance for settlement services and other financial services	1	1	1

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## LETTER FROM THE BOARD

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### *Comprehensive credit services*

The proposed annual caps for the comprehensive credit services under the Renewed Financial Services Agreement are determined with reference to the following factors: (i) the existing scale of the Group's assets, business and revenue, (ii) the possible additional financial business arising from the continuous business development of the Group and the addition of subsidiaries within the service term stipulated in the Renewed Financial Services Agreement, (iii) the diversification of financing channels, and (iv) the historical transaction amounts.

### *Deposit services*

The proposed annual caps for the deposit services under the Renewed Financial Services Agreement are determined with reference to the following factors: (i) the existing scale of the Group's assets, business and revenue, (ii) the possible additional deposits arising from the continuous business development of the Group and the addition of subsidiaries within the service term stipulated in the Renewed Financial Services Agreement, (iii) the diversification and reduction of the overall deposit risk through the diversified deposit channels, and (iv) the historical utilization of the relevant annual caps. In addition, the Group has been growing substantially in its scale of operation since its listing on the main board of the Hong Kong Stock Exchange in 2012 in terms of revenue, net cash flows generated from operating activities and cash and bank balances. The Group's revenue for the year ended 31 December 2021 was RMB38,858 million, representing a compound annual growth rate ("CAGR") of approximately 20.46% compared with that of RMB7,278 million in 2012. The Group's net cash flows generated from operating activities recorded a CAGR of approximately 21.87% from 2012 to 2021, which was generally in line with the revenue growth.

## LETTER FROM THE BOARD

Further, set out below is an analysis on the percentage of maximum daily balance of deposits placed by the Group with Fosun Finance over the Group's total cash and bank balances ("Fosun Deposit to Cash Ratio") as at the end of each recent financial year/period based on (i) the maximum daily balance of deposits placed by the Group with Fosun Finance for each of the years ended 31 December from 2014 to 2021 and the six months ended 30 June 2022; and (ii) the Group's cash and bank balances as at the end of each corresponding financial year/period:

*Unit RMB million*

	As at/for the year ended 31 December								As at/for the six months ended 30 June
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Maximum daily balance of deposits placed by the Group with Fosun Finance	950.37	678.42	678.43	534.69	575.42	979.53	979.62	993.25	986.17
Cash and bank balances	3,696	4,029	5,996	7,249	8,547	9,533	9,962	10,308	12,258
Fosun Deposit to Cash Ratio	25.71%	16.84%	11.31%	7.38%	6.73%	10.28%	9.83%	9.64%	8.05%

The Group has maintained a robust and stably increasing cash and bank balances over the recent years. The Group's cash and bank balances as at 30 June 2022 of RMB12,258 million represented an increase of approximately 231.66% compared with that of RMB3,696 million as at 31 December 2014.

The historical annual caps for deposit services have been set at RMB1,000 million since 2014. The increasing cash and bank balances of the Group and the nearly fully utilised historical annual caps for deposit services in the recent financial years/period suggested that the existing level of annual caps may not be able to fully accommodate the Group's increasing need for the deposit services in light of its continued business development as evidenced by the growth in revenue, net cash flows generated from operating activities and cash and bank balances of the Group as mentioned above.

Also, the actual maximum daily balance of deposits placed by the Group with Fosun Finance for the last two years ended 31 December 2021 and the six months ended 30 June 2022 were RMB979.62 million, RMB993.25 million and RMB986.17 million, representing a Fosun Deposit to Cash Ratio of approximately 9.83%, 9.64% and 8.05% of the Group's cash and bank balances as at the corresponding year-end or period-end date. The general decline trend in the Fosun Deposit to Cash Ratio since 2014, together with the fact that the maximum daily balance of deposits placed by the Group with Fosun Finance being very close to the historical annual caps since 2019, illustrate the fact that the existing annual caps are

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## LETTER FROM THE BOARD

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becoming increasingly restrictive to the Group's flexibility in treasury planning and overall liquidity allocation. Such restriction becomes more prominent when taking also into account that the Group has experienced growth in terms of size and scale of operation over the years with robust financial positions and a CAGR of approximately 15.8% for cash and bank balances from as at 31 December 2014 to as at 31 December 2021, and a further increase of approximately 18.9% from as at 31 December 2021 to as at 30 June 2022.

The proposed annual caps for deposit services of RMB2.0 billion represent approximately 16.32% of the cash and bank balances of the Group as at 30 June 2022, which remains within the range of historical Fosun Deposit to Cash Ratio since 2014, and the Directors accordingly consider the same to be reasonable and in the interest of the Group taking into account the flexibility the Group's needs for treasury and liquidity reasons in order to cater for its growth referred to above.

### *Settlement services and other financial services*

The proposed annual caps for the settlement services and other financial services under the Renewed Financial Services Agreement are determined with reference to the following factors: (i) the possible demand for such services arising from the future business requirements and financing needs of the Group, and (ii) the historical annual caps for such services.

### **C. Pricing Policies**

The rates for the comprehensive credit services, deposit services, settlement services and other financial services under the Renewed Financial Services Agreement represent the best of (i) the prevailing market rates, (ii) rates no less favorable to those between the Group and independent third parties for comparable services (on a similar scale), and (iii) rates no less favorable to those for the same kind of services provided by Fosun Finance to other Member Companies of Fosun High Tech (other than the Group).

For the purpose of determining the market rates for such services, the Group will generally consider the prices offered by independent third party service providers of comparable services and similar services and compare to those offered to the Group. In particular, the finance department of the Group will compare the services fees offered by different service providers in respect of comparable services and a similar type of such services (based on the similar type of services).

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## LETTER FROM THE BOARD

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### **D. *Reasons for and Benefits of Entering into the Renewed Financial Services Agreement***

Having considered that (i) Fosun Finance has been providing financial services within its business scope approved by CBIRC and the Group has established a long-term business relationship with Fosun Finance since Fosun Finance's incorporation in 2011; (ii) the customers of Fosun Finance are limited to Member Companies of Fosun High Tech; (iii) there has been no delay for repayment of any principals and interests by Fosun Finance in respect of its provisions of the deposit services, and there has been no practical impediment or disruption of the settlement services and other financial services by Fosun Finance since the Group's engagement of it as one of its financial service providers in 2011; and (iv) the Risk Management Plan formulated by the Company which illustrates the internal risk management agency, risk prevention and control procedures, and risk disposal procedures to deal with potential risks can ensure the safety of funds, the Board considers that the risks in connection with the transactions with Fosun Finance are relatively manageable.

Furthermore, the Board is of the view that the transactions contemplated under the Renewed Financial Services Agreement can facilitate the Group to enrich the deposits and loan business channels, increase the efficiency of fund utilization, reduce the costs and risks of financing, increase the deposit yield and reduce the overall deposit risk, and improve the bargaining power with the external financial institutions. The Board considers that these transactions are in the interests of the Company and its Shareholders and will not adversely affect the independence of the Company.

Taking into account the foregoing, the Directors (including the independent non-executive Directors whose views will also be set out in the letter from the Independent Board Committee to be included in the Circular) consider that the Renewed Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms and in the ordinary and usual course of business of the Group, and that the terms of the Renewed Financial Services Agreement, the transactions contemplated thereunder and the proposed caps in respect of the comprehensive credit services, deposit services, settlement services and other financial services are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

### **E. *Information about the Parties***

As a global innovation-driven pharmaceutical and healthcare industry group deep-rooted in China, the Group directly operates businesses including pharmaceutical manufacturing, medical devices, medical diagnosis, and healthcare services, and also has a presence in pharmaceutical distribution and retail.

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## LETTER FROM THE BOARD

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Fosun Finance is principally engaged in provision of financing consulting services, deposit services, settlement services, credit services and other financial services, and is a subsidiary of Fosun High Tech and is ultimately controlled by Mr. Guo Guangchang (郭廣昌先生).

### **F. *Internal Control Procedures for the Group***

Pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, the Company will disclose in its annual report the review by the Board (including independent non-executive Directors) of the continuing connected transactions entered into every year (including the continuing connected transactions under the Renewed Financial Service Agreement) and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group, in accordance with the relevant agreements governing such transactions on terms (which are normal commercial terms or better to the Company) that are fair and reasonable, and in the interests of the Shareholders of the Company as a whole.

Independent auditors will also review the continuing connected transactions entered into (including the continuing connected transactions under the Renewed Financial Service Agreement) and issue a letter to the Board every year. The conclusion of such review by the auditors will be disclosed in the annual report.

In addition, as part of the Group's internal control systems to ensure that the continuing connected transactions under the Renewed Financial Services Agreement are conducted in accordance with the terms under the Renewed Financial Services Agreement (including but not limited to the pricing policy), the Company has implemented the following internal control procedures:

- (1) the Company has formulated the Connected Transaction Management System which sets out the internal control framework and requirements with respect to connected transactions of the Group. All divisions of the Company and subsidiaries of the Company must follow the requirements under the Connected Transaction Management System.
- (2) the management of the Company will closely review the use of services under the Renewed Financial Services Agreement through ongoing and timely enquiries, with a view to monitoring and ensuring that the balance of current and ongoing deposits placed with Fosun Finance is within the proposed annual caps.
- (3) the management of the Company will conduct regular reviews and random inspections to verify whether the price of the connected transactions is in compliance with the above pricing principles including reviewing the transaction records of the Group for similar services.

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## LETTER FROM THE BOARD

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- (4) the Company shall obtain and review relevant documents of Fosun Finance including its financial statements at least semi-annually to assess its financial risks status, and issue the Continuous Risk Assessment Report.
- (5) If the proposed annual caps need to be adjusted due to business development needs or other reasons, arrangements will be made in advance and the relevant requirements of the Hong Kong Listing Rules will be strictly complied with.

The Directors are of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are entered into on normal commercial terms in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted in accordance with the Renewed Financial Services Agreement and in compliance with Chapter 14A of the Hong Kong Listing Rules.

### **G. *Listing Rules Implications***

As at the date of this circular, Fosun Finance is a subsidiary of Fosun High Tech, the controlling shareholder of the Company, thus Fosun Finance is a connected person of the Company under Rule 14A.07(4) of the Hong Kong Listing Rules. The transactions contemplated under the Renewed Financial Services Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules. The deposit services provided by Fosun Finance to the Group pursuant to the Renewed Financial Services Agreement also constitutes financial assistance by the Group to Fosun Finance under Chapter 14 of the Hong Kong Listing Rules.

The comprehensive credit services to be provided by Fosun Finance to the Group will be on normal commercial terms and no security over the assets of the Group will be offered in favour of Fosun Finance with respect to such comprehensive credit services under the Renewed Financial Services Agreement. As such, the comprehensive credit services to be provided by Fosun Finance to the Group under the Renewed Financial Services Agreement are exempt from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules for the deposit services, settlement services and other financial services under the Renewed Financial Services Agreement are, in the aggregate, more than 5% but less than 25% on an annual basis, the deposit services, settlement services and other financial services to be provided by Fosun Finance to the Group under the Renewed Financial Services Agreement constitute in aggregate a discloseable and continuing connected transaction of the Company which is subject to the reporting, announcement

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## LETTER FROM THE BOARD

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and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, and the reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

### **H. *Board Review Procedures***

The Renewed Financial Services Agreement has been approved by the Board of the Company. As the executive Directors, Mr. Wang Kexin and Ms. Guan Xiaohui, and the non-executive Directors, Mr. Chen Qiyu, Mr. Yao Fang, Mr. Xu Xiaoliang and Mr. Pan Donghui hold positions in Fosun High Tech or are otherwise related therewith, they are required to abstain, and have abstained from, voting on the resolution of the Board to approve the Renewed Financial Services Agreement.

### **I. *Independent Board Committee***

An Independent Board Committee comprising all independent non-executive Directors, namely Ms. Li Ling, Mr. Tang Guliang, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson, has been established by the Company to advise the Independent Shareholders in respect of the Renewed Financial Services Agreement and the deposit services, settlement services and other financial services contemplated thereunder.

### **J. *Independent Financial Adviser***

The Company has appointed Yue Xiu Capital as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Financial Services Agreement and the deposit services, settlement services and other financial services contemplated thereunder.

## **(4) Amendments to the Management System of Proceeds**

An ordinary resolution will be proposed at the EGM for consideration and, if thought fit, approval of the proposed amendments to the Management System for Proceeds. Please refer to Appendix II of this circular for details of the proposed amendments to the Management System for Proceeds.

## **(5) Renewal of Products/Services Mutual Supply Framework Agreement of Sinopharm**

On 28 May 2020, the entering into of the Products/Services Mutual Supply Framework Agreement between the Company and Sinopharm, and the annual cap for the ongoing related party transactions from 2020 to 2022 under the agreement between the Company and Sinopharm Group were considered and approved at the 2020 first extraordinary general meeting of the Company.

As the Products/Services Mutual Supply Framework Agreement will be expired on 31 December 2022 and based on the business development needs, on 29 August 2022, the Board considered and approved the resolution in relation to the entering into the Renewed Products/

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## LETTER FROM THE BOARD

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Services Mutual Supply Framework Agreement with Sinopharm, and recommended to propose at the EGM a resolution for consideration, and approval of entering into the Products/Services Mutual Supply Framework Agreement, as well as granting authorisation to the Company's management or its authorised persons to renew the Products/Services Mutual Supply Framework Agreement and deal with the relevant specific matters in relation to the Renewed Products/Services Mutual Supply Framework Agreement contemplated thereunder, including but not limited to signing, amending and executing relevant agreements.

An ordinary resolution will be proposed at the EGM for consideration and approval of the renewal of the Products/Services Mutual Supply Framework Agreement with Sinopharm. The principal terms of the Renewed Products/Services Mutual Supply Framework Agreement are summarised as follows:

**A. *Basic Information on the Related Party***

Company name: Sinopharm

Place of registration: Shanghai

Legal representative: Yu Qingming

Registered capital: RMB3,120,656,191

Type of registration: joint stock limited company with limited liability (listed and state-owned)

Business scope: Holding of industrial investments, trustee management and asset restructuring for pharmaceutical enterprises, wholesale of proprietary Chinese medicines, Chinese herbal medicines, chemical medicine preparations, chemical drug substances, antibiotics, biochemical drugs, biological products, narcotic drugs, psychotropic drugs, toxic drugs for medical use (in line with the scope of business), in vitro diagnostic reagents ("**IVD regents**"), vaccines, anabolic agents and peptide hormones, medical device operation, food distribution management (non-physical method), technology development, technology transfer, technical consultation, technical service in the field of medical technology, chemical raw materials and products (except hazardous chemicals, monitoring chemicals, fireworks and firecrackers, civilian explosives, flammable and explosive items), corporate management consulting, business consulting, market information consulting and investigation (not including social surveys, social investigations, opinion survey and public opinion polls), data processing services, e-commerce (not including value-added telecommunications financial services), wholesale of disinfection products, daily necessities, textiles and knitwear, and protective equipment for medical staff, sales of labour protective equipment, sales of daily masks (non-medical masks), sales of sporting goods, household appliances, electronic products, furniture, toys, edible agricultural products, cosmetics, stationary and sporting goods, design, production or acting as agent of, and publication of domestic and foreign

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## LETTER FROM THE BOARD

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advertisements, domestic trade (except trade requiring a special permit), logistics and related consulting services as well as engaging in the import and export of various kinds of goods and technologies (without the Catalogue of Import and Export Commodities attached), except for the import and export goods and technologies which are restricted or prohibited by the State. [For items which required license in accordance with the law, its operation shall only commence after receiving approval from relevant authorities].

Financial data: Audited by Ernst & Young (prepared in accordance with Hong Kong Financial Reporting Standards on a consolidated basis), as at 31 December 2021, the total assets of Sinopharm Group amounted to RMB335,412 million and the net assets attributable to owners of the parent amounted to RMB61,886 million. In 2021, Sinopharm Group recorded revenue of RMB521,051 million and net profit attributable to owners of the parent of RMB7,759 million.

According to the 2022 interim results (prepared in accordance with Hong Kong Financial Reporting Standards on a consolidated basis, unaudited) published by Sinopharm, as at 30 June 2022, the total assets of Sinopharm Group amounted to RMB370,180 million and the net assets attributable to owners of the parent amounted to RMB63,241 million. From January to June 2022, Sinopharm Group recorded revenue of RMB261,472 million and net profit attributable to owners of the parent of RMB3,694 million.

Related party relationship: As some of the Directors and senior management members of the Company also serve as directors of Sinopharm (not a subsidiary of the Company), Sinopharm is a related party of the Company under the SSE Listing Rules. The renewal of the Products/Services Mutual Supply Framework Agreement do not constitute connected transactions under the Hong Kong Listing Rules.

### **B. Details of the Renewed Products/Services Mutual Supply Framework Agreement**

#### *1. Term*

The Renewed Products/Services Mutual Supply Framework Agreement shall be effective for three years from 1 January 2023 to 31 December 2025.

#### *2. Parties subject to the Renewed Products/Services Mutual Supply Framework Agreement*

(1) The Group

(2) Sinopharm Group

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## LETTER FROM THE BOARD

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### 3. *Principal Transactions*

- (1) The Group sells products and provides services to Sinopharm Group, including but not limited to products sold/distributed by the Group and related services;
- (2) Sinopharm Group sells products and provides services to the Group, including but not limited to products sold/distributed by Sinopharm Group and related services.

### 4. *Basis of Determination for Pricing*

- (1) The price shall be determined adhering to the principle of market fairness and with reference to drug prices approved by local statutory pricing authorities, subject to adjustments based on reasonable profit from product sales and distribution and provision of services. In determining reasonable profit, the parties shall take into consideration factors such as the prices for selling and providing relevant products and services by both parties and/or their subsidiaries to other independent third parties, the profit level of other comparable companies for selling and providing similar products and services, the actual circumstances (such as business scale), and market conditions of the products and services, etc.
- (2) Under the same conditions, the price offered by Sinopharm Group to the Group for the procurement of products/services of the Group shall be no less than that offered to other independent third parties;

Under the same conditions, the price offered by Sinopharm Group to the Group for the sales of its products/services shall be no more than that offered to other independent third parties.

### 5. *Annual Caps*

In the relevant financial years (or relevant periods) during the term of the Renewed Products/Services Mutual Supply Framework Agreement, both parties shall conduct the transactions contemplated under the Renewed Products/Services Mutual Supply Framework Agreement in accordance with the annual caps for the transaction amounts capped and approved at each of their board meetings or general meetings (if applicable).

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## LETTER FROM THE BOARD

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The types of the proposed transactions contemplated between the Group and Sinopharm Group from 2023 to 2025 and the annual caps are as follows:

*Unit: RMB million*

Type of transaction	2023 annual cap	2024 annual cap	2025 annual cap
Sale of raw materials or goods by the Group to Sinopharm Group	21,500	28,000	36,000
Procurement of raw materials or goods by the Group from Sinopharm Group	880	1,140	1,480
Provision of services by the Group to Sinopharm Group	1	1.3	1.7
Receipt of services by the Group from Sinopharm Group	65	84.5	110

### 6. *Effect*

The Renewed Products/Services Mutual Supply Framework Agreement shall be effective upon obtaining the approval of the authorised decision-making bodies of each of the parties.

### C. *Purpose and Effects of the Related Party Transactions*

The Renewed Products/Services Mutual Supply Framework Agreement was entered into by the Company and Sinopharm adhering to the principle of voluntariness, equality, mutual benefit and fairness and based on the market price. The Group's business scope includes pharmaceutical manufacturing and R&D, medical devices and medical diagnosis, and healthcare services, forming an upstream-downstream relationship with Sinopharm Group, which is engaged in retail and distribution of pharmaceutical products, diagnostic reagents and medical devices. As such, the procurement, sales and service provisions between the parties conducted in the ordinary course of business is inevitable. Such ongoing related party transactions are necessary and are continuing and will not affect the independence of the Company. The mutual supply of products/services under the Renewed Products/Services Mutual Supply Framework Agreement is beneficial in promoting the Group's operating efficiency, and is in the interest of the Company and its shareholders as a whole, without prejudice to the interests of the Company and non-related shareholders or to the Company's independence.

### ***D. Opinion of the Independent Non-executive Directors***

The independent opinion of the independent non-executive Directors in relation to the renewal of the Framework Agreement is set out as follows: the mutual supply of products/services under the Renewed Products/Services Mutual Supply Framework Agreement is necessary for the operation of the Group and is in compliance with the relevant requirements of the Company Law, the Securities Law, and the SSE Listing Rules. The basis for determination of the pricing for the transactions is fair and reasonable. The Board voting procedures for the renewal of the Framework Agreement are legal and without prejudice to the interests of the Company and its shareholders and in particular, the minority shareholders.

### **(6) Proposed Adoption of the 2022 Restricted A Share Incentive Scheme and the Approval of the Connected Grant**

Reference is made to the announcement of the Company dated 29 August 2022 in relation to the proposed adoption of the 2022 Restricted A Share Incentive Scheme and Connected Transactions in respect of the proposed A Share First Grant.

On 29 August 2022, the Board resolved to approve the propose adoption of the 2022 Restricted A Share Incentive Scheme. The 2022 Restricted A Share Incentive Scheme is subject to the consideration and approval by the shareholders at the EGM and the Class Meetings of the Company. The full text of the 2022 Restricted A Share Incentive Scheme is set out in Appendix III. The principal terms of the 2022 Restricted A Share Incentive Scheme are summarised below:

#### ***Purpose of the A Share Scheme***

In order to further improve the corporate governance structure of the Group, promote the establishment and improvement of the incentive mechanism of the Company, fully mobilize the enthusiasm of the executive Directors and senior management personnel of the Company and the employees of the Group, effectively align the interests of the Shareholders, corporate(s) and operators to focus on and work collectively for the long- term development of the Group, the A Share Scheme is formulated on the premise of sufficiently protecting the interests of the Shareholders and in accordance with the requirements under the Company Law, Securities Law, Administrative Measures and other relevant laws, regulations, regulatory documents and the Articles of Association.

#### ***Share Incentive Method and Source of Target Shares***

The source of Shares involved in this A Share Scheme is from the issuance of A Shares (initially in the form of Restricted Shares) to the Participants by the Company.

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## LETTER FROM THE BOARD

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### *Number of Restricted Share to be Granted*

A number of up to 3,434,300 Restricted Shares are proposed to be granted to the Participants under the A Share Scheme, representing up to 0.1287% of the total share capital of the Company (i.e. 2,669,655,211 Shares, the same as below) and up to 0.1622% of the total number of A Shares in issue (i.e. 2,117,714,711 A Shares, the same as below) as at 29 August 2022. Specifically, up to 2,747,500 Restricted Shares will be granted under the A Share First Grant representing up to 0.1030% of the total share capital and 0.1297% of the total issued A Shares of the Company as at 29 August 2022; and up to 686,800 Restricted Shares will be reserved for further grant representing up to 0.0258% of the total share capital and 0.0324% of the total issued A Shares of the Company as at 29 August 2022. The Reserved Grant portion represents up to 20% of the total Restricted Shares to be granted under the A Share Scheme. As at 29 August 2022 and the Latest Practicable Date, the Company does not have any share incentive scheme currently in force. As such, no Participant will be granted incentives which represent in the aggregate more than 0.1% (being the individual maximum entitlement to Restricted Shares under the A Share Scheme under the Hong Kong Listing Rules) of the total share capital of the Company as at 29 August 2022, which complies with the requirement under the Administrative Measures that Shares to be obtained by the Participants shall not in the aggregate exceed 1% of the total share capital of the Company under share incentive schemes. In the event the grant of Restricted Shares underlying the A Share Scheme exceeds the applicable thresholds set out under the Hong Kong Listing Rules, the Company will comply with applicable requirements under the Hong Kong Listing Rules including the obtaining of any requisite approval by its Shareholders.

### *The Scope of the Participants and Their Respective Interests to be Granted*

#### *(I) Basis for determining the Participants*

##### *(1) Legal basis for determining the Participants*

The Participants of the A Share Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures and the requirements under other relevant laws, regulations, regulatory documents and the Articles of Associations and the actual situation of the Group.

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## LETTER FROM THE BOARD

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(2) Positions held by the Participants in the Company

The Participants under the A Share Scheme include the executive Directors, senior management personnel of the Company, the mid-level management personnel of the Group and other employees to whom the Board considers provision of incentives to be appropriate.

The detailed list of Participants and their respective allocation under the A Share Scheme shall be proposed by the Board (and the Directors who are the proposed Participants under the A Share Scheme shall abstain from such proposal), the independent non-executive Directors and the supervisory committee shall opine on the same, subject to the relevant procedures in the event the approval at the general meeting, A Share class meeting and H Share class meeting of the Company is required.

(II) *Scope of Participants*

Participants under the A Share Scheme do not include any independent non-executive Director or supervisor of the Company, or shareholder or actual controller and his/her spouse, parents and children individually or collectively holding more than 5% of the Shares of the Company.

The executive Directors and senior management personnel of the Company among the Participants were elected at the general meetings of the Company or hired by the Board. All Participants shall have entered into employment agreements or engagement documents with the Company or its subsidiaries at the time of grant under the A Share Scheme and during the term of the A Share Scheme.

The number of Participants proposed at the A Share First Grant under the A Share Scheme shall not exceed 143, and comprise:

- (1) the executive Directors<sup>Note</sup> and senior management personnel of Fosun Pharma;
- (2) mid-level management personnel, core technology (business) personnel of the Group; and
- (3) other core personnel having made a direct contribution to the overall business performance and sustainable development of the Group as determined by the Board.

*Note:* Each of the executive Directors is involved in the daily operation of the Group. Such executive Directors shall abstain from voting when the Board considers the A Share Scheme and shall not be involved in the management of the A Share Scheme during its implementation.

## LETTER FROM THE BOARD

The Participants for Reserved Grant shall be determined within 12 months from the date on which the A Share Scheme is considered and approved at the general meeting, A Share and H Share class meetings of the Company. The Company will make disclosure on the Reserved Grant after the Board proposes, the independent non-executive Directors and the supervisory committee of the Company express clear view on, and a law firm gives professional advice and issues legal opinion(s) on, such Reserved Grant. The reserved entitlements will become invalid where the Participants for the Reserved Grant are not determined after 12 months from the aforesaid date. The basis and scope for determining the Participants of the Reserved Grant portion shall in compliance with the determination basis and scope of Participant of the A Share Scheme.

### (III) Allocation of the Restricted Shares under the A Share First Grant

The list of proposed Participants and the allocation of the Restricted Shares under the A Share First Grant (including the Connected Grant) of the A Share Scheme is set out below:

No.	Name	Position	Number of Restricted Shares to be Granted (0'000 shares)	Proportion in the total number of shares to be granted under A Share First Grant	Proportion in the total A Share capital of the Company as at 29 August 2022	Proportion in the total Share capital of the Company as at 29 August 2022
1	WU Yifang*	Executive Director and chairman <sup>#</sup>	25.72	9.36%	0.0121%	0.0096%
2	WANG Kexin*	Executive Director and co-chairman <sup>#</sup>	21.52	7.83%	0.0102%	0.0081%
3	GUAN Xiaohui*	Executive Director and vice chairman <sup>#</sup>	18.71	6.81%	0.0088%	0.0070%
4	WEN Deyong*	Executive Director and chief executive officer (CEO) <sup>#</sup>	18.71	6.81%	0.0088%	0.0070%
5	LIU Qiang*	Assistant to chairman	18.71	6.81%	0.0088%	0.0070%
6	MEI Jingping	Executive president	14.03	5.11%	0.0066%	0.0053%
7	WANG Donghua	Senior vice president	9.35	3.40%	0.0044%	0.0035%
8	FENG Rongli*	Senior vice president	9.35	3.40%	0.0044%	0.0035%
9	LIU Yi*	Senior vice president	4.68	1.70%	0.0022%	0.0018%
10	BAO Qingui	Senior vice president	4.68	1.70%	0.0022%	0.0018%
11	LI Jing	Senior vice president	9.35	3.40%	0.0044%	0.0035%
12	DONG Xiaoxian	Vice president, secretary to the Board and joint company secretary	4.68	1.70%	0.0022%	0.0018%
13	ZHANG Yuejian	Vice president	2.34	0.85%	0.0011%	0.0009%
14	YUAN Ning	Vice president	0.94	0.34%	0.0004%	0.0004%
15	SU Li	Vice president	2.34	0.85%	0.0011%	0.0009%
16	JI Hao	Vice president	4.68	1.70%	0.0022%	0.0018%
17	ZHU Yue*	Vice president	4.68	1.70%	0.0022%	0.0018%
18	YAN Jia*	Chief accountant	1.87	0.68%	0.0009%	0.0007%
19	YAN Zihou*	Senior vice president of the established medicines manufacturing & supply division and innovative medicines division	4.68	1.70%	0.0022%	0.0018%

## LETTER FROM THE BOARD

No.	Name	Position	Number of Restricted Shares to be Granted (0'000 shares)	Proportion in the total number of shares to be granted under A Share First Grant	Proportion in the total A Share capital of the Company as at 29 August 2022	Proportion in the total Share capital of the Company as at 29 August 2022
20	ZHANG JIA AI*	Executive president and chief technology officer of global R&D centre, co-president of established medicines manufacturing & supply division	4.68	1.70%	0.0022%	0.0018%
21	ZHOU Yong*	Assistant to president, co-general manager of human resources department	1.87	0.68%	0.0009%	0.0007%
22	Kong Deli*	Standing vice Assistant to president, general manager of patent affairs department	1.87	0.68%	0.0009%	0.0007%
23	MA Xinyan*	General manager of lean operation department	1.87	0.68%	0.0009%	0.0007%
Other mid-level management personnel and core personnel of the Group			83.44	30.37%	0.00394%	0.0313%
<b>Total number of Restricted Shares under the A Share First Grant</b>			274.75	100.00%	0.1297%	0.01029%
<b>Total number of Restricted Shares under the Connected Grant</b>			138.92	50.56%	0.0656%	0.05204%

Notes:

\* Being a connected person as defined under the Hong Kong Listing Rules and the grant of Restricted Shares to such person forms part of the Connected Grant.

# Being executive Directors of the Company, who are involved in the daily operation of the Group. Such executive Directors shall abstain from voting when the Board considers the A Share Scheme and shall not be involved in the management of the A Share Scheme during the implementation of the A Share Scheme.

1. As at 29 August 2022 and the Latest Practicable Date, the Company has no existing share incentive scheme in effect. The total number of Shares granted or to be granted to a Participant listed above under valid share incentive schemes does not exceed 0.1% of the total share capital of the Company, which complies with the requirement under the Administrative Measures that Shares to be obtained by the Participants shall not exceed 1% of the total share capital of the Company under share incentive schemes.

2. As at 29 August 2022 and the Latest Practicable Date, the Company has no existing share incentive scheme in effect. The aggregate size of this A Share Scheme and the 2022 H Share Employee Share Ownership Scheme proposed to be adopted by the Board on the same day does not exceed 1% of the total share capital of the Company as at 29 August 2022, which complies with the requirement imposed by the Administrative Measures that the total number of target shares involved in all of the share incentive schemes currently in force of a listed company does not exceed 10% of its total share capital.

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## LETTER FROM THE BOARD

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### *Grant Price and the Basis of Determination*

#### *(I) Grant Price of the A Share First Grant*

The Grant Price of the A Share First Grant shall be RMB21.29 per share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the A Shares newly issued to him or her by the Company at the price of RMB21.29 per share.

#### *(II) Basis for determining the Grant Price of the A Share First Grant*

The Grant Price underlying the A Share First Grant of the A Share Scheme shall not be less than the nominal value of the Shares, and shall not be less than the higher of the following prices:

- (1) 50% of the average trading price of the A Shares of RMB40.31 per share on the last trading day before the date of the A-Share announcement on the A Share Scheme (i.e. 29 August 2022, same as below), which is RMB20.16 per share; and
- (2) 50% of the average trading price of the A Shares of RMB42.57 per share on the last 20 trading days before the date of the A-Share announcement on the A Share Scheme, which is RMB21.29 per share.

#### *(III) Basis for determining the Grant Price of the Reserved Grant*

The grant of the reserved Restricted Shares is subject to the consideration and passing of related resolutions by the Board and the disclosure of related information. If any of the Participants for the Reserved Grant portion is connected person, the grant shall be made and disclosed in accordance with the requirements and procedures under the Hong Kong Listing Rules.

The grant price of the Reserved Grant portion shall not be lower than the nominal value of the Shares, and not lower than the higher of the followings:

- (1) 50% of the average trading price of the A Shares on the last trading day immediately preceding the date of the announcement of Board resolutions on the Reserved Grant;
- (2) 50% of the average trading price of the A Shares on the last 20, 60 or 120 trading days immediately preceding the date of the announcement of Board resolutions on the Reserved Grant; and
- (3) the price of the A Share First Grant.

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## LETTER FROM THE BOARD

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### *Term, Grant Date, Restriction Period, Unlocking Arrangement and Relevant Selling Restrictions of the A Share Scheme*

#### *(I) Term*

The term of the A Share Scheme shall be commencing from the completion date of registration of the Shares under the A Share First Grant and ending on the date of all the Restricted Shares granted to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 60 months.

#### *(II) Grant Date*

The A Share Scheme and relevant resolutions as considered and approved by the Board at the 13th extraordinary meeting of the ninth session of the Board held on 29 August 2022 is subject to approval of the Shareholders at the general meeting, the A Share class meeting and the H Share class meeting of the Company, and the relevant resolutions having passed by the Board do not constitute a grant of Restricted Shares to Participants under the A Share Scheme. The Restricted Shares under the A Share Scheme shall only be granted after the A Share Scheme is considered and approved by the Shareholders at the general meeting, the A Share and H Share class meetings and, after which, be further formally considered and approved by the Board. The Grant Date shall at that time be determined by the Board. Subject to the completion of the aforementioned procedures, the Company shall grant the Restricted Shares and complete the registration procedures within 60 days from the date on which the A Share Scheme is considered and approved at the general meeting, A Share and H Share class meetings of the Company. If the Company fails to complete the above work within 60 days, it shall promptly disclose the reasons for such failure and terminate the implementation of the A Share Scheme. The Restricted Shares which have not been granted shall be lapsed and no further consideration of share incentive plan shall be allowed within 3 months therefrom by the Company. Any period during which no grant of entitlements is allowed pursuant to the Administrative Measures and other relevant laws and regulations shall not be counted toward the above mentioned 60-day period.

Notwithstanding the foregoing, where a Participant who is a Director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted Shares, and provided that, after investigation it is confirmed that there is no insider dealings, the grant of the Restricted Shares shall be postponed for 6 months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law.

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## LETTER FROM THE BOARD

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The Grant Date must be a trading day of A Shares, and no grant of Restricted Shares shall be taken place during the following periods:

- (1) within 30 days (or 60 days in the event of annual report of results) prior to the publication of any periodic report of results of the Company (and including the date of publication), and in the event of delay in publication of such periodic report of results due to special circumstances, such period shall commence from either 30 days or 60 days prior to the original expected date of publication;
- (2) within 10 days prior to the publication of performance forecast or preliminary performance results;
- (3) during the period when any significant transaction or significant event of the Group is in the decision-making process until the date of disclosure in accordance with relevant laws, regulations and rules of the stock exchange of the place where the Shares of the Company are listed;
- (4) the Company is in possession of any unpublished inside information;
- (5) the period commencing from the date of occurrence of any other significant event which may have a significant impact on the trading prices of the Company's securities and their derivatives or the date on which relevant decision-making procedures start and ending on the date of disclosure in accordance with relevant laws, regulations and rules of the stock exchange of the place where the Shares of the Company are listed; and
- (6) such other period as stipulated by the CSRC, Shanghai Stock Exchange, Hong Kong SFC and Hong Kong Stock Exchange.

The “significant transaction”, “significant event” and “significant event which may have a significant impact on the trading prices of the Company's securities and their derivatives” as referred to above mean any transaction or other significant event that is required to be disclosed under the listing rules of the stock exchange of the place where the Shares of the Company are listed and relevant laws and regulations.

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## LETTER FROM THE BOARD

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### *(III) Restriction Period and unlocking arrangement*

The Restricted Shares granted under this A Share Scheme shall be locked after completion of their registration, and the Restricted Shares granted to the Participants are subject to different Restriction Periods (i.e. vesting periods which have a minimum duration of 12 months for the purposes of the Hong Kong Listing Rules) as illustrated below. The Restricted Shares granted to the Participants under the A Share Scheme shall not be transferred, pledged or used for repayment of debt during the relevant Restriction Period.

During the Restriction Period, the cash dividend from the Restricted Shares granted to the Participants shall be held by the Company and payable to the Participant upon unlocking; and in the event of the Restricted Shares are unable to be unlocked, the corresponding cash dividend shall be forfeited by the Company.

Within the Unlocking Period, the Company shall deal with matters related to the unlocking of those Restricted Shares which satisfy the conditions to such unlocking. The Restricted Shares which failed to satisfy the unlocking conditions, or failed to apply for unlocking the relevant Restricted Shares within the prescribed period as listed above, shall be repurchased by the Company at the repurchase price equal to the Grant Price in accordance with the terms of the A Share Scheme and cancelled accordingly.

The Shares acquired by the Participants by virtue of holding the Restricted Shares arising from capitalisation of capital reserve, bonus issue and share sub-division shall be subject to lock-up provisions in accordance with the A Share Scheme, and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such Shares is the same as that of the Restricted Shares. If the Company repurchases the Restricted Shares not yet unlocked, such Shares shall be repurchased at the same time.

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## LETTER FROM THE BOARD

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- (1) The Restriction Period of the Restricted Shares granted under the A Share First Grant shall be 12 months, 24 months and 36 months from the relevant completion date of registration of the Restricted Shares under the A Share First Grant. The unlocking schedule and arrangements for the Restricted Share to be granted under the A Share First Grant are set out below:

Unlocking Period for the Restricted Shares under the A Share First Grant	Unlocking Schedule	<b>Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares to be granted under the A Share Scheme</b>
First Unlocking Period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant	33%
Second Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant	33%
Third Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares under the A Share First Grant	34%

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## LETTER FROM THE BOARD

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(2) The unlocking schedule and arrangements for the reserved Restricted Shares:

If the grant of the reserved Restricted Shares takes place in 2022, the unlocking schedule and arrangements for the Restricted Share to be granted under the Reserved Grant are set out below:

Unlocking Period for the Restricted Shares under the Reserved Grant	Unlocking Schedule	Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares to be granted under the A Share Scheme
First Unlocking Period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant	33%
Second Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant	33%
Third Unlocking Period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant	34%

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## LETTER FROM THE BOARD

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If the grant of the reserved Restricted Shares takes place in 2023, the unlocking schedule and arrangements for the Restricted Share to be granted under the Reserved Grant are set out below:

Unlocking Period for the Restricted Shares under the Reserved Grant	Unlocking Schedule	Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares to be granted under the A Share Scheme
First Unlocking Period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant	50%
Second Unlocking Period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the Reserved Grant	50%

### *(IV) Selling Restrictions*

The selling restrictions under the A Share Scheme shall be implemented in accordance with the Company Law, the Securities Law and the relevant laws, regulations, regulatory documents and the Articles of Association, the details of which are as follows:

- (1) Where a Participant is a Director or a member of the senior management of the Company, the number of Shares that may be transferred by him or her in each year during his/her term of office shall not exceed 25% of the total number of Shares held by him or her as at the end of preceding year; and no transfer of Shares shall be made by him or her within 6 months from his or her departure;

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## LETTER FROM THE BOARD

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if he or she departs before the end of his or her term of office, within the ascertained term of office while he or she was in office and within 6 months after the end of such term, the number of Shares that he or she may transfer in each year shall not exceed 25% of the total number of Shares held by him or her and no transfer of Shares shall be made by him or her within 6 months from his or her departure;

- (2) Where a Participant, being a Director or a member of the senior management of the Company, disposes any Shares held thereby within 6 months after acquisition of such Shares or acquire such Shares within 6 months after disposal, the gains arising therefrom shall be accounted to the Company, and the Company shall forfeit all such gains;
- (3) The reduction of shareholding in the Company by a Participant shall also be made in compliance with Several Provisions on Reduction in Shareholding by Shareholders, Directors, Supervisors and Senior Management Personnel of Listed Companies issued by the CSRC, Shanghai Stock Exchange Implementing Rules for the Reduction of Shares by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies and other relevant stock exchange listing rules and the relevant laws and regulations of the place where the Company's shares are listed;
- (4) If, during the term of the A Share Scheme, there is any amendment to the requirements regarding transfer of shares by a Director and a member of the senior management under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the shares transferred by the Participants during the relevant times.

### ***Conditions to Grant and Unlocking of Restricted Shares under the A Share Scheme***

#### ***(I) Conditions of grant of Restricted Shares***

The Restricted Shares will only be granted to the Participants upon satisfaction of all the following conditions:

- (1) There being no occurrence of any of the following events on the part of the Company:
  - (i) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;

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## LETTER FROM THE BOARD

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- (ii) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
  - (iii) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
  - (iv) prohibition from implementation of a share A Share Scheme by laws and regulations; and
  - (v) other circumstance as determined by the CSRC.
- (2) There is no occurrence of any of the following events on the part of the Participants:
- (i) he or she has been determined by any stock exchange as an ineligible person in the last 12 months;
  - (ii) he or she has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
  - (iii) he or she has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
  - (iv) he or she is prohibited from acting as a Director or a member of the senior management as required by the Company Law;
  - (v) he or she is prohibited from participating in share A Share Schemes of listed companies as required by laws and regulations; and
  - (vi) other circumstances as determined by the CSRC.

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## LETTER FROM THE BOARD

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### (II) *Unlocking conditions to the Restricted Shares*

During the Unlocking Period, the Restricted Shares granted to the Participants may only be unlocked upon satisfaction of all the following conditions:

- (1) There is no occurrence of any of the following events on the part of the Company:
  - (i) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  - (ii) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
  - (iii) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
  - (iv) prohibition from implementation of a share A Share Scheme by laws and regulations; and
  - (v) other circumstance as determined by the CSRC.

Upon occurrence of any above listed event, all Restricted Shares granted to the Participant under the A Share Scheme but not yet unlocked shall be repurchased by the Company at the Grant Price and cancelled accordingly.

- (2) There is no occurrence of any of the following events on the part of the Participants:
  - (i) he or she has been determined by any stock exchange as an ineligible person in the last 12 months;
  - (ii) he or she has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
  - (iii) he or she has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
  - (iv) he or she is prohibited from acting as a Director or a member of the senior management as required by the Company Law;

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## LETTER FROM THE BOARD

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- (v) he or she is prohibited from participating in share A Share Schemes of listed companies as required by laws and regulations; and
- (vi) other circumstances as determined by the CSRC.

Upon occurrence of any above listed event on part of a Participant, the Restricted Shares granted to such Participant under the A Share Scheme but not yet unlocked shall be repurchased by the Company at the Grant Price and cancelled accordingly.

### (3) Performance appraisal of the Group level

Under the A Share Scheme, the financial performance indicators of the Group shall be appraised on an annual basis during the three financial years from 2022 to 2024, and the appraisal shall be made once in each financial year. The three sub-indicators i.e. “revenue”, “attributable net profit after deduction” and “R&D expenses in the pharmaceutical manufacturing segment as a percentage of the revenue from the pharmaceutical manufacturing segment”, of each appraisal year shall be assessed, to determine the aggregated performance appraisal indicator score at the Group level (X) based on the scores and weights of each sub-indicator in order to further calculate the ratio for unlocking the Restricted Shares (M) for the corresponding year, the details of which set forth below:

- (i) The aggregated performance appraisal indicator score at the Group level (X) =  $\Sigma$  the score of each sub-indicator \* the corresponding weight.

Details of the performance appraisal indicators at the Group level applicable to the unlocking of the Restricted Shares under the A Share First Grant are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2022	2023	2024	Scoring standard
		target value	target value	target value	
Revenue	10%	448.51	515.79	593.16	The score of each sub-indicator = (actual value/target value) × 100
Attributable net profit after deduction <sup>1</sup>	70%	38.67	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	8%	

## LETTER FROM THE BOARD

In the event of the grant of reserved Restricted Shares taking place in 2022, the years and specific indicators of the performance appraisal at the Group level applicable to the unlocking of such Shares shall be the same as those of the A Share First Grant. In the event of the grant of reserved Restricted Shares taking place in 2023, the years of the performance appraisal at the Group level applicable to the unlocking of such Shares should be the two financial years of 2023 and 2024, and the appraisal shall be conducted once in each financial year and details of the appraisal indicators at the Group level applicable to the unlocking of such Shares are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2023	2024	Scoring standard
		target value	target value	
Revenue	10%	515.79	593.16	The score of each sub-indicator = (actual value/target value) × 100
Attributable net profit after deduction <sup>1</sup>	70%	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	

*Notes:*

1. The “attributable net profit after deduction” mentioned above refers to net profit attributable to equity holders of the listed company after deduction of non-recurring profit or loss, as set out in the auditors’ report of the relevant financial year of the Company prepared according to the China Accounting Standards for Business Enterprise;
2. The “R&D expenses in the pharmaceutical manufacturing segment” shall be calculated based on the auditors’ report of the relevant financial year of the Company taking into account of the adjustment mechanism under the A Share Scheme.

With respect to any appraisal year, if any one of the sub-indicators does not reach its threshold value (the threshold value of revenue and attributable net profit after deduction is 80% of the target value of the year, and the threshold value of R&D expenses in the pharmaceutical manufacturing segment as a percentage of the revenue from the pharmaceutical manufacturing segment is 6%), the score of such applicable sub-indicator(s) is zero; and where the aggregated performance appraisal indicator score at the Group level (X) does not reach 75 points, all corresponding Restricted Shares granted to the

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## LETTER FROM THE BOARD

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Participants for such year scheduled for unlocking shall not be unlocked, and shall be repurchased by the Company at the Grant Price and cancelled accordingly.

During the appraisal period, the Board may be authorised to adjust relevant indicators at its discretion as a result of material financial impact resulting from the disposal/deemed disposal for asset/business restructuring; executive Directors who are Holders of the A Share Scheme shall abstain from voting when the Board considers the above matter(s).

- (ii) The relationship between the aggregated performance appraisal indicator score at the Group level (X) and the unlocking percentage ratio (M) for the corresponding year is set out below:

<b>Range of the aggregated performance appraisal indicator score at the Group level (X)</b>	<b>Unlocking percentage ratio (M)</b>
X < 75 points	0
75 points ≤ X < 85 points	50%
85 points ≤ X < 95 points	80%
X ≥ 95 points	100%

- (4) Performance appraisal at the individual level

Where the performance targets at the Group level have been achieved, a Participant is only entitled to unlock the Restricted Shares upon achieving the benchmark of “Target Achieved” (GP) or above in his or her performance appraisal at the individual level in the corresponding appraisal year in accordance with the Company’s administrative measures in respect of remuneration and performance appraisal, otherwise, the Restricted Shares granted to him or her which are scheduled to be unlocked for the corresponding appraisal year will not be unlocked and will be repurchased by the Company at Grant Price and cancelled accordingly.

*(III) Scientificity and reasonableness on the formulation of the appraisal indicators*

The appraisal indicators of the A Share Scheme are categorized into two levels, i.e. performance appraisal at the Group level and performance appraisal at the individual level.

The performance appraisal indicator at the Group level is the sum of “revenue”, “attributable net profit after deduction” and “R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical

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manufacturing segment” in proportion, which were formulated after comprehensively considering the strategic development planning of the Group and its development phase, and are giving consideration to challenge and realisability.

In addition to the performance appraisal at the Group level, the A Share Scheme also contains the performance appraisal target at the individual level, which may serve the purpose of evaluating the Participants’ performance accurately and comprehensively. The Company will determine whether the Restricted Shares held by the Participant have achieved the Unlocking Conditions in the corresponding years based on the corresponding annual appraisal results of the Participants.

Given the above, the appraisal indicators for the A Share Scheme is all-around and operable, which may serve the appraisal goal for the A Share Scheme.

### *Methods and Procedures for Adjustment of the A Share Scheme*

#### *(I) Method of adjustment to the number of Restricted Shares*

In the event of any capitalisation of capital reserve, bonus issue, sub-division, rights issue or share consolidation of the Company in the period from 29 August 2022 to the completion of registration of Restricted Shares, the number of Restricted Shares shall be adjusted accordingly. The adjustment method is as follows:

##### *(1) Capitalisation of capital reserve, bonus issue, sub-division*

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

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

##### *(2) Rights issue*

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

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $P_1$  represents the closing price as at the record date for the rights shares;  $P_2$  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.

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(3) 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. 1 share of the Company in consolidated to  $n$  shares);  $Q$  represents the number of Restricted Shares after the adjustment.

(4) Dividend and issue of shares

Where dividend is declared or new shares are issued, no adjustment to the number of Restricted Shares.

(II) *Method of adjustment to the Grant Price of Restricted Shares*

In the event that any dividend distribution, issue of shares, capitalisation of capital reserve, bonus issue, sub-division, rights issue or share consolidation has been made in the period from 29 August 2022 to the completion of registration of the Restricted Shares, an adjustment to the grant price of Restricted Shares shall be made by the Company accordingly. The adjustment method is as follows:

(1) Capitalisation of capital reserve, bonus issue, sub-division

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of increase of shares resulting from the issue of shares by capitalisation of capital reserve, bonus issue and share split;  $P$  represents the Grant Price after adjustment.

(2) Rights issue

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $P_1$  represents the closing price as at the record date for the rights shares;  $P_2$  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 adjustment.

(3) Share consolidation

$$P = P_0 \div n$$

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Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the proportion of a share that may result from consolidation;  $P$  represents the Grant Price after adjustment.

(4) Declaration of dividend

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per share;  $P$  represents the Grant Price after adjustment. After adjustment,  $P$  must not be a negative figure.

(5) Issue of shares

Where new shares are issued, no adjustment to the Grant Price of Restricted Shares.

*(III) Procedures for adjustment to the A Share Scheme*

The shareholders meeting and class meetings of A Shareholders and H Shareholders of the Company shall authorise the Board to adjust the number or the grant price of Restricted Shares for the above reasons. The Company will engage law firm to give professional advice to the Board on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the A Share Scheme. After the consideration and approval of the adjustment plan by the Board, the Company shall promptly make disclosure on such Board resolutions as well as the legal advice.

***Procedures of Implementation of the A Share Scheme***

*(I) Procedures for effectuating the A Share Scheme*

- (1) The remuneration and appraisal committee of the Board of the Company shall be responsible for preparing the A Share Scheme, and submitting it to the Board for consideration.
- (2) When the Board of the Company considers the A Share Scheme, any Director who is a proposed Participant or has related relationship shall abstain from voting. The independent non-executive Directors and supervisory committee shall express independent opinions and verification opinions on matters as to whether the A Share Scheme may benefit the Group's sustainable development, and whether there is any notifiable damage to the interests of the Company and the Shareholders as a whole.

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- (3) The Company shall, among others, within 2 trading days after the A Share Scheme is considered and approved by the Board of the Company, announce the Board resolutions, the summary of the A Share Scheme and the opinion of the independent non-executive Directors.
- (4) The Company shall engage law firm to issue legal opinion on the A Share Scheme and disclose such legal opinion.
- (5) The Company shall circulate notices convening the general meeting, A Share class meeting and H Share class meeting of the Company.
- (6) The Company shall internally publish the names and the positions of the Participants before the general meeting, A Share class meeting and H Share class meeting of the Company are convened through its website or other channels for a period of no less than 10 days. The Supervisory Committee shall verify the list of the Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the supervisory committee on the verification and the public opinions in relation to the list of the Participants 5 days before the A Share Scheme is considered at the general meeting, A Share class meeting and H Share class meeting of the Company.
- (7) The Company should carry out self-investigation on the trading of shares of the Company by insiders during the 6-month period prior to the announcement on the A Share Scheme, and make statement as to whether there is any insider dealing.
- (8) The independent non-executive Directors shall publicly solicit proxy voting rights from all Shareholders regarding the A Share Scheme.
- (9) Where a general meeting, A Share class meeting and H Share class meeting of the Company are convened for considering and approving the A Share Scheme, voting in person as well as online voting shall be made available. The Company will convene the general meeting, A Share class meeting and H Share class meeting of the Company making available for voting in person and online (note: online voting is only available for A shareholders of the Company), and the resolutions shall be passed by more than 2/3 of the voting shares held by the Shareholders present at the meetings, respectively. The voting by Directors, supervisors and senior management of the Company, as well as by the Shareholder other than individually or collectively holding more than 5% of the Shares, will be separately counted and disclosed. Shareholders who are proposed Participants or having related relationship with any Participants shall abstain from voting.

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- (10) After the A Share Scheme has been considered and approved at the general meeting, A Share class meeting and H Share class meeting of the Company, and the conditions to grant under the A Share Scheme are satisfied, the Company shall grant the Restricted Shares to the Participants within the prescribed period. According to the authorisation granted at the general meeting, A Share class meeting and H Share class meeting of the Company, the Board shall be responsible for grant, unlocking, repurchase and cancellation of the Restricted Shares.

(II) *Procedures for grant of the Restricted Shares*

- (1) Upon the consideration and approval of the A Share Scheme at the general meeting, A Share class meeting and H Share class meeting of the Company, the Board shall determine the Grant Date and announce the same. The Board shall consider whether the conditions of a grant as set out in the A Share Scheme have been satisfied, and the independent non-executive Directors and the supervisory committee shall both express their views. A law firm shall issue legal opinion on whether the conditions to the grant to Participants are fulfilled or not. On the Grant Date, the supervisory committee shall verify the list of Participants and issue their view on such verification.
- (2) If there is any discrepancy between the grant of the Restricted Shares to the Participants and the arrangement of the share A Share Scheme, the independent non-executive Directors, the supervisory committee and the legal advisers shall all express their views explicitly.
- (3) The Company will duly convene the Board meeting to proceed with the grant to the Participants and complete the shares registration procedures within 60 days after the A Share Scheme is considered and approved at the general meeting, A Share class meeting and H Share class meeting of the Company and satisfaction of conditions for the grant. In the event that the Company fails to complete the procedures mentioned above within such 60 days, the Board shall disclose the reason for such failure timely and terminated the A Share Scheme, any Restricted Shares not granted will lapse and the Company shall not consider any share incentive plan within the following three months. Any period during which no grant of entitlements by listed companies is allowed pursuant to the Administrative Measures and other relevant laws and regulations shall not be counted toward the above mentioned 60-day period.
- (4) Upon the consideration and approval of the A Share Scheme at the general meeting, A Share class meeting and H Share class meeting of the Company, the Board shall deal with the matters relating to the grant of Restricted Shares pursuant to the authorisation granted by the Shareholder at the general meeting, A Share class meeting and H Share class meeting of the Company

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and the Company will sign grant agreements with the Participants respectively in accordance with the A Share Scheme. The Grant Date must be a trading day of A Shares.

- (5) The Participants shall pay the consideration for the subscription of the Restricted Shares into the account in the manner as specified by the Company, subject to confirmation by a certified public accountant, otherwise, the Participant shall be deemed as having waived his or her right to subscribe for the Restricted Shares. The Participants shall not transfer the subscription rights to others.
- (6) Where a Participant who is a Director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted Shares, and provided that, after investigation, it is confirmed that there is no insider dealings, the grant of the Restricted Shares shall be postponed for 6 months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law.
- (7) The Company shall make an application to the Shanghai Stock Exchange first before any entitlements are granted, and the Securities Depository will conduct registration procedure thereof upon confirmation by Shanghai Stock Exchange.
- (8) Upon completion of grant of Restricted Shares, in case of change in the registered capital of the Company, the Company shall complete the registration formalities with the relevant department for market regulation.

### (III) *Procedures for unlocking the Restricted Shares*

- (1) The Company shall confirm whether the Restricted Shares satisfy the unlocking conditions before the unlocking date. The Board shall consider whether the unlocking conditions as set out in the A Share Scheme have been satisfied. The independent non-executive Directors and the supervisory committee shall both express their views explicitly. The legal advisers shall issue legal opinions on whether the conditions to the unlocking are fulfilled or not. For the Restricted Shares which satisfy the unlocking conditions, the Company shall handle the unlocking at its discretion, and for the Restricted Shares which fail to satisfy the unlocking conditions, the Company will repurchase and cancel. The Company shall disclose the aforesaid implementation thereof timely.
- (2) A Participant may transfer the unlocked Restricted Shares, but the transfer of shares held by the Directors and senior management of the Company shall be in compliance with the requirements of relevant laws, regulations and regulatory documents.

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- (3) Before the unlocking of Restricted Shares, the Company shall apply to the Shanghai Stock Exchange and upon confirmation by the Shanghai Stock Exchange, the Securities Depository shall handle the relevant registration and clearing matters.

### *Respective Rights and Obligations of the Company and Participants*

#### *(I) Rights and obligations of the Company*

- (1) The Company shall have the right to construe and execute the A Share Scheme and shall appraise the individual performance of the Participants based on the requirements under the A Share Scheme. In the event of failure to fulfill the unlocking conditions required under the A Share Scheme, the Company will repurchase and cancel the Restricted Shares, which have not been unlocked by the Participants, in accordance with the principles under the A Share Scheme.
- (2) The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the A Share Scheme.
- (3) The Company shall withhold and pay, on behalf of the Participants, the individual income tax and other tax payment due in accordance with the relevant tax laws and regulations.
- (4) After registration of transfer of shares by the Securities Depository, the Participants shall enjoy the shareholders rights corresponding to the Restricted Shares granted to him or her.
- (5) The Company shall actively support the unlocking of the Restricted Shares upon satisfaction of the unlocking conditions in accordance with the relevant requirements including those of the A Share Scheme, the CSRC, the Shanghai Stock Exchange, the Securities Depository. However, the Company disclaims any liability for losses incurred by the Participants who fail to unlock the Restricted Shares at their own due to reasons on part of the CSRC, the Shanghai Stock Exchange and the Securities Depository.
- (6) The Company confirms that the eligibility of the Participants under the A Share Scheme does not represent the right of such Participants to continue to serve the Group and does not constitute a commitment of employment for a fixed term. The employment relationship between the Company or its subsidiaries or branches and the Participants is still governed by the employment contract between the parties.
- (7) Other relevant rights and obligations under the laws and regulations.

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### (II) *Rights and obligations of the Participants*

- (1) A Participant shall comply with the requirements of his/her position as stipulated by the Group, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Group.
- (2) The source of funds shall be self-financed by the Participants.
- (3) The Restricted Shares granted to the Participants shall not be transferred or used as guarantee or for repayment of debt during the Restriction Period.
- (4) After registration of transfer by the registration and clearing company, the Participants shall immediately be entitled to the shareholders rights in respect of the Restricted Shares granted to them.
- (5) Any gains of the Participants generated from the A Share Scheme are subject to individual income tax and other taxes according to the relevant tax laws and regulations.
- (6) The Participants undertake, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant of the entitlements, the Participants concerned shall return to the Company all interests gained through the A Share Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statement or misleading representations or material omissions.
- (7) Other relevant rights and obligations under the laws and regulations.

### ***Procedures for Amendment and Termination of the A Share Scheme***

#### (I) *Procedures for amendment to the A Share Scheme*

- (1) If the Company intends to amend the A Share Scheme before it is considered at the general meeting, A Share class meeting and H Share class meeting of the Company, such amendment shall be considered and approved by the Board.
- (2) Except for the relevant matters authorised to the Board by the Shareholders at the general meeting, A Share class meeting and H Share class meeting of the Company, if the Company intends to amend the A Share Scheme after it is considered at the general meeting, A Share class meeting and H Share class meeting of the Company, such amendments shall be considered and approved

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by the Shareholders at the general meeting, A Share class meeting and H Share class meeting of the Company, provided that, such amendments shall not result in the following:

- (i) accelerating the unlocking of the Restricted Shares; and
- (ii) reducing the Grant Price.

For the avoidance of doubt, after the A Share Scheme is considered and approved at the EGM, A Shareholders Class Meeting and H Shareholders Class Meeting of the Company, save for the matters disclosed in the section below headed “The mandate to be granted to the Board to deal with matters pertaining to the 2022 Restricted A Share Incentive Scheme” which relates to implementation of the A Share Scheme terms, the Board will submit any proposed alteration to the terms and conditions of the A Share Scheme which are of a material nature, or any alterations to the provisions relating to the matters set out under Rule 17.03 of the Hong Kong Listing Rules to the advantage of Participants, to the Shareholders for approval at the general meeting, A Share class meeting and H Share class meeting of the Company from time to time.

- (3) If the Restricted Shares granted to the Participants was approved by the remuneration and appraisal committee of the Board, the Board, the independent non-executive Directors and/or Shareholders (as the case may be), any subsequent alternations to the terms of the A Share Scheme shall be subject to approval by the remuneration and appraisal committee of the Board, the Board, the independent non-executive Directors and/or Shareholders (as the case may be), the aforementioned provision shall not apply where the alterations take effect automatically under the existing terms of the A Share Scheme.
- (4) Any change to the authority of the Board of the Company in relation to any alteration to the terms of the A Share Scheme must be approved by shareholders of the Company at the general meeting and the H Shareholders and A Shareholders at respective class meetings.
- (5) After amendment, the terms of this A Share Scheme shall comply with the relevant requirements of Chapter 17 of the Hong Kong Listing Rules.
- (6) The independent non-executive Directors and the supervisory committee shall opine on the amended scheme as to whether the A Share Scheme may benefit the listed company’s sustainable development, and whether there is any notifiable damage to the interests of the listed companies and the Shareholders as a whole. The legal advisers shall opine on whether the amended scheme is

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in compliance with the Administrative Measures and the relevant laws and regulations, and whether there is any notifiable damage to the interests of the Company and the Shareholders as a whole.

(II) *Procedures for termination of the A Share Scheme*

- (1) If the Company intends to terminate the implementation of the A Share Scheme before it is considered at the general meeting and the H Shareholders and A Shareholders at respective class meetings, such termination shall be considered and approved by the Board.
- (2) If the Company intends to terminate the implementation of the A Share Scheme after it is considered and approved at the general meeting and the H Shareholders and A Shareholders at respective class meetings, such termination shall be considered and approved at the general meeting and the H Shareholders and A Shareholders at respective class meetings.
- (3) The legal advisers shall issue legal opinion on the termination of the A Share Scheme as to whether it is in compliance with the Administrative Measures and the relevant laws and regulations, and whether there is any notifiable damage to the interests of the Company and the Shareholders as a whole.
- (4) If the resolutions on terminating the implementation of the A Share Scheme have been considered and approved at the general meeting, the A Share class meeting and the H Share class meeting of the Company, shall not be allowed to consider the share incentive plan within the following 3 months after the announcement of such resolutions.
- (5) Upon termination of the A Share Scheme, the Restricted Shares not yet unlocked shall be repurchased by the Company, and deal with the same pursuant to the Company Law.
- (6) The Company shall make an application to the Shanghai Stock Exchange first before repurchase of the Restricted Shares, and the Securities Depository will conduct registration procedure thereof upon confirmation by the Shanghai Stock Exchange.

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- (III) The A Share Scheme shall be terminated immediately upon occurrence of any of the following events, the Restricted Shares granted to, but not yet unlocked, the Participants shall no longer be unlocked, and the Company shall repurchase and cancel the same (i.e. the Participants' entitlements to such Restricted Shares will in effect automatically lapse after such repurchase and cancellation):
- (1) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  - (2) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
  - (3) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
  - (4) prohibition from implementation of a share A Share Scheme by laws and regulations; and
  - (5) other circumstance as determined by the CSRC.
- (IV) Upon occurrence of any of the following events, subject to the extent of the relevant change in circumstances, the Board, as authorised by Shareholders at the general meeting and class meetings, shall determine whether to continue to implement, amend, suspend or terminate the A Share Scheme, save for any powers specifically required to be exercised by general meeting and class meeting:
- (1) change in control of the Company;
  - (2) merger/de-merger of the Company; and
  - (3) other material changes.
- (V) Where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking the restrictions, all Restricted Shares which are not yet unlocked shall be repurchased and cancelled by the Company. In respect of the Restricted Shares granted to the Participants which have been unlocked, all the Participants shall return to the Company all interests granted. If the Participants, who are not liable for the abovementioned events, suffer loss as a result of returning the interests, they may claim for damage from the Company or responsible parties in accordance with the arrangements under the A Share Scheme.

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The Board shall recover all the profits gained by the Participants in accordance with the preceding provisions and relevant arrangements under the A Share Scheme.

(VI) Changes to the individual circumstances of the Participants

- (1) Upon occurrence of any of the following events in respect of a Participant, the Restricted Shares granted to such Participant remain unchanged and shall continue to implement the locking and unlocking in accordance with the A Share Scheme:
  - (i) change in position of a Participant, but who remains within the scope of Participants as defined under the A Share Scheme; and
  - (ii) re-hiring of a Participant after he/she attains the retirement age stipulated by law or the Company.
- (2) Upon occurrence of any of the following events in respect of a Participant (and does not fall into the cases of items (3) and (4) mentioned below), the Board may determine the Restricted Shares granted, but not yet unlocked, to the such Participant under the A Share Scheme shall no longer be unlocked, and the Company shall repurchase and cancel the same at the Grant Price plus interest accrued at the benchmark interest rate for deposit of the same period:
  - (i) internal transfer resulting him/her being no longer within the scope of Participants as defined under the A Share Scheme;
  - (ii) departure due to attaining the retirement age stipulated by law and the Company;
  - (iii) departure or death due to incapacity; and
  - (iv) becoming an independent non-executive Director, supervisor or other person not allowed to hold Shares.
- (3) Upon occurrence of any of the following events in respect of a Participant, the Board may determine the Restricted Shares granted, but not yet unlocked, to such Participant under the A Share Scheme shall no longer be unlocked, and the Company shall repurchase and cancel the same at the Grant Price:
  - (i) resignation;
  - (ii) termination of employment upon expiration of the labour contract or employment agreement without renewal due to personal reason; and
  - (iii) prohibited from acting as a director or a member of the senior management of the Company as required by the Company Law.

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- (4) Upon occurrence of any of the following events in respect of a Participant, the Board may determine the Restricted Shares granted, but not yet unlocked, to such Participant under the A Share Scheme shall no longer be unlocked, and the Company shall repurchase and cancel the same at the Grant Price. In case of severe event, the Board may, based on the actual situation, take action against such Participant claim for damage suffered by the Group:
- (i) dismissal due to failure to accomplish individual performance targets; and
  - (ii) change in position due to incompetence for work position, disqualification in performance appraisal, violation of laws, leakage of the Company's confidential information, dereliction of duty or malpractice or any other acts that seriously damage the interests or reputation of the Company.
- (5) Other unspecified circumstances shall be identified by the Board which shall determine how such matters are to be dealt with.

### *Accounting Treatment for the Restricted Shares under the A Share Scheme*

In accordance with the requirements of the Accounting Standards for Business Enterprise No. 11 — Share based Payments\* (《企業會計準則第11號—股份支付》), at each balance sheet date within the Restriction Period, the Company shall revise the number of the Restricted Shares which are expected to be unlocked according to the change in the latest available number of Restricted Shares eligible to unlock, completion of the performance appraisal targets at Group level and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

#### *(I) Accounting treatment*

##### *(1) On the Grant Date*

The share capital and capital reserved shall be recognised according to the status of the grant of the Restricted Shares to the Participants by the Company.

##### *(2) On each balance sheet date during the Restriction Period*

Pursuant to the requirements of the accounting standards, the services acquired during the period will be recognized as costs or expenses and capital reserves on each balance sheet date during the Restriction Period.

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(3) On the unlocking date

On the Unlocking Date, if the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the shares are lapsed or cancelled since the same have not been unlocked, such shares will be dealt with pursuant to the accounting standards and relevant requirements.

(II) *The fair value of the Restricted Shares and determination method*

In accordance with the requirements of the Accounting Standards for Business Enterprise No. 11 — Share based Payments\* (《企業會計準則第11號—股份支付》) and Accounting Standards for Business Enterprise No. 22 — Recognition and Measurement of Financial Instruments\* (《企業會計準則第22號—金融工具確認和計量》), the fair value of the Restricted Shares shall be measured based on the market price of A Shares of the Company. On the estimation date, the fair value of the shares paid for each Restricted Share = market price of A Shares on the A Share Grant Date – the Grant Price, being RMB19.32 (based on the assumption of RMB40.61 per share, being the closing price of A Shares on the last trading day preceding the date of the A-Share announcement on the A Share Scheme, as the market price of A Shares on the Grant Date, subject to the actual closing price of A Shares on the Grant Date).

(III) *Estimated impact on the operating performance of each of the period due to implementation of the A Share Scheme*

The estimated total cost of the A Share First Grant of 2,747,500 Restricted Shares to be granted by the Company is RMB53.0817 million, which shall be amortized during the implementation of the A Share Scheme according to the percentage ratio of the unlocking, and the cost incurred by the Company arising from the Scheme will be presented in recurring profit or loss.

According to the China Accounting Standards for Business Enterprise, assuming the A Share First Grant of Restricted Shares under the A Share Scheme will take place on 31 October 2022, the impact on the accounting cost of each of period due to the implementation of the A Share Scheme are as follows:

Year	2022	2023	2024	2025	Total
Cost to be amortized (RMB million)	5.3819	29.3718	13.3147	5.0133	53.0817

Notes:

- (1) The above figures do not constitute final accounting cost. Other than actual grant date, grant price and number of shares granted that are relating to the actual cost, the number of effective and lapsed entitlements are also relating to the actual cost. Shareholders shall note the possible impact of amortization.

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- (2) The above-mentioned impact on operating performance of the Group shall be subject to the auditors' report for the relevant year to be issued by the accountant firm and taking into account the adjustments (if any) made according to the adjustment mechanism of the A Share Scheme.

Based on current conditions, it is estimated that, without considering the stimulus effects of the A Share Scheme on the performance of the Company, the amortization of the costs of the A Share Scheme will have an impact on the net profit of each year during the term of the A Share Scheme but the impact will not significant. Taking into consideration the positive impact of the A Share Scheme on the development of the Company, its stimulation of enthusiasm of the team, improvement in the operating efficiency, reduction in agency costs, the performance improvement of the Company brought by the A Share Scheme expected to exceed the increase in costs incurred by the A Share Scheme.

### ***Principles of Repurchase and Cancellation of Restricted Shares***

#### ***(I) Repurchase price***

Save and except for any adjustment required to be made to the repurchase price under the A Share Scheme, the repurchase price for the Restricted Shares to be repurchased and cancelled by the Company under the A Share Scheme shall be the Grant Price of the relevant Restricted Shares.

#### ***(II) Method for adjustment to the repurchase price***

Upon completion of registration of the Restricted Shares granted to the Participants, in case of the Company issues new shares, and shall repurchase and cancel any Restricted Shares under the A Share Scheme, the repurchase price shall remain unchanged; and in case of capitalisation of capital reserve, bonus issue, subdivision of shares, share consolidation or rights issue and other matters affecting the total share capital or the number of shares of the Company, it shall make adjustments to the repurchase quantity of the Restricted Shares yet to be unlocked accordingly.

- (1) Capitalisation of capital reserve, bonus issue, sub-division

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

Where: P represents the repurchase price of each Restricted Shares after adjustment;  $P_0$  represents the Grant Price of each Restricted Shares; n represents the ratio of increase of shares resulting from the issue of shares by capitalisation of capital reserve, bonus issue and share split (i.e. the number of shares increased per share upon capitalisation of capital reserve, bonus issue or share split).

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## LETTER FROM THE BOARD

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(2) Share consolidation

$$P = P_0 \div n$$

Where: P represents the repurchase price of each Restricted Shares after adjustment;  $P_0$  represents the Grant Price of each Restricted Shares; n represents the proportion of a share that may result from consolidation (i.e. 1 Share will be consolidated into n Shares).

(3) Rights issue

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

Where: P represents the repurchase price of each Restricted Shares after adjustment;  $P_0$  represents the Grant Price of each Restricted Shares;  $P_1$  represents the closing price as at the record date for the rights shares;  $P_2$  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).

(III) *Procedure for adjustment to the repurchase price*

- (1) The Board shall be authorised at the general meeting, the A Share class meeting and the H Share class meeting of the Company to adjust the repurchase price of Restricted Shares based on the reasons listed above. After adjustment to the repurchase price according to the above provisions, an announcement shall be made in a timely manner.
- (2) The adjustment to the repurchase price of Restricted Shares for other reasons shall be subject to resolution of the Board and approval at the general meeting, the A Share class meeting and the H Share class meeting of the Company.

(IV) *Procedure of repurchase and cancellation*

- (1) The Company shall convene a Board meeting to consider the repurchase plan and announce in a timely manner.
- (2) The repurchase by the Company under the A Share Scheme shall be implemented in accordance with the requirements under Company Law.
- (3) The Company shall apply to the Shanghai Stock Exchange for dealing with the formalities of cancellation of the Restricted Shares before implementing the repurchase under the A Share Scheme. Upon the confirmation by Shanghai Stock Exchange, the Company shall deal with the formalities of cancellation at the Securities Depository in a timely manner, and make announcement.

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## LETTER FROM THE BOARD

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### Information on the Group

The Group is a leading pharmaceutical and healthcare industry group in the PRC and is primarily engaged in pharmaceutical manufacturing, medical devices and medical diagnosis, healthcare services as well as pharmaceutical distribution and retail.

The profit before tax of the Company and profit attributable to equity holders of the Company for the last two financial years are respectively set out as follows:

	<b>For the year ended on 31 December 2021 (audited) approximately <i>RMB million</i></b>	<b>For the year ended on 31 December 2020 (audited and restated) approximately <i>RMB million</i></b>
Profit before tax:	6,054	4,678
Profit attributable to equity holders:	4,735	3,663

As at 31 December 2021, the audited consolidated assets and net assets of the Company were RMB93,236.90 million and RMB48,318.68 million respectively.

### Reason and Benefit of the Adoption of the 2022 Restricted A Share Incentive Scheme

Please refer to the section headed “Purpose of the A Share Scheme” of this circular for reference.

The 2022 Restricted A Share Incentive Scheme aims to, among others, promote the establishment and improvement of the incentive and restraint mechanism of the Group, fully mobilize the enthusiasm of the Company’s executive Directors and senior management personnel and employees of the Group, effectively align the interests of the Company, Shareholders with the interests of the Participants to focus on the long-term development of the Group and achieve the development goals of the Group. The Board is of the view that the proposed adoption of the A Share Scheme (including the terms on the scope of the Participants, the Restriction Period, the performance appraisal, the Grant Price and the repurchase) and the A Share First Grant will assist the Group in achieving the aforesaid goals, and that the terms and conditions of the A Share Scheme are on normal commercial terms, fair, reasonable and in the interests of the Company and Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Hong Kong Listing Rules Implications**

As the Restricted Shares are proposed to be granted to connected persons of the Company under the 2022 Restricted A Share Incentive Scheme, therefore, the Connected Grant will constitute a non-exempt connected transaction of the Company, which is subject to reporting, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules. An Independent Board Committee has been established by the Company to advise the Independent Shareholders in respect of the Connected Grant. The Company has also appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant.

In accordance with the relevant laws and regulations, each of Mr. Wu Yifang, Mr. Wang Kexin, Ms. Guan Xiaohui and Mr. Wen Deyong, each a Director and proposed Participants under the Connected Grant of the A Share Scheme, has abstained from voting on the relevant board resolutions in relation to the A Share Scheme. Save as disclosed above, none of the Directors has a material interest in the Connected Grant.

In the event that any Participant under the Reserved Grant is a connected person of the Company, such grant will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company will comply with the relevant requirements under the Hong Kong Listing Rules as appropriate.

A special resolution will be proposed at the EGM, the A Shareholders Class Meeting and the H Shareholder Class Meeting for the consideration and, if thought fit, approval of, among other things, the proposed adoption of the 2022 Restricted A Share Incentive Scheme and allotment and issuance of Restricted Shares pursuant thereto (including the Connected Grant).

### **(7) Proposed Adoption of the Management Measures for the Appraisal System of the 2022 Restricted A Share Incentive Scheme**

To ensure the smooth implementation of the 2022 Restricted A Share Incentive Scheme, the Management Measures for the Appraisal System have been formulated according to the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations and regulatory documents, the relevant requirements of the Articles taking account of the actual situation of the Company.

The full text of the Management Measures for the Appraisal System is set out in Appendix IV to this circular. The Management Measures for the Appraisal System were prepared in Chinese, and in the event of any discrepancies between the English translation and the Chinese version of the Management Measures for the Appraisal System, the Chinese version shall prevail.

A special resolution will be proposed at the EGM, the A Shareholders Class Meeting and the H Shareholder Class Meeting to consider and, if thought fit, approve the adoption of the Management Measures for the Appraisal System.

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## LETTER FROM THE BOARD

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### **(8) The mandate to be granted to the Board to deal with matters pertaining to the 2022 Restricted A Share Incentive Scheme**

To ensure the implementation of the 2022 Restricted A Share Incentive Scheme, it is proposed at the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting that the Board be authorised to deal with the following matters pertaining to the 2022 Restricted A Share Incentive Scheme:

- (i) to authorise the Board to determine the Grant Date of the 2022 Restricted A Share Incentive Scheme;
- (ii) to authorise the Board to adjust the number of the Restricted Shares and the Grant Price, in accordance with the terms of the 2022 Restricted A Share Incentive Scheme, in the event of capitalisation issue, bonus issue, share sub-division or consolidation, rights issue, issue of new shares and dividend distribution;
- (iii) to authorise the Board to allocate and adjust, between the remaining Participants or for the remaining portion, the entitlements to the Restricted Shares that are renounced by any Participant in accordance with the terms of the 2022 Restricted A Share Incentive Scheme;
- (iv) to authorise the Board, upon satisfaction of all conditions by the Participants, to grant the Restricted Shares to the Participants and deal with all necessary matter pertaining to the grant of Restricted Shares, including the entering into the relevant agreement for the grant of Restricted Shares, applying for registration and clearing matters with the Securities Depository, making amendments to the Articles of Association and completing the registration of change in registered capital of the Company;
- (v) to authorise the Board to review and confirm the eligibility of a Participant for unlocking and the conditions thereof, and to agree the delegation by the Board of such right to the remuneration and appraisal committee;
- (vi) to authorise the Board to determine whether to unlock the Restricted Shares granted to the Participants;
- (vii) to authorise the Board to deal with all necessary matters relating to the unlocking of the Restricted Shares including, but not limited to, making application for unlocking to the stock exchange and applying for registration and clearing matters with the Securities Depository;
- (viii) to authorise the Board to determine the amendment to and termination of the 2022 Restricted A Share Incentive Scheme and deal with all matters relating thereto, including, but not limited to, disqualification of a Participant for unlocking, repurchase and cancellation of the unlocked Restricted Shares, amendments to the

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## LETTER FROM THE BOARD

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Articles of Association, dealing with registration matter for change in registered capital of the Company and other formalities in relation to the capital reduction of the Company;

- (ix) to authorise the administration of and adjustment to the 2022 Restricted A Share Incentive Scheme by the Board, provided that, any such amendments shall be subject to the shareholders' approval at the general meeting and/or the Class Meetings and/or the approval from the relevant competent authorities, if so required under the applicable laws, regulation or as required by the relevant competent authorities;
- (x) to authorise the Board to engage relevant intermediaries including, but not limited to, financial advisers, receiving banks, accountants, legal advisers or securities companies for the 2022 Restricted A Share Incentive Scheme;
- (xi) to authorise the Board to deal with all formalities with the relevant government authorities and institutions in relation to the 2022 Restricted A Share Incentive Scheme including, but not limited to, review, registration, filing, approval and consent; to sign, execute, amend and complete all documents to be submitted to the relevant government authorities, institutions, organisations and individuals; and to do all acts deemed necessary, appropriate or desirable in relation to the 2022 Restricted A Share Incentive Scheme; and
- (xii) to propose at the EGM and the Class Meetings seeking approval for the valid period of the authorisation granted to the Board to be consistent with the term of the 2022 Restricted A Share Incentive Scheme.

With respect to the matters prescribed in the above authorisation, save for matters that explicitly required to be approved by Board resolutions under the relevant laws, administrative regulations, CSRC rules, regulatory documents, the 2022 Restricted A Share Incentive Scheme or the Articles of Association, other matters may be exercised directly by the chairman of the Board, or an appropriate delegate thereof, on behalf of the Board.

A special resolution will be proposed at the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting to consider and, if thought fit, approve the mandate to be granted to the Board to deal with matters pertaining to the 2022 Restricted A Share Incentive Scheme.

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## LETTER FROM THE BOARD

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### III. EGM AND H SHAREHOLDER CLASS MEETING

The EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting will be held for the purposes of the consideration and, if thought fit, approval of the matters referred to in the section headed “I. INTRODUCTION” above.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, (i) Fosun High Tech, the controlling shareholder of the Company, owned 885,595,955 A Shares (representing approximately 41.82% of the issued A Shares of the Company and 33.17% of the issued share capital of the Company) and 71,533,500 H Shares (representing approximately 12.96% of the issued H Shares of the Company and 2.68% of the issued share capital of the Company), and, in addition to the Shares held through Fosun High Tech, Fosun International owned 6,000,000 H Shares (representing approximately 1.09% of the issued H Shares of the Company and 0.22% of the issued share capital of the Company), (ii) Mr. Wu Yifang, an executive Director, owned as to 749,900 A shares (representing approximately 0.04% of the issued A Shares of the Company and 0.03% of the issued share capital of the Company) and 373,000 H Shares (representing approximately 0.07% of the issued H Shares of the Company and 0.01% of the issued share capital of the Company), (iii) Mr. Wang Kexin, an executive Director, owned 232,500 A Shares (representing approximately 0.01% of the issued A Shares of the Company and 0.01% of the issued share capital of the Company) and 20,000 H Shares (representing approximately 0.00% of the issued H Shares of the Company and 0.00% of the issued share capital of the Company), (iv) Ms. Guan Xiaohui, an executive Director, owned 206,000 A Shares (representing approximately 0.01% of the issued A Shares of the Company and 0.01% of the issued share capital of the Company) and 25,000 H Shares (representing approximately 0.00% of the issued H Shares of the Company and 0.00% of the issued share capital of the Company), (v) Mr. Wen Deyong, an executive Director, owned as to 20,000 A Shares (representing approximately 0.00% of the issued A Shares of the Company and 0.00% of the issued share capital of the Company) and 20,000 H Shares (representing approximately 0.00% of issued H Shares of the Company and 0.00% of the issued share capital of the Company), (vi) Mr. Chen Qiyu, a non-executive Director, owned 114,075 A Shares (representing approximately 0.01% of the issued A Shares of the Company and 0.00% of the issued share capital of the Company), (vii) Mr. Yao Fang, a non-executive Director, owned 458,300 A Shares (representing approximately 0.02% of the issued A Shares of the Company and 0.02% of the issued share capital of the Company), (viii) other than Mr. Wu Yifang, Mr. Wang Kexin, Ms. Guan Xiaohui and Mr. Wen Deyong (whose interests in the Company’s Shares are set out above), a total of 48 proposed Holders/Participants (the “**Interested Grantees**”) collectively owned 548,409 A Shares and 138,500 H shares (representing approximately 0.03% of all the issued A Shares of the Company and 0.03% of the issued H Shares of the Company respectively, and in the aggregate approximately 0.03% of the issued share capital of the Company), and therefore:

- (1) Ms. Guan Xiaohui, Mr. Wen Deyong and Mr. Chen Qiyu have a material interest in the resolution in respect of the Renewal of Products/Services Mutual Supply Framework Agreement proposed at the EGM, are required to and will abstain from voting on the relevant resolution at the EGM;

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## LETTER FROM THE BOARD

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- (2) Fosun High Tech, Fosun International, Mr. Wang Kexin, Ms. Guan Xiaohui, Mr. Chen Qiyu and Mr. Yao Fang have a material interest in or are otherwise related with the resolution in respect of the Renewal of the Financial Services Agreement proposed at the EGM, are required to and will abstain from voting on the relevant resolution at the EGM;
- (3) Mr. Wu Yifang, Mr. Wang Kexin, Ms. Guan Xiaohui and Mr. Wen Deyong have a material interest in the resolutions in respect of the 2022 H Share Employee Share Ownership Scheme proposed at the EGM, are required to and will abstain from voting on the relevant resolutions at the EGM;
- (4) Mr. Wu Yifang, Mr. Wang Kexin, Ms. Guan Xiaohui and Mr. Wen Deyong have a material interest in the resolutions in respect of the 2022 Restricted A Share Incentive Scheme proposed at the EGM and the Class Meetings, are required to and will abstain from voting on the relevant resolutions at the EGM and the Class Meetings; and
- (5) the Interested Grantees will, insofar as they are A Shareholders and/or H Shareholders, abstain from voting on the relevant resolutions at the EGM and/or the relevant Class Meetings in respect of the 2022 Restricted A Share Incentive Scheme and the 2022 H Share Employee Share Ownership Scheme.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, save as disclosed above, none of the connected persons, Shareholders and their respective close associates of the Company has a material interest in the resolutions to be proposed at the EGM or the Class Meetings and are required to abstain from voting at the EGM or the Class Meeting.

### IV. CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of H Shareholders to attend and vote at the aforesaid EGM and H Shareholders Class Meeting, the register of members of the Company for H Shares will be closed from Thursday, 24 November 2022 to Tuesday, 29 November 2022, both days inclusive. In order to qualify for attending and voting at the EGM, unregistered H Shareholders should ensure that all transfer documents for H Shares together with the relevant share certificates should be lodged for registration with the Company's Hong Kong share registrar for H Shares, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 23 November 2022.

### V. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all resolutions put forward at the EGM and the H Shareholders Class Meeting will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company by means set out in Rule 13.39(5) of the Hong Kong Listing Rules after the EGM and H Shareholders Class Meeting.

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## LETTER FROM THE BOARD

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### VI. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that all resolutions set out in the notices of EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the resolutions proposed at the EGM, the A Shareholders Class Meeting and the H Shareholders Class Meeting.

### VII. ADDITIONAL INFORMATION

Your attention is drawn to each of the letters from the Independent Board Committee to the independent Shareholders and each of the letters from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders, as well as the other sections of and the appendices to this circular.

By order of the Board  
**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***  
**Wu Yifang**  
*Chairman*

\* *for identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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*The following is the text of the letter of recommendation, prepared for incorporation in this circular, from the Independent Board Committee to Independent Shareholders regarding the Renewed Financial Services Agreement and relevant annual caps thereunder.*

### **FOSUN PHARMA** **复星医药**

上海復星醫藥（集團）股份有限公司  
**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***

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

**(Stock Code: 02196)**

31 October 2022

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company to its Shareholders dated 31 October 2022 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the resolution to approve the transactions contemplated under the Renewed Financial Services Agreement.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser, Yue Xiu Capital Limited, as set out on pages 90 to 113 of the Circular and the letter from the Board as set out on pages 9 to 85 of the Circular.

Having taken into account the advice of, and the principal factors and reasons considered by Yue Xiu Capital in relation thereto as stated in its letter, we consider that the terms of the transactions contemplated under the Renewed Financial Services Agreement and the proposed annual caps in respect of the deposit services, settlement services and other financial services are fair and reasonable on normal commercial terms and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly,

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN  
RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT**

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we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the transactions contemplated under the Renewed Financial Services Agreement and the proposed annual caps in respect of the deposit services, settlement services and other financial services.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Ms. LI Ling**  
*Independent non-  
executive Director*

**Mr. TANG Guliang**  
*Independent non-  
executive Director*

**Mr. WANG Quandi**  
*Independent non-  
executive Director*

**Mr. YU Tze Shan  
Hailson**  
*Independent Non-  
executive Director*

\* *For identification purposes only*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN  
RESPECT OF THE CONNECTED GRANT**

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*The following is the text of the letter of recommendation, prepared for incorporation in this circular, from the Independent Board Committee to Independent Shareholders regarding the Connected Grant.*

**FOSUN PHARMA**  
**复星医药**

上海復星醫藥（集團）股份有限公司  
**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***

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

**(Stock Code: 02196)**

31 October 2022

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company to its Shareholders dated 31 October 2022 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders on the Connected Grant and related matters under the 2022 Restricted A Share Incentive Scheme.

We wish to draw your attention to the letter of advice from the Independent Financial Adviser, Yue Xiu Capital Limited, as set out on pages 114 to 138 of the Circular and the letter from the Board as set out on pages 9 to 85 of the Circular.

Having considered the 2022 Restricted A Share Incentive Scheme, the Connected Grant contemplated thereunder and the relevant matters, and the factors and reasons considered by the Independent Financial Adviser and its opinion as stated in its letter of advice, we consider that the Connected Grant contemplated under the 2022 Restricted A Share Incentive Scheme arises from the Group's ordinary and usual course of business of the Group are on terms that are normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE IN  
RESPECT OF THE CONNECTED GRANT**

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resolutions to be proposed at the EGM, A Shareholders Class Meeting and H Shareholders Class Meeting to approve the Connected Grant contemplated under the 2022 Restricted A Share Incentive Scheme.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Ms. LI Ling**  
*Independent non-  
executive Director*

**Mr. TANG Guliang**  
*Independent non-  
executive Director*

**Mr. WANG Quandi**  
*Independent non-  
executive Director*

**Mr. YU Tze Shan  
Hailson**  
*Independent Non-  
executive Director*

\* *For identification purpose only*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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*The following is the text of the letter of advice from Yue Xiu Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Renewed Financial Services Agreement.*



Room 17–37, 49/F, Sun Hung Kai Centre  
30 Harbour Road, Wanchai  
Hong Kong

31 October 2022

*To: the Independent Board Committee and the Independent Shareholders of  
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*

Dear Sirs or Madams,

### DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS — RENEWAL OF FINANCIAL SERVICES AGREEMENT

#### I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the Renewed Financial Services Agreement, details of which are set out in the “Letter from the Board” (“**Letter from the Board**”) in this circular dated 31 October 2022 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

From time to time, the Group has been conducting the continuing connected transactions in relation to financial services provided by Fosun Finance in the ordinary and usual course of its business since the listing of the Company on the main board of the Hong Kong Stock Exchange in 2012. Such previous and current continuing connected transactions (details of which have been set out in the listing document of the Company and various announcements issued during October 2012 to July 2019) were subject to the reporting, announcement and annual review requirements but were exempted from the independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

On 29 August 2022, the Company entered into the Renewed Financial Services Agreement with Fosun Finance in order to renew the Financial Services Agreement, which will expire on 31 December 2022, for a term of three years commencing on 1 January 2023 and ending on 31 December 2025. Pursuant to the Renewed Financial Services Agreement, Fosun Finance has agreed

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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to provide non-exclusive financial services to the Group including the following categories, (i) comprehensive credit services, (ii) deposit services, (iii) settlement services and (iv) other financial services.

As at the Latest Practicable Date, Fosun Finance is a subsidiary of Fosun High Tech, the controlling shareholder holding approximately 35.85% of the total issued share capital of the Company, thus Fosun Finance is a connected person of the Company under Rule 14A.07(4) of the Hong Kong Listing Rules. The transactions contemplated under the Renewed Financial Services Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules. The deposit services provided by Fosun Finance to the Group pursuant to the Renewed Financial Services Agreement also constitutes financial assistance by the Group to Fosun Finance under Chapter 14 of the Hong Kong Listing Rules.

According to the Letter from the Board, the comprehensive credit services to be provided by Fosun Finance to the Group will be on normal commercial terms and no security over the assets of the Group will be offered in favour of Fosun Finance with respect to such comprehensive credit services under the Renewed Financial Services Agreement. As such, the comprehensive credit services to be provided by Fosun Finance to the Group under the Renewed Financial Services Agreement are exempt from all the reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Hong Kong Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Hong Kong Listing Rules for the deposit services, settlement services and other financial services (collectively the “**Non-exempt Transactions**”) under the Renewed Financial Services Agreement are, in aggregate, more than 5% but less than 25% on an annual basis, the Non-exempt Transactions constitute in aggregate a discloseable and continuing connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee, comprising all independent non-executive Directors, namely Ms. Li Ling, Mr. Tang Guliang, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson, has been established to advise the Independent Shareholders as to whether the terms of the transactions contemplated under the Renewed Financial Services Agreement and the proposed annual caps in respect of the Non-exempt Transactions are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution to be proposed at the EGM to approve the Renewed Financial Services Agreement and the Non-exempt Transactions contemplated thereunder (including the proposed annual caps). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Yue Xiu Capital Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as a hindrance to our independence under Rule 13.84 of the Hong Kong Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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of the Renewed Financial Services Agreement and the Non-exempt Transactions contemplated thereunder. In the last two years, Yue Xiu Capital Limited acted as the independent financial adviser to the then independent board committee and independent shareholders in relation to the proposed grant of restricted A shares to connected persons of the Company (details of which were disclosed in the circular of the Company dated 12 May 2021). The past engagement was limited to providing independent advisory services to the then independent board committee and independent shareholders of the Company pursuant to the Hong Kong Listing Rules, of which Yue Xiu Capital Limited received normal professional fees from the Company. Also, Yue Xiu Capital Limited was appointed by the Company to act as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the Connected Grant. Save as the abovementioned past and current engagements, as at the Latest Practicable Date, there has been no other engagement between the Group and Yue Xiu Capital Limited. Apart from normal professional fees paid or payable to us in connection with our appointments as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or Fosun Finance. Accordingly, we are qualified to give independent advice in respect of the Renewed Financial Services Agreement and the Non-exempt Transactions contemplated thereunder (including the proposed annual caps).

### II. BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the annual reports of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) and for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the interim results announcement of the Company for the six months ended 30 June 2022 (the “**2022 Interim Results**”); (iv) opinions expressed by and the representations of the Directors and/or the management of the Company (the “**Management**”); and (v) our review of the relevant public information. We have assumed that all the information provided and representations made and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material aspects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. The Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Company and/or the Directors and the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date. In addition, the Company shall inform the Independent Shareholders of any material change of information in the Circular between the Latest Practicable Date and the date of the EGM.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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The 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 Group. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for the letters of advice issued by us as incorporated into the Circular.

We consider that we have reviewed the relevant information currently available to enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification on the information provided, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or Fosun Finance or any of their respective subsidiaries or associates.

### III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

#### 1. Background of the Group

As a global innovation-driven pharmaceutical and healthcare industry group deep-rooted in China, the Group directly operates businesses including pharmaceutical manufacturing, medical devices, medical diagnosis, and healthcare services, and also has a presence in pharmaceutical commerce through its investment.

The following table sets out a summary of the recent selected financial performance of the Group for the years ended 31 December 2019 (“FY2019”), 2020 (“FY2020”) and 2021 (“FY2021”) and for the six months ended 30 June 2021 (“1H2021”) and 2022 (“1H2022”) based on the 2020 Annual Report, the 2021 Annual Report and the 2022 Interim Results, respectively.

*Unit: RMB million*

	For the year ended 31 December			For the six months ended 30 June	
	2019	2020	2021	2021	2022
	(Audited)	(Audited and restated)	(Audited)	(Unaudited and restated)	(Unaudited)
		(Note)			
Revenue	28,389	30,163	38,858	16,878	21,275
Gross profit	16,846	16,430	18,630	8,621	9,699
Profit attributable to owners of the parent	3,322	3,663	4,735	2,482	1,554

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*Note:* According to the 2021 Annual Report, the Group adopted the change in accounting policies as set out in the questions and answers regarding the Accounting Standard for Business Enterprise published by the Ministry of Finance of the PRC on 2 November 2021. The accounting standard indicated that certain amortisation of capitalised transportation cost should be recorded as cost of sales rather than selling and distribution expenses hence the costs of sales and gross profit of the Group for the year ended 31 December 2020 were restated accordingly. As the prevailing accounting policies required the 2021 Annual Report to present the financial statements of the Group for the year ended 31 December 2021 and the restatement for corresponding comparative period for the year ended 31 December 2020, hence such restatement was not retrospectively applied to the financial statements of the Group for the year ended 31 December 2019.

### ***FY2019 and FY2020***

Revenue of the Group increased by 6.25% to RMB30,163 million for FY2020 as compared to FY2019. The increase in revenue was mainly attributable to (i) the orderly resumption of production and operation in the second quarter despite the COVID-19 pandemic; (ii) the launch of new products in the third quarter, namely Han Qu You and Su Ke Xin; and (iii) the sales contribution from anti-pandemic products such as the nucleic acid test kits for 2019-nCov.

Gross profit of the Group amounted to RMB16,430 million for FY2020, representing a slight decrease of approximately 2.47% as compared with that of RMB16,846 million for FY2019. The Group's gross profit margin decreased from approximately 59.34% for FY2019 to approximately 54.47% for FY2020, which was mainly due to (i) decrease in sales of injection products in anti-infection and central nervous system of pharmaceutical manufacturing business, resulting in the rise of unit fixed cost; (ii) decrease in gross profit margin of the products which were selected in centralised procurement; and (iii) the restatement of the cost of sales for the year ended 31 December 2020 as mentioned above while such restatement was not retrospectively applied to the financial statements of the Group for the year ended 31 December 2019.

The Group's profit attributable to owners of the parent increased to RMB3,663 million for FY2020 from RMB3,322 million for FY2019, representing an increase of approximately 10.27%. Such increase was mainly due to the combined effect of (i) the slight decrease in gross profit as mentioned above; (ii) the decrease in selling and distribution expenses as a result of strengthened management and control of sales expenses; and (iii) the increase in R&D expenses during the year.

### ***FY2020 and FY2021***

Revenue of the Group increased by approximately 28.83% to RMB38,858 million for FY2021 as compared to FY2020. The increase in revenue was mainly attributable to the revenue contribution from new products and sub-new products including but not limited to Comirnaty, Han Li Kang, Han Qu You and Su Ke Xin, and contribution from revenue growth of the Group's overseas subsidiaries, namely Gland Pharma and Sisram Medical.

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Gross profit of the Group increased by approximately 13.39% to RMB18,630 million for FY2021. The Group's gross profit margin further decreased from approximately 54.47% for FY2020 to approximately 47.94% for FY2021, mainly due to the decrease in gross profit margin of the pharmaceutical manufacturing segment of the Group as a result of (i) the decline in gross profit margin of certain existing products after being selected for central procurement, (ii) the effect of the lower gross profit margin of Comirnaty as compared to the overall gross profit margin of other products and (iii) the increase in prices of raw and auxiliary materials of certain core products during the year.

The Group's profit attributable to owners of the parent increased to RMB4,735 million for FY2021 from RMB3,663 million for FY2020, representing an increase of approximately 29.28%. Such increase was mainly due to (i) increase in the gross profit of the Group as mentioned above; (ii) the substantial increase in other gains recorded from gain on disposals of subsidiaries and the increase of share price of BioNTech SE held by the Group and such effect was partially offset by (a) the increase in selling and distribution expenses; and (b) increase of R&D expenses as a result of the enhanced R&D effort during the year.

### *1H2021 and 1H2022*

Revenue of the Group increased by approximately 26.05% to RMB21,275 million for 1H2022 as compared to 1H2021. The increase in revenue was mainly attributable to the revenue contribution from innovative products such as Han Qu You and Han Si Zhuang, and anti-epidemic products such as Comirnaty and COVID-19 antigen test kits, the Group's revenue and recurring income demonstrating a continued steady growth during the period, with proportion of revenue from new products and sub-new products and proportion of revenue from regions outside the PRC and other countries continuing to increase, and revenue structure continuing to be optimised.

Gross profit of the Group increased by approximately 12.50% to RMB9,699 million for 1H2022. The Group's gross profit margin further decreased to approximately 45.59%, representing a period-on-period decrease of approximately 5.49% compared with that of approximately 51.08% in 1H2021. The further decline in gross profit margin was mainly due to (i) the increase in labour cost and increase in price of main raw and auxiliary materials under the impact of the pandemic; (ii) the lower gross profit margin of overseas sales of non-proprietary anti-epidemic products of the Group during the pandemic; and (iii) the impact of centralised procurement products.

The Group's profit attributable to owners of the parent decreased to RMB1,554 million for 1H2022 from RMB2,482 million for 1H2021, representing a decrease of approximately 37.39%. The decrease in profit attributable to owners of the parent during

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the period amid of increase in gross profit was mainly due to the net impact of fair value loss as a result of changes in the share price of BioNTech SE held by the Group as affected by market fluctuation for over RMB1 billion.

The following table sets out the cash and bank balances and trade and bills receivables of the Group as extracted from the 2020 Annual Report, the 2021 Annual Report and the 2022 Interim Results.

*Unit: RMB million*

	<b>As at 31 December</b>			<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	(Audited)	(Audited)	(Audited)	(Unaudited)
Cash and bank balances	9,533	9,962	10,308	12,258
Trade and bills receivables	4,608	4,807	6,045	7,292

As set out in the table above, the Group maintained a robust and increasing level of cash and bank balances ranging from RMB9,533 million as at 31 December 2019 to RMB12,258 million as at 30 June 2022. Also, the Group recorded increase in trade and bills receivables as at 30 June 2022 compared with that as at 31 December 2019, which was in line with the increase in revenue over the period. Also, the Group maintained a stable level of trade and bills receivables ranging from approximately 15.6% to 16.2% of its revenue for the corresponding financial year.

Furthermore, the Group generated net cash flows from operating activities of RMB3,222 million, RMB2,580 million and RMB3,949 million for the years ended 31 December 2019, 2020 and 2021, respectively.

## 2. Background of Fosun Finance

As set out in the Letter from the Board, Fosun Finance is a limited liability company established in the PRC as a non-banking financial institution regulated by the CBIRC. It is principally engaged in the provision of financing consulting services, deposit services, settlement services, credit services and other financial services. It is a subsidiary of Fosun High Tech and is ultimately controlled by Mr. Guo Guangchang (郭廣昌先生). Fosun International, the parent company of Fosun High Tech, ranked top 100 in Fortune China 500 in 2021.

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Based on the audited financial statements of Fosun Finance for the year ended 31 December 2021, Fosun Finance has a registered capital of RMB1.5 billion. Set out below is the summary of selected financial performance and financial positions of Fosun Finance as prepared under the generally accepted accounting principles in the PRC as extracted from its audited financial statements.

*Unit: RMB million*

	<b>For the year ended 31 December</b>	
	<b>2020</b>	<b>2021</b>
Revenue	274	276
Operating profit	227	145
Net profit	175	113

*Unit: RMB million*

	<b>As at 31 December</b>	
	<b>2020</b>	<b>2021</b>
Total assets	13,354	11,177
Total liabilities	11,328	9,192
Total equity	2,026	1,985

Set out below is the comparison of selected financial indicators of Fosun Finance, the average levels in the finance company industry in the PRC and the relevant regulatory requirement (if any):

<b>Financial indicators</b>	<b>Average levels in the finance company industry in the PRC (Note)</b>		<b>Regulatory requirements</b>
	<b>Fosun Finance For the year ended/As at 31 December 2021</b>	<b>For the year ended/As at 31 December 2021</b>	
Non-performing asset ratio	0.00%	0.79%	No requirement
Capital adequacy ratio	19.36%	18.07%	Not lower than 10%
Return on net asset ratio	5.61%	4.16%	No requirement

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*Note:* The average levels in the finance company industry in the PRC were extracted from the quarterly operating statistics of finance company industry released by China National Association of Finance Companies (CNAFA), a self-disciplined organisation for finance companies of enterprise groups as well as national and non-profit entities.

### **3. Reasons for and benefits of entering into the Renewed Financial Services Agreement**

As set out in the Letter from the Board, the Board has considered the reasons for and benefits of entering into the Renewed Financial Services including, that (i) Fosun Finance has been providing financial services within its business scope approved by CBIRC and the Group has established a long-term business relationship with Fosun Finance since Fosun Finance's incorporation in 2011; (ii) the customers of Fosun Finance are limited to Member Companies of Fosun High Tech; (iii) there has been no delay for repayment of any principals and interests by Fosun Finance in respect of its provisions of the deposit services, and there has been no practical impediment or disruption of the settlement services and other financial services by Fosun Finance since the Group's engagement of it as one of its financial service providers in 2011; and (iv) the Risk Management Plan formulated by the Company which illustrates the internal risk management agency, risk prevention and control procedures, and risk disposal procedures to deal with potential risks can ensure the safety of funds, the Board considers that the risks in connection with the transactions with Fosun Finance are relatively manageable.

Furthermore, the Board is of the view that the transactions contemplated under the Renewed Financial Services Agreement can facilitate the Group to enrich the deposits and loan business channels, increase the efficiency of fund utilisation, reduce the costs and risk of financing, increase the deposit yield and reduce the overall deposit risk, and improve the bargaining power with the external financial institutions. The Board considers that these transactions are in the interests of the Company and its Shareholders and will not adversely affect the independence of the Company.

In assessing the reasonableness of entering into the Renewed Financial Services Agreement, we have further taken into account the following:

We noted that Fosun Finance is a non-banking financial institution licensed and regulated by the CBIRC. We have obtained the relevant financial statements of Fosun Finance and noted that Fosun Finance has maintained a relatively better non-performing asset ratio, capital adequacy ratio and return on net asset ratio as compared to the average levels in the finance company industry, and satisfied the relevant regulatory requirements in 2021. The above demonstrates that Fosun Finance has a better financial performance and health in terms of financial ratios generally applied to the finance industry in the PRC to provide the services under the Renewed Financial Services Agreement without significant credit risk exposure to the Group. Also, pursuant to the Renewed Financial Services Agreement, the interest rates for deposit services provided by Fosun Finance shall be no less than the average of those provided by commercial banks in the PRC in general, and fees for settlement services and

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other financial services provided by Fosun Finance shall not exceed those provided by other financial institutions in the PRC, which avails the Group to a stable source of financial services in its ordinary and usual course of business.

Furthermore, we noted that Fosun Finance has been providing such financial services to the Group since the listing of the Company on the main board of the Hong Kong Stock Exchange in 2012. Such long-term and stable relationship between the Group and Fosun Finance has facilitated better understanding on the operation and the need of each other, which may potentially enhance the operation efficiency of the Group. Such understanding will enable Fosun Finance to offer more favourable and flexible financial services than third-party PRC commercial banks in general. Furthermore, the Management advised that Fosun Finance has been providing the deposit services to the Group and the Group has been receiving the principals and interests from the deposits placed with Fosun Finance in a timely manner. Also, there has been no practical impediment or disruption of the settlement services and other financial services by Fosun Finance since the Group engaged Fosun Finance as one of its financial service providers in 2011. The Renewed Financial Services Agreement would enable the Group to continue using Fosun Finance as a medium between the Company and its subsidiaries to allocate funds and manage its existing capital and cash flows more effectively.

Also, the financial services provided by Fosun Finance under the Renewed Financial Services Agreement is non-exclusive in nature, i.e. the Group is not restricted under the Renewed Financial Services Agreement to engage any other financial services providers based on its business needs and preferences. The Renewed Financial Services Agreement represents an alternative or additional source of financial services to be provided by a financial institution which is licensed and regulated by the CBIRC. To further illustrate this, the Group has been depositing only part of its funds with Fosun Finance. Based on the information provided by the Management, the actual maximum daily balance of deposits placed by the Group with Fosun Finance for years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 were approximately RMB979.62 million, RMB993.25 million and RMB986.17 million, respectively, representing approximately 9.83%, 9.64% and 8.05% of the cash and bank balance as at the respective year-end or period-end date. Given the strong financial performance and health of Fosun Finance as compared to industry average as mentioned above, the entering into of the Renewed Financial Services Agreement renders the Group an opportunity to diversify its credit risk among PRC commercial banks in general.

Having considered the foregoing, we concur with the Directors that the entering into of the Renewed Financial Services Agreement is in the interests of the Company and its Shareholders as a whole.

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### 4. Principal terms of Renewed Financial Services Agreement

The principal terms and conditions of the Renewed Financial Services Agreement are set out below.

#### *Date*

29 August 2022

#### *Parties*

The Company; and  
Fosun Finance

#### *Term*

From 1 January 2023 to 31 December 2025

#### *Subject matters*

Fosun Finance shall provide non-exclusive financial services to the Group in accordance with the terms of the Renewed Financial Services Agreement as below:

##### (i) *Comprehensive credit services*

- a. Based on the operational and development needs of the Group and under the premise of complying with relevant Chinese laws and regulations, Fosun Finance shall provide the Group with comprehensive credit services, including but not limited to loan, note, discount, entrusted loan, consumption credit, entrusted investment, bond investment, guarantee and other forms of financing. The provision of such credit services by Fosun Finance is not conditional upon the provision of guarantees, asset pledges or other forms of security by the Group.
- b. During the effective term of the Renewed Financial Services Agreement, the Group intends to make an application to Fosun Finance for a comprehensive credit facility of not more than RMB2.0 billion. The Group will enter into agreement(s) based on the performance and the integrated credit rate of the Group.
- c. The interest rate(s) for the loan to be provided by Fosun Finance to the Group shall be determined with reference to the interest rate(s) as published by the People's Bank of China ("PBOC") from time to time and the prevailing market rate(s). Such interest rate(s) shall not exceed the interest rate(s) for the same kind of loan offered by other financial

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institutions in the PRC for the same period and shall not exceed the interest rate(s) for the same kind of loan for the same period provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.

(ii) *Deposit services*

- a. Fosun Finance will strictly follow the principle of freedom of deposit and withdrawals in compliance with relevant requirements of the PBOC and provide the deposit services to the Group;
- b. The deposit services, including but not limited to demand deposit, time deposit, call deposit and agreed deposit provided by Fosun Finance to the Group, shall comply with the relevant requirements of the PBOC;
- c. The interest rate(s) for the deposit of the Group with Fosun Finance shall be determined with reference to the benchmark interest rate(s) for RMB deposit as published by the PBOC provided that such rate(s) shall be no less than the average of the deposit rate(s) for the same kind of deposit offered by PRC commercial banks in general for the same period and no less than the deposit rate(s) for the same kind of deposit for the same period provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is higher;
- d. The Group agrees to open deposit accounts with Fosun Finance, and to choose among different types and terms of deposit products;
- e. The Group agrees that the maximum daily outstanding balance of deposits placed by the Group with Fosun Finance shall not exceed RMB2.0 billion; and
- f. Fosun Finance shall ensure the safety of the Group's deposits, and promptly and fully release the funds as requested by the Group.

(iii) *Settlement services*

- a. Fosun Finance will provide settlement services for payment and receipt and other ancillary services relating to settlement services to the Group in accordance with the instructions of the Group.
- b. The service fees for the settlement services to be provided by Fosun Finance to the Group shall be charged at the rate to be agreed by the parties, and shall not exceed the fees for the same kind of services offered by other financial institutions in the PRC, and at the same time,

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shall not exceed the fees for the same kind of services provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.

(iv) *Other financial services*

- a. Fosun Finance will provide the Group with other financial services within its business scope approved by the CBIRC, including financial and financing advisory, credit verification and related consulting and agency services.
- b. The service fees for other financial services other than the deposit services and credit services shall comply with the fees standard promulgated by the PBOC or the CBIRC (if applicable), and Fosun Finance has undertaken to the Group that its service fees for such financial services shall not exceed the fees for the same kind of services offered by other financial institutions in the PRC and shall not exceed the fees for the same kind of services provided to other Member Companies of Fosun High Tech by Fosun Finance, whichever is lower.

Pursuant to the Renewed Financial Services Agreement, the aggregate service fees for the settlement services and other financial services provided by Fosun Finance will not exceed RMB1 million for each of the financial years.

(v) *Risk assessment and control measures*

- a. The Group has the right to verify the deposits with Fosun Finance from time to time to understand the safety and liquidity of the relevant deposits, and to carry out risk assessment;
- b. Fosun Finance shall ensure the safe operation of the fund management network, ensure the security of funds, control the risk of assets and liabilities, and meet the payment needs of the Group. Fosun Finance will also operate strictly in accordance with the specification for risk monitoring indicators of finance companies promulgated by the CBIRC. Major regulatory indicators such as capital adequacy ratio and liquidity ratio shall comply with the provisions of the CBIRC and other relevant laws and regulations;
- c. Fosun Finance undertakes to provide the Group with annual audit reports on a regular basis; and

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- d. Fosun Finance undertakes that in the event of any circumstances that may endanger the safety of the Group's deposits or other events that may bring risks to the security of funds deposited by the Group, it will promptly inform the Group whereupon the Group shall have the right to immediately and unconditionally withdraw its deposits.

### 5. Pricing policies

The rates for the Non-exempt Transactions, namely deposit services, settlement services and other financial services under the Renewed Financial Services Agreement represents the best of (i) the prevailing market rates, (ii) rates no less favorable to those between the Group and independent third parties for comparable services (on a similar scale), and (iii) rates no less favorable to those for the same kind of services provided by Fosun Finance to other Member Companies of Fosun High Tech (other than the Group).

For the purpose of determining the market rates for such services, the Group will generally consider the prices offered by independent third party service providers of comparable services and similar services and compare to those offered to the Group. In particular, the finance department of the Group will compare the services fees offered by different service providers in respect of comparable services and a similar type of such services (based on the similar type of services).

In assessing the fairness and reasonableness of the pricing terms of the deposit services, we have randomly selected two months in the past 12 months, obtained and reviewed the relevant time deposit records of deposits placed by the Group with Fosun Finance and the corresponding deposit records of deposits placed by the Group with PRC commercial banks in general during such periods with similar nature, tenor and principal amount. As the deposits placed by the Group with Fosun Finance has no distinctive characteristics nor any seasonality patterns and is recurring throughout the year and our samples selected had covered the majority of the types of deposits placed by the Group with Fosun Finance, we considered that our random selection method is fair and reasonable. Furthermore, as the deposits placed by the Group with PRC commercial banks in general mainly comprises state-owned commercial banks in the PRC and other principal banks of the Group which make reference to the benchmark interest rates as published by the PBOC, we consider that the sample deposit rates are fair and representative.

Based on our due diligence review, we noted that the deposit rates for deposits placed by the Group with Fosun Finance were higher than those deposits placed by the Group with such PRC commercial banks, and were in line with the pricing basis of deposit services under the Renewed Financial Services Agreement. We have also reviewed the Renewed Financial Services Agreement and noted that the abovementioned pricing terms for deposit services are the same as those as stipulated under the Financial Services Agreement.

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For the settlement services and other financial services, we have obtained the fee schedule for the settlement services and other financial services of Fosun Finance and we were given the understanding that the settlement services and other financial services by Fosun Finance to the Group are currently provided free of charge. We have also reviewed the fee schedule of similar settlement services and other financial services of two PRC commercial banks in general and noted that the fees for settlement services for payment and receipt and other ancillary services relating to settlement services charged by those PRC commercial banks in general were determined with reference to (i) the Notice of the National Development and Reform Commission and the China Banking Regulatory Commission on Issuing the Catalogue of Government-Guided Pricing and Government-Fixed Pricing for Services Provided by Commercial Banks (“關於印發商業銀行服務政府指導價政府定價目錄的通知”) issued by the National Development and Reform Commission of the PRC (the “**NDRC**”); or (ii) the prevailing market price. We have obtained and reviewed Fosun Finance’s fee schedule applicable to the Group for the settlement services and other financial services and noted that such service fees are listed as free of charge. We further reviewed the 2020 Annual Report and the 2021 Annual Report and noted that no expenses of settlement services and other financial services fee to Fosun Finance were incurred during the term of the Financial Services Agreement, hence the settlement services and other financial services offered by Fosun Finance to the Group were conducted on more favourable pricing basis to the Group than those with PRC commercial banks in general, and were in accordance with the pricing terms stipulated in the Renewed Financial Services Agreement. We have also reviewed the Renewed Financial Services Agreement and noted that the abovementioned pricing terms for settlement services and other financial services are the same as those as stipulated under the Financial Services Agreement.

### **6. The proposed annual caps**

#### **(i) Deposit services**

Set out below are the details of (i) the historical transaction amounts and the existing annual caps for the deposit services under the Financial Services Agreement for each of FY2020, FY2021 and the financial year ending 31 December 2022 (“**FY2022**”);

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and (ii) the proposed annual caps for the deposit services for each of the financial years ending 31 December 2023 (“FY2023”), 2024 (“FY2024”) and 2025 (“FY2025”) under the Renewed Financial Services Agreement:

*Unit: RMB million*

	<b>For the year ended 31 December</b>		<b>For the year ending 31 December</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
Maximum daily balance of deposits placed by the Group with Fosun Finance	979.62	993.25	986.17 <i>(Note)</i>
Annual caps	1,000.0	1,000.0	1,000.0
<i>Utilisation rate</i>	<i>98.0%</i>	<i>99.3%</i>	<i>98.6%</i>

*Note:* for the six months ended 30 June 2022 only

*Unit: RMB million*

	<b>For the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Proposed annual caps (Maximum daily balance of deposits placed by the Group with Fosun Finance)	2,000.0	2,000.0	2,000.0

As set out in the Letter from the Board, the proposed annual caps for the deposit services under the Renewed Financial Services Agreement are determined with reference to (i) the existing scale of the Group’s assets, business and revenue; (ii) the possible additional deposits arising from the continuous business development of the Group and the addition of subsidiaries within the service term stipulated in the Renewed Financial Services Agreement, (iii) the diversification and reduction of the overall deposit risk through the diversified deposit channels, and (iv) the historical utilisation of the relevant annual caps.

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In addition to the factors considered by the Company in arriving at the proposed annual caps for the deposit services as set out above and in the Letter from the Board, we have also considered the following in assessing the fairness and reasonableness of the proposed annual caps for the deposit services under the Renewed Financial Services Agreement:

a. *The historical utilisation of the respective annual caps*

As shown in the table above, the maximum daily balance of deposits placed by the Group with Fosun Finance for FY2020, FY2021 and the six months ended 30 June 2022 amounted to RMB979.62 million, RMB993.25 million and RMB986.17 million, representing an utilisation rate of 98.0%, 99.3% and 98.6% for the existing annual caps under the Financial Services Agreement, respectively. As advised by the Management, the existing annual caps under the Financial Services Agreement were almost fully utilised given the continued business development of the Group.

b. *The expected additional needs for the deposit services arising from the continuous business development of the Group*

The Group has been growing substantially in its scale of operation since its listing on the main board of the Hong Kong Stock Exchange in 2012 in terms of revenue, net cash flows generated from operating activities and cash and bank balances. The Group's revenue for FY2021 was RMB38,858 million, representing a compound annual growth rate ("**CAGR**") of approximately 20.46% compared with that of RMB7,278 million in 2012. The Group's net cash flows generated from operating activities recorded a CAGR of approximately 21.87% from 2012 to 2021, which was generally in line with the revenue growth.

Furthermore, set out below is an analysis on the percentage of maximum daily balance of deposits placed by the Group with Fosun Finance over the Group's total cash and bank balances ("**Fosun Deposit to Cash Ratio**") as at the end of each recent financial year/period based on (i) the maximum daily balance of deposits

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placed by the Group with Fosun Finance for each of the years ended 31 December 2014 to 2021 and the six months ended 30 June 2022; and (ii) the Group's cash and bank balances as at the end of each corresponding financial year/period.

*Unit RMB million*

	As at/for the year ended 31 December								As at/For the six months ended 30 June
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Maximum daily balance of deposits placed by the Group with Fosun Finance	950.37	678.42	678.43	534.69	575.42	979.53	979.62	993.25	986.17
Cash and bank balances	3,696	4,029	5,996	7,249	8,547	9,533	9,962	10,308	12,258
Fosun Deposit to Cash Ratio	25.71%	16.84%	11.31%	7.38%	6.73%	10.28%	9.83%	9.64%	8.05%

We noted that the Group has maintained a robust and stably increasing cash and bank balances over the recent years. The Group's cash and bank balances as at 30 June 2022 of RMB12,258 million represented an increase of approximately 231.66% compared with that of RMB3,696 million as at 31 December 2014.

We further noted that the historical annual caps for deposit services were set at RMB1,000 million since 2014. The increasing cash and bank balances of the Group and the nearly fully utilised historical annual caps for deposit services in the recent financial years/period suggested that the existing level of annual caps may not be able to fully accommodate the Group's increasing need for the deposit services in light of its continued business development as evidenced by the growth in revenue, net cash flows generated from operating activities and cash and bank balances of the Group as mentioned above.

Also, as mentioned in the section headed "3. Reasons for and benefits of entering into the Renewed Financial Services Agreement" in this letter, the actual maximum daily balance of deposits placed by the Group with Fosun Finance for FY2020, FY2021 and the six months ended 30 June 2022 were RMB979.62 million, RMB993.25 million and RMB986.17 million, representing a Fosun Deposit to Cash Ratio of approximately 9.83%, 9.64% and 8.05% of the Group's cash and bank balances as at the corresponding year-end or period-end date. The general declining trend in the Fosun Deposit to Cash Ratio since 2014, together with the fact that the maximum daily balance of deposits placed by the Group with Fosun Finance being very close to the historical annual caps since 2019, appears to suggest that the existing annual caps are becoming increasingly restrictive to the Group's flexibility in treasury planning and overall liquidity allocation with the use of the deposit services of Fosun Finance. Such restriction becomes more prominent when taking also into account that the Group has experienced growth in terms of

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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size and scale of operation over the years with robust financial positions and a CAGR of approximately 15.8% for cash and bank balances from as at 31 December 2014 to as at 31 December 2021, and a further increase of approximately 18.9% from as at 31 December 2021 to as at 30 June 2022.

The proposed annual caps for deposit services of RMB2.0 billion represent approximately 16.32% of the cash and bank balances of the Group as at 30 June 2022, which remains within the range of historical Fosun Deposit to Cash Ratio since 2014.

Given the increasing size and scale of operation of the Group, as evidenced by the growth in its revenue, net cash flows from operating activities and cash and bank balances, the proposed annual caps of deposit services for RMB2.0 billion would enable the Group to cope with the increased demand for deposit services as a result of the Group's continuous business development.

Having considered the foregoing, we concur with the Board's view that the determination of the proposed annual caps of RMB2,000 million for each of FY2023, FY2024 and FY2025 would accommodate the additional needs for deposit services resulted from the continuous business development of the Group.

### **(ii) Settlement services and other financial services**

Set out below are the details of (i) the historical transaction amounts and the existing annual caps for the settlement services and other financial services under the Financial Services Agreement for each of FY2020, FY2021 and FY2022; and (ii) the proposed annual caps for the settlement services and other financial services for each of FY2023, FY2024 and FY2025 under the Renewed Financial Services Agreement:

*Unit: RMB million*

	<b>For the year ended</b>		<b>For the six</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2020</b>	<b>2021</b>	<b>30 June</b>
			<b>2022</b>
Fees and charges paid by the			
Group to Fosun Finance for			
settlement services and other			
financial services	Nil	Nil	Nil
Annual caps	1.0	1.0	1.0

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER IN  
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*Unit: RMB million*

	<b>For the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
Proposed annual caps	1.0	1.0	1.0

As set out in the Letter from the Board, the proposed annual caps for the settlement services and other financial services under the Renewed Financial Services Agreement are determined with reference to (i) the possible demand for such services arising from the future business requirements and financing needs of the Group; and (ii) the historical annual caps for such services.

We noted that no actual fees and charges for settlement services and other financial services was paid to Fosun Finance by the Group as Fosun Finance has been providing such services to the Group on a free of charge basis. We noted that the settlement services and other financial services fees charged by Fosun Finance to the Group in 2012 and 2013 was RMB110,500 and RMB600, respectively, and no such services fees were charged by Fosun Finance to the Group since 2014. The proposed annual caps for the settlement services and other financial services of RMB1.0 million for each of FY2023, FY2024 and FY2025 represent a reasonable buffer in the event Fosun Finance charges fees for such settlement services and other financial services in future (which it is entitled to do so under the Renewed Financial Services Agreement on normal commercial terms). Also, the proposed annual caps of RMB1.0 million represent only approximately 0.1% of the finance costs of the Group of RMB822.5 million for FY2021. Having considered the foregoing, we are of the view that the proposed annual caps for settlement service and other financial services of RMB1.0 million for each of FY2023, FY2024 and FY2025 are not excessive.

**7. Internal control measures**

As set out in the Letter from the Board, pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, the Company will disclose in the annual report the review by the Board (including independent non-executive Directors) of the continuing connected transactions entered into every year (including the continuing connected transactions under the Renewed Financial Service Agreement) and confirm that the transactions have been entered into in the ordinary and usual course of business of the Group, in accordance with the relevant agreements governing such transactions on terms (which are normal commercial terms or better to the Company) that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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Independent auditors will also review the continuing connected transactions entered into (including the continuing connected transactions under the Renewed Financial Service Agreement) and issue a letter to the Board every year. The conclusion of such review by the auditors will be disclosed in the annual report.

In addition, as part of the Group's internal control systems to ensure that the continuing connected transactions under the Renewed Financial Services Agreement are conducted in accordance with the terms under the Renewed Financial Services Agreement (including but not limited to the pricing policy), the Company has implemented the following internal control procedures.

- (i) the Company has formulated the Connected Transaction Management System which sets out the internal control framework and requirements with respect to connected transactions of the Group. All divisions of the Company and subsidiaries of the Company must follow the requirements under the Connected Transaction Management System;
- (ii) the management of the Company will closely review the use of services under the Renewed Financial Services Agreement through ongoing and timely enquiries, with a view to monitoring and ensuring that the balance of current and ongoing deposits placed with Fosun Finance is within the proposed annual caps;
- (iii) the management of the Company will conduct regular reviews and random inspections to verify whether the price of the connected transaction is in compliance with the above pricing principles including reviewing the transaction records of the Group for similar services;
- (iv) the Company shall obtain and review relevant documents of Fosun Finance including its financial statements at least semi-annually to assess its financial risks status, and issue the Continuous Risk Assessment Report;
- (v) if the proposed annual caps need to be adjusted due to business development needs or other reasons, arrangements will be made in advance and the relevant requirements of the Hong Kong Listing Rules will be strictly complied with.

The Directors are of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are entered into on normal commercial terms in the ordinary course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted in accordance with the Renewed Financial Services Agreement and in compliance with Chapter 14A of the Hong Kong Listing Rules.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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We have obtained and reviewed the Connected Transaction Management System and noted that the transactions contemplated under the Financial Services Agreement and the Renewed Financial Services Agreement are and shall be governed under the Connected Transaction Management System. The Management further advised that the Company has conducted regular reviews and random inspections to ensure the pricing terms of the transactions under the Financial Services Agreement are conducted in accordance with terms thereunder, and will continue to conduct such reviews and inspection on the transactions contemplated under the Renewed Financial Services Agreement.

### **8. Measures to ensure compliance with the Hong Kong Listing Rules**

In addition, pursuant to Rules 14A.55 to 14A.59 of the Hong Kong Listing Rules, the Renewed Financial Services Agreement is subject to the following annual review requirements:

- (i) the independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report and whether the continuing connected transactions have been entered into:
  - a. in the ordinary and usual course of business of the Group;
  - b. on normal commercial terms or better; and
  - c. according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the continuing connected transactions every year. The auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - a. have not been approved by the Board;
  - b. were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;
  - c. were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
  - d. have exceeded the annual cap.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE RENEWED FINANCIAL SERVICES AGREEMENT

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- (iii) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the auditors sufficient access to their records for the purpose of reporting on the transactions; and
- (iv) the Company must promptly notify the Hong Kong Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required.

In light of the annual review and reporting requirements applicable to the Non-exempt Transactions under the Renewed Financial Services Agreement, in particular, (i) there are assigned person or department in charge for collecting and monitoring the terms and transaction amount of each particular transaction under the Renewed Financial Services Agreement; (ii) the restriction of the amount of the maximum daily balance of deposits placed by the Group with Fosun Finance; (iii) the ongoing annual review by the independent non-executive Directors and the auditors of the Company of the terms and the annual caps not being exceeded; and (iv) the internal control measures in place to ensure the Company's conformity with the policies under the Renewed Financial Services Agreement, we are of the view that there are appropriate measures to govern the Company in conducting the transactions contemplated under the Renewed Financial Services Agreement in a view to safeguarding the interests of the Shareholders.

We have obtained and reviewed the annual confirmations by the auditors and noted that nothing has come to their attention that causes them to believe that the historical continuing connected transactions of the Group, including the transactions under the Financial Services Agreement, (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual cap.

### IV. RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the Renewed Financial Services Agreement has been negotiated on arm's length basis and is on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the terms of the Renewed Financial Services Agreement, the transactions contemplated thereunder and the proposed annual caps in respect of the Non-exempt Transactions are fair and reasonable; and (iii) the entering into of the Renewed Financial Services Agreement is in the interests of the Company and its Shareholders as a whole.

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**LETTER FROM INDEPENDENT FINANCIAL ADVISER IN  
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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Renewed Financial Services Agreement, the Non-exempt Transactions contemplated thereunder and the proposed annual caps at the EGM.

Yours faithfully,  
For and on behalf of  
**Yue Xiu Capital Limited**  
**Cedric Wu**  
*Associate Director*

*Mr. Cedric Wu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Yue Xiu Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. He has over 10 years of experience in the accounting and corporate finance industries.*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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*The following is the text of the letter of advice from Yue Xiu Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Connected Grant.*



Room 17–37, 49/F, Sun Hung Kai Centre  
30 Harbour Road, Wanchai  
Hong Kong

31 October 2022

*To: the Independent Board Committee and the Independent Shareholders of  
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.*

Dear Sirs or Madams,

### CONNECTED TRANSACTION — PROPOSED GRANT OF RESTRICTED SHARES TO CONNECTED PERSONS UNDER THE PROPOSED 2022 RESTRICTED A SHARE INCENTIVE SCHEME

#### I. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the proposed grant of Restricted Shares underlying the A Share First Grant to Participants who are connected persons of the Company (the “**Connected Grant**”), details of which are set out in the “Letter from the Board” (“**Letter from the Board**”) in this circular dated 31 October 2022 issued by the Company (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 29 August 2022, the Board resolved to approve the proposed adoption of the 2022 Restricted A Share Incentive Scheme. The 2022 Restricted A Share Incentive Scheme shall become effective upon consideration and approval by the Shareholders at the EGM and the Class Meetings.

Pursuant to the 2022 Restricted A Share Incentive Scheme, up to 3,434,300 Restricted Shares are proposed to be granted to the Participants. Specifically, up to 2,747,500 Restricted Shares will be granted under the A Share First Grant and up to 686,800 Restricted Shares will be reserved for further grant. Out of the 2,747,500 Restricted Shares under the A Share First Grant, (i) 1,389,200 Restricted Shares will be granted to 14 Participants who are connected persons of the Company (the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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“**Connected Participants**”); and (ii) 1,358,300 Restricted Shares will be granted to 129 other senior management personnel of the Company, mid-level management personnel and core personnel of the Group.

As at the Latest Practicable Date, the Connected Participants are chief executive, director and/or supervisor (as defined in the Hong Kong Listing Rules) of the Company or its subsidiaries and are connected persons of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the Connected Grant constitutes non-exempt connected transactions of the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In accordance with the relevant laws and regulations, each of Mr. Wu Yifang, executive Director and chairman of the Company, Mr. Wang Kexin, executive Director and co-chairman of the Company, Ms. Guan Xiaohui, executive Director and vice chairman of the Company and Mr. Wen Deyong, executive Director and chief executive officer of the Company, each being a Director and proposed Participant under the Connected Grant, has abstained from voting on the relevant board resolutions in relation to the 2022 Restricted A Share Incentive Scheme. Save as disclosed above, none of the other Directors has a material interest in the Connected Grant.

Mr. Wu Yifang, Mr. Wang Kexin, Ms. Guan Xiaohui and Mr. Wen Deyong are also considered as having material interests in the 2022 Restricted A Share Incentive Scheme, and accordingly they were required to abstain from voting in the EGM and the Class Meetings in respect of the relevant resolutions to approve the 2022 Restricted A Share Incentive Scheme and the Connected Grant.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Li Ling, Mr. Tang Guliang, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson, has been established to advise the Independent Shareholders as to whether the Connected Grant is fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM and the Class Meetings to approve the Connected Grant. We, Yue Xiu Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, Yue Xiu Capital Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as a hindrance to our independence under Rule 13.84 of the Hong Kong Listing Rules to act as the Independent Financial Adviser. In the last two years, Yue Xiu Capital Limited acted as the independent financial adviser to the then independent board committee and independent shareholders of the Company in relation to the proposed grant of restricted shares to connected persons of the Company, details of which were disclosed in the circular of the Company dated 12 May 2021. The past engagement was limited to providing independent advisory services to the then independent board committee and independent shareholders of the Company pursuant to the Hong Kong Listing Rules, of which Yue

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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Xiu Capital Limited received normal professional fees from the Company. Also, Yue Xiu Capital Limited has been appointed by the Company to act as the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the Renewed Financial Services Agreement and the non-exempt continuing connected transactions contemplated thereunder (including the proposed annual caps). Save as the abovementioned past and current engagements, as at the Latest Practicable Date, there has been no other engagement between the Group and Yue Xiu Capital Limited. Apart from normal professional fees paid or payable to us in connection with our appointments as the Independent Financial Adviser, no arrangements exist whereby we have received or will receive any fees or benefits from the Group or the Connected Participants. Accordingly, we are qualified to give independent advice in respect of the Connected Grant.

### II. BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the annual reports of the Company for the years ended 31 December 2020 (the “**2020 Annual Report**”) and for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the interim results announcement of the Company for the six months ended 30 June 2022 (the “**2022 Interim Results**”); (iv) the opinions expressed by and the representations of the Directors and the management of the Company (the “**Management**”); and (v) our review of the relevant public information. We have assumed that all the information and representations made and opinions expressed to us or contained or referred in the Circular were true, accurate and complete in all material aspects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. The Directors have confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Company and/or Directors and the Management are true, accurate, complete and not misleading in all material respects at the time they were made and continued to be so until the Latest Practicable Date. In addition, the Company shall inform the Independent Shareholders of any material change of information in the Circular between the Latest Practicable Date and the date of the EGM and the Class Meetings.

The 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 Group. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for the letters of advice issued by us as incorporated into the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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We consider that we have reviewed the relevant information currently available to enable us to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification on the information provided, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or its associates.

### III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons in respect of the Connected Grant:

#### 1. Background and financial performance of the Group

As a global innovation-driven pharmaceutical and healthcare industry group deep-rooted in China, the Group directly operates businesses including pharmaceutical manufacturing, medical devices, medical diagnosis, and healthcare services, and also has a presence in pharmaceutical commerce through its investment.

The following table sets out a summary of selected financial indicators illustrating the recent financial performance of the Group for the years ended 31 December 2019 (“FY2019”), 2020 (“FY2020”) and 2021 (“FY2021”) and for the six months ended 30 June 2021 (“1H2021”) and 2022 (“1H2022”) based on the 2020 Annual Report, the 2021 Annual Report and the 2022 Interim Results.

*Unit: RMB million*

	For the year ended 31 December		2021	For the six months ended 30 June	
	2019	2020		2021	2022
	(Audited)	(Audited and restated) (Note)	(Audited)	(Unaudited and restated)	(Unaudited)
Revenue	28,389	30,163	38,858	16,878	21,275
Gross profit	16,846	16,430	18,630	8,621	9,699
Profit attributable to owners of the parent	3,322	3,663	4,735	2,482	1,554

*Note:* According to the 2021 Annual Report, the Group adopted the change in accounting policies as set out in the questions and answers regarding the Accounting Standard for Business Enterprise published by the Ministry of Finance of the PRC on 2 November 2021. The accounting standard indicated that certain amortisation of capitalised transportation cost should be recorded as cost of sales rather than selling and distribution expenses hence the costs of sales and gross profit of the Group for the year ended 31 December 2020 were restated accordingly. As the prevailing accounting policies required the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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2021 Annual Report to present the financial statements of the Group for the year ended 31 December 2021 and the restatement for corresponding comparative period for the year ended 31 December 2020, hence such restatement was not retrospectively applied to the financial statements of the Group for the year ended 31 December 2019.

### ***FY2019 and FY2020***

Revenue of the Group increased by approximately 6.25% to RMB30,163 million for FY2020 as compared to FY2019. The increase in revenue was mainly attributable to (i) the orderly resumption of production and operation in the second quarter despite the COVID-19 pandemic; (ii) the launch of new products in the third quarter, namely Han Qu You and Su Ke Xin; and (iii) the sales contribution from anti-pandemic products such as the nucleic acid test kits for 2019-nCov.

Gross profit of the Group amounted to RMB16,430 million for FY2020, representing a slight decrease of approximately 2.47% as compared with that of RMB16,846 million for FY2019. The Group's gross profit margin decreased from approximately 59.34% for FY2019 to approximately 54.47% for FY2020 mainly due to (i) decrease in sales of injection products in anti-infection and central nervous system of pharmaceutical manufacturing business, resulting in the rise of unit fixed cost; (ii) decrease in gross profit margin of the products which were selected in centralised procurement; and (iii) the restatement of the cost of sales for FY2020 as mentioned above while such restatement was not retrospectively applied to the financial statements of the Group for FY2019.

The Group's profit attributable to owners of the parent increased to RMB3,663 million for FY2020 from RMB3,322 million for FY2019, representing an increase of approximately 10.27%. Such increase was mainly due to the combined effect of (i) the slight decrease in gross profit as mentioned above; (ii) the decrease in selling and distribution expenses as a result of strengthened management and control of sales expenses; and (iii) the increase in R&D expenses during the year.

### ***FY2020 and FY2021***

Revenue of the Group increased by approximately 28.83% to RMB38,858 million for FY2021 as compared to FY2020. The increase in revenue was mainly attributable to the revenue contribution from new products and sub-new products including but not limited to Comirnaty, Han Li Kang, Han Qu You and Su Ke Xin, and contribution from revenue growth of the Group's overseas subsidiaries, namely Gland Pharma and Sisram Medical.

Gross profit of the Group increased by approximately 13.39% to RMB18,630 million for FY2021. The Group's gross profit margin further decreased from approximately 54.47% for FY2020 to approximately 47.94% for FY2021, mainly due to the decrease in gross profit margin of the pharmaceutical manufacturing segment of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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Group as a result of (i) the decline in gross profit margin of certain existing products after being selected for central procurement, (ii) the effect of the lower gross profit margin of Comirnaty as compared to the overall gross profit margin of other products and (iii) the increase in prices of raw and auxiliary materials of certain core products during the year.

The Group's profit attributable to owners of the parent increased to RMB4,735 million for FY2021 from RMB3,663 million for FY2020, representing an increase of approximately 29.28%. Such increase was mainly due to (i) the increase in the gross profit of the Group as mentioned above; (ii) the substantial increase in other gains recorded from gain on disposals of subsidiaries and the increase of share price of BioNTech SE held by the Group and such effect was partially offset by (a) the increase in selling and distribution expenses and (b) increase of R&D expenses as a result of the enhanced R&D effort during the year.

### *1H2021 and 1H2022*

Revenue of the Group increased by approximately 26.05% to RMB21,275 million for 1H2022 as compared to 1H2021. The increase in revenue was mainly attributable to the revenue contribution from innovative products such as Han Qu You and Han Si Zhuang, and anti-epidemic products such as Comirnaty and COVID-19 antigen test kits, the Group's revenue and recurring income demonstrating a continued steady growth during the period, with the proportion of revenue from new products and sub-new products and proportion of revenue from regions outside the PRC and other countries continuing to increase, and revenue structure continuing to be optimised.

Gross profit of the Group increased by approximately 12.50% to RMB9,699 million for 1H2022. The Group's gross profit margin further decreased to approximately 45.59% for 1H2022, representing a period-on-period decrease of approximately 5.49% compared with that of approximately 51.08% for 1H2021. The further decline in gross profit margin was mainly due to (i) the increase in labour cost and increase in price of main raw and auxiliary materials under the impact of the pandemic; (ii) the lower gross profit margin of overseas sales of non-proprietary anti-epidemic products of the Group during the pandemic; and (iii) the impact of centralised procurement products.

The Group's profit attributable to owners of the parent decreased to RMB1,554 million for 1H2022 from RMB2,482 million for 1H2021, representing a decrease of approximately 37.39%. The decrease in profit attributable to owners of the parent during the period amid of increase in gross profit was mainly due to the net impact of fair value loss as a result of changes in the share price of BioNTech SE held by the Group as affected by market fluctuation for over RMB1 billion.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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### 2. Information on the Connected Participants

The identities and positions held in the Group of the Connected Participants are set out as follows:

Name	Positions held in the Group
Wu Yifang	Executive Director and chairman
Wang Kexin	Executive Director and co-chairman
Guan Xiaohui	Executive Director and vice chairman
Wen Deyong	Executive Director and chief executive officer (CEO)
Liu Qiang	Assistant to chairman
Feng Rongli	Senior vice president
Liu Yi	Senior vice president
Zhu Yue	Vice president
Yan Jia	Chief accountant
Yan Zihou	Senior vice president of the established medicines manufacturing and supply division, innovative medicines division
ZHANG JIA AI	Executive president and chief technology officer of global R&D centre, co-president of established medicines manufacturing & supply division
Zhou Yong	Assistant to president, co-general manager of human resources department
Kong Deli	Assistant to president, general manager of patent affairs department
Ma Xinyan	General manager of lean operation department

We have obtained and reviewed the background and biographies of each Connected Participants. We noted that each of the Connected Participants has served the Group for an extensive period of time, possessed around 20 years of relevant industry experience and carried out strategic roles in different functions in the Group's operations. On average, the Connected Participants have served the Group for more than 12 years. Having considered (i) the extensive experience and expertise each Connected Participant possesses and the long service period of certain Connected Participants who are important to the corporate development and strategic planning and management of the Group; and (ii) the continued business growth of the Group in the past years during their tenure of service, we concur with the Management's view that the retention of these Connected Participants is beneficial to the future development of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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### **3. Reasons for and benefits of the adoption of the 2022 Restricted A Share Incentive Scheme and the Connected Grant**

As set out in the Letter from the Board, the 2022 Restricted A Share Incentive Scheme aims to, among others, promote the establishment and improvement of the incentive and restraint mechanism of the Group, fully mobilize the enthusiasm of the Company's executive Directors and senior management personnel and employees of the Group, effectively align the interests of the Company, Shareholders with the interests of the Participants to focus on the long-term development of the Group and achieve the development goals of the Group. The Board is of the view that the proposed adoption of the 2022 Restricted A Share Incentive Scheme (including the terms on the scope of the Participants, the Restriction Period, the performance appraisal, the Grant Price and the repurchase) will assist the Group in achieving the aforesaid goals, and that the terms and conditions of the 2022 Restricted A Share Incentive Scheme are on normal commercial terms, fair, reasonable and in the interests of the Company and Shareholders as a whole.

As advised by the Management, the Board proposed to be approved by the Shareholders that the Connected Participants and the number of Restricted Shares to be granted to each of them with reference to their respective roles, responsibilities, years of services, work experience, contributions, remuneration packages and prevailing compensation of similar positions in the market.

We have also discussed with the Management regarding alternative methods of providing incentives to the Connected Participants, including cash bonuses and remuneration increment. After careful consideration of the various alternatives, it is considered that the 2022 Restricted A Share Incentive Scheme to be an appropriate incentive measure given that, as opposed to the other alternatives, the 2022 Restricted A Share Incentive Scheme will enable the Company to incentivize the Participants (including the Connected Participants) to make contribution to the Group, while limiting the Group's cash outflow in this regard. In addition, the economic benefits of the 2022 Restricted A Share Incentive Scheme to the Connected Participants are dependent on the improvement in the performances of the Group and hence the interest of the Connected Participants are aligned with those of the Company, the Shareholders and other Participants.

Based on our independent research, we noted that it is common practice for companies listed on the Shanghai Stock Exchange to adopt restricted share incentive scheme for the purpose of motivating their personnel and employees. Details of the independent research are set out in the section headed "5. Comparable Grants" in this letter.

Having considered the above reasons and that (i) the grant of the Restricted Shares to the Connected Participants under the 2022 Restricted A Share Incentive Scheme can motivate the Connected Participants to make contributions to the Group; (ii) the appropriateness of incentive measures compared with other alternative methods as mentioned above; and (iii) the adoption of restricted share incentive scheme for management personnel and employees is a

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common practice among companies listed on the Shanghai Stock Exchange, we concur with the Management's view that the Connected Grant under the 2022 Restricted A Share Incentive Scheme are in the interests of the Company and the Shareholders as a whole.

#### **4. Principal terms of the 2022 Restricted A Share Incentive Scheme**

Set out below are the principal terms of the 2022 Restricted A Share Incentive Scheme. Details of which are set out under the section headed "Proposed Adoption of 2022 Restricted A Share Incentive Scheme" in the Letter from the Board.

##### **(i) *Number of Restricted Shares to be granted to the Participants***

The number of the Restricted Shares proposed to be granted to the Participants under the 2022 Restricted A Share Incentive Scheme shall not exceed 3,434,300 Restricted Shares, accounting for approximately 0.1287% of the Company's total share capital of the Company (i.e. 2,669,655,211 Shares) and approximately 0.1622% of the total number of the Company's A Shares in issue (i.e. 2,117,714,711 A Shares) as at the Latest Practicable Date. Specifically, up to 2,747,500 Restricted Shares will be granted under the A Share First Grant, representing up to approximately 0.1030% of the Company's total share capital and approximately 0.1297% of the Company's total issued A Shares as at the Latest Practicable Date. Up to 686,800 Restricted Shares will be reserved for Reserved Grant, representing approximately 20% of the total Restricted Shares to be granted thereunder and up to approximately 0.0258% of the total share capital and approximately 0.0324% of the total issued A Shares of the Company as at the Latest Practicable Date. As such, no Participant will be granted incentives which represent in the aggregate more than 0.1% (being the individual maximum entitlement to Restricted Shares under the A Share Scheme under the Hong Kong Listing Rules) of the total share capital of the Company as at the Latest Practicable Date, which complies with the requirement under the Administrative Measures that Shares to be obtained by the Participants shall not in the aggregate exceed 1% of the total share capital of the Company under share incentive schemes. In the event the grant of Restricted Shares underlying the A Share Scheme exceeds the applicable thresholds set out under the Hong Kong Listing Rules, the Company will comply with applicable requirements under the Hong Kong Listing Rules including the obtaining of any requisite approval by its Shareholders.

##### **(ii) *Basis for determining the Participants***

###### **(1) *Legal basis for determining the Participants***

The Participants of the 2022 Restricted A Share Incentive Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures and the requirements under other relevant laws, regulations, regulatory documents and the Articles of Associations and the actual situation of the Group.

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### *(2) Positions held by the Participants in the Company*

The Participants under the 2022 Restricted A Share Incentive Scheme include the executive Directors, senior management personnel of the Company, the mid-level management personnel of the Group and other employees to whom the Board considers provision of incentives to be appropriate.

### *(3) Scope of the Participants*

Participants under the 2022 Restricted A Share Incentive Scheme do not include any independent non-executive Director or supervisor of the Company, or shareholder or actual controller and his/her spouse, parents and children individually or collectively holding more than 5% of the Shares of the Company.

The executive Directors and senior management personnel of the Company among the Participants were elected at the general meetings of the Company or hired by the Board. All Participants shall have entered into employment agreements or engagement documents with the Company or its subsidiaries at the time of grant under the 2022 Restricted A Share Incentive Scheme and during the term of the 2022 Restricted A Share Incentive Scheme.

The number of Participants proposed at the A Share First Grant under the 2022 Restricted A Share Incentive Scheme shall not exceed 143, and comprise:

- (I) the executive Directors and senior management personnel of the Company;
- (II) mid-level management personnel, core technology (business) personnel of the Group; and
- (III) other core personnel having made a direct contribution to the overall business performance and sustainable development of the Group as determined by the Board.

The Participants for the Reserved Grant shall be determined within 12 months from the date on which the 2022 Restricted A Share Incentive Scheme is considered and approved at the general meeting, A Share and H Share class meetings of the Company. The Company will make disclosure on the Reserved Grant after the Board proposes, the independent non-executive Directors and the supervisory committee of the Company will express clear view on, and a law firm gives professional advice and issues legal opinion(s) on, such Reserved Grant. The reserved entitlements will become invalid where the Participants for the Reserved Grant are not determined after 12 months from the aforesaid date. The basis and scope for determining the Participants of the Reserved Grant portion shall be in compliance with the determination basis and scope of Participant of the 2022 Restricted A Share Incentive Scheme.

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## (iii) Allocation of the Restricted Shares under the A Share First Grant

The proposed allocation of the Restricted Shares under the A Share First Grant of the 2022 Restricted A Share Incentive Scheme among the Connected Participants and other Participants is set out below:

Name	Position	Number of Restricted Shares to be granted	Value of the Restricted Shares to be granted (in RMB million) (Note 1)	Proportion in the total number of shares to be granted under First Grant	Proportion of Restricted Shares in the total A Share capital of the Company as at the Latest Practicable Date	Proportion of Restricted Shares in the total Share capital of the Company as at the Latest Practicable Date
Wu Yifang*	Executive Director and chairman <sup>#</sup>	257,200	4.97	9.36%	0.0121%	0.0096%
Wang Kexin*	Executive Director and co-chairman <sup>#</sup>	215,200	4.16	7.83%	0.0102%	0.0081%
Guan Xiaohui*	Executive Director and vice chairman <sup>#</sup>	187,100	3.61	6.81%	0.0088%	0.0070%
Wen Deyong*	Executive Director and chief executive officer (CEO) <sup>#</sup>	187,100	3.61	6.81%	0.0088%	0.0070%
Liu Qiang*	Assistant to chairman	187,100	3.61	6.81%	0.0088%	0.0070%
Mei Jingping	Executive president	140,300	2.71	5.11%	0.0066%	0.0053%
Wang Donghua	Senior vice president	93,500	1.81	3.40%	0.0044%	0.0035%
Feng Rongli*	Senior vice president	93,500	1.81	3.40%	0.0044%	0.0035%
Liu Yi*	Senior vice president	46,800	0.90	1.70%	0.0022%	0.0018%
Bao Qingui	Senior vice president	46,800	0.90	1.70%	0.0022%	0.0018%
Li Jing	Senior vice president	93,500	1.81	3.40%	0.0044%	0.0035%
Dong Xiaoxian	Vice president, secretary to the Board and joint company secretary	46,800	0.90	1.70%	0.0022%	0.0018%
Zhang Yuejian	Vice president	23,400	0.45	0.85%	0.0011%	0.0009%
Yuan Ning	Vice president	9,400	0.18	0.34%	0.0004%	0.0004%
Su Li	Vice president	23,400	0.45	0.85%	0.0011%	0.0009%
Ji Hao	Vice president	46,800	0.90	1.70%	0.0022%	0.0018%
Zhu Yue*	Vice president	46,800	0.90	1.70%	0.0022%	0.0018%
Yan Jia*	Chief accountant	18,700	0.36	0.68%	0.0009%	0.0007%
Yan Zihou*	Senior vice president of the established medicines manufacturing & supply division and innovative medicines division	46,800	0.90	1.70%	0.0022%	0.0018%
ZHANG JIA AI*	Executive president and chief technology officer of global R&D centre, co-president of established medicines manufacturing & supply division	46,800	0.90	1.70%	0.0022%	0.0018%
Zhou Yong*	Assistant to president, co-general manager of human resources department	18,700	0.36	0.68%	0.0009%	0.0007%
Kong Deli*	Assistant to president, general manager of patent affairs department	18,700	0.36	0.68%	0.0009%	0.0007%
Ma Xinyan*	General manager of lean operation department	18,700	0.36	0.68%	0.0009%	0.0007%
<b>Other mid-level management personnel and core personnel of the Group</b>		<b>834,400</b>	<b>16.12</b>	<b>30.37%</b>	<b>0.0394%</b>	<b>0.0313%</b>
<b>Total share number of the A Share First Grant</b>		<b>2,747,500</b>	<b>53.08</b>	<b>100.00%</b>	<b>0.1297%</b>	<b>0.1029%</b>
<b>Total number of Restricted Shares under the Connected Grant</b>		<b>1,389,200</b>	<b>26.84</b>	<b>50.56%</b>	<b>0.0656%</b>	<b>0.0520%</b>

\* Being a connected person as defined under the Hong Kong Listing Rules and the grant of Restricted Shares to such person forms part of the Connected Grant

<sup>#</sup> Being executive Directors of the Company, who are involved in the daily operation of the Group. Such executive Directors shall abstain from voting when the Board considers the 2022 Restricted A Share Incentive Scheme and shall not be involved in the management of the 2022 Restricted A Share Incentive Scheme during the implementation of the 2022 Restricted A Share Incentive Scheme

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*Notes:*

1. The value of the Restricted Shares to be granted is calculated based on the difference between (i) the closing price of the A Share on 29 August 2022 (i.e. RMB40.61), being the date where the Board resolved to approve the 2022 Restricted A Share Incentive Scheme; and (ii) the Grant Price of RMB21.29, times the number of Restricted Shares granted to each Participant/Connected Participant.
2. Certain figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

### **(iv) *Remuneration of the Connected Participants***

We have obtained and reviewed the remuneration package for FY2021 of the Connected Participants provided by the Management and noted that the total remuneration package in 2021 of the Connected Participants comprises basic salaries, cash bonus, medium-and long-term cash incentives and contribution to government-regulated defined contribution retirement benefit schemes. We have also obtained and reviewed a summary of the remuneration package for the year ended 31 December 2021 of senior management personnel of companies principally engaging in medical pharmaceutical manufacturing and R&D activities in the PRC (the “**Industry Comparable Companies**”) provided by the Management. We have discussed with the Management regarding the basis for determining the Industry Comparable Companies and we noted the remuneration data of Industry Comparable Companies were collected in response to a survey conducted by an independent consulting firm and such data served as reference when the Management is designing the remuneration package of the Group. Based on our review of the list of Industry Comparable Companies, we noted that the list covered majority of the listed companies in Hong Kong, the PRC and the United States which principally engage in medical pharmaceutical manufacturing and R&D activities in the PRC. Furthermore, we have also reviewed of the summary of the remuneration package of senior management personnel of the Industry Comparable Companies and their respective annual reports to the extent applicable, we concur with the Management’s view that the basis of determination of the Industry Comparable Companies are fair and reasonable and representative of the medical and pharmaceutical industries and the relevant senior management personnel are comparable to the Connected Participants in terms of seniority and relevant job functions.

We further note that the total remuneration package of the senior management personnel of the Industry Comparable Companies generally comprises basic salaries, cash bonus, medium- and long-term cash incentives, housing allowances, contribution to government-regulated defined contribution retirement benefit schemes, which are similar to that of the Connected Participants. We have also compared the total remuneration package of the Connected Participants and that of senior management personnel of the Industry Comparable Companies, and note that the aforementioned package for each of

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the Connected Participant is within the range of the similar package of the respective comparable management personnel holding similar job positions in the Industry Comparable Companies.

Set out below is the summary of total remuneration package of senior management personnel of the Connected Participants that was disclosed in the 2021 Annual Report or the audit report for FY2021 of the Company as published in the Shanghai Stock Exchange (as appropriate) and those of senior management personnel of the Industry Comparable Companies similar to the Connected Participants in terms of seniority and job functions.

*(in RMB million)*

Name	Position	Total remuneration in FY2021 (Note 1)	Value of the Restricted Shares to be granted (Note 2)	Hypothetical total remuneration (Note 3)	Total remuneration package of relevant senior management personnel of the Industry Comparable Companies	
					Median	Maximum
Wu Yifang	Executive Director and chairman	11.0	1.7	12.7	6.6	26.9
Wang Kexin	Executive Director and co-chairman	7.2	1.4	8.6	6.6	11.4
Guan Xiaohui	Executive Director and vice chairman	4.9	1.2	6.1	6.8	8.8
Wen Deyong	Executive Director and chief executive officer (CEO)	4.0	1.2	5.2	6.8	8.8
Feng Rongli	Senior vice president	2.5	0.6	3.1	3.3	3.9
Liu Yi	Senior vice president	3.4	0.3	3.7	3.1	3.8
Zhu Yue	Vice president	2.5	0.3	2.8	2.2	3.1

*Notes:*

- The total remuneration of the relevant Connected Participants comprise salaries, allowances, and benefits in kind plus the performance related bonus as disclosed in the 2021 Annual Report or the audit report for FY2021 of the Company as published in the Shanghai Stock Exchange (as appropriate).
- The value of the Restricted Shares to be granted was calculated based on the difference between (i) the closing price of the A Share on 29 August 2022 (i.e. RMB40.61), being the date on which the Board resolved to approve the 2022 Restricted A Share Incentive Scheme; and (ii) the Grant Price of RMB21.29, times the percentage to be unlocked (i.e. 33%) amongst the total number of Restricted Shares to be granted to the Connected Participants, assuming the unlocking conditions in respect of the Restricted Shares to the Connected Participants are satisfied and the Restricted Shares are unlocked for the first Unlocking Period.
- The hypothetical total remuneration of the Connected Participants is the sum of total remuneration in FY2021 and the value the Restricted Shares to be granted.

As set out in the table above, assuming the unlocking conditions in respect of the Restricted Shares to the Connected Participants are satisfied and the Restricted Shares are unlocked, the hypothetical total remuneration, calculated based on the total remuneration

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of those Connected Participants in FY2021 plus the aforementioned value of the Restricted Shares granted to each of the Connected Participants (based on his/her proportion of Restricted Shares under the Connected Grant), for each Connected Participant (with their total remuneration package disclosed) is within the range of those offered by the aforementioned Industry Comparable Companies for FY2021. As part of our due diligence, we have also compared the total remuneration package of other senior management personnel of the Connected Participants who did not have their remuneration package disclosed based on public information with no exception noted.

**(v) *Basis for determining the Grant Price of the Restricted Shares under the A Share First Grant***

According to the Letter from the Board, the Grant Price of the Restricted Shares under the A Share First Grant shall be RMB21.29 per A Share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the A Shares newly issued to the Participants by the Company at the price of RMB21.29 per Share.

The Grant Price of the Restricted Share under the A Share First Grant shall not be less than the nominal value of the A Shares, and shall not be less than the higher of the following prices:

1. 50% of the average trading price of the A Shares of RMB40.31 per Share on the last trading day before the date of the A-share announcement of the 2022 Restricted A Share Incentive Scheme (i.e. 29 August 2022), which is RMB20.16 per share; and
2. 50% of the average trading price of the A Shares of RMB42.57 per Share on the last 20 trading days before the date of the A-share announcement on the 2022 Restricted A Share Incentive Scheme, which is RMB21.29 per share.

We have discussed with the Management and understood that the determination of the Grant Price shall comply with the requirements set out under the Administrative Measures promulgated by the CSRC. We have also checked and reviewed the Administrative Measures and noted that the initial grant prices of the restricted A shares (i) shall not be set at a price lower than its nominal value; and (ii) principally shall not be set at a price lower than the highest of (a) 50% of the average trading price on the trading day preceding the date of announcement of the share incentive scheme; and (b) 50% of the average price for the period of last 20, 60 or 120 trading days preceding the date of announcement of the share incentive scheme. Based on our review of the legal opinion issued by Grandall Law Firm (Shanghai) (國浩律師(上海)事務所) in relation to the 2022 Restricted A Share Incentive Scheme, we noted that the 2022 Restricted A Share Incentive Scheme complies with the relevant regulations and measures issued by government authorities.

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### *(vi) Restriction Period, conditions of grant and unlocking of shares*

As set out in the Letter from the Board, the Restricted Shares granted under the 2022 Restricted A Share Incentive Scheme shall be locked after completion of their registration, and the Restricted Shares granted to the Participants are subject to different Restriction Periods (i.e. vesting periods which have a minimum duration of 12 months for the purpose of the Hong Kong Listing Rules). The Restricted Shares granted to the Participants under the 2022 Restricted A Share Incentive Scheme shall not be transferred, pledged or used for repayment of debt during the relevant Restriction Period.

During the Restriction Period, the cash dividend from the Restricted Shares granted to the Participants shall be held by the Company and payable to the Participant upon unlocking; and in the event of the Restricted Shares are unable to be unlocked, the corresponding cash dividend shall be forfeited by the Company.

The Restriction Period of the Restricted Shares granted under the A Share First Grant shall be 12 months, 24 months and 36 months from the relevant completion date of registration of the Restricted Shares under the A Share First Grant. Details of the unlocking schedule are set out in the section headed “Restriction Period and unlocking arrangement” in the Letter from the Board.

According to the Letter from the Board, the Restricted Shares will only be granted to the Participants upon satisfaction of certain conditions (the “**Granting Conditions**”). During the Unlocking Period, the Restricted Shares granted to the Participants may only be unlocked upon satisfaction of certain conditions (the “**Unlocking Conditions**”). Within the Unlocking Period, the Company shall deal with matters related to the unlocking of those Restricted Shares which satisfy the conditions to such unlocking. The Restricted Shares which failed to satisfy the unlocking conditions, or failed to apply for unlocking the relevant Restricted Shares within the Restriction Period, shall be repurchased by the Company at the repurchase price equal to the Grant Price in accordance with the terms of the 2022 Restricted A Share Incentive Scheme and cancelled accordingly.

For details of the Granting Conditions and the Unlocking Conditions, please refer to the section headed “Conditions to grant and unlocking of Restricted Shares under the 2022 Restricted A Share Incentive Scheme” as set out in Letter from the Board.

### *(vii) Performance appraisal*

Under the 2022 Restricted A Share Incentive Scheme, as part of the Unlocking Conditions, the financial performance indicators of the Group shall be appraised on an annual basis during the three financial years from 2022 to 2024, and the appraisal shall

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be made once in each financial year. The appraisal indicators of the Restricted Shares of the Company are based on two levels: (i) performance appraisal at the Group level; and (ii) performance appraisal at individual level.

(a) *Performance appraisal at the Group level*

The performance appraisal indicators at the Group level applicable to the unlocking of the Restricted Shares under the A Share First Grant for each of the years from 2022 to 2024 are set out below:

*Unit: RMB million*

Performance appraisal sub-indicators	Weight	Target value			Scoring standard
		2022	2023	2024	
Revenue	10%	44,851	51,579	59,316	The score of each sub-indicator = (actual value / target value) × 100
Attributable net profit after deduction (Note 1)	70%	3,867	4,563	5,384	
R&D expenses in the pharmaceutical manufacturing segment (Note 2) as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	8%	

*Notes:*

1. Attributable net profit after deduction refers to net profit attributable to equity holders of the Company after deduction of non-recurring profit or loss, as set out in the auditors' report of the relevant financial year of the Company prepared according to the China Accounting Standards for Business Enterprise.
2. R&D expenses in the pharmaceutical manufacturing segment shall be calculated based on the auditors' report of the relevant financial year of the Company taking into account of the adjustment mechanism under the 2022 Restricted A Share Incentive Scheme.

With respect to any appraisal year, if any one of the performance appraisal sub-indicators does not reach its threshold value (80% of the target value for revenue and attributable net profit after deduction and 6% for R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment), the score of such performance appraisal sub-indicator(s) is zero. And where the aggregated performance appraisal indicator score at the Group level does not reach 75 points, all corresponding Restricted Shares granted to the Participants for such year scheduled for unlocking shall not be unlocked, and shall be repurchased by the Company at the Grant Price and cancelled accordingly.

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As set out in the Letter from the Board, the performance appraisal sub-indicators at the Group level as mentioned above were formulated after comprehensively considering the strategic development planning of the Group and its development phase, and are giving consideration to challenge and realisibility.

In assessing the fairness and reasonableness of determining such performance appraisal sub-indicators, we attempted to identify the companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange which are principally engaged in pharmaceutical manufacturing and related research and development activities with market capitalisation of RMB10.0 billion or above, which we consider comparable to the Company (the “**Comparable Companies**”) in terms of principal activities and market capitalisation as categorised by Wind Information Co., Ltd., a leading financial information services provider in the PRC, which had adopted certain financial performance indicators in determining their respective share incentive scheme announced in recent one year preceding the adoption of the 2022 Restricted A Share Incentive Scheme (i.e. from 30 August 2021 to 29 August 2022, being the last trading day before the date of the A-share announcement of the 2022 Restricted A Share Incentive Scheme) (the “**Comparable Grants**”). Based on the above selection criteria, we have identified 5 Comparable Grants on a best effort basis. Nevertheless, as companies may have different remuneration policies according to numerous factors such as their size, operating scale, financial performance, cost structure and business strategy, we have considered and compared the financial performance indicators adopted for the Comparable Grants instead of going into the detailed grant terms.

We noted that all the Comparable Grants have adopted either (i) revenue; or (ii) net profit as the performance appraisal indicators in their share incentive schemes. In particular, all of those 5 Comparable Grants adopted (i) a target level of revenue/net profit; or/and (ii) a target revenue/net profit growth rate over the unlocking period in their share incentive schemes. Also, none of those 5 Comparable Grants adopted a target level of R&D expenses or a target percentage of R&D expenses over revenue over the unlocking period in the share incentive scheme. However, based on the discussion with Management, we understand that as the Group’s R&D expenses in the pharmaceutical manufacturing segment is one of the important indicators to measure the R&D effort during the year, the Management is of the view that adding in the R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment can provide a more comprehensive measurement and assessment of the Group’s performance. Based on the above, and noting in particular that the Comparable Grants are engaging in the same industry which announced the restricted A shares incentive plan, we are of the view that the

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adoption of the abovementioned performance appraisal sub-indicators at the Group level as set out in the 2022 Restricted A Share Incentive Scheme is comprehensive and common in the industry practice.

In determining the specific target value in each of the performance appraisal sub-indicators, the target value for revenue represents an implied growth rate of 15.0% for each of the financial years ending 31 December 2022, 2023 and 2024, respectively. The target value for attributable net profit after deduction represents an implied growth rate of approximately 18.0% for each of the financial years ending 31 December 2022, 2023 and 2024, respectively. We have compared the abovementioned implied growth rate target value of revenue and net profit after deduction with (i) the Company's historical financial performance; and (ii) the historical financial performance of the Comparable Companies. Set out below is the summary of revenue, profit attributable to shareholders of the Company and the Comparable Companies from 2017 to 2021 and their corresponding compound annual growth rate ("CAGR").

Comparable Companies (stock code)	Revenue (RMB million)						Profit attributable to the shareholders (RMB million)					
	2017	2018	2019	2020	2021	CAGR	2017	2018	2019	2020	2021	CAGR
1 西藏奇正藏藥股份有限公司 (002287.SZ)	1,053	1,213	1,403	1,476	1,770	13.9%	301	319	364	406	716	24.2%
2 海思科醫藥集團股份有限公司 (002653.SZ)	1,856	3,427	3,937	3,330	2,773	10.6%	238	333	494	637	345	9.8%
3 華潤三九醫藥股份有限公司 (000999.SZ)	11,120	13,428	14,702	13,637	15,320	8.3%	1,302	1,432	2,112	1,597	2,047	12.0%
4 浙江九洲藥業股份有限公司 (603456.SH)	1,717	1,862	2,017	2,647	4,063	24.0%	148	157	238	381	634	44.0% (note 1)
5 湖北濟川藥業股份有限公司 (600566.SH)	5,642	7,208	6,940	6,165	7,631	7.8%	1,223	1,688	1,623	1,277	1,719	8.9%
					Average	12.9%					Average	13.7%
					Median	10.6%					Median	10.9%
					Maximum	24.0%					Maximum	24.2%
					Minimum	7.8%					Minimum	8.9%
<b>The Company</b>	<b>18,362</b>	<b>24,714</b>	<b>28,389</b>	<b>30,163</b>	<b>38,858</b>	<b>20.6%</b>	<b>3,125</b>	<b>2,708</b>	<b>3,322</b>	<b>3,663</b>	<b>4,735</b>	<b>10.9%</b>
<b>Implied growth rate of target value</b>						<b>15.0%</b>						<b>18.0%</b>

Source: <http://www.cninfo.com.cn>, being the designated by the CSRC for information disclosure

Note:

- The CAGR of profit attributable to the shareholders of 浙江九洲藥業股份有限公司 was considered as outlier and thus excluded from our analysis.

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As set out above, we noted that the implied annual growth rate of the target value for revenue of 15.0% is below the Company's historical 5 year CAGR of approximately 20.6%. We understood that from the Management that the higher historical revenue CAGR of the Company was partly attributable to the sales of anti-pandemic products such as the nucleic acid test kits for 2019-nCov and Comirnaty vaccine in FY2020 and FY2021, which was considered one-off in nature. As the Management is of the view that the effect of such impact of sales of anti-pandemic products on revenue may not persist in future, hence we are of the view that the growth rate in the target value of revenue for each of the three years ending 31 December 2024 is generally in line with the Company's historical finance performance and the relevant business industry's growth.

We also noted that the implied annual growth rate of the target value for attributable net profit after deduction of 18.0% is higher than the average of CAGR of the Comparable Companies and higher than the historical CAGR of profit attributable to the Shareholders of 10.9%. Hence we are of the view that the growth rate in the target value of net profit for each of the three years ending 31 December 2024 is designed taken into account of the Company's historical financial performance and the relevant business industry's growth.

We have also reviewed the target value of performance appraisal indicators (i.e. the revenue and the net profit) adopted under the Comparable Grants and noted that the target value of each performance appraisal sub-indicators adopted by the Group is within the range of those performance appraisal indicators adopted under the Comparable Grants.

The target R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment represents 8% for each of the financial years ending 31 December 2022, 2023 and 2024, respectively. Given that none of the Comparable Grants has adopted such performance appraisal sub-indicator, we have reviewed the historical R&D expenses as a proportion of the revenue of the Group and noted that the average ratio of R&D expenses over total revenue for the previous five financial years (i.e. 2017 to 2021) was approximately 7.6%. Similar to the target value for the revenue and attributable net profit after deduction, the selection of R&D expenses incurred by the Group in the previous five financial years is fair and reasonable as it provides a comprehensive assessment of the Group's business conditions under both normal business environment and during the pandemic time. Having considered the foregoing and the implied target growth rate of revenue of 15.0% for each of the financial years ending 31 December 2022, 2023 and 2024, the target R&D expenses in the pharmaceutical manufacturing segment as proportion of the revenue from the pharmaceutical manufacturing segment of 8.0% which is higher than the 5-year historical average ratio of R&D expenses to revenue of the Group, we are of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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view that the performance indicator for target R&D expenses is appropriately designed to incentivise additional time and resources in research and development for the Group.

*(b) Performance appraisal at the individual level*

As set out in the Letter from the Board, where the performance targets at the Group level have been achieved, a Participant is only entitled to unlock the Restricted Shares upon also achieving the benchmark of “Target Achieved” (GP) or above in his or her performance appraisal at the individual level in the corresponding appraisal year in accordance with the Company’s administrative measures in respect of remuneration and performance appraisal. Otherwise, the Restricted Shares granted to him or her which are scheduled to be unlocked for the corresponding appraisal year will not be unlocked and will instead be repurchased by the company at Grant Price and cancelled accordingly.

The performance appraisal target at the individual level may serve the purpose of evaluating the Participants’ performance accurately and comprehensively. The Company will determine whether the Restricted Shares held by the Participant have achieved the unlocking conditions in the corresponding years based on the corresponding annual appraisal results of the Participants. We have reviewed the share incentive scheme of the Comparable Companies and noted that the Comparable Companies have also adopted the similar performance appraisal target at the individual level and the restricted shares will not be unlocked if such performance target at the individual level has not been achieved.

Having considered the foregoing, we are of the view that the Unlocking Conditions with performance appraisal indicators at Group level and individual level will strengthen the incentive for the Participants (including the Connected Participants) to use their efforts to achieve the performance targets, which will contribute to the growth and development of the Group.

***(viii) Adjustment***

The number of Restricted Shares and Grant Price are subject to adjustments according to various situations including capitalisation of capital reserve, bonus issue, sub-division, rights issue, share consolidation, dividend distribution and issue of shares. For details, please refer to the section headed “Methods of adjustment to the number of Restricted Shares” and “Method of adjustment to the Grant Price of Restricted Shares” as set out in the Letter from the Board. We have compared the relevant adjustment terms of the Company with the Comparable Grants. We note that the salient terms of method of the adjustment to the number and Grant Price of Restricted Shares, including the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

adjusting events and respective calculation formula are substantially identical to the Comparable Grants. Hence, the adjustment provisions underlying the terms of the A Share Scheme are comparable to those relating to the Comparable Grants.

### 5. Comparable Grants

In assessing the fairness and reasonableness of the terms and the number of the Restricted Shares to be granted to the Connected Participants under the 2022 Restricted A Share Incentive Scheme, we have also compared the principal terms of the share incentive scheme announced by the 5 Comparable Grants as mentioned above. The table below sets out the summary of principal terms of the share incentive scheme of the Comparable Grants:

Company name (stock code)	Date of announcement	Percentage of the grant price to the average stock price for the shares being granted under the incentive scheme	Restriction Period from the date of which the grant has been registered	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed companies	Percentage of the maximum total number of restricted A shares to be granted (including reserved part if any) to the total number of issued shares of the listed companies as at the date of their respective incentive scheme proposals
1 西藏奇正藏藥股份有限公司 (002287.SZ)	25 September 2021	50%	12 months 24 months	Yes	N/A	0.0268%
2 海思科醫藥集團股份有限公司 (002653.SZ)	30 September 2021	50%	12 months 24 months 36 months	Yes	0.1100%	0.3000%
3 華潤三九醫藥股份有限公司 (000999.SZ)	2 December 2021	60%	24 months 36 months 48 months	Yes	0.1040%	1.0000%
4 浙江九洲藥業股份有限公司 (603456.SH)	3 March 2022	50%	12 months 24 months 36 months	Yes	0.0288%	0.2216%
5 湖北濟川藥業股份有限公司 (600566.SH)	2 August 2022	50%	36 months 48 months 60 months	Yes	0.2200%	0.8900%
<b>The Company</b>	<b>29 August 2022</b>	<b>50%</b>	<b>12 months 24 months 36 months</b>	<b>Yes</b>	<b>0.0520%</b>	<b>0.1029%</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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*Note:*

1. Pursuant to the requirement set out under the Administrative Measures, the initial grant prices of the restricted A shares (i) shall not be set at a price lower than its nominal value; and (ii) principally shall not be set at a price lower than the highest of (a) 50% of the average trading price on the trading day preceding the date of announcement of the share incentive scheme; and (b) 50% of the average price for the period of last 20, 60 or 120 trading days preceding the date of announcement of the share incentive scheme.

*Source: <http://www.cninfo.com.cn>, being the designated by the CSRC for information disclosure*

### **(i) Grant Price**

As demonstrated above, all of the grant prices of the Comparable Grants comply with the requirements set out under the Administrative Measures promulgated by the CSRC and the majority of them were determined based on 50% of the benchmark price (being higher of (i) the average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average price of the subject A shares for the period of last 20, 60 or 120 trading days preceding the date of announcement of the share incentive scheme).

Having considered the above, in particular that (i) the Grant Price of the Restricted Shares under the A Share First Grant complied with the Administrative Measures promulgated by the CSRC; (ii) the basis for determining the Grant Price is principally in line with the common practice; and (iii) all Participants are subject to the same Grant Price, we are of the view that the Grant Price is fair and reasonable so far as the Independent Shareholders are concerned.

### **(ii) Restriction Period**

2 out of 5 of the Comparable Grants have the same Restriction Period structure as the 2022 Restricted A Share Incentive Scheme (i.e. 12 months, 24 months and 36 months from the relevant completion date of registration). One Comparable Grant has shorter Restriction Period structure than the 2022 Restricted A Share Incentive Scheme (i.e. 12 months and 24 months from the relevant completion date of registration) and 2 Comparable Grants contain a longer Restriction Period (i.e. 24 months, 36 months and 48 months from the relevant completion date of registration and 36 months, 48 months and 60 months from the relevant completion date of registration respectively). Having considered the foregoing, we consider that the Restriction Period for the 2022 Restricted A Share Incentive Scheme was generally in line with the industry practice.

### **(iii) Unlocking conditions**

Also, we noted that all Comparable Grants contain conditions for unlocking the restricted A shares which are based on, among others, the participants' individual performance and financial performance of the listed companies in their restricted A share

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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incentive schemes. For details of the assessment on the fairness and reasonableness of the Unlocking Conditions and performance appraisal indicators of the 2022 Restricted A Share Incentive Scheme, please refer to the section headed “4. Principal terms of the 2022 Restricted A Share Incentive Scheme” in this letter.

**(iv) *Percentage of restricted shares granted to individual directors and senior management personnel***

Furthermore, we noted that 4 out of 5 Comparable Grants involve granting restricted shares to individual directors and senior management personnel. The percentage of the restricted shares granted to those individual directors and senior management personnel over the total issued share capital at the time of grant ranges from 0.0288% to 0.2200%. The number of the Restricted Shares granted to the Connected Participants amounted to approximately 0.0520% of the total issued share capital of the Company is within the range of those in the Comparable Grants.

Having considered the above, we are of the view that the numbers of Restricted Shares to be granted to the Participants who are connected persons of the Company fall within the relevant percentage ranges in the above table and are considered fair and reasonable so far as the Independent Shareholders are concerned.

**6. Dilution effect of the 2022 Restricted A Share Incentive Scheme on the shareholding interests of the existing shareholders of the Company**

The number of Restricted Shares proposed to be granted to the Participants under the A Share First Grant up to 2,747,500 Restricted Shares, representing approximately 0.1029% of the Company’s total share capital as at the Latest Practicable Date. The number of Restricted Shares granted to the Connected Participants under the Connected Grant is 1,389,200 Shares, representing approximately 0.0520% of the Company’s total share capital as at the Latest Practicable Date. Accordingly, the dilution effect on the shareholding interests of the existing Shareholders with respect to the Connected Grant is considered to be immaterial.

**7. Financial impact of the 2022 Restricted A Share Incentive Scheme on the Group**

As set out in the Letter of the Board, the estimated total cost of the A Share First Grant (i.e. 2,747,500 Restricted Shares) to be granted by the Company is RMB53.0817 million, which shall be amortized during the implementation of the 2022 Restricted A Share Incentive Scheme according to the percentage ratio of the unlocking, and the cost incurred by the Company arising from the 2022 Restricted A Share Incentive Scheme will be presented in recurring profit or loss.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE CONNECTED GRANT

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According to the China Accounting Standards for Business Enterprise, assuming the A Share First Grant of Restricted Shares under the 2022 Restricted A Share Incentive Scheme will take place on 31 October, the impact on the accounting cost of each of period due to the implementation of the 2022 Restricted A Share Incentive Scheme are as follows:

*Unit: RMB million*

	For the year ending 31 December				Total
	2022	2023	2024	2025	
Cost to be amortised	5.3819	29.3718	13.3147	5.0133	53.0817

*Notes:*

1. The above figures do not constitute final accounting cost. Other than actual grant date, grant price and number of shares granted that are relating to the actual cost, the number of effective and lapsed entitlement are also relating to the actual cost. Shareholders shall note the possible impact of amortisation.
2. The above — mentioned impact on operating performance shall be subject to the auditors' report for the relevant year to be issued by the accountant firm and taking into account the adjustments (if any) made according to the adjustment mechanism of the 2022 Restricted A Share Incentive Scheme.

As set out in the Letter from the Board, based on current conditions, the Company estimates that, without considering the stimulus effects of the 2022 Restricted A Share Incentive Scheme on the performance of the Company, the amortisation of the costs of the 2022 Restricted A Share Incentive Scheme will have an impact on the net profit of each year during the term of the 2022 Restricted A Share Incentive Scheme but the impact will not be significant. Taking into consideration the positive impact of the 2022 Restricted A Share Incentive Scheme on the development of the Company, reduction in agency costs, the performance improvement of the Company brought by the 2022 Restricted A Share Incentive Scheme is expected to exceed the increase in costs incurred by the 2022 Restricted A Share Incentive Scheme.

We have reviewed the 2021 Annual Report and noted that the estimated total cost of the A Share First Grant of RMB53.0817 million represents approximately 0.78% of the total staff costs for FY2021 of RMB6,838 million. Having considered the foregoing, we concur with the Management's view that the amortisation of the costs of the 2022 Restricted A Share Incentive Scheme (including the Connected Grant) will have insignificant impact on the net profit of each year during the term of the 2022 Restricted A Share Incentive Scheme.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER  
IN RESPECT OF THE CONNECTED GRANT**

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**IV. RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the terms of the Connected Grant are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Connected Grant arises from the ordinary and usual course of business of the Group; and (iii) the Connected Grant is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to approve the Connected Grant at the EGM and the Class Meetings.

Yours faithfully,  
For and on behalf of  
**Yue Xiu Capital Limited**  
**Cedric Wu**  
*Associate Director*

*Mr. Cedric Wu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Yue Xiu Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in the accounting and corporate finance industries.*

\* *For identification purpose only*

The full text of the proposed draft of the 2022 H Share Employee Share Ownership Scheme is set out as follows:

**FOSUN PHARMA**  
**复星医药**

上海復星醫藥（集團）股份有限公司  
**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***

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

**(Stock Code: 02196)**

**SHANGHAI FOSUN PHARMACEUTICAL (GROUP) CO., LTD.\***  
**2022 H SHARE EMPLOYEE SHARE OWNERSHIP SCHEME**  
**(DRAFT)**

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\*

August 2022

**DECLARATION**

The Company and all of its directors and supervisors warrant that the Scheme and the draft summary do not contain any false representation, misleading statement or material omission, and accept legal responsibility for the truthfulness, accuracy and completeness of the contents.

**RISK WARNING**

1. The implementation of the Scheme shall be subject to the approval at the general meeting of the Company, and there is uncertainty as to whether the Scheme will be approved.
2. The entrusted management contract and the relevant agreements to the Scheme have not been formally entered into, and there is uncertainty as to whether such contract or agreements can be entered into.
3. As it is unable to determine the purchase date, purchase price, etc. of the Target Shares under the Scheme as at the date of the board of directors' approval of the Scheme, the specific number of H Shares under the Scheme remains to be determined. Nevertheless, the total number of H Shares to be held under the Scheme shall not in the aggregate exceed 0.5% of the total share capital of the Company, and the number of H Shares corresponding to units to be held by a Holder under the Scheme shall not in the aggregate exceed 0.5% of the total share capital of the Company.

Investors are advised to exercise caution in making decisions and pay attention to the risk of investment.

## SPECIAL NOTE

The abbreviations used in this section shall have the same meanings as defined in the “Definitions”.

1. The Scheme is formulated in accordance with the Company Law, the Securities Law, the Guidance and other relevant laws, regulations, regulatory documents and the Articles of Association.
2. The Holders under the Scheme include the executive directors and senior management personnel of the Company and the mid-level management personnel of the Group and other employees to whom the board of directors of the Company considers provision of incentives to be appropriate. The number of Holders under the first grant of the Scheme shall not exceed 143. The board of directors of the Company may, within its scope of authority as delegated by the general meeting, adjust the list of employees participating in the Scheme and their respective allocation subject to the changes of the employees and the performance appraisal results of the respective employee at the individual level.
3. The Scheme adheres to principles of legal compliance, voluntary participation and voluntary risk-taking. There is no apportionment, mandatory allocation or other circumstances in which employees are forced to participate in the Scheme.
4. The Company proposes to entrust Changjiang Pension to carry out the daily management of the Scheme via “Changjiang Pension Enterprise Employee Share Ownership Special Collective Group Pension Security Management Product” (i.e. the “**Employee Share Ownership Product**”). Within 6 months after the Scheme being considered and approved at the general meeting of the Company, Changjiang Pension will, via the Employee Share Ownership Product, complete the acquisition of the H Shares under the Scheme in the secondary market through the Shanghai-Hong Kong Stock Connect (“**SH-HK Stock Connect**”).
5. The maximum size of the Scheme is RMB73.4625 million. The source of funds is the Company’s funds designated for incentive purposes. Under no circumstances should the H Shares held under the Scheme exceed 0.5% of the total share capital of the Company. The Scheme is denominated in “units”, each being RMB1 in value, i.e. the maximum number of units under the Scheme is 73.4625 million. Amongst which, there are up to 58.77 million units under the first grant and the remainder of up to 14.6925 million units as the reserved units. The reserved units shall be granted within 12 months from the date on which the Scheme is considered and approved at the general meeting of the Company.

6. The term of the Scheme shall not exceed 60 months commencing from the date on which the Scheme is considered and approved at the general meeting of the Company and the H Shares under the Scheme are purchased in the secondary market as announced by the Company. Unless otherwise extended as reviewed by the Holders' Meeting under the Scheme and resolved and approved by the board of directors, the Scheme shall automatically be terminated upon its expiry. The lock-up period for the Target Shares under the Scheme shall be 12 months commencing from the date on which the H Shares under the Scheme are purchased in the secondary market as announced by the Company. After the end of the lock-up period, according to the performance appraisal results at the Group level and the performance appraisal results of the respective Holder at the individual level, the vesting to the Holders will be done in batches.
7. Holders under the Scheme do not include any independent non-executive director or supervisor of the Company, or shareholder or actual controller and his/her spouse, parents and children individually or collectively holding more than 5% of the shares of the Company.
8. The Holders under the Scheme voluntarily waive the voting rights and other rights on the shares they indirectly hold in the Company due to participation in the Scheme, and only reserve the dividend rights, investment income rights and other similar rights for these shares. There is no acting-in-concert arrangement, nor is there any acting-in-concert plan, between the Scheme and the Holders under the Scheme (including but not limited to the executive directors and senior management personnel of the Company). Changjiang Pension carries out daily management of the Scheme via the Employee Share Ownership Product and waives the voting rights and other rights on the shares the Employee Share Ownership Product hold in the Company.
9. Issues relating to finance, accounting treatment and taxation during the implementation of the Scheme will be resolved in accordance with the relevant policies of finance, accounting and taxation. Individual income tax arising from the implementation of the Scheme shall be borne by the relevant Holders.
10. The implementation of the Scheme will not result in any incompliance with the listing requirements with respect of the distribution of shareholding of the Company.

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**I DEFINITIONS**

The following expressions shall have the following meanings unless the context requires otherwise:

Fosun Pharma, Company	Shanghai Fosun Pharmaceutical (Group) Co. Ltd.
Group	the Company and controlled its subsidiaries/entities
Scheme	the 2022 H Share Employee Share Ownership Scheme of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Draft)
Changjiang Pension, Management Agency	Changjiang Pension Insurance Co., Ltd.
Holder(s)	the employee(s) of the Group who participate in the Scheme
Holders' Meeting(s)	the meeting(s) for Holders under the Scheme
Management Committee	the management committee of the Scheme
A Share(s)	listed domestic share(s) issued by the Company
H Share(s)	overseas listed foreign share(s) issued by the Company
Target Share(s)	H Share(s) of Fosun Pharma acquired through the Employee Share Ownership Product under the Scheme
Employee Share Ownership Product	Changjiang Pension Enterprise Employee Share Ownership Special Collective Group Pension Security Management Product
Remuneration and Appraisal Committee	the remuneration and appraisal committee of the board of directors of Fosun Pharma
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
Articles of Association	the Articles of Association of Shanghai Fosun Pharmaceutical (Group) Co. Ltd.

Guidance	the Guidance on Pilots Implementation of Employee Stock Ownership Plan by Listed Companies (CSRC Announcement [2014] No. 33)* (《關於上市公司實施員工持股計劃試點的指導意見》(證監會公告「2014」33號)) issued by the CSRC
CSRC	China Securities Regulatory Commission
Hong Kong SFC	Securities and Futures Commission of Hong Kong
Shanghai Stock Exchange	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
RMB, RMB10,000 and RMB100 million	Renminbi 1, Renminbi 10,000 and Renminbi 100 million

*Note 1:* Unless otherwise stated, the financial data and financial indicators referenced in the Scheme shall refer to the financial data set out in the consolidated financial reports prepared by the Company according to the China Accounting Standards for Business Enterprise and the financial indicators calculated based on such financial data, respectively.

*Note 2:* Certain figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

## II PURPOSES AND BASIC PRINCIPLES OF THE SCHEME

### I. Purposes of the Scheme

In order to further improve the corporate governance structure of the Group, promote the establishment and improvement of the incentive mechanism of the Group, fully mobilize the enthusiasm, of the executive directors and senior management personnel of the Company and employees of the Group, effectively align the interests of the shareholders, corporate(s) and operators to focus on and work collectively for the long-term development of the Group, the Scheme is formulated on the premise of sufficiently protecting the interests of the shareholders and in accordance with the requirements under the Company Law, Securities Law, Guidance and other relevant laws, regulations, regulatory documents and the Articles of Association.

### II. Principles of the Scheme

1. Legal compliance. The Scheme shall be implemented in strict compliance with the procedures stipulated in the applicable laws and administrative regulations, and the Company shall disclose information in a truthful, accurate, complete and timely manner. The use of the Scheme for any act of insider trading, stock market manipulation or other securities fraud is prohibited.

2. Voluntary participation. The Scheme is established under the principle of “discretionary decision of the Company and voluntary participation of employees” and does not involve apportionment, mandatory allocation or other circumstances in which employees are forced to participate in the Scheme.
3. Voluntary risk-taking. Holders under the Scheme shall bear their own financial risks, and shall have the same rights as other investors.
4. Medium- and long-term incentive. The Scheme adheres to the principles of value creation and benefit sharing, in order to ensure the long-term healthy development of the Group.

### **III HOLDERS AND ALLOCATION UNDER THE SCHEME**

#### **I. Principles for Determining the Holders under the Scheme**

The Holders under the Scheme are determined in accordance with the Company Law, the Securities Law, the Guidance and the relevant requirements under other relevant laws, regulations, regulatory documents and the Articles of Associations and the actual situation of the Group.

The Holders under the Scheme include the executive directors and senior management personnel of the Company and the mid-level management personnel of the Group and other employees to whom the board of directors of the Company considers provision of incentives to be appropriate.

The detailed list of Holders and their respective allocation shall be proposed by the board of directors of the Company, and the independent non-executive director and supervisory committee shall opine on the same, subject to the relevant procedures in the event the approval at the general meeting of the Company is required.

#### **II. Scope of the Holders under the Scheme**

Holders under the Scheme do not include any independent non-executive director or supervisor of the Company, or shareholder or actual controller and his/her spouse, parents and children individually or collectively holding more than 5% of the Shares of the Company. The executive directors and senior management personnel of the Company among the Holders were elected at the general meeting or hired by the board of directors of the Company. All Holders shall have entered into employment agreements or engagement documents with the Company or its subsidiaries at the time of grant under the Scheme and during the term of the Scheme.

The number of Holders to be granted at the first grant under the Scheme shall not exceed 143, and comprise:

- (I) the executive directors<sup>Note</sup> and senior management personnel of Fosun Pharma;
- (II) the mid-level management personnel and core technology (business) personnel of the Group; and
- (III) other core personnel having made a direct contribution to the overall business performance and sustainable development of the Group as determined by the board of directors.

*Note:* Each of the executive directors is involved in the daily operation of the Group. Such directors shall abstain from voting when the board of directors considers the Scheme and shall not be involved in the management of the Scheme during the implementation of the Scheme.

Holders of reserved units shall be proposed by the board of directors of the Company, and the independent non-executive directors and supervisory committee shall opine on the same, and the Company shall promptly disclose the relevant information. The reserved units shall be granted within 12 months from the date on which the Scheme is considered and approved at the general meeting of the Company. If within the period prescribed for grants of reserved units, no eligible employee is identified for the grant of the reserved units or the reserved units have not been fully granted, the Target Shares corresponding to the reserved units that have not been granted should be sold, and the relevant proceeds shall be vested in the Company. The basis for determining and the scope of the grantees of the reserved units shall be in compliance with the determination basis and scope of Holders under the Scheme.

### **III. Allocation under the Scheme**

The upper limit of the size of funds under the Scheme is RMB73.4625 million and is denominated in “units”, each being RMB1 in value. In particular, the total number of units under the first grant shall not exceed 58.77 million, representing up to 80% of the upper limit of the units under the Scheme, and the number of reserved units shall not exceed 14.6925 million, representing up to 20% of the upper limit of the units under the Scheme.

The list of Holders and allocation of units under the first grant are set out below:

No.	Name	Position	Maximum number of units proposed to be granted (0'000 units)	Proportion in the total number of units proposed to be granted under the first grant	Proportion in the upper limit of units under the Scheme
1	WU Yifang*	Executive Director and chairman <sup>#</sup>	550.00	9.36%	7.49%
2	WANG Kexin*	Executive Director and co-chairman <sup>#</sup>	460.00	7.83%	6.26%
3	GUAN Xiaohui*	Executive Director and vice chairman <sup>#</sup>	400.00	6.81%	5.44%
4	WEN Deyong*	Executive Director and chief executive officer (CEO) <sup>#</sup>	400.00	6.81%	5.44%
5	LIU Qiang*	Assistant to chairman	400.00	6.81%	5.44%
6	MEI Jingping	Executive president	300.00	5.10%	4.08%
7	WANG Donghua	Senior vice president	200.00	3.40%	2.72%
8	FENG Rongli*	Senior vice president	200.00	3.40%	2.72%
9	LIU Yi*	Senior vice president	100.00	1.70%	1.36%
10	BAO Qingui	Senior vice president	100.00	1.70%	1.36%
11	LI Jing	Senior vice president	200.00	3.40%	2.72%
12	DONG Xiaoxian	Vice president, secretary to the board and joint company secretary	100.00	1.70%	1.36%
13	ZHANG Yuejian	Vice president	50.00	0.85%	0.68%
14	YUAN Ning	Vice president	20.00	0.34%	0.27%
15	SU Li	Vice president	50.00	0.85%	0.68%
16	JI Hao	Vice president	100.00	1.70%	1.36%
17	ZHU Yue*	Vice president	100.00	1.70%	1.36%
18	YAN Jia*	Chief accountant	40.00	0.68%	0.54%
19	YAN Zihou*	Senior vice president of the established medicines manufacturing & supply division and innovative medicines division	100.00	1.70%	1.36%
20	ZHANG JIA AI*	Executive President and chief technology officer of global R&D centre, co-president of the established medicines manufacturing & supply division	100.00	1.70%	1.36%
21	ZHOU Yong*	Assistant to president, co-general manager of human resources department	40.00	0.68%	0.54%
22	KONG Deli*	Assistant to president, general manager of patent affairs department	40.00	0.68%	0.54%
23	MA Xinyan*	General manager of lean operation department	40.00	0.68%	0.54%
Other mid-level management personnel and core personnel of the Group			1,787.00	30.41%	24.33%
Total number of units under the first grant			5,877.00	100%	80.00%

\* Being a connected person as defined under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

# Being executive directors of the Company, who are involved in the daily operation of the Group. Such directors shall abstain from voting when the board of directors considers the Scheme and shall not be involved in the management of the Scheme during the implementation of the Scheme.

*Note 1:* The number of Target Shares corresponding to the upper limit of units under the Scheme shall not exceed 0.5% of the total share capital of the Company, and the number of Target Shares corresponding to units under the Scheme to be held by any Holder listed above shall not exceed 0.5% of the total share capital of the Company.

*Note 2:* As at 29 August 2022, the Company has no existing share incentive scheme in effect. The aggregate size of the Scheme and the 2022 Restricted A Share Incentive Scheme of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\* (Draft) does not exceed 1% of the total share capital of the Company as at 29 August 2022.

#### IV SOURCE OF FUNDS, SOURCE OF SHARES AND SIZE OF THE SCHEME

##### I. Source of Funds of the Scheme

The source of funds of the Scheme is the Company's funds designated for incentive purposes with a size of RMB73.4625 million.

##### II. Source of Shares of the Scheme

After the Scheme is approved at the general meeting of the Company, the Company proposes to entrust Changjiang Pension to carry out daily management of the Scheme via the Employee Share Ownership Product. Within 6 months after the Scheme being considered and approved at the general meeting of the Company, Changjiang Pension will, via the Employee Share Ownership Product, complete the acquisition of the Target Shares of the Company in the secondary market through the SH-HK Stock Connect.

##### III. Size of Target Shares under the Scheme

The upper limit of the size of funds under the Scheme is RMB73.4625 million and is denominated in "units" each being RMB1 in value, i.e. the maximum number of units under the Scheme is 73.4625 million. Amongst which, there are up to 58.77 million units under the first grant and the remainder of up to 14.6925 million units as the reserved units which may be granted within the period prescribed in the Scheme.

As it is unable to determine the purchase date, purchase price, etc. of the Target Shares under the Scheme as at the date of the board of directors' approval of the Scheme, the specific number of H Shares under the Scheme remains to be determined. Nevertheless, the total number of H Shares to be held under the Scheme shall not in the aggregate exceed 0.5% of the total share capital of the Company, and the total number of H Shares corresponding to units to be held by a Holder under the Scheme shall not in the aggregate exceed 0.5% of the

total share capital of the Company. The total number of Target Shares corresponding to units held by Holders under the Scheme does not include the shares acquired before the initial public offering of the Company, the shares acquired independently in the secondary market and the shares obtained through other equity incentives by the Holders.

## **V TERM, LOCK-UP PERIOD, VESTING, AMENDMENT AND TERMINATION OF THE SCHEME**

### **I. Term of the Scheme**

1. The term of the Scheme shall not exceed 60 months commencing from the date on which the Scheme is considered and approved at the general meeting of the Company and the H Shares under the Scheme are purchased in the secondary market as announced by the Company. Unless otherwise extended as reviewed by the Holders' Meeting under the Scheme and resolved and approved by the board of directors, the Scheme shall automatically be terminated upon its expiry.
2. The term of the Scheme may be extended after being approved by Holders of more than two-thirds of units held by Holders attending the Holders' Meeting and being considered and approved by the board of directors of the Company two months before the expiry of the Scheme.

### **II. Lock-up Period of the Scheme**

1. The lock-up period for the Target Shares under the Scheme shall be 12 months commencing from the date on which the H Shares under the Scheme are purchased in the secondary market as announced by the Company.
2. In case of capitalisation of capital reserves, bonus issue and refinancing by the Company during the lock-up period, the shares newly acquired under the Scheme due to holding of Company's shares cannot be sold in the secondary market or otherwise disposed of. The lock-up period of such newly acquired shares under the Scheme shall be the same as that of their corresponding shares.

**III. Vesting of the Scheme**

1. The units granted under the first grant shall be vested according to the performance appraisal results at the Group level and the performance appraisal results of the respective Holder at the individual level in three batches. The vesting period of units under the first grant shall commence from the expiry of 12 months, 24 months and 36 months from the date on which the H Shares under the Scheme are purchased as announced by the Company. The specific vesting periods and vesting arrangements are set out below:

<b>Vesting period of units under the first grant</b>	<b>Vesting schedule</b>	<b>Maximum proportion of the units that can be be vested in the total number of units granted under the Scheme</b>
First vesting period	Commencing from the first trading day after the expiry of the 12-month period from the date on which the H Shares under the Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 24-month period from such date	33%
Second vesting period	Commencing from the first trading day after the expiry of the 24-month period from the date on which the H Shares under the Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 36-month period from such date	33%
Third vesting period	Commencing from the first trading day after the expiry of the 36-month period from the date on which the H Shares under the Scheme are purchased in the secondary market as announced by the Company and ending on the last trading day of the 48-month period from such date	34%

2. If the grant of the reserved units takes place in 2022, the reserved units shall be vested in the Holders in three batches. The vesting period shall commence from the expiry of 12 months, 24 months and 36 months from the reserved unit grant date under the Scheme as announced by the Company. The specific vesting periods and vesting arrangements are set out below:

<b>Vesting period of the reserved units</b>	<b>Vesting schedule</b>	<b>Maximum proportion of the units that can be be vested in the total number of units granted under the Scheme</b>
First vesting period	Commencing from the first trading day after the expiry of the 12-month period from the reserved unit grant date under the Scheme as announced by the Company and ending on the last trading day of the 24-month period from such date	33%
Second vesting period	Commencing from the first trading day after the expiry of the 24-month period from the reserved unit grant date under the Scheme as announced by the Company and ending on the last trading day of the 36-month period from such date	33%
Third vesting period	Commencing from the first trading day after the expiry of the 36-month period from the reserved unit grant date under the Scheme as announced by the Company and ending on the last trading day of the 48-month period from such date	34%

If the grant of the reserved units takes place in 2023, the reserved units shall be vested in the Holders in two batches. The vesting period shall commence from the expiry of 12 months and 24 months from the reserved unit grant date under the Scheme as announced by the Company. The specific vesting periods and vesting arrangements are set out below:

<b>Vesting period of the reserved units</b>	<b>Vesting schedule</b>	<b>Maximum proportion of the units that can be be vested in the total number of units granted under the Scheme</b>
First vesting period	Commencing from the first trading day after the expiry of the 12-month period from the reserved unit grant date under the Scheme as announced by the Company and ending on the last trading day of the 24-month period from such date	50%
Second vesting period	Commencing from the first trading day after the expiry of the 24-month period from the reserved unit grant date under the Scheme as announced by the Company and ending on the last trading day of the 36-month period from such date	50%

3. Under the Scheme, the financial performance indicators of the Group shall be appraised on an annual basis during the three financial years from 2022 to 2024, and the appraisal shall be made once in each financial year. The three sub-indicators, i.e. “revenue”, “attributable net profit after deduction” and “R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment” of each appraisal year shall be assessed to determine the aggregated performance appraisal indicator score (X) at the Group level based on the scores and weights of each performance appraisal sub-indicator in order to further calculate the vesting ratio (M) for the corresponding year, the details of which are set forth below:

- (1) The aggregated performance appraisal indicator score at the Group level (X) =  $\Sigma$  the score of each sub-indicator \* the corresponding weight.

Details of the performance appraisal indicators at the Group level applicable to vesting of units under the first grant are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2022	2023	2024	Scoring standard
		target value	target value	target value	
Revenue	10%	448.51	515.79	593.16	The score of each sub-indicator = (actual value/target value) * 100
Attributable net profit after deduction <sup>Note 1</sup>	70%	38.67	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>Note 2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	8%	

In the event of the grant of the reserved units taking place in 2022, the corresponding years and targets of performance appraisal at the Group level shall be the same as those for units under the first grant. In the event of the grant of the reserved units taking place in 2023, the corresponding years of performance appraisal at the Group level shall be the two financial years of 2023 and 2024, and the appraisal shall be conducted once in each financial year, and details of the performance appraisal indicators at the Group level applicable to the vesting of such reserved units are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2023	2024	Scoring standard
		target value	target value	
Revenue	10%	515.79	593.16	The score of each sub-indicator = (actual value/target value) * 100
Attributable net profit after deduction <sup>Note 1</sup>	70%	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>Note 2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	

*Note 1:* The “attributable net profit after deduction” mentioned above refers to net profit attributable to equity holders of the listed company after deduction of non-recurring profit or loss, as set out in the auditors’ report of the relevant financial year of the Company;

*Note 2:* The “R&D expenses in the pharmaceutical manufacturing segment” shall be calculated based on the auditors’ report of the relevant financial year of the Company taking into account of the adjustment mechanism under the Scheme.

With respect to any appraisal year, if any one of the sub-indicators does not reach its threshold value (the threshold value of revenue and attributable net profit after deduction is 80% of the target value of the year, and the threshold value of R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment is 6%), the score of such applicable sub-indicator(s) is zero; and where the aggregated performance appraisal indicator score at the Group level (X) does not reach 75 points, all corresponding units of the Holders scheduled for vesting for such year shall not be vested. The Target Shares corresponding to such units should be sold, and the relevant proceeds should be vested in the Company.

During the appraisal period, the board of directors of the Company may be authorised to adjust relevant indicators at its discretion as a result of material financial impact resulting from disposal/deemed disposal for assets/business restructuring; the Company's executive directors who are Holders of the Scheme shall abstain from voting when the board of directors considers the above matter(s).

- (2) The relationship between the aggregated performance appraisal indicator score at the Group level (X) and the vesting ratio (M) for the corresponding year is set out below:

<b>Range of the aggregated performance appraisal indicator score at the Group level (X)</b>	<b>Vesting ratio (M)</b>
X < 75 points	0
75 points ≤ X < 85 points	50%
85 points ≤ X < 95 points	80%
X ≥ 95 points	100%

4. Where the performance targets at the Group level have been achieved, a Holder is only entitled to the vested units in accordance with the proportion specified in the Scheme upon achieving the benchmark of "Target Achieved" (GP) or above in his or her performance appraisal at the individual level in the corresponding appraisal year in accordance with the Company's administrative measures in respect of remuneration and performance appraisal, otherwise, the units scheduled for vesting for the corresponding appraisal year shall not be vested.

**IV. Amendment to the Scheme**

During the term, any amendment to the Scheme must be approved by Holders of more than two-thirds of units held by Holders attending the Holders' Meeting and be considered and approved by the board of directors and/or general meeting of the Company.

**V. Termination of the Scheme**

1. Unless otherwise extended as considered by the Holders' Meeting and resolved and approved by the board of directors of the Company, the Scheme shall automatically be terminated upon its expiry.
2. After the end of the lock-up period of the Scheme, the Scheme may be terminated in advance when all assets under the Scheme are monetary funds.
3. In case of major changes in the market or other major events of the Group, the Scheme may be terminated after Holders of more than two-thirds of units held by Holders attending the Holders' Meeting approve the termination and the termination is submitted to and considered and approved by the board of directors and/or general meeting.

**VI VESTING AND DISPOSAL OF THE INTERESTS IN THE SHARES UNDER THE SCHEME**

1. During the term and after the end of the lock-up period, as stipulated in the contracts, agreements and documents relating to the Employee Share Ownership Product, the Management Agency shall sell the Target Shares corresponding to the corresponding units of the Employee Share Ownership Product and pay the Holders in cash. The Management Committee will allocate the interests according to the corresponding units vested in the Holders under the Scheme.
2. During the term, the cash dividends from the Target Shares under the Scheme shall be paid to the Holders as dividends payable when payment is made upon vesting. If any units cannot be vested according to the Scheme, the cash dividends from the Target Shares corresponding to such unvested units shall belong to the Company.

During the term, if any units have no objects to be vested due to the relevant requirements under the Scheme, the Target Shares corresponding to such units shall be sold, and the relevant proceeds shall be vested in the Company.

3. Before the Management Committee makes a decision on vesting, the units or interests in the Scheme granted to but not vested in the Holders shall not be transferred, withdrawn or used for mortgage, pledge, guarantee and repayment of debts; otherwise, the corresponding act shall be invalid.

4. The Scheme will strictly abide by the market trading rules, and the regulations on restriction on trading of shares during sensitive information period. No party shall use the Scheme to conduct insider trading, market manipulation and other securities fraud. Unless otherwise provided by the CSRC, the Hong Kong SFC, the stock exchange of the place where the shares of the Company are listed and other regulatory authorities, shares of the Company shall not be traded under the Scheme during the following periods:
- (1) within 30 days (or 60 days in the event of annual report of results) prior to the publication of any periodic report of results of the Company (and including the date of publication), and in the event of delay in publication of such periodic reports due to special circumstances, such period shall commence from either 30 days or 60 days prior to the original expected date of publication;
  - (2) within 10 days prior to the publication of performance forecast or preliminary performance results;
  - (3) during the period when any significant transaction or significant event of the Group is in the decision-making process until the date of disclosure in accordance with relevant laws, regulations and rules of the stock exchange of the place where the shares of the Company are listed;
  - (4) the Company is in possession of any unpublished inside information;
  - (5) the period commencing from the date of occurrence of any other significant event which may have a significant impact on the trading prices of the Company's securities and their derivatives or the date on which relevant decision-making procedures start and ending on the date of disclosure in accordance with relevant laws, regulations and rules of the stock exchange of the place where the shares of the Company are listed;
  - (6) such other period as stipulated by the CSRC, Shanghai Stock Exchange, Hong Kong SFC and Stock Exchange.

The "significant transaction", "significant event" and "significant event which may have a significant impact on the trading prices of the Company's securities and their derivatives" as referred to above means any transaction or other significant event that is required to be disclosed under the listing rules of the stock exchange of the place where the shares of the Company are listed and relevant laws and regulations.

**VII PARTICIPATION OF THE SCHEME IN FINANCING OF THE COMPANY**

During the term of the Scheme, if the Company conducts financing by means of rights issue, issue of shares and convertible bonds, the Management Committee shall decide whether to participate in the same and the funding solutions, and submit them to the Holders' Meeting for consideration.

**VIII HOLDERS' MEETINGS AND THE MANAGEMENT COMMITTEE**

The Remuneration and Appraisal Committee of the board of directors of the Company shall be responsible for preparing the Scheme, and the board of directors shall handle other matters relating to the Scheme within its scope of authority as delegated by the general meeting. The Company will entrust a professional agency with asset management qualifications to carry out the daily management of the Scheme. The Holders' Meeting is the internal ultimate management authority of the Scheme. The Management Committee shall be elected at the Holders' Meeting, and shall perform the daily supervisory and management duties in accordance with the Scheme and exercise relevant rights on behalf of the Holders.

**I. Holders' Meeting**

1. The Holders' Meeting is the internal ultimate management authority of the Scheme. All Holders are entitled to attend and vote at the Holders' Meeting in person or by proxy. The travel, board and lodging and other expenses incurred by the Holders and their proxies for attending the Holders' Meeting shall be borne by the Holders.
2. The following matters shall be considered and discussed at the Holders' Meeting:
  - (1) appointment, removal and replacement of any member of the Management Committee;
  - (2) proposal on plans for the amendment, extension and termination of the Scheme;
  - (3) during the term of the Scheme, if the Company conducts financing by means of rights issue, issue of shares and convertible bonds, the Management Committee shall decide and form the specific plan about whether to participate in the same, and submit it to the Holders' Meeting for consideration;
  - (4) formulation and amendment to the administrative measures of the Scheme;
  - (5) major material adjustments to the Scheme;
  - (6) authorisation to the Management Committee to supervise the daily management of the Scheme by the Management Agency;

- (7) authorisation to the Management Committee to exercise relevant rights;
  - (8) authorisation to the Management Committee to be responsible for the coordination with the Management Agency;
  - (9) other functions and powers which may be exercised by the Holders' Meeting of the Scheme as stipulated by laws and regulations or the CSRC, the Hong Kong SFC and the stock exchange of the place where the shares of the Company are listed and other regulatory authorities.
3. The first Holders' Meeting shall be convened and presided over by the secretary to the board of directors of the Company, and subsequent Holders' Meetings shall be convened by the Management Committee and presided over by the head of the Management Committee. When the head of the Management Committee is unable to perform his/her duties, he/she shall appoint a member of the Management Committee to preside over the meeting.
4. To convene a Holders' Meeting, the Management Committee shall issue a written notice of meeting 7 days prior to the meeting to all Holders by direct delivery, post, facsimile, email or other means. The written notice of the meeting shall at least include the following details:
- (1) time and venue of the meeting;
  - (2) method of convening the meeting;
  - (3) proposed matters to be considered at the meeting (meetings proposals);
  - (4) the person convening the meeting, chairman of the meeting and the person proposing an extraordinary meeting and his/her written proposals;
  - (5) meeting materials required for voting at the meeting;
  - (6) request for Holders to attend the meeting in person or to authorise other Holders to attend the meeting on their behalf;
  - (7) contact person and contact information;
  - (8) date of issuance of the notice.

In case of any urgent matter, a Holders' Meeting can be convened by giving verbal notice. Such notice shall at least include items (1), (2) and (3) above and an explanation for convening an immediate Holders' Meeting.

5. Voting procedures of the Holders' Meeting
  - (1) After each proposal has been fully discussed, the chairman shall invite Holders attending the meeting to vote when appropriate. The chairman may also invite Holders attending the meeting to vote only after all proposals at the meeting have been discussed. Voting shall be carried out by ballot.
  - (2) Holders of the Scheme shall have the voting rights according to the number of units they hold, and the reserved units shall have no voting rights until it is transferred to the Holders of the reserved units.
  - (3) The Holders may choose to vote for, against or abstain in any proposal. The Holders attending the meeting shall choose one from the aforesaid voting options, and failing to choose an option or voting with more than one option indicated will be deemed as abstention. Any Holder who leaves during the meeting without indicating any voting options shall be deemed as abstained from voting. Any vote made after the announcement of voting results by the chairman of the meeting or the period for voting shall not be counted.
  - (4) The chairman of the meeting shall announce the on-site voting results at the venue of the meeting. A proposal shall be deemed passed and constitute a valid resolution of the Holders' Meeting when it is approved by Holders of more than 50% of the units held by Holders attending the meeting (or approved by Holders of more than two-thirds of the units held by Holders attending the meeting according to the relevant provisions).
  - (5) In the event that a resolution of the Holders' Meeting must be submitted to the board of directors and the general meeting of the Company for consideration, it shall also be submitted to the board of directors and the general meeting of the Company for consideration.
  - (6) The chairman of the meeting shall arrange to keep records of the Holders' Meeting.
6. Holders who individually or jointly hold over 10% of the units in the Scheme may submit an extempore proposal at the Holders' Meeting, and the extempore proposal shall be submitted to the Management Committee five days prior to the Holders' Meeting.
7. Holders who individually or jointly hold over 30% of the units in the Scheme may propose to convene a Holders' Meeting.

**II. Management Committee**

1. A Management Committee shall be established under the Holders' Meeting. It is responsible for the Holders' Meeting, and is the day-to-day supervisory and Management Agency of the Scheme.
2. The Management Committee shall comprise three members with a head of the Management Committee. All members of the Management Committee shall be elected at the Holders' Meeting. The head of the Management Committee shall be elected by more than half of all members of the Management Committee. The members of the Management Committee shall remain during the term of the Scheme. In case of any change in the members of the Management Committee, they shall be re-elected at the Holders' Meeting.
3. Members of the Management Committee have the following fiduciary duties to the Scheme in accordance with laws, administrative regulations and regulatory documents:
  - (1) not to take advantage of their positions and authority to accept bribes or other illegal income; not to take any assets under the Scheme.
  - (2) not to misappropriate funds under the Scheme.
  - (3) not to open personal account under his/her own name or other person's name for depositing the assets or funds under the Scheme.
  - (4) not to lend the funds under the Scheme to other persons or provide guarantee for other persons with the assets under the Scheme.
  - (5) not to take advantage of their positions and authority to jeopardize the interests in the Scheme.

Where a member of the Management Committee causes any loss to the Scheme due to breach of his/her fiduciary duties, such a member shall be responsible for the loss.

4. The Management Committee shall perform the following duties:
  - (1) to convene the Holders' Meetings (except for the first meeting);
  - (2) to supervise the daily management of the Scheme by the Management Agency on behalf of all Holders;

- (3) to exercise the shareholders' rights on behalf of all Holders or authorise the Management Agency to exercise the shareholders' rights on behalf of all Holders;
  - (4) to draft the administrative measures of the Scheme and amendments to the administrative measures;
  - (5) to manage the distribution of the interests in the Scheme;
  - (6) to manage the change in units, disqualification or withdrawal of the Holders according to the Scheme and the appraisal results of the Holders by the Remuneration and Appraisal Committee under the board of directors;
  - (7) to be responsible for the coordination with the Management Agency of the Scheme;
  - (8) to draft and implement plans for the Scheme to participate in refinancing by issue of shares, rights issue or issue of convertible bonds during the term;
  - (9) to authorise the head of the Management Committee to exercise the shareholder' rights of the shares held in the Scheme before the liquidation and distribution of the Scheme are completed;
  - (10) to perform such other duties as may be authorised at the Holders' Meeting.
5. The head of the Management Committee shall exercise the following functions and powers:
- (1) to preside over the Holders' Meetings;
  - (2) to convene and preside over the Management Committee's meetings;
  - (3) to supervise and inspect the execution of the resolutions of the Holders' Meetings and the Management Committee;
  - (4) to perform such other functions and powers as may be delegated by the Management Committee.
6. The Management Committee's meetings may be convened by the head of the Management Committee from time to time. A notice of the meeting shall be issued to all members of the Management Committee two days prior to the meeting. In case of any urgent matter, a Management Committee's meeting can be convened by giving verbal notice. Such notice may be given by mail, telephone, facsimile or other means. Members of the Management Committee may propose to convene an

extraordinary Management Committee's meeting and the head of the Management Committee shall convene and preside over the meeting within five days upon receiving such proposal.

7. A Management Committee's meeting shall only be held when more than half of the members are present. The "one person, one vote" system shall be adopted at the Management Committee's meetings. In order to be valid, the resolutions of the meetings are subject to approval by more than half of the members of the Management Committee. Provided that members of the Management Committee can fully express their views, email or other means may be used, and a resolution shall be made and signed by members present.
8. Members of the Management Committee shall attend the Management Committee's meetings in person. For any member who cannot attend the meetings in person due to any reason, he/she may appoint other member of the Management Committee as his/her proxy in writing to attend the meetings. A form of proxy shall be signed or sealed by such member with the name of the proxy, and the matters, scope and validity period of the authorisation being specified. The proxy shall exercise his/her rights properly within the scope of authorisation. For any Management Committee member who neither attends the meetings nor appoint another member as his/her proxy, he/she will be deemed to have abstained from voting.
9. Minutes of the matters discussed at the Management Committee's meeting shall be recorded, and all members attending the Management Committee's meeting shall sign on the minutes.
10. Minutes of meetings of the Management Committee shall include the following information:
  - (1) the date and venue of the meeting and the name of the convener;
  - (2) the names of the Management Committee members attending the meeting and the names of the Management Committee members (proxies) attending the meeting on behalf of others;
  - (3) meeting agenda;
  - (4) the voting method and results of each resolution (the voting results shall specify the number of votes for, against or abstained).

**IX PROCEDURES OF IMPLEMENTATION OF THE SCHEME**

1. The Remuneration and Appraisal Committee of the board of directors of the Company shall be responsible for preparing the draft Scheme, and submitting it to the board of directors for consideration.
2. The board of directors of the Company shall consider and approve the draft Scheme. During the consideration of the board of directors, the directors who are proposed to be the Holder under the Scheme shall abstain from the voting. The independent non-executive directors and the supervisory committee shall opine on matters as to whether the Scheme may benefit the Group's sustainable development, whether there is any notifiable damage to the interests of the Company and the shareholders as a whole, and whether there is any apportionment, mandatory allocation or other circumstances forcing the employees to participate in the Scheme.
3. The Company shall, among others, within two trading days after the full text and the summary of the draft Scheme is considered and approved by the board of directors and the supervisory committee of the Company, disclose the board resolutions, the full text and the summary of the draft Scheme and the opinion of the independent non-executive directors and the supervisory committee.
4. The Company shall convene an employee representatives meeting to solicit opinions on the Scheme from the employees.
5. The Company shall engage legal advisers to issue legal opinion on the Scheme and disclose such legal opinion before convening the general meetings for considering the Scheme.
6. A general meeting shall be convened to consider the Scheme. The Scheme shall only be implemented after being approved by more than half of the valid voting rights attending the general meeting.
7. A Holders' meeting shall be convened to elect the Management Committee and define the specific matters concerning the implementation of the Scheme.
8. The Employee Share Ownership Product shall purchase the Target Shares within six months after the Scheme is considered and approved at the general meeting of the Company.
9. Other procedures to be performed as stipulated by the CSRC, the Hong Kong SFC, the stock exchange and relevant competent authorities of the place where the shares of the Company are listed and other regulatory authorities.

**X MATTERS TO BE RESOLVED BY THE BOARD WITH THE AUTHORISATION  
FROM THE GENERAL MEETING**

The general meeting may authorise the board of directors to deal with matters relating to the Scheme, including but not limited to:

1. to formulate the detailed plan of the Scheme, including but not limited to ascertaining the number of Holders, the qualifications of the Holders, the source of funds, the size of the Scheme, the term, the lock-up period, the management pattern, grant and grant date of reserved units and other matters in accordance with the applicable laws, regulations and relevant rules of the regulatory authorities and the resolution(s) of the general meeting of the Company and taking into consideration of the circumstances of the Group;
2. to adjust and deal with matters relating to the Scheme (except those subject to another approval at the general meeting of the Company as required by the relevant laws, regulations and the Articles of Association), including considering the amendment, extension, termination (including early termination) of the Scheme, in accordance with the opinions of the regulatory authorities, and the changes in policies or market conditions;
3. to apply for all the necessary approvals in relation to the Scheme in accordance with relevant requirements, including but not limited to the preparation, amendment, submission and execution of the relevant materials, and to disclose information in accordance with the relevant laws, regulations and the listing rules of the stock exchange of the place where the shares of the Company are listed;
4. to determine the asset management agency and trustee agency of the Scheme, which will assist the Company to implement the Scheme, in accordance with the applicable laws, regulations and relevant rules of the regulatory authorities;
5. to deal with matters in relation to the lock-up and unlocking of the Target Shares purchased under the Scheme;
6. to determine the vesting proportion based on the fulfillment of vesting conditions under the Scheme and deal with all matters that are necessary for vesting;
7. to deal with other matters that are necessary for the Scheme.

The abovementioned authorisations shall be effective from the date of review and approval by the general meeting of the Company until the completion of the liquidation of the Scheme.

**XI APPOINTMENT OF MANAGEMENT AGENCY AND TERMS OF AGREEMENT****I. Appointment of the Management Agency of the Scheme**

The Company will entrust Changjiang Pension as the Management Agency to manage the Scheme via the Employee Share Ownership Product. Changjiang Pension will set up a special investment portfolio under the Employee Share Ownership Product for investment operations, and both parties shall enter into the Entrusted Management Contract and related supplementary agreements (if any).

**II. Principal Terms of the Entrusted Management Contract (Subject to the Final Signed Agreements)**

1. Name of product: Changjiang Pension Enterprise Employee Share Ownership Special Collective Group Pension Security Management Product
2. Principal: Shanghai Fosun Pharmaceutical (Group) Co., Ltd.
3. Management agency: Changjiang Pension Insurance Co., Ltd.
4. Trust agency: A qualified commercial bank
5. Investment objective: It will mainly invest in the H Shares of the Company, and part of the funds can be invested in liquid assets according to the agreement. Target Shares will be sold after the end of the lock-up period of the Scheme.
6. Contract period: Subject to the contract to be entered into.
7. Management expenses:
  - (1) Initial fee: Nil.
  - (2) Investment management fee: To be calculated according to the initial size of the Employee Share Ownership Product and the basic investment management rate as agreed. The specific rate and charging method shall be determined upon negotiation between the Company and Changjiang Pension.
  - (3) Custodian fee: To be calculated according to the initial size of the Employee Share Ownership Product and the annual rate of custodian fee as agreed. The specific rate and charging method shall be determined upon negotiation between the Company, Changjiang Pension and the escrow bank.
  - (4) Other fees: Subject to the contract to be entered into.

**XII ASSET COMPOSITION AND METHODS FOR DISPOSAL OF INTERESTS IN THE  
SHARES****I. Asset Composition of the Scheme**

1. The corresponding interests in the Company's H Shares held through the Employee Share Ownership Product;
2. Cash deposits and accrued interests;
3. Gains from fund management or other assets without vesting objects for various reasons such as employee resignation and appraisal;

Except as otherwise agreed, the assets of the Scheme are independent of the assets of the Company and the Management Agency under the Scheme. The Company and the Management Agency under the Scheme shall not include the assets of the Scheme in its assets. Assets and income acquired as a result of the management, application or other circumstances of the Scheme shall be included in the assets of the Scheme.

**II. Methods for Disposal of Assets of the Scheme**

1. During the term of the Scheme, unless otherwise stipulated by laws, regulations and regulatory documents, the units held by the Holders under the Scheme shall not be transferred, pledged, or otherwise disposed of in similar manner. The Holders shall not request the allocation of the assets of Scheme.
2. Upon expiry of the lock-up period of the Scheme and prior to expiry of the term of the Scheme, the Management Agency shall sell the Target Shares held under the Scheme or determine the vesting of relevant shares and make allocations according to the contract agreements and supplement documents (if any) relating to the Employee Share Ownership Product.
3. If all the Target Shares held under the Scheme are sold and the assets under the Scheme are liquidated and allocated completely according to the provisions, the Scheme shall be terminated upon being approved by the Management Committee and reported to the board of directors for record.
4. If the term of the Scheme is expired and not extended, the Management Committee shall, or shall authorise the asset management agency to, liquidate the assets under the Scheme and make allocations according to the units held by the Holders.

**XIII DISPOSAL METHODS IN CASE OF CHANGES IN THE CIRCUMSTANCES OF THE  
COMPANY AND THE HOLDERS****I. Changes in the circumstances of the Company**

Upon occurrence of any of the following events, subject to the extent of the relevant change in circumstances, the board of directors, as authorised by shareholders at the general meeting of the Company, shall determine whether to continue to implement, amend, suspend or terminate the Scheme, save for any powers specifically required under relevant documents to be exercised by general meeting:

1. change in control of the Company;
2. merger/de-merger of the Company;
3. other material changes.

**II. Changes in the circumstances of the Holders**

1. Upon occurrence of any of the following events in respect of a Holder, the units granted to such Holder remain unchanged and shall continue to be subject to the lock-up period and vesting in accordance with the Scheme:
  - (1) change in position of a Holder, but who remains within the scope of the Holder as defined under the Scheme;
  - (2) re-hiring of a Holder after he/she attains the retirement age stipulated by law and the Company.
2. Upon occurrence of any of the following events (except for those set out in item 3 in the next paragraph below) during the term, the relevant Holder shall be disqualified on the date of occurrence of relevant event, and the units under the Scheme granted but not vested in such Holder under the Scheme shall not be vested and shall be mandatorily forfeited by the Management Committee. The vested but unsold interest in the Scheme held by such Holder shall be sold by the Management Agency as and when appropriate since the date of the occurrence of any of the following events, and the Management Agency shall pay the proceeds and related gains to the Holder or his/her legal heirs after selling the relevant units and deducting the relevant expenses according to laws:
  - (1) internal transfer of a Holder resulting in him/her being no longer within the scope of the Holder as defined under the Scheme;
  - (2) departure due to attaining the retirement age stipulated by law and the Company;

- (3) departure or death due to incapacity;
  - (4) becoming an independent non-executive director or other person not allowed to hold shares of the Company;
  - (5) resignation;
  - (6) termination of employment upon expiration of the labour contract or employment agreement without renewal due to personal reason;
  - (7) other circumstances under which the relevant laws, regulations or regulatory documents prohibit an individual from being a Holder under the Scheme.
3. Upon occurrence of any of the following events during the term, the relevant Holder shall be disqualified on the date of occurrence of relevant event, and the units under the Scheme granted but not vested in such Holder under the Scheme shall not be vested and shall be mandatorily forfeited by the Management Committee. The vested but unsold interest in the Scheme held by such Holder shall be sold by the Management Agency as and when appropriate since the date of the occurrence of any of the following events, and the Management Agency shall pay the proceeds and related gains to the Holder after selling the relevant units and deducting the relevant expenses according to laws. In egregious cases, the Management Committee may, based on the actual situation, take action against such Holder and claim for damages suffered by the Group:
- (1) dismissal due to failure to accomplish individual performance targets;
  - (2) change in position due to incompetence for work position, disqualification in performance appraisal, violation of laws, leakage of the Company's confidential information, dereliction of duty or malpractice or any other acts that seriously damage the interests or reputation of the Group.
4. Other unspecified circumstances shall be identified by the board of directors which shall determine how such matters are to be dealt with.

**XIV OTHER IMPORTANT MATTERS**

1. The approval of the board of directors and the general meeting of the Company does not represent the right of such Holders to continue to serve the Group and does not constitute a commitment of employment for a fixed term. The employment relationship between the Company or its subsidiaries or branches and a Holder is still governed by the employment contract between the parties.
2. Issues relating to finance, accounting treatment and taxation during the implementation of the Scheme will be resolved in accordance with the relevant policies of finance, accounting and taxation.
3. The board of directors of the Company reserves the right to interpret the Scheme.

Board of Directors of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\*  
29 August 2022

\* *For identification purpose only*

## APPENDIX II AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

According to the Listed Companies Regulatory Guidance No. 2 — Regulatory Requirements on the Management and Use of Proceeds of Listed Companies (CSRC Announcement [2022] No. 15) by the China Securities Regulatory Commission and the No. 1 Self-Regulation Guidelines for Listed Companies of the Shanghai Stock Exchange — Standardized Operation, and in light of the actual circumstances of the Company, it is proposed to amend certain articles of the Management System for Proceeds of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\* as follows:

Original	Revised
In order to regulate the administration and use of proceeds of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as the “Company”) and protect the interests of the investors of the Company, these Rules are formulated pursuant to the related requirements of laws, regulations and normative documents, including the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Administrative Measures for the Issuance of Securities by Listed Companies, the Rules Concerning the Report on the Use of Proceeds from Previous Fundraising Activities, <b>the Listed Companies Regulatory Guidance No. 2 — Regulatory Requirements on the Management and Use of Proceeds of Listed Companies by the CSRC (CSRC Announcement [2012] No. 44)</b> , Rules Governing the Listing of Stocks on Shanghai Stock Exchange (hereinafter referred to as the “SSE Listing Rules”) and <b>the Measures of the Shanghai Stock Exchange for the Management of Raised Funds of Listed Companies on the Shanghai Stock Exchange (hereinafter referred to as the “Measures of the Management of Raised Funds”)</b> , as well as the specific conditions of the Company.	In order to regulate the administration and use of proceeds of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (hereinafter referred to as the “Company”) and protect the interests of the investors of the Company, these Rules are formulated pursuant to the related requirements of laws, regulations and normative documents, including the Company Law of the People’s Republic of China (hereinafter referred to as the “Company Law”), the Securities Law of the People’s Republic of China (hereinafter referred to as the “Securities Law”), the Administrative Measures for the Issuance of Securities by Listed Companies, the Rules Concerning the Report on the Use of Proceeds from Previous Fundraising Activities, <b>the Listed Companies Regulatory Guidance No. 2 — Regulatory Requirements on the Management and Use of Proceeds of Listed Companies by the CSRC (CSRC Announcement [2022] No. 15)</b> , Rules Governing the Listing of Stocks on Shanghai Stock Exchange (hereinafter referred to as the “SSE Listing Rules”) and <b>the No. 1 Self-Regulation Guidelines for Listed Companies of the Shanghai Stock Exchange — Standardized Operation</b> , as well as the specific conditions of the Company.
Article 1 The term “proceeds” as mentioned in the Rules refers to <b>the funds raised from investors by the Company through public offering of securities (including initial public offering of stocks, share allotment, further issue, issuance of convertible corporate bonds, issuance of convertible transaction-separated corporate bonds) and non-public offering of securities, but excluding the funds raised through the equity incentive plan implemented by the Company.</b>	Article 1 The term “proceeds” as mentioned in the Rules refers to <b>the funds raised from investors and used for specific purposes by the Company through the issuance of shares and their derivatives.</b>  <b>The term “over-raised funds” as mentioned in the Rules refers to the excess of the net amount of funds actually raised over the amount of the funds planned to raise.</b>

## APPENDIX II      AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 2 Upon receipt of the proceeds, the Company shall undertake the capital verification process in a timely manner and <b>engage an accounting firm with securities business license</b> to issue a capital verification report. Should the amount of proceeds is large, it is allowed to establish special accounts in more than one bank in connection with the arrangement for the credit plan of investment project and upon the approval of the directors, provided that the fund for the same investment project must be deposited in the same special account. <b>The Finance Department of the Company shall regularly verify the deposit balance of the proceeds to ensure consistency between the book value and the actual amount.</b></p>	<p>Article 2 Upon receipt of the proceeds, the Company shall undertake the capital verification process in a timely manner and <b>engage an accounting firm in compliance with the Securities Law</b> to issue a capital verification report. Should the amount of proceeds is large, it is allowed to establish special accounts in more than one bank in connection with the arrangement for the credit plan of investment project and upon the approval of the directors, provided that the fund for the same investment project must be deposited in the same special account. <b>The Financial Department of the Company shall set up a ledger for the use of the proceeds, and record in detail the expenditure of the proceeds and the investment of the Proceeds Investment Project.</b></p>
<p>Article 6 The Board of Directors of the Company shall established an internal control system regarding the deposit, utilization and management of proceeds, while specific regulations shall be established for aspects such as the deposit, utilization, changes, supervision and accountability of proceeds.</p> <p>... ..</p>	<p>Article 6 The Board of Directors of the Company shall establish an internal control system regarding the deposit, utilization and management of proceeds, while specific regulations shall be established for aspects such as the deposit, utilization, changes, supervision and accountability of proceeds, and the application for the use of proceeds, hierarchical approval authority, decision-making procedures, risk control measures and information disclosure procedures.</p> <p>... ..</p>
<p>Article 8 The proceeds of the Company shall be deposited in a designated account (hereinafter referred to as the “Designated Account for Proceeds”) established by the Board of Directors for the purpose of centralized management, and the Designated Account for Proceeds shall not be used for the deposit of funds other than the proceeds or for any other purposes.</p>	<p>Article 8 The Company shall carefully select a commercial bank and open a designated account for proceeds (hereinafter referred to as the “Designated Account for Proceeds”). The proceeds shall be deposited in a designated account established with the approval of the Board of Directors for centralized management, and the designated account shall not be used for the deposit of funds other than the proceeds or for any other purposes. <b>If the Company has raised funds more than twice, it shall set up separate Designated Accounts for Proceeds. The over-raised funds shall also be deposited in the Designated Account for Proceeds for management.</b></p>

## APPENDIX II      AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 9 The Company shall, within one month upon receipt of the proceeds, sign a tripartite supervision agreement for the deposits in the Designated Account for Proceeds (hereinafter referred to as the “Agreement”) with <b>the sponsor</b> and the commercial bank designated for the deposit of proceeds (hereinafter referred to as the “Commercial Bank”). The content of the Agreement shall at least include the followings:</p> <p>... ..</p> <p>(2) The commercial bank shall present reconciliation statements to the Company on a monthly basis and make a copy to <b>the sponsor</b>;</p> <p>(3) Where the amount drawn by the Company once at a time or aggregately from the Designated Account for Proceeds within 12 months exceeds RMB50 million and accounts for 20% of the total amount of proceeds net of the issuance cost (hereinafter referred to as “Net Proceeds”), the Company shall timely notify <b>the sponsor</b>;</p> <p>(4) <b>The sponsor</b> may at any time inquire the information on the Designated Account for Proceeds from the commercial bank;</p> <p>(5) The liability for breaching the agreement of the Company, the commercial bank and <b>the sponsor</b>.</p> <p><b>The Company shall, within 2 trading days upon the signing of the above agreement, file with the Shanghai Stock Exchange and make announcement thereon.</b></p> <p>Should the above agreement terminate before the period of validity <b>due to reasons such as change of sponsor or the commercial bank</b>, the Company shall enter into new agreement with related parties within two weeks from the date of termination <b>and shall, within 2 trading days upon the signing of the new agreement, file with the Shanghai Stock Exchange and make announcement thereon.</b></p>	<p>Article 9 The Company shall, within one month upon receipt of the proceeds, sign a tripartite supervision agreement for the deposits in the Designated Account for Proceeds (hereinafter referred to as the “Agreement”) with <b>the sponsor or the independent financial advisor</b> and the commercial bank designated for the deposit of proceeds (hereinafter referred to as the “Commercial Bank”) <b>and make an announcement in a timely manner</b>. The content of the Agreement shall at least include the followings:</p> <p>... ..</p> <p><b>(2) The account number of the Designated Account for Proceeds, the Proceeds Investment Project involved in the designated account, and the deposit amount;</b></p> <p>(3) The commercial bank shall present reconciliation statements to the Company on a monthly basis and make a copy to <b>the sponsor or the independent financial advisor</b>;</p> <p>(4) Where the amount drawn by the Company once at a time or aggregately from the Designated Account for Proceeds within 12 months exceeds RMB50 million and accounts for 20% of the total amount of proceeds net of the issuance cost (hereinafter referred to as “Net Proceeds”), the Company shall timely notify <b>the sponsor or the independent financial advisor</b>;</p> <p>(5) <b>The sponsor or the independent financial advisor</b> may at any time inquire the information on the Designated Account for Proceeds from the commercial bank;</p> <p><b>(6) The supervisory responsibilities of the sponsor or the independent financial advisor, the notification and cooperation responsibilities of the commercial bank, and the supervision methods of the sponsor or the independent financial advisor and the commercial bank on the use of proceeds by the Company;</b></p> <p>(7) The liability for breaching the agreement of the Company, the commercial bank, and <b>the sponsor or the independent financial advisor</b>;</p> <p><b>(8) If the commercial bank fails to issue a reconciliation statement to the sponsor or the independent financial advisor in a timely manner for three times, and fails to cooperate with the sponsor or the independent financial advisor in inquiring and investigating information on the designated account, the Company may terminate the agreement and close the Designated Account for Proceeds.</b></p> <p>Should the above agreement terminate before the period of validity, the Company shall enter into new agreement with related parties within two weeks from the date of termination <b>and shall make an announcement in a timely manner.</b></p>

## APPENDIX II      AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 10 The Proceeds Investment Projects shall be carried out strictly pursuant to the schedule undertaken by the Company, while regular report shall be made to the Board of Directors and the progress of implementation of the investment project shall be publicized. In the event that the progress of the project substantially falls behind the schedule undertaken due to unforeseeable objective factors, the Company shall publicly disclose the actual situation with detailed reasons in a timely manner.</p> <p><b>In case of issuance of shares for assets acquisition, the proceeds shall not be used to replenish capital and repay debts.</b></p>	<p>Article 10 The Proceeds Investment Projects shall be carried out strictly pursuant to the schedule undertaken by the Company, while regular report shall be made to the Board of Directors and the progress of implementation of the investment project shall be publicized. In the event that the progress of the project substantially falls behind the schedule undertaken due to unforeseeable objective factors, the Company shall publicly disclose the actual situation with detailed reasons in a timely manner.</p>
<p>Article 11 When a project investment is implemented by the Company, all expenditures related to every sum of proceeds <b>shall only be paid out when a fund use plan submitted by the relevant department(s) of the Company was signed by the manager of the department(s) and reported to the Company's financial department for review and approval, and signed by the chief financial officer and president.</b> In the meantime, the disbursement for proceeds shall undergo the relevant reviewing and approving procedures in strict compliance with the Company's fund management system.</p>	<p>Article 11 When a project investment is implemented by the Company, all expenditures related to every sum of proceeds <b>shall only be paid out when a fund use plan submitted by the relevant department(s) of the Company or of the holding subsidiary acting as the implementation entity of the Proceeds Investment Project was signed by the manager of the relevant department(s) and reported to the relevant financial department for review and approval by the relevant financial controller, the chief executive officer (or president) or its delegate(s).</b> In the meantime, the disbursement for proceeds shall undergo the relevant reviewing and approving procedures in strict compliance with the Company's fund management system.</p>
<p>Article 12 <b>If any of the following circumstances occurs to any of the Proceeds Investment Projects of the Company,</b> the Company shall again examine the feasibility of, and expected profitability from, etc., of such Proceeds Investment Project to decide whether or not to proceed with the project, and disclose in the latest regular report the progress of the project, reasons for the occurrence of the abnormal situations and the adjusted <b>Proceeds Investment Project:</b></p> <p>... ..</p>	<p>Article 12 <b>If any of the following circumstances occurs to any of the Proceeds Investment Projects of the Company,</b> the Company shall again examine the feasibility of, and expected profitability from, etc., of such Proceeds Investment Project to decide whether or not to proceed with the project, and disclose in the latest regular report the progress of the project, reasons for the occurrence of the abnormal situations and the adjusted <b>plan of the Proceeds Investment Project:</b></p> <p>... ..</p>

## APPENDIX II AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 13 In principle, the proceeds of the Company shall be invested in its principal business. The Company shall be refrained from the following acts when using the proceeds:</p> <p>(1) except financial institutions, the Proceeds Investment Project involves financial investments such as holding of transactional financial assets and <b>available-for-sale financial assets</b>, loaning to others and entrusted financial management, and is invested, directly or indirectly, in companies principally engaged in the trading of marketable securities;</p> <p>... ..</p>	<p>Article 13 In principle, the proceeds of the Company shall be invested in its principal business. The Company shall be refrained from the following acts when using the proceeds:</p> <p>(1) except financial institutions, the Proceeds Investment Project involves financial investments such as holding of transactional financial assets and <b>investment in other equity instruments</b>, loaning to others and entrusted financial management, and is invested, directly or indirectly, in companies principally engaged in the trading of marketable securities;</p> <p>... ..</p>
<p>Article 14 ... ..</p> <p>The replacement shall be subject to the deliberation and approval by the Board of Directors of the Company, with a verification report issued by an accounting firm, and <b>the opinions on explicit consent given by</b> independent non-executive directors, the Supervisory Committee and the sponsor. <b>The Company shall report to the Shanghai Stock Exchange and make an announcement within 2 trading days after the Board meeting.</b></p>	<p>Article 14 ... ..</p> <p>The replacement shall be subject to the deliberation and approval by the Board of Directors of the Company, with a verification report issued by an accounting firm, and <b>the opinions on explicit consent given by</b> independent non-executive directors, the Supervisory Committee and the sponsor <b>or the independent financial advisor, and shall be disclosed in a timely manner.</b></p>
<p>Article 15 The proceeds which are temporarily idle may be subject to cash management, and the products they invest in must meet the following conditions:</p> <p>(1) <b>high safety, meeting the requirements of capital guarantee, and the issuer of the products can make a commitment on capital guarantee;</b></p> <p>... ..</p> <p>The invested products shall not be pledged, and the special product settlement account (if applicable) shall not be used for the deposit of funds other than proceeds or for any other purpose, and in case of opening or cancelling a special product settlement account, <b>the Company shall file with the Shanghai Stock Exchange and make an announcement within 2 trading days thereafter.</b></p>	<p>Article 15 The proceeds which are temporarily idle may be subject to cash management, and the products they invest in must meet the following conditions:</p> <p>(1) <b>high-safety capital-guaranteed products such as structured deposits and large-denomination certificates of deposit;</b></p> <p>... ..</p> <p><b>The term of the invested products shall not be longer than the term authorised by internal resolution, and shall not exceed 12 months.</b> The invested products shall not be pledged, and the special product settlement account (if applicable) shall not be used for the deposit of funds other than proceeds or for any other purpose, and in case of opening or cancelling a special product settlement account, <b>the Company shall file with the Shanghai Stock Exchange and make an announcement in a timely manner.</b></p>

## APPENDIX II      AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 16 The investment of idle proceeds in products shall be subject to the deliberation and approval by the Board of Directors of the Company, with the opinions on explicit consent given by the independent non-executive directors, the Supervisory Committee and <b>the sponsor</b>. <b>The Company shall, within 2 trading days after the Board meeting, announce the following:</b></p> <p>... ..</p> <p>(5) opinions issued by independent non-executive directors, the Supervisory Committee and the sponsor.</p>	<p>Article 16 The investment of idle proceeds in products shall be subject to the deliberation and approval by the Board of Directors of the Company, with the opinions on explicit consent given by the independent non-executive directors, the Supervisory Committee, and <b>the sponsor or the independent financial advisor</b>. <b>The Company shall, in a timely manner after the Board meeting, announce the following:</b></p> <p>... ..</p> <p>(5) opinions issued by independent non-executive directors, the Supervisory Committee and the sponsor <b>or the independent financial advisor</b>.</p> <p><b>The Company shall disclose a risk warning announcement in a timely manner when a significant risk such as deterioration of the financial position of the product issuer or an imminent loss of the invested product arises, and explain the risk control measures taken by the Company to ensure the safety of proceeds.</b></p>
<p>Article 17 ... ..</p> <p>The use of idle proceeds for temporarily replenishing working capital by the Company shall be subject to the deliberation and approval by the Board of Directors of the Company, with the opinions on explicit consent given by independent non-executive directors, the Supervisory Committee and the sponsor. <b>The Company shall report to the Shanghai Stock Exchange and make an announcement within 2 trading days after the Board meeting.</b></p> <p>The Company shall return part of the supplementary working capital to the Designated Account for Proceeds prior to the due date for such supplementary working capital, <b>and report to the Shanghai Stock Exchange and make an announcement within 2 trading days after such funds has been fully repaid.</b></p>	<p>Article 17 ... ..</p> <p>The use of idle proceeds for temporarily replenishing working capital by the Company shall be subject to the deliberation and approval by the Board of Directors of the Company, with the opinions on explicit consent given by independent non-executive directors, the Supervisory Committee and the sponsor, <b>and it shall be disclosed in a timely manner.</b></p> <p>The Company shall return part of the supplementary working capital to the Designated Account for Proceeds prior to the due date for such supplementary working capital, <b>and make an announcement in a timely manner after such funds have been fully repaid.</b></p>

## APPENDIX II      AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 18 <b>The excess of the net amount of the funds actually raised by the Company over the amount of the funds planned to raise (hereinafter referred to as the “over-raised Funds”)</b> may be used to permanently replenish working capital or repay bank loans, provided that the accumulated amount used, for every 12 months, shall not exceed 30% of the total amount of the over-raised Funds, and the Company shall undertake that it will not make high-risk investments <b>and provide financial assistance for others</b> within 12 months after replenishing the working capital.</p>	<p>Article 18 The <b>over-raised funds</b> may be used to permanently replenish working capital or repay bank loans, provided that the accumulated amount used, for every 12 months, shall not exceed 30% of the total amount of the over-raised funds, and the Company shall undertake that it will not make high-risk investments <b>and provide financial assistance for others other than holding subsidiaries</b> within 12 months after replenishing the working capital.</p> <p><b>The Company shall not make joint investment with professional investment institutions within 12 months after the over-raised funds are used to permanently replenish working capital. The provisions of the preceding paragraph shall not apply to the investment funds related to the Company’s principal business and jointly invested by the Company and professional investment institutions, or investment funds such as poverty area industrial investment funds and poverty alleviation public welfare funds operated in a market-oriented manner.</b></p>
<p>Article 19 Where the over-raised funds are used to permanently replenish working capital or repay bank loans, such use shall be subject to the deliberation and approval by the Board of Directors and the Shareholders’ Meeting of the Company, with an access of online voting provided to the shareholders, and the opinions on explicit consent given by independent non-executive directors, the Supervisory Committee and <b>the sponsor. The Company shall, within 2 trading days after the Board meeting, report to the Shanghai Stock Exchange and announce the following:</b></p> <p>.....</p> <p><b>(6) the opinions provided by the independent non-executive directors, the Supervisory Committee and the sponsor.</b></p>	<p>Article 19 Where the over-raised funds are used to permanently replenish working capital or repay bank loans, such use shall be subject to the deliberation and approval by the Board of Directors and the Shareholders’ Meeting of the Company, with an access of online voting provided to the shareholders, and the opinions on explicit consent given by independent non-executive directors, the Supervisory Committee, and <b>the sponsor or the independent financial advisor. The Company shall, in a timely manner after the Board meeting, announce the following:</b></p> <p>.....</p> <p><b>(6) the opinions provided by the independent non-executive directors, the Supervisory Committee and the sponsor or the independent financial advisor.</b></p>
<p>Article 20 The Company will apply the over-raised funds, which shall be invested in principal businesses, on projects under construction and new projects (including those on asset acquisition, etc.), and the Company shall scientifically and prudentially make feasibility analysis on the investment projects, and perform its information disclosure obligations in a timely manner, <b>under the relevant provisions in Article 21 to 24 of the Measures of the Management of Raised Funds which are applicable.</b></p>	<p>Article 20 The Company will apply the over-raised funds, which shall be invested in principal businesses, on projects under construction and new projects (including those on asset acquisition, etc.), and the Company shall scientifically and prudentially make feasibility analysis on the investment projects, and perform its information disclosure obligations in a timely manner, <b>under the relevant provisions concerning the changes in investment of the proceeds in the Rules which are applicable.</b></p>

## APPENDIX II      AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 21 After the completion of a single Proceeds Investment Project, the balance of the proceeds (including interest income) will be used on other Proceeds Investment Project by the Company, but shall be subject to the deliberation and approval by the Board of Directors, with the opinions on explicit consent given by independent non-executive directors, the sponsor and the Supervisory Committee. <b>The Company shall report to the Shanghai Stock Exchange and make announcement within 2 trading days after the Board Meeting.</b></p> <p>....</p>	<p>Article 21 After the completion of a single Proceeds Investment Project, the balance of the proceeds (including interest income) will be used on other Proceeds Investment Project by the Company, but shall be subject to the deliberation and approval by the Board of Directors, with the opinions on explicit consent given by independent non-executive directors, the sponsor and the Supervisory Committee. <b>The Company shall make an announcement in a timely manner after the deliberation of the Board of Directors.</b></p> <p>....</p>
<p>Article 22 After the completion of all Proceeds Investment Projects, if the balance of the proceeds (including interest income) accounts for more than 10% of the Net Proceeds, such balance shall be used only after the deliberation and approval by Board of Directors and general meeting, with the opinions on explicit consent given by independent non-executive directors, the sponsor and the Supervisory Committee. <b>The Company shall report to the Shanghai Stock Exchange and make announcement within 2 trading days after the Board Meeting.</b></p> <p>If the balance of the proceeds (including interest income) is less than 10% of the Net Proceeds, such balance shall be used only after the deliberation and approval by Board of Directors and general meeting, with the opinions on explicit consent given by independent non-executive directors, the sponsor and the Supervisory Committee. The Company shall report to the Shanghai Stock Exchange and make announcement within 2 trading days after the Board Meeting.</p> <p>.....</p>	<p>Article 22 After the completion of all Proceeds Investment Projects, the balance of the proceeds (including interest income) shall be subject to the deliberation and approval by the Board of Directors, with the opinions on explicit consent given by independent non-executive directors, the sponsor and the Supervisory Committee. <b>The Company shall make an announcement in a timely manner after the deliberation of the Board of Directors.</b></p> <p>If the balance of the proceeds (including interest income) accounts for more than 10% of the Net Proceeds, such balance shall be subject to the deliberation and approval by the general meeting.</p> <p>.....</p>

## APPENDIX II      AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 23 The proceeds of the Company shall be used for the purposes as listed in the prospectus or the <b>explanatory document for raising funds</b>. If there is any change in the Proceeds Investment Project of the Company, the alteration shall be subject to the deliberation and approval by Board of Directors and general meeting, with the opinions on explicit consent given by independent non-executive directors, <b>the sponsor</b> and the Supervisory Committee.</p> <p><b>Where changes merely involve the place of implementation of the Proceeds Investment Project, the aforementioned procedures can be exempted, but shall be subject to the deliberation and approval by the Board of Directors, and report to the Shanghai Stock Exchange and make an announcement on the reasons for the changes and the opinions of the sponsor within 2 trading days.</b></p>	<p>Article 23 The proceeds of the Company shall be used for the purposes as listed in the prospectus or the <b>public offering document for raising funds</b>. If there is any change in the Proceeds Investment Project of the Company, the alteration shall be subject to the deliberation and approval by Board of Directors and general meeting, with the opinions on explicit consent given by independent non-executive directors, <b>the sponsor or the independent financial advisor</b> and the Supervisory Committee.</p> <p><b>Where the implementation entity of the Proceeds Investment Project is changed to be the Company or its wholly-owned subsidiary, or changes merely involve the place of implementation of the Proceeds Investment Project, approval from the general meeting can be exempted, but shall still be subject to the deliberation and approval by the Board of Directors, and make an announcement in a timely manner on the reasons for the changes and the opinions of the sponsor.</b></p>
<p>Article 25 The Company shall <b>report to the Shanghai Stock Exchange</b> about the reasons for the proposed changes of Proceeds Investment Project and an announcement containing the following information shall be made <b>within 2 trading days</b> after such proposal is submitted to the Board for consideration:</p> <p>... ..</p> <p>(5) the opinions of the independent non-executive directors, the Supervisory Committee, and <b>sponsor</b> in respect of the changes to the Proceeds Investment Project;</p> <p>... ..</p>	<p>Article 25 If the Company proposes to make changes to Proceeds Investment Project, <b>an announcement</b> containing the following information shall be made <b>in a timely manner</b> after such proposal is submitted to the Board for consideration:</p> <p>... ..</p> <p>(5) the opinions of the independent non-executive directors, the Supervisory Committee, and <b>the sponsor or the independent financial advisor</b> in respect of the changes to the Proceeds Investment Project;</p> <p>... ..</p>
<p>Article 27 If the Company proposed to transfer or replace of the Proceeds Investment Project to a third party (excluding those transfers or replacements of the Proceeds Investment Project to a third party which are completed during the reorganization of the Company's material assets) <b>shall report to the Shanghai Stock Exchange and an announcement containing the following information shall be made within 2 trading days after such proposal is submitted to the Board for consideration:</b></p> <p>... ..</p> <p>(6) the opinions of the Independent Non-executive Directors, the Supervisory Committee, and <b>sponsor</b> in respect of the transfer or replacement of the Proceeds Investment Project;</p> <p>... ..</p>	<p>Article 27 If the Company proposed to transfer or replace of the Proceeds Investment Project to a third party (excluding those transfers or replacements of the Proceeds Investment Project to a third party which are completed during the reorganization of the Company's material assets), <b>an announcement containing the following information shall be made in a timely manner after such proposal is submitted to the Board of Directors for consideration:</b></p> <p>... ..</p> <p>(6) the opinions of the independent non-executive directors, the Supervisory Committee, and <b>the sponsor or the independent financial advisor</b> in respect of the transfer or replacement of the Proceeds Investment Project;</p> <p>... ..</p>

## APPENDIX II      AMENDMENTS TO THE MANAGEMENT SYSTEM FOR PROCEEDS

Original	Revised
<p>Article 29 ... ..</p> <p>The “Special Report on Proceeds” shall be subject to the deliberation and approval by the Board of Directors and the Supervisory Committee, and the Company shall <b>report to the Shanghai Stock Exchange and</b> make an announcement <b>within 2 trading days</b> after the Board deliberation. During the annual audit, the Company shall engage an accounting firm to issue a verification report on the deposit and use of the proceeds, <b>and shall submit the verification report to the Shanghai Stock Exchange and disclose the same on the website of the Shanghai Stock Exchange while disclosing the annual report.</b></p>	<p>Article 29 ... ..</p> <p>The “Special Report on Proceeds” shall be subject to the deliberation and approval by the Board of Directors and the Supervisory Committee, and the Company shall make an announcement <b>in a timely manner</b> after the Board deliberation. During the annual audit, the Company shall engage an accounting firm to issue a verification report on the deposit and use of the proceeds, <b>and shall disclose the same on the website of the Shanghai Stock Exchange while disclosing the annual report.</b></p>
<p>Article 30 The independent non-executive directors, the audit committee of the Board of Directors and the Supervisory Committee shall constantly monitor the actual management and use of the proceeds. <b>Upon the approval by more than half of the independent non-executive directors, the audit committee of the Board of Directors or the Supervisory Committee may engage an accounting firm to issue a verification report on the deposit and use of proceeds.</b> The Company shall actively provide cooperation and bear necessary expenses incurred.</p> <p>The Board of Directors <b>shall report to the Shanghai Stock Exchange and make an announcement within 2 trading days</b> upon the receipt of the aforesaid verification report.</p> <p>... ..</p>	<p>Article 30 The independent non-executive directors, the audit committee of the Board of Directors and the Supervisory Committee shall constantly monitor the actual management and use of the proceeds. <b>Upon the approval by more than half of the independent non-executive directors, it may engage an accounting firm to issue a verification report on the deposit and use of proceeds.</b> The Company shall actively provide cooperation and bear necessary expenses incurred.</p> <p>The Board of Directors <b>shall make an announcement in a timely manner</b> upon the receipt of the aforesaid verification report.</p> <p>... ..</p>
<p>Article 31 <b>The sponsor</b> shall conduct an on-site inspection on the deposit and use of the proceeds of the Company at least each half year.</p> <p>After the end of each accounting year, <b>the sponsor</b> shall issue a special inspection report on the deposit and use of the proceeds of the Company for the year and submit the report to the Shanghai Stock Exchange and disclose the same on the website of the Shanghai Stock Exchange while the Company discloses the annual report. The inspection report shall include:</p> <p>... ..</p> <p>After the end of each accounting year, the Board of Directors of the Company shall disclose the conclusive opinions of the special inspection report and verification report issued by <b>the sponsor</b> and accounting firm, respectively, in the “Special Report on Proceeds”.</p>	<p>Article 31 <b>The sponsor or the independent financial advisor</b> shall conduct an on-site inspection on the deposit and use of the proceeds of the Company at least each half year.</p> <p>After the end of each accounting year, <b>the sponsor or the independent financial advisor</b> shall issue a special inspection report on the deposit and use of the proceeds of the Company for the year and submit the report to the Shanghai Stock Exchange and disclose the same on the website of the Shanghai Stock Exchange while disclosing the annual report. The inspection report shall include:</p> <p>... ..</p> <p>After the end of each accounting year, the Board of Directors of the Company shall disclose the conclusive opinions of the special inspection report and verification report issued by <b>the sponsor or the independent financial advisor</b> and accounting firm, respectively, in the “Special Report on Proceeds”.</p>

Save for the above amendments, other articles of the Management System for Proceeds remain unchanged.

In case of any discrepancy or inconsistency between Chinese version and its English translation, the Chinese version shall prevail.

The full text of the proposed draft of the 2022 Restricted A Share Incentive Scheme is set out as follows:

**FOSUN PHARMA**  
**复星医药**

上海復星醫藥（集團）股份有限公司  
**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***

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

**(Stock Code: 02196)**

**SHANGHAI FOSUN PHARMACEUTICAL (GROUP) CO., LTD.\***  
**THE 2022 RESTRICTED A SHARE INCENTIVE SCHEME**  
**(DRAFT)**

Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\*

August 2022

**DECLARATION**

The Company and all of its directors and supervisors warrant that the Scheme and the draft summary do not contain any false representation, misleading statement or material omission, and accept legal responsibility for the truthfulness, accuracy and completeness of the contents.

**SPECIAL NOTE**

1. The Scheme is formulated in accordance with the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations, regulatory documents, and the Articles of Association.
2. No circumstance under which a share incentive scheme shall not be implemented as stipulated in Article 7 of the Administrative Measures has occurred to the Company.
3. No circumstances under which one is unqualified as a Participant as stipulated in Article 8 of the Administrative Measures has occurred to the Participants.
4. The incentive tool of the Scheme is Restricted Shares and the source of such shares is from the issuance of A Shares to the Participants.
5. A number of up to 3,434,300 Restricted Shares are proposed to be granted to the Participants under the Scheme, representing up to 0.1287% of the total share capital of the Company (i.e. 2,669,655,200 shares, the same as below) as at 29 August 2022. Specifically, a number of up to 2,747,500 Restricted Shares will be granted under the first grant representing up to 0.1030% of the total share capital of the Company as at 29 August 2022; and a number of up to 686,800 Restricted Shares will be reserved for further grant representing up to 0.0258% of the total share capital of the Company as at 29 August 2022. The reserved grant portion represents up to 20% of the total Restricted Shares to be granted under the Scheme. As at 29 August 2022, the Company does not have any share incentive scheme currently in force. The total number of shares of the Company granted to a Participant under all share incentive schemes currently in force does not in the aggregate exceed 0.1% of the total share capital of the Company as at 29 August 2022, which complies with the requirement under the Administrative Measures that shares to be obtained by the participants shall not in the aggregate exceed 1% of the total share capital of the listed company under share incentive schemes.

In the event of any capitalisation of capital reserve, bonus issue, sub-division or share consolidation, rights issue of the Company in the period from 29 August 2022 to the completion of registration of Restricted Shares, the number of Restricted Shares and the total number of target shares involved shall be adjusted accordingly.

6. The Participants under the Scheme include the executive directors, senior management personnel of the Company, the mid-level management personnel of the Group and other employees to whom the board of directors of the Company considers provision of incentives to be appropriate. In particular, the number of Participants proposed at the first grant shall not exceed 143. The basis and scope for determining the Participants of the reserved grant portion shall be in compliance with the determination basis and scope of Participant of the Scheme.
7. The Grant Price of the first grant under the Scheme shall be RMB21.29 per share. In the event of any capitalisation of capital reserve, bonus issue, sub-division or share consolidation, rights issue, dividend distribution of the Company in the period from 29 August 2022 to the completion of registration of Restricted Shares, an adjustment to the Grant Price of Restricted Shares shall be made by the Company accordingly.
8. The Term of the Scheme shall be commencing from the completion date of registration of the shares under the first grant and ending on the date of all the Restricted Shares granted to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 60 months.
9. The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Scheme.
10. The implementation of the Scheme shall be subject to the consideration and approval at the general meeting, A share class meeting and H share class meeting of Fosun Pharma.
11. The Company will duly convene the board meeting to proceed with the grant to the Participants and complete the registration, announcement and other procedures within 60 days after the Scheme is considered and approved at the general meeting, A Share class meeting and H Share class meeting of the Company and the conditions for the grant of the Restricted Shares are satisfied. If the Company fails to complete the above work within 60 days, it shall promptly disclose the reasons for such failure and terminate the implementation of the Scheme. The Restricted Shares which have not been granted shall be lapsed and no further consideration of share incentive plan shall be allowed within 3 months therefrom by the Company. Any period during which no grant of entitlements is allowed pursuant to the Administrative Measures and other relevant laws and regulations shall not be counted toward the above mentioned 60-day period.
12. The implementation of the Scheme will not result in any incompliance with the listing requirements with respect of the distribution of shareholding of the Company.

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**I DEFINITIONS**

The following expressions shall have the following meanings unless the context requires otherwise:

Fosun Pharma, Company	Shanghai Fosun Pharmaceutical (Group) Co. Ltd.
Group	the Company and its subsidiaries
Scheme	the 2022 Restricted A Share Incentive Scheme of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (Draft)
date of the A-share announcement on the Scheme	30 August 2022, being the date on which the Scheme is announced and published on the website of the Shanghai Stock Exchange and designated newspapers
Restricted Share(s), Restricted A Share(s)	the restricted A Shares to be granted by the Company to the Participants according to the conditions and price stipulated under the Scheme which are subject to the Restriction Period and can only be unlocked and transferred after the Unlocking Conditions under the Scheme are satisfied
A Share(s)	listed domestic share(s) issued by the Company
H Share(s)	overseas listed foreign share(s) issued by the Company
Participant(s)	the eligible person(s) to be granted the Restricted Share(s) under the Scheme
Grant Date	the date on which the Company grants the Restricted Shares to the Participants, and the Grant Date must be a trading day of A Shares
Term	the period commencing from the completion date of registration of the shares under the first grant and ending on the date of all the Restricted Shares granted to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 60 months
Restriction Period	the period during which the Restricted Shares granted to the Participants under the Scheme shall not be transferred, used as security, or for repayment of debts

Unlocking Date	the date when the Restricted Shares held by the Participants may be unlocked from selling restrictions after all the Unlocking Conditions prescribed under the Scheme are satisfied
Grant Price	the purchase price payable for the Restricted Shares by the Participants as determined under the Scheme
Unlocking Condition(s)	the conditions prescribed under the Scheme which have to be satisfied to unlock the Restricted Shares granted to the Participants
Company Law	the Company Law of the PRC
Securities Law	the Securities Law of the PRC
Administrative Measures	the Administrative Measures on Share Incentives of Listed Companies
Articles of Association	the Articles of Association of Shanghai Fosun Pharmaceutical (Group) Co. Ltd.
CSRC	China Securities Regulatory Commission
Hong Kong SFC	the Securities and Futures Commission of Hong Kong
Shanghai Stock Exchange	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Securities Depository	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
RMB, RMB10,000 and RMB100 million	Renminbi 1, Renminbi 10,000 and Renminbi 100 million

*Note 1:* Unless otherwise stated, the financial data and financial indicators referenced in the Scheme shall refer to the financial data set out in the consolidated financial reports prepared by the Company according to the China Accounting Standards for Business Enterprise and the financial indicators calculated based on such financial data, respectively.

*Note 2:* Certain figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

**II PURPOSE OF THE SCHEME**

In order to further improve the corporate governance structure of the Group, promote the establishment and improvement of the incentive mechanism of the Company, fully mobilize the enthusiasm of the executive directors and senior management personnel of the Company and the employees of the Group, effectively align the interests of the shareholders, corporate(s) and operators to focus on and work collectively for the long-term development of the Group, the Scheme is formulated on the premise of sufficiently protecting the interests of the shareholders and in accordance with the requirements under the Company Law, Securities Law, Administrative Measures and other relevant laws, regulations, regulatory documents and the Articles of Association.

**III ADMINISTRATIVE BODIES OF THE SCHEME**

- I. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, amendment and termination of the Scheme. The general meeting may, within its powers and authority, authorise the board of directors of the Company to handle certain matters relating to the Scheme.
- II. The board of directors shall act as the executive and administrative body for the Scheme and be responsible for the implementation of the Scheme. The remuneration and appraisal committee under the board of directors shall be responsible for drafting and revising the Scheme. Upon consideration and approval by the board of directors, the Scheme shall be further submitted to the general meeting, A Share class meeting and H Share class meeting of the Company for review and approval. The board of directors may handle matters relating to the Scheme within its scope of authority as delegated by the general meeting, A Share class meeting and H Share class meeting. If the director is a Participant of the Scheme, such director(s) shall abstain from voting when the board of directors considers the Scheme and shall not be involved in the management of the Scheme during the implementation of the Scheme.
- III. The supervisory committee and the independent non-executive directors shall act as the supervisory authority for the Scheme, and shall express opinions as to whether the Scheme is conducive to the sustainable development of the Group, and whether there are any situations that clearly harm the interests of the Company and the shareholders as a whole. The supervisory committee shall be responsible for verifying the list of the Participants, and shall supervise the implementation of the Scheme as to whether it is in compliance with the relevant laws, administrative regulations, departmental regulation and operational rules of the Shanghai Stock Exchange. The independent non-executive directors shall solicit proxy voting rights from all shareholders regarding the Scheme.

Where amendments are being made to the Scheme before the Scheme is approved at the general meeting, A Share class meeting and H Share class meeting, the independent non-executive directors and supervisory committee shall express independent opinions on the amended Scheme as to whether the Scheme may benefit the Group's sustainable development, and whether there is any notifiable damage to the interests of the Company and the shareholders as a whole.

Before the Restricted Shares are granted to a Participant, the independent non-executive directors and the supervisory committee shall express clear opinions on the conditions stipulated for the grant as set out in the Scheme. In the event of any discrepancy between the Restricted Shares to be granted to a Participant and the arrangement under the Scheme, the independent non-executive directors and the supervisory committee shall express their clear opinions thereon at the same time.

Before unlocking the Restricted Shares, the independent non-executive directors and the supervisory committee shall express clear opinions as to whether the Unlocking Conditions stipulated under the Scheme for the Participant have been fulfilled.

#### **IV BASIS FOR DETERMINING THE PARTICIPANTS AND THE SCOPE OF PARTICIPANTS OF THE SCHEME**

##### **I. Basis for determining the Participants**

###### **(I) *Legal basis for determining the Participants***

The Participants of the Scheme are determined in accordance with the Company Law, the Securities Law, the Administrative Measures and the requirements under other relevant laws, regulations, regulatory documents and the Articles of Associations and the actual situation of the Group.

###### **(II) *Positions held by the Participants in the Company***

The Participants under the Scheme include the executive directors, senior management personnel of the Company, the mid-level management personnel of the Group and other employees to whom the board of directors of the Company considers provision of incentives to be appropriate.

The detailed list of Participants and their respective allocation under the Scheme shall be proposed by the board of directors of the Company, the independent non-executive directors and the supervisory committee shall opine on the same, subject to the relevant procedures in the event the approval at the general meeting, A Share class meeting and H Share class meeting of the Company is required.

## II. Scope of Participants

Participants under the Scheme do not include any independent non-executive director or supervisor of the Company, or shareholder or actual controller and his/her spouse, parents and children individually or collectively holding more than 5% of the shares of the Company.

The executive directors and senior management personnel of the Company among the Participants were elected at the general meetings of the Company or hired by the board of directors of the Company. All Participants shall have entered into employment agreements or engagement documents with the Company or its subsidiaries at the time of grant under the Scheme and during the Term of the Scheme.

The number of Participants proposed at the first grant under the Scheme shall not exceed 143, and comprise:

- (I) the executive directors<sup>Note</sup> and senior management personnel of Fosun Pharma;
- (II) mid-level management personnel, core technology (business) personnel of the Group;
- (III) other core personnel having made a direct contribution to the overall business performance and sustainable development of the Group as determined by the board of directors.

*Note:* Each of the executive directors is involved in the daily operation of the Group. Such executive director(s) shall abstain from voting when the board of directors considers the Scheme and shall not be involved in the management of the Scheme during the implementation of the Scheme.

The Participants for the reserved shares to be granted shall be determined within 12 months from the date on which the Scheme is considered and approved at the general meeting, A Share and H Share class meetings of the Company. The Company will make disclosure on the reserved grant after the board of directors proposes, the independent non-executive directors and the supervisory committee of the Company express clear view on, and a law firm gives professional advice and issues legal opinion(s) on, such reserved grant. The reserved entitlements will become invalid where the Participants for the reserved grant are not determined after 12 months from the aforesaid date. The basis and scope for determining the Participants of the reserved grant portion shall be in compliance with the determination basis and scope of Participant of the Scheme.

## III. Confirmation of Participants

- (I) After the Scheme is considered and approved by the board of directors, the Company shall internally publish the names and the positions of the Participants for a period of no less than 10 days.

- (II) The supervisory committee of the Company shall verify the list of the Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the supervisory committee on the verification and the public opinions in relation to the list of the Participants 5 days before the Scheme is considered at a general meeting and A Share and H Share class meeting of the Company. Any adjustments to the list of the Participants (if any) made by the board of directors of the Company shall also be verified by the supervisory committee of the Company.
- (III) The Company should carry out self-investigation on the trading of shares of the Company and their derivatives by insiders during the 6-month period prior to the announcement on the Scheme, and make statement as to whether there is any insider dealing. Those who buy or sell the shares of the Company with inside information shall not be the Participants, except that the relevant transactions do not belong to insider dealing according to the laws, administrative regulations and relevant judicial interpretations. Those who disclose the inside information and result in insider dealing shall not be the Participants.

## **V SOURCE, NUMBER AND ALLOCATION OF SHARES UNDER THE SCHEME**

### **I. Source of shares under the Scheme**

The source of shares involved in the Scheme is from the issuance of A Shares to the Participants by the Company.

### **II. Number of target shares under the Scheme**

A number of up to 3,434,300 Restricted Shares are proposed to be granted to the Participants under the Scheme, representing up to 0.1287% of the total share capital of the Company as at 29 August 2022. Specifically, a number of up to 2,747,500 Restricted Shares will be granted under the first grant representing up to 0.1030% of the total share capital of the Company as at 29 August 2022; and a number of up to 686,800 Restricted Shares will be reserved for further grant representing up to 0.0258% of the total share capital of the Company as at 29 August 2022. The reserved grant portion represents up to 20% of the total Restricted Shares to be granted under the Scheme. As at 29 August 2022, the Company does not have any share incentive scheme currently in force. The total number of shares of the Company granted to a Participant under all share incentive schemes currently in force does not in the aggregate exceed 0.1%<sup>Note</sup> of the total share capital of the Company as at 29 August 2022, which complies with the requirement under the Administrative Measures that shares to be obtained by the participants shall not in the aggregate exceed 1% of the total share capital of the listed company under share incentive schemes.

*Note:* Being the individual maximum entitlement to Restricted Shares under the Scheme under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## III. Allocation of the Restricted Shares under the first grant

*Unit: 0'000 shares*

No.	Name	Position	Number of shares to be granted	Proportion in the total number of shares to be granted under first grant	Proportion in the total A Share capital of the Company as at 29 August 2022	Proportion in the total share capital of the Company as at 29 August 2022
1	WU Yifang*	Executive Director and chairman <sup>#</sup>	25.72	9.36%	0.0121%	0.0096%
2	WANG Kexin*	Executive Director and co-chairman <sup>#</sup>	21.52	7.83%	0.0102%	0.0081%
3	GUAN Xiaohui*	Executive Director and vice chairman <sup>#</sup>	18.71	6.81%	0.0088%	0.0070%
4	WEN Deyong*	Executive Director and chief executive officer (CEO) <sup>#</sup>	18.71	6.81%	0.0088%	0.0070%
5	LIU Qiang*	Assistant to chairman	18.71	6.81%	0.0088%	0.0070%
6	MEI Jingping	Executive president	14.03	5.11%	0.0066%	0.0053%
7	WANG Donghua	Senior vice president	9.35	3.40%	0.0044%	0.0035%
8	FENG Rongli*	Senior vice president	9.35	3.40%	0.0044%	0.0035%
9	LIU Yi*	Senior vice president	4.68	1.70%	0.0022%	0.0018%
10	BAO Qingui	Senior vice president	4.68	1.70%	0.0022%	0.0018%
11	LI Jing	Senior vice president	9.35	3.40%	0.0044%	0.0035%
12	DONG Xiaoxian	Vice president, secretary to the board and joint company secretary	4.68	1.70%	0.0022%	0.0018%
13	ZHANG Yuejian	Vice president	2.34	0.85%	0.0011%	0.0009%
14	YUAN Ning	Vice president	0.94	0.34%	0.0004%	0.0004%
15	SU Li	Vice president	2.34	0.85%	0.0011%	0.0009%
16	JI Hao	Vice president	4.68	1.70%	0.0022%	0.0018%
17	ZHU Yue*	Vice president	4.68	1.70%	0.0022%	0.0018%
18	YAN Jia*	Chief accountant	1.87	0.68%	0.0009%	0.0007%
19	YAN Zihou*	Senior vice president of the established medicines manufacturing & supply division and innovative medicines division	4.68	1.70%	0.0022%	0.0018%
20	ZHANG JIA AI*	Executive president and chief technology officer of global R&D centre, co-president of established medicines manufacturing & supply division	4.68	1.70%	0.0022%	0.0018%
21	ZHOU Yong*	Assistant to president, co-general manager of human resources department	1.87	0.68%	0.0009%	0.0007%
22	KONG Deli*	Assistant to president, general manager of patent affairs department	1.87	0.68%	0.0009%	0.0007%

No.	Name	Position	Number of shares to be granted	Proportion in the total number of shares to be granted under first grant	Proportion in the total A Share capital of the Company as at 29 August 2022	Proportion in the total share capital of the Company as at 29 August 2022
23	MA Xinyan*	General manager of lean operation department	1.87	0.68%	0.0009%	0.0007%
	Other mid-level management personnel and core personnel of the Group		83.44	30.37%	0.0394%	0.0313%
Total number of Restricted Shares under the first grant			274.75	100.00%	0.1297%	0.1029%

\* Being a connected person as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

# Being executive directors of the Company, who are involved in the daily operation of the Group. Such executive director(s) shall abstain from voting when the board of directors considers the Scheme and shall not be involved in the management of the Scheme during the implementation of the Scheme.

*Note 1:* As at 29 August 2022, the Company has no existing share incentive scheme in effect. The total number of shares granted or to be granted to a Participant listed above under valid share incentive schemes does not exceed 0.1% of the total share capital of the Company, which complies with the requirement under the Administrative Measures that shares to be obtained by the participants shall not exceed 1% of the total share capital of the listed company under share incentive schemes.

*Note 2:* As at 29 August 2022, the Company has no existing share incentive scheme in effect. The aggregate size of the Scheme and the 2022 H Share Employee Share Ownership Scheme of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\* (Draft) proposed to be adopted does not exceed 1% of the total share capital of the Company as at 29 August 2022, which complies with the requirement imposed by the Administrative Measures that the total number of target shares involved in all of the share incentive schemes currently in force of a listed company does not exceed 10% of its total share capital.

## VI TERM, GRANT DATE, RESTRICTION PERIOD, UNLOCKING ARRANGEMENT AND SELLING RESTRICTIONS OF THE SCHEME

### I. Term

The Term of the Scheme shall be commencing from the completion date of registration of the shares under the first grant and ending on the date of all the Restricted Shares granted to the Participants having unlocked or repurchased and cancelled, the maximum period of which shall not exceed 60 months.

**II. Grant Date**

The Scheme and relevant resolutions as considered and approved by the board of directors of the Company at the 13th meeting of the ninth session of the board of directors held on 29 August 2022 is subject to approval of the shareholders at the general meeting, A Share class meeting and H Share class meeting of the Company, and the relevant resolutions having passed by the board of directors do not constitute a grant of Restricted Shares to Participants under the Scheme. The Restricted Shares under the Scheme shall only be granted after the Scheme is considered and approved by the shareholders at the general meeting, A Share and H Share class meetings of the Company and, after which, be further formally considered and approved by the board of directors. The Grant Date shall at that time be determined by the board of directors of the Company. Subject to the completion of the aforementioned procedures, the Company shall grant the Restricted Shares and complete the registration procedures within 60 days from the date on which the Scheme is considered and approved at the general meeting, A Share and H Share class meetings of the Company. If the Company fails to complete the above work within 60 days, it shall promptly disclose the reasons for such failure and terminate the implementation of the Scheme. The Restricted Shares which have not been granted shall be lapsed and no further consideration of share incentive plan shall be allowed within 3 months therefrom by the Company. Any period during which no grant of entitlements is allowed pursuant to the Administrative Measures and other relevant laws and regulations shall not be counted toward the above mentioned 60-day period.

Notwithstanding the aforementioned stipulations, where a Participant who is a director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted Shares, and provided that, after investigation it is confirmed that there is no insider dealings, the grant of the Restricted Shares shall be postponed for 6 months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law.

The Grant Date must be a trading day of A Shares, and no grant of Restricted Shares shall be taken place during the following periods:

1. within 30 days (or 60 days in the event of annual report of results) prior to the publication of any periodic report of results of the Company (and including the date of publication), and in the event of delay in publication of such periodic report of results due to special circumstances, such period shall commence from either 30 days or 60 days prior to the original expected date of publication;
2. within 10 days prior to the publication of performance forecast or preliminary performance results;

3. during the period when any significant transaction or significant event of the Group is in the decision-making process until the date of disclosure in accordance with relevant laws, regulations and rules of the stock exchange of the place where the shares of the Company are listed;
4. the Company is in possession of any unpublished inside information;
5. the period commencing from the date of occurrence of any other significant event which may have a significant impact on the trading prices of the Company's securities and their derivatives or the date on which relevant decision-making procedures start and ending on the date of disclosure in accordance with relevant laws, regulations and rules of the stock exchange of the place where the shares of the Company are listed;
6. such other period as stipulated by the CSRC, Shanghai Stock Exchange, Hong Kong SFC and Stock Exchange.

The "significant transaction", "significant event" and "significant event which may have a significant impact on the trading prices of the Company's securities and their derivatives" as referred to above mean any transaction or other significant event that is required to be disclosed under the listing rules of the stock exchange of the place where the shares of the Company are listed and relevant laws and regulations.

The aforesaid periods within which the Company is restricted from granting the Restricted Shares are excluded from the 60-day period.

### **III. Restriction Period and unlocking arrangement**

The Restricted Shares granted under the Scheme shall be locked after completion of their registration, the Restricted Shares granted to the Participants are subject to different Restriction Periods<sup>Note</sup>. The Restricted Shares granted to the Participants under the Scheme shall not be transferred, pledged or used for repayment of debt during the Restriction Period.

During the Restriction Period, the cash dividend from the Restricted Shares granted to the Participants shall be held by the Company and payable to the Participant upon unlocking; and in the event of the Restricted Shares are unable to be unlocked, the corresponding cash divided shall be forfeited by the Company.

Within the unlocking period, the Company shall deal with matters related to the unlocking of those Restricted Shares which satisfy the conditions to such unlocking. The Restricted Shares which failed to satisfy the Unlocking Conditions, or failed to apply for

*Note:* I.e. vesting periods which have a minimum duration of 12 months for the purposes of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

unlocking the relevant Restricted Shares within the prescribed period as listed above, shall be repurchased by the Company at the repurchase price equal to the Grant Price in accordance with the terms of the Scheme and cancelled accordingly.

The shares acquired by the Participants by virtue of holding the Restricted Shares arising from capitalisation of capital reserve, bonus issue and share sub-division shall be subject to lock-up provisions in accordance with the Scheme, and shall not be sold in the secondary market or otherwise transferred. The unlocking period of such shares is the same as that of the Restricted Shares. If the Company repurchases the Restricted Shares not yet unlocked, such shares shall be repurchased at the same time.

- (I) The Restriction Period of the Restricted Shares granted under the first grant shall be 12 months, 24 months and 36 months from the relevant completion date of registration of the Restricted Shares under the first grant. The unlocking schedule and arrangements for the Restricted Share to be granted under the first grant are set out below:

<b>Unlocking period for the Restricted Shares under the first grant</b>	<b>Unlocking schedule</b>	<b>Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares to be granted under the Scheme</b>
First unlocking period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding Restricted Shares under the first grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the first grant	33%
Second unlocking period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the first grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the first grant	33%

<b>Unlocking period for the Restricted Shares under the first grant</b>	<b>Unlocking schedule</b>	<b>Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares to be granted under the Scheme</b>
Third unlocking period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the first grant and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares under the first grant	34%

(II) The unlocking schedule and arrangements for the reserved Restricted Shares:

If the grant of the reserved Restricted Shares takes place in 2022, the unlocking schedule and arrangements for the Restricted Share to be granted under the reserved grant are set out below:

<b>Unlocking period for the Restricted Shares under the reserved grant</b>	<b>Unlocking schedule</b>	<b>Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares to be granted under the Scheme</b>
First unlocking period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant	33%

Unlocking period for the Restricted Shares under the reserved grant	Unlocking schedule	Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares to be granted under the Scheme
Second unlocking period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant	33%
Third unlocking period	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant	34%

If the grant of the reserved Restricted Shares takes place in 2023, the unlocking schedule and arrangements for the Restricted Share to be granted under the reserved grant are set out below:

Unlocking period for the Restricted Shares under the reserved grant	Unlocking schedule	Maximum proportion of the unlocked Restricted Shares in the total Restricted Shares to be granted under the Scheme
First unlocking period	Commencing from the first trading day after expiry of the 12-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant and ending on the last trading day of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant	50%
Second unlocking period	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding Restricted Shares under the reserved grant	50%

#### IV. Selling restrictions

The selling restrictions under the Scheme shall be implemented in accordance with the Company Law, the Securities Law and the relevant laws, regulations, regulatory documents and the Articles of Association, the details of which are as follows:

- (I) Where a Participant is a director or a member of the senior management of the Company, the number of shares that may be transferred by him or her in each year during his/her term of office shall not exceed 25% of the total number of shares held by him or her as at the end of preceding year; and no transfer of shares shall be made by him or her within 6 months from his or her departure; if he or she departs before the end of his or her term of office, within the ascertained term of

office while he or she was in office and within 6 months after the end of such term, the number of shares that he or she may transfer in each year shall not exceed 25% of the total number of shares held by him or her and no transfer of shares shall be made by him or her within 6 months from his or her departure.

- (II) Where a Participant, being a director or a member of the senior management of the Company, disposes any shares held thereby within 6 months after acquisition of such shares or acquire such shares within 6 months after disposal, the gains arising therefrom shall be accounted to the Company, and the board of directors of the Company shall forfeit all such gains;
- (III) The reduction of shareholding in the Company by a Participant shall also be made in compliance with Several Provisions on Reduction in Shareholding by Shareholders, Directors, Supervisors and Senior Management Personnel of Listed Companies issued by the CSRC, Shanghai Stock Exchange Implementing Rules for the Reduction of Shares by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies and other relevant stock exchange listing rules and the relevant laws and regulations of the place where the Company's shares are listed;
- (IV) If, during the Term of the Scheme, there is any amendment to the requirements regarding transfer of shares by a director and a member of the senior management under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements thereunder shall apply to the shares transferred by the Participants during the relevant times.

## **VII GRANT PRICE AND BASIS OF DETERMINATION OF THE GRANT PRICE OF RESTRICTED SHARES OF THE SCHEME**

### **I. Grant Price of the first grant**

The Grant Price of the first grant shall be RMB21.29 per share. Upon fulfilment of grant conditions, each Participant is entitled to purchase the A Shares newly issued to him or her by the Company at the price of RMB21.29 per share.

### **II. Basis for determining the Grant Price of the first grant**

The Grant Price underlying the first grant of the Scheme shall not be less than the nominal value of the shares, and shall not be less than the higher of the following prices:

- (I) 50% of the average trading price of the A Shares of RMB40.31 per share on the last trading day before the date of the A-share announcement on the Scheme (i.e. 29 August 2022, the same as below), which is RMB20.16 per share;

- (II) 50% of the average trading price of the A Shares of RMB42.57 per share on the last 20 trading days before the date of the A-share announcement on the Scheme, which is RMB21.29 per share.

### **III. Basis for determining the Grant Price of the reserved grant**

The grant of the reserved Restricted Shares is subject to the consideration and passing of related resolutions by the board of directors and the disclosure of related information. If any of the Participants for the reserved grant portion is connected person, the grant shall be made and disclosed in accordance with the requirements and procedures under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The grant price of the reserved grant portion shall not be lower than the nominal value of the shares, and not lower than the higher of the followings:

- (I) 50% of the average trading price of the A Shares on the last trading day immediately preceding the date of the announcement of board resolutions on the reserved grant;
- (II) 50% of the average trading price of the A Shares on the last 20, 60 or 120 trading days immediately preceding the date of the announcement of board resolutions on the reserved grant;
- (III) the price of the first grant.

## **VIII CONDITIONS TO GRANT AND UNLOCKING OF RESTRICTED SHARES UNDER THE SCHEME**

### **I. Conditions of grant of Restricted Shares**

The Restricted Shares will only be granted to the Participants upon satisfaction of all the following conditions:

- (I) There being no occurrence of any of the following events on the part of the Company:
  - 1. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  - 2. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;

3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
  4. prohibition from implementation of a share incentive scheme by laws and regulations;
  5. other circumstance as determined by the CSRC.
- (II) There is no occurrence of any of the following events on the part of the Participants:
1. he or she has been determined by any stock exchange as an ineligible person in the last 12 months;
  2. he or she has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
  3. he or she has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
  4. he or she is prohibited from acting as a director or a member of the senior management as required by the Company Law;
  5. he or she is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
  6. other circumstances as determined by the CSRC.

## **II. Unlocking Conditions to the Restricted Shares**

During the unlocking period, the Restricted Shares granted to the Participants may only be unlocked upon satisfaction of all the following conditions:

- (I) There is no occurrence of any of the following events on the part of the Company:
1. issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  2. issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;

3. failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
4. prohibition from implementation of a share incentive scheme by laws and regulations;
5. other circumstance as determined by the CSRC.

Upon occurrence of any above listed event, all Restricted Shares granted to the Participant under the Scheme but not yet unlocked shall be repurchased by the Company at the Grant Price and cancelled accordingly.

(II) There is no occurrence of any of the following events on the part of the Participants:

1. he or she has been determined by any stock exchange as an ineligible person in the last 12 months;
2. he or she has been determined by the CSRC and its delegated agencies as an ineligible person in the last 12 months;
3. he or she has been imposed by the CSRC or its delegated agencies with administrative penalties or measures prohibiting access into the market in the last 12 months due to material non-compliance of laws or regulations;
4. he or she is prohibited from acting as a director or a member of the senior management as required by the Company Law;
5. he or she is prohibited from participating in share incentive schemes of listed companies as required by laws and regulations;
6. other circumstances as determined by the CSRC.

Upon occurrence of any above listed event on part of a Participant, the Restricted Shares granted to such Participant under the Scheme but not yet unlocked shall be repurchased by the Company at the Grant Price and cancelled accordingly.

## (III) Performance appraisal at the Group level

Under the Scheme, the financial performance indicators of the Group shall be appraised on an annual basis during the three financial years from 2022 to 2024, and the appraisal shall be made once in each financial year. The three sub-indicators, i.e. “revenue”, “attributable net profit after deduction” and “R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment”, of each appraisal year shall be assessed to determine the aggregated performance appraisal indicator score at the Group level (X) based on the scores and weights of each sub-indicator in order to further calculate the ratio for unlocking the Restricted Shares (M) for the corresponding year, the details of which are set forth below:

1. The aggregated performance appraisal indicator score at the Group level (X) =  $\Sigma$  the score of each sub-indicator \* the corresponding weight.

Details of the performance appraisal indicators at the Group level applicable to the unlocking of the Restricted Shares under the first grant are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2022 target value	2023 target value	2024 target value	Scoring standard
Revenue	10%	448.51	515.79	593.16	The score of each sub-indicator = (actual value/target value) × 100
Attributable net profit after deduction <sup>Note 1</sup>	70%	38.67	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>Note 2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	8%	

In the event of the grant of reserved Restricted Shares taking place in 2022, the years and specific indicators of the performance appraisal at the Group level applicable to the unlocking of such shares shall be the same as those of the first grant. In the event of the grant of reserved Restricted Shares taking place in 2023, the years of the performance appraisal at the Group level applicable to the unlocking of such shares shall be the two financial years of 2023 and 2024, and the appraisal shall be conducted once in each financial year, and details of the appraisal indicators at the Group level applicable to the unblocking of such shares are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2023	2024	Scoring standard
		target value	target value	
Revenue	10%	515.79	593.16	The score of each sub-indicator = (actual value/target value) × 100
Attributable net profit after deduction <sup>Note 1</sup>	70%	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>Note 2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	

*Note 1:* The “attributable net profit after deduction” mentioned above refers to net profit attributable to equity holders of the listed company after deduction of non-recurring profit or loss, as set out in the auditors’ report of the relevant financial year of the Company;

*Note 2:* The “R&D expenses in the pharmaceutical manufacturing segment” shall be calculated based on the auditors’ report of the relevant financial year of the Company taking into account of the adjustment mechanism under the Scheme.

With respect to any appraisal year, if any one of the sub-indicators does not reach its threshold value (the threshold value of revenue and attributable net profit after deduction is 80% of the target value of the year, and the threshold value of R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment is 6%), the score of such applicable sub-indicator(s) is zero; and where the aggregated performance appraisal indicator score at the Group level (X) does not reach 75 points, all corresponding Restricted Shares granted to the

Participants for such year scheduled for unlocking shall not be unlocked, and shall be repurchased by the Company at the Grant Price and cancelled accordingly.

During the appraisal period, the board of directors of the Company may be authorised to adjust relevant indicators at its discretion as a result of material financial impact resulting from the disposal/deemed disposal for asset/business restructuring; executive directors who are Participants of the Scheme shall abstain from voting when the board of directors considers the above matter(s).

2. The relationship between the aggregated performance appraisal indicator score at the Group level (X) and the unlocking percentage ratio (M) for the corresponding year is set out below:

<b>Range of the aggregated performance appraisal indicator score at the Group level (X)</b>	<b>Unlocking percentage ratio (M)</b>
X < 75 points	0
75 points ≤ X < 85 points	50%
85 points ≤ X < 95 points	80%
X ≥ 95 points	100%

(IV) Performance appraisal at the individual level

Where the performance targets at the Group level have been achieved, a Participant is only entitled to unlock the Restricted Shares upon achieving the benchmark of “Target Achieved”(GP) or above in his or her performance appraisal at the individual level in the corresponding appraisal year in accordance with the Company’s administrative measures in respect of remuneration and performance appraisal, otherwise, the Restricted Shares granted to him or her which are scheduled to be unlocked for the corresponding appraisal year will not be unlocked and will be repurchased by the Company at Grant Price and cancelled accordingly.

### III. Scientificity and reasonableness on the formulation of the appraisal indicators

The appraisal indicators of the Scheme are categorized into two levels, i.e. performance appraisal at the Group level and performance appraisal at the individual level.

The performance appraisal indicator at the Group level is the sum of “revenue”, “attributable net profit after deduction” and “R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing

segment” in proportion, which were formulated after comprehensively considering the strategic development planning of the Group and its development phase, and are giving consideration to challenge and realisability.

In addition to the performance appraisal at the Group level, the Scheme also contains the performance appraisal target at the individual level, which may serve the purpose of evaluating the Participants’ performance accurately and comprehensively. The Company will determine whether the Restricted Shares held by the Participant have achieved the Unlocking Conditions in the corresponding years based on the corresponding annual appraisal results of the Participants.

Given the above, the appraisal indicators for the Scheme is all-around and operable, which may serve the appraisal goal for the Scheme.

## IX METHODS AND PROCEDURES FOR ADJUSTMENT OF THE SCHEME

### I. Method of adjustment to the number of Restricted Shares

In the event of any capitalisation of capital reserve, bonus issue, sub-division, rights issue or share consolidation of the Company in the period from 29 August 2022 to the completion of registration of Restricted Shares, the number of Restricted Shares shall be adjusted accordingly. The adjustment method is as follows:

#### (I) *Capitalisation of capital reserve, bonus issue, sub-division*

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

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

#### (II) *Rights issue*

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

Where:  $Q_0$  represents the number of Restricted Shares before the adjustment;  $P_1$  represents the closing price as at the record date for the rights shares;  $P_2$  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.

**(III) 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 1 share of the Company in consolidated to  $n$  shares);  $Q$  represents the number of Restricted Shares after the adjustment.

**(IV) Dividend and issue of shares**

Where dividend is declared or new shares are issued, no adjustment to the number of Restricted Shares.

**II. Method of adjustment to the Grant Price of Restricted Shares**

In the event that any dividend distribution, capitalisation of capital reserve, bonus issue, sub-division, rights issue or share consolidation has been made in the period from 29 August 2022 to the completion of registration of the Restricted Shares, an adjustment to the grant price of Restricted Shares shall be made by the Company accordingly. The adjustment method is as follows:

**(I) Capitalisation of capital reserve, bonus issue, sub-division**

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of increase of shares resulting from the issue of shares by capitalisation of capital reserve, bonus issue and share split;  $P$  represents the Grant Price after adjustment.

**(II) Rights issue**

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $P_1$  represents the closing price as at the record date for the rights shares;  $P_2$  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 adjustment.

**(III) Share consolidation**

$$P = P_0 \div n$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the proportion of a share that may result from consolidation;  $P$  represents the Grant Price after adjustment.

**(IV) Declaration of dividend**

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per share;  $P$  represents the Grant Price after adjustment. After adjustment,  $P$  must not be a negative figure.

**(V) Issue of shares**

Where new shares are issued, no adjustment to the Grant Price of Restricted Shares.

**III. Procedures for adjustment to the Scheme**

The general meeting and A Share and H Share class meetings of the Company shall authorise the board of directors of the Company to adjust the number or the Grant Price of Restricted Shares for the above reasons. The Company will engage law firm to give professional advice to the board of directors of the Company on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Scheme. After the consideration and approval of the adjustment plan by the board of directors, the Company shall promptly make disclosure on such board resolutions as well as the legal advice.

**X ACCOUNTING TREATMENT FOR THE RESTRICTED SHARES UNDER THE SCHEME**

In accordance with the requirements of the Accounting Standards for Business Enterprise No. 11 — Share based Payments\* (《企業會計準則第11號—股份支付》), at each balance sheet date within the Restriction Period, the Company shall revise the number of the Restricted Shares which are expected to be unlocked according to the change in the latest available number of Restrictive Shares eligible to unlock, completion of the performance appraisal targets at Group level and other subsequent information, and recognise the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted Shares on the Grant Date.

**I. Accounting treatment**

**(I) On the Grant Date**

The share capital and capital reserved shall be recognised according to the status of the grant of the Restricted Shares to the Participants by the Company.

**(II) *On each balance sheet date during the Restriction Period***

Pursuant to the requirements of the accounting standards, the services acquired during the period will be recognised as costs or expenses and capital reserves on each balance sheet date during the Restriction Period.

**(III) *On the Unlocking Date***

On the Unlocking Date, if the Unlocking Conditions are fulfilled, the Restricted Shares shall be unlocked; if all or part of the shares are lapsed or cancelled since the same have not been unlocked, such shares will be dealt with pursuant to the accounting standards and relevant requirements.

**II. The fair value of the Restricted Shares and determination method**

In accordance with the requirements of the Accounting Standards for Business Enterprise No. 11 — Share based Payments\* (《企業會計準則第11號—股份支付》) and Accounting Standards for Business Enterprise No. 22 — Recognition and Measurement of Financial Instruments\* (《企業會計準則第22號—金融工具確認和計量》), the fair value of the Restricted Shares shall be measured based on the market price of A Shares of the Company. On the estimation date, the fair value of the shares paid for each Restricted Share = market price of A Shares on the Grant Date – the Grant Price, being RMB19.32 (based on the assumption of RMB40.61 per share, being the closing price of A Shares on the last trading day preceding the date of the A-share announcement on the Scheme, as the market price of A Shares on the Grant Date, subject to the actual closing price of A Shares on the Grant Date).

**III. Estimated impact on the operating performance of each of the period due to implementation of the Scheme**

The estimated total cost of first grant of 2,747,500 Restricted Shares to be granted by the Company is RMB53.0817 million, which shall be amortized during the implementation of the Scheme according to the percentage ratio of the unlocking, and the cost incurred by the Company arising from the Scheme will be presented in recurring profit or loss.

According to the China Accounting Standards for Business Enterprise, assuming the first grant of Restricted Shares under the Scheme will take place on 31 October 2022, the impact on the accounting cost of each of period due to the implementation of the Scheme are as follows:

Year	2022	2023	2024	2025	Total
Cost to be amortized (RMB0'000)	538.19	2,937.18	1,331.47	501.33	5,308.17

*Notes:*

1. The above figures do not constitute final accounting cost. Other than actual grant date, grant price and number of shares granted that are relating to the actual cost, the number of effective and lapsed entitlements are also relating to the actual cost. Shareholders shall note the possible impact of amortization.
2. The above-mentioned impact on operating performance of the Group shall be subject to the auditors' report for the relevant year to be issued by the accountant firm and taking into account the adjustments (if any) made according to the adjustment mechanism of the Scheme.

Based on current conditions, it is estimated that, without considering the stimulus effects of the Scheme on the performance of the Company, the amortization of the costs of the Scheme will have an impact on the net profit of each year during the Term of the Scheme but the impact will not significant. Taking into consideration the positive impact of the Scheme on the development of the Company, its stimulation of enthusiasm of the team, improvement in the operating efficiency, reduction in agency costs, the performance improvement of the Company brought by the Scheme is expected to exceed the increase in costs incurred by the Scheme.

## XI PROCEDURES OF IMPLEMENTATION OF THE SCHEME

### I. Procedures for effectuating the Scheme

- (I) The remuneration and appraisal committee of the board of directors of the Company shall be responsible for preparing the Scheme, and submitting it to the board of directors for consideration.
- (II) When the board of directors of the Company considers the Scheme, any director who is a proposed Participant or has related relationship shall abstain from voting. The independent non-executive directors and supervisory committee shall express independent opinions and verification opinions on matters as to whether the Scheme may benefit the Group's sustainable development, and whether there is any notifiable damage to the interests of the Company and the shareholders as a whole.

- (III) The Company shall, among others, within 2 trading days after the Scheme is considered and approved by the board of directors of the Company, announce the board resolutions, the summary of the Scheme and the opinion of the independent non-executive directors.
- (IV) The Company shall engage law firm to issue legal opinion on the Scheme and disclose such legal opinion.
- (V) The Company shall circulate notices convening the general meeting, A Share class meeting and H Share class meeting of the Company.
- (VI) The Company shall internally publish the names and the positions of the Participants before the general meeting, the A Share class meeting and the H Share class meeting of the Company are convened through its website or other channels for a period of no less than 10 days. The supervisory committee shall verify the list of the Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the supervisory committee on the verification and the public opinions in relation to the list of the participants 5 days before the Scheme is considered at a general meeting, the A Share class meeting and the H Share class meeting of the Company.
- (VII) The Company should carry out self-investigation on the trading of shares of the Company by insiders during the 6-month period prior to the announcement on the Scheme, and make statement as to whether there is any insider dealing.
- (VIII) The independent non-executive directors shall publicly solicit proxy voting rights from all shareholders regarding the Scheme.
- (IX) Where a general meeting, A Share class meeting and H Share class meeting of the Company are convened for considering and approving the Scheme, voting in person as well as online voting shall be made available. The Company will convene the general meeting, A Share class meeting and H Share class meeting of the Company making available for voting in person and online (note: online voting is only available for A shareholders of the Company), and the resolutions shall be passed by more than 2/3 of the voting shares held by the shareholders present at the meetings, respectively. The voting by directors, supervisors and senior management of the Company, as well as by the shareholder other than individually or collectively holding more than 5% of the shares, will be separately counted and disclosed. Shareholders who are proposed Participants or having related relationship with any Participants shall abstain from voting.
- (X) After the Scheme has been considered and approved at the general meeting, A Share class meeting and H Share class meeting of the Company, and the conditions to grant under the Scheme are satisfied, the Company shall grant the Restricted

Shares to the Participants within the prescribed period. According to the authorisation granted at the general meeting, A Share class meeting and H Share class meeting of the Company, the board of directors shall be responsible for grant, unlocking, repurchase and cancellation of the Restricted Shares.

## **II. Procedures for grant of the Restricted Shares**

- (I) Upon the consideration and approval of the Scheme at the general meeting, A Share class meeting and H Share class meeting of the Company, the board of directors shall determine the Grant Date and announce the same. The board of directors shall consider whether the conditions of a grant as set out in the Scheme have been satisfied, and the independent non-executive directors and supervisory committee shall both express their views. A law firm shall issue legal opinion on whether the conditions to the grant to Participants are fulfilled or not. On the Grant Date, the supervisory committee shall verify the list of Participants and issue their view on such verification.
- (II) If there is any discrepancy between the grant of the Restricted Shares to the Participants and the arrangement of the Scheme, the independent non-executive directors, the supervisory committee and the legal advisers shall all express their views explicitly.
- (III) The Company will duly convene the board meeting to proceed with the grant to the Participants and complete the shares registration procedures within 60 days after the Scheme is considered and approved at the general meeting, A Share class meeting and H Share class meeting of the Company and satisfaction of conditions for the grant. In the event the Company fails to complete the procedures mentioned above within such 60 days, the board of directors shall disclose the reason for such failure timely and terminate the Scheme, any Restricted Shares not granted will lapse and the Company shall not consider any share incentive plan within the following three months. Any period during which no grant of entitlements by listed companies is allowed pursuant to the Administrative Measures and other relevant laws and regulations shall not be counted toward the above mentioned 60-day period.
- (IV) Upon the consideration and approval of the Scheme at the general meeting, A Share class meeting and H Share class meeting of the Company, the board of directors of the Company shall deal with the matters relating to the grant of Restricted Shares pursuant to the authorisation granted by the shareholders at the general meeting, A Share class meeting and H Share class meeting of the Company and the Company will sign grant agreements with the Participants respectively in accordance with the Scheme. The Grant Date must be a trading day of A Shares.

- (V) The Participants shall pay the consideration for subscribing for the Restricted Shares into the account designated by the Company, subject to confirmation by a certified public accountant, otherwise, the Participant shall be deemed as having waived his or her right to subscribe for the Restricted Shares. The Participants shall not transfer the subscription rights to others.
- (VI) Where a Participant who is a director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted Shares, and provided that, after investigation it is confirmed that there is no insider dealings, the grant of the Restricted Shares shall be postponed for 6 months from the date of the latest of such shareholding reduction in accordance with the short-term trading requirements under the Securities Law.
- (VII) The Company shall make an application to the Shanghai Stock Exchange first before any entitlements are granted, and the Securities Depository will conduct registration procedure thereof upon confirmation by Shanghai Stock Exchange.
- (VIII) Upon completion of grant of Restricted Shares, in case of change in the registered capital of the Company, the Company shall complete the registration formalities with the relevant department for market regulation.

### **III. Procedures for unlocking the Restricted Shares**

- (I) The Company shall confirm whether the Restricted Shares satisfy the Unlocking Conditions before the Unlocking Date. The board of directors of the Company shall consider whether the Unlocking Conditions as set out in the Scheme have been satisfied. The independent non-executive directors and the supervisory committee shall both express their views explicitly. The legal advisers shall issue legal opinions on whether the conditions to the unlocking are fulfilled or not. For the Restricted Shares which satisfy the Unlocking Conditions, the Company shall handle the unlocking at its discretion, and for the Restricted Shares which fail to satisfy the Unlocking Conditions, the Company will repurchase and cancel. The Company shall disclose the aforesaid implementation thereof timely.
- (II) A Participant may transfer the unlocked Restricted Shares, but the transfer of shares held by the directors and senior management of the Company shall be in compliance with the requirements of relevant laws, regulations and regulatory documents.
- (III) Before the unlocking of Restricted Shares, the Company shall apply to the Shanghai Stock Exchange, and upon confirmation by the Shanghai Stock Exchange, the Securities Depository shall handle the relevant registration and clearing matters.

**IV. Procedures for amendment to the Scheme**

- (I) If the Company intends to amend the Scheme before it is considered at the general meeting, A Share class meeting and H Share class meeting of the Company, such amendments shall be considered and approved by the board of directors.
- (II) Except for the relevant matters authorised to the board of directors by the shareholders at the general meeting, A Share class meeting and H Share class meeting of the Company, if the Company intends to amend the Scheme after it is considered at the general meeting, A Share class meeting and H Share class meeting of the Company, such amendments shall be considered and approved by the shareholders at the general meeting, A Share class meeting and H Share class meeting of the Company, provided that, such amendments shall not result in the following:
  - 1. accelerating the unlocking of the Restricted Shares;
  - 2. reducing the Grant Price.
- (III) If the Restricted Shares granted to the Participants was approved by the remuneration and appraisal committee of the board of directors, the board of directors, the independent non-executive directors and/or shareholders (as the case may be) of the Company, any subsequent alternations to the terms of the Scheme shall be subject to approval by the remuneration and appraisal committee of the board of directors, the board of directors, the independent non-executive directors and/or shareholders (as the case may be) of the Company, the aforementioned provision shall not apply where the alterations take effect automatically under the existing terms of the scheme.
- (IV) Any change to the authority of the board of directors of the Company in relation to any alteration to the terms of the Scheme must be approved by shareholders of the Company at the general meeting and the H Shareholders and A Shareholders at respective class meetings.
- (V) After amendment, the terms of the Scheme shall comply with the relevant requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
- (VI) The independent non-executive directors and supervisory committee shall opine on the amended scheme as to whether the Scheme may benefit the Group's sustainable development, and whether there is any notifiable damage to the interests of the Company and the shareholders as a whole. The legal advisers shall opine on

whether the amended scheme is in compliance with the Administrative Measures and the relevant laws and regulations, and whether there is any notifiable damage to the interests of the Company and the shareholders as a whole.

**V. Procedures for termination of the Scheme**

- (I) If the Company intends to terminate the implementation of the Scheme before it is considered at the general meeting, A Share class meeting and H Share class meeting of the Company, such termination shall be considered and approved by the board of directors.
- (II) If the Company intends to terminate the implementation of the Scheme after it is considered and approved at the general meeting, A Share class meeting and H Share class meeting of the Company, such termination shall be considered and approved at the general meeting, A Share class meeting and H Share class meeting of the Company.
- (III) The legal advisers shall issue legal opinion on the termination of the Scheme as to whether it is in compliance with the Administrative Measures and the relevant laws and regulations, and whether there is any notifiable damage to the interests of the Company and the shareholders as a whole.
- (IV) If the resolutions on terminating the implementation of the Scheme have been considered and approved at the general meeting, A Share class meeting and H Share class meeting of the Company, shall not be allowed to consider the share incentive plan within the following 3 months after the announcement of such resolutions.
- (V) Upon termination of the Scheme, the Restricted Shares not yet unlocked shall be repurchased by the Company, and deal with the same pursuant to the Company Law.
- (VI) The Company shall make an application to the Shanghai Stock Exchange first before repurchase of the Restricted Shares, and the Securities Depository will conduct registration procedure thereof upon confirmation by the Shanghai Stock Exchange.

**XII RESPECTIVE RIGHTS AND OBLIGATIONS OF THE COMPANY AND PARTICIPANTS**

**I. Rights and obligations of the Company**

- (I) The Company shall have the right to construe and execute the Scheme and shall appraise the individual performance of the Participants based on the requirements under the Scheme. In the event of failure to fulfill the Unlocking Conditions

required under the Scheme, the Company will repurchase and cancel the Restricted Shares, which have not been unlocked by the Participants, in accordance with the principles under the Scheme.

- (II) The Company undertakes not to provide loans and financial support in any other forms, including providing guarantee for loans, to the Participants for acquiring the Restricted Shares under the Scheme.
- (III) The Company shall withhold and pay, on behalf of the Participants, the individual income tax and other tax payment due in accordance with the relevant tax laws and regulations.
- (IV) The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Scheme in accordance with the relevant requirements, and shall undertake the relevant information disclosure documents on the Scheme do not contain false statement, misleading information or material omissions.
- (V) The Company shall actively support the unlocking of the Restricted Shares upon the satisfaction of the Unlocking Conditions in accordance with the relevant requirements including those of the Scheme, the CSRC, the Shanghai Stock Exchange, the Securities Depository. However, the Company disclaims any liability for losses incurred by the Participants who fail to unlock the Restricted Shares at their own will due to reasons on part of the CSRC, the Shanghai Stock Exchange and the Securities Depository.
- (VI) The Company confirms that the eligibility of the Participants under the Scheme does not represent the right of such Participants to continue to serve the Group and does not constitute a commitment of employment for a fixed term. The employment relationship between the Company or its subsidiaries or branches and a Participant is still governed by the employment contract between the parties.
- (VII) Other relevant rights and obligations under the laws and regulations.

## **II. Rights and obligations of the Participants**

- (I) A Participant shall comply with the requirements of his/her position as stipulated by the Group, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Group.
- (II) The source of funds shall be self-financed by the Participants.
- (III) The Restricted Shares granted to the Participants shall not be transferred or used as guarantee or for repayment of debt during the Restriction Period.

- (IV) After registration of transfer of shares by the Securities Depository, the Participants shall enjoy the shareholders rights corresponding to the Restricted Shares granted to him or her.
- (V) Any gains of the Participants generated from the Scheme are subject to individual income tax and other taxes according to the relevant tax laws and regulations.
- (VI) The Participants undertake, where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant of the entitlements, the Participants concerned shall return to the Company all interests gained through the Scheme calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statement or misleading representations or material omissions.
- (VII) Other relevant rights and obligations under the laws and regulations.

### **XIII HANDLING OF CHANGES IN RELATION TO THE COMPANY AND PARTICIPANTS**

- I. The Scheme shall be terminated immediately upon occurrence of any of the following events, the Restricted Shares granted to, but not yet unlocked, the Participants shall no longer be unlocked, and the Company shall repurchase and cancel the same<sup>Note</sup>:
  - (I) issue of an auditors' report with adverse opinion or which indicates an inability to give opinion by a certified public accountant with respect to the financial report of the Company for its most recent accounting year;
  - (II) issue of an auditors' report with adverse opinion or which indicates an inability to give an opinion by a certified public accountant with respect to the internal control of the financial report of the Company for its most recent accounting year;
  - (III) failure to conduct profit distribution in accordance with laws and regulations, the Articles of Association and public undertakings during the last 36 months after listing;
  - (IV) prohibition from implementation of a share incentive scheme by laws and regulations;
  - (V) other circumstance as determined by the CSRC.

*Note:* I.e. the Participants' entitlements to such Restricted Shares will in effect automatically lapse after such repurchase and cancellation.

II. Upon occurrence of any of the following events, subject to the extent of the relevant change in circumstances, the board of directors, as authorised by shareholders at the general meeting and class meetings, shall determine whether to continue to implement, amend, suspend or terminate the Scheme, save for any powers specifically required to be exercised by the general meeting and class meeting:

(I) change in control of the Company;

(II) merger/de-merger of the Company;

(III) other material changes.

III. Where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking the restrictions, all Restricted Shares which are not yet unlocked shall be repurchased and cancelled by the Company. In respect of the Restricted Shares granted to the Participants which have been unlocked, all the Participants shall return to the Company all interests granted. If the Participants, who are not liable for the abovementioned events, suffer loss as a result of returning the interests, they may claim for damage from the Company or responsible parties in accordance with the arrangements under the Scheme.

The board of directors shall recover all the profits gained by the Participants in accordance with the preceding provisions and relevant arrangements under the Scheme.

IV. Changes to the individual circumstances of the Participants

(I) Upon occurrence of any of the following events in respect of a Participant, the Restricted Shares granted to such Participant remain unchanged and shall continue to implement the locking and unlocking in accordance with the Scheme:

1. change in position of a Participant, but who remains within the scope of Participants as defined under the Scheme;
2. re-hiring of a Participant after he/she attains the retirement age stipulated by law or the Company.

- (II) Upon occurrence of any of the following events in respect of a Participant (and does not fall into the cases of items 3 and 4 mentioned below), the board of directors of the Company may determine the Restricted Shares granted, but not yet unlocked, to the such Participant under the Scheme shall no longer be unlocked, and the Company shall repurchase and cancel the same at the Grant Price plus interest accrued at the benchmark interest rate for deposit of the same period:
1. internal transfer resulting him/her being no longer within the scope of Participants as defined under the Scheme;
  2. departure due to attaining the retirement age stipulated by law and the Company;
  3. departure or death due to incapacity;
  4. becoming an independent non-executive director, supervisor or other person not allowed to hold shares.
- (III) Upon occurrence of any of the following events in respect of a Participant, the board of directors of the Company may determine the Restricted Shares granted, but not yet unlocked, to such Participant under the Scheme shall no longer be unlocked, and the Company shall repurchase and cancel the same at the Grant Price:
1. resignation;
  2. termination of employment upon expiration of the labour contract or employment agreement without renewal due to personal reason;
  3. prohibited from acting as a director or a member of the senior management as required by the Company Law.
- (IV) Upon occurrence of any of the following events in respect of a Participant, the board of directors of the Company may determine the Restricted Shares granted, but not yet unlocked, to such Participant under the Scheme shall no longer be unlocked, and the Company shall repurchase and cancel the same at the Grant Price. In case of severe event, the board of directors may, based on the actual situation, take action against such Participant and claim for damage suffered by the Group:
1. dismissal due to failure to accomplish individual performance targets;
  2. change in position due to incompetence for work position, disqualification in performance appraisal, violation of laws, leakage of the Group's confidential information, dereliction of duty or malpractice or any other acts that seriously damage the interests or reputation of the Group.

- (V) Other unspecified circumstances shall be identified by the board of directors which shall determine how such matters are to be dealt with.

#### XIV PRINCIPLES OF REPURCHASE AND CANCELLATION OF RESTRICTED SHARES

##### I. Repurchase price

Save and except for any adjustment required to be made to the repurchase price under the Scheme, the repurchase price for the Restricted Shares to be repurchased and cancelled by the Company under the Scheme shall be the Grant Price of the relevant Restricted Shares.

##### II. Method for adjustment to the repurchase price

Upon completion of registration of the Restricted Shares granted to the Participants, in case of the Company issues new shares, and shall repurchase and cancel any Restricted Shares under the Scheme, the repurchase price shall remain unchanged; and in case of capitalisation of capital reserve, bonus issue, subdivision of shares, share consolidation or rights issue and other matters affecting the total share capital or the price of shares of the Company, it shall make adjustments to the repurchase price of the Restricted Shares yet to be unlocked accordingly.

1. Capitalisation of capital reserve, bonus issue, sub-division:

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

Where: P represents the repurchase price of each Restricted Shares after adjustment;  $P_0$  represents the Grant Price of each Restricted Shares; n represents the ratio of increase of shares resulting from the issue of shares by capitalisation of capital reserve, bonus issue and share split (i.e. the number of shares increased per share upon capitalisation of capital reserve, bonus issue or share split).

2. Share consolidation:

$$P = P_0 \div n$$

Where: P represents the repurchase price of each Restricted Shares after adjustment;  $P_0$  represents the Grant Price of each Restricted Shares; n represents the proportion of a share that may result from consolidation (i.e. 1 share will be consolidated into n shares).

3. Rights issue:

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

Where: P represents the repurchase price of each Restricted Shares after adjustment;  $P_0$  represents the Grant Price of each Restricted Shares;  $P_1$  represents the closing price as at the record date for the rights shares;  $P_2$  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).

**III. Procedure for adjustment to the repurchase price**

- (I) The board of directors of the Company shall be authorised at the general meeting, A Share class meeting and H Share class meeting of the Company to adjust the repurchase price of Restricted Shares based on the reasons listed above. After adjustment to the repurchase price according to the above provisions, an announcement shall be made in a timely manner.
- (II) The adjustment to the repurchase price of Restricted Shares for other reasons shall be subject to resolution of the board of directors and approval at the general meeting, A Share class meeting and H Share class meeting of the Company.

**IV. Procedure of repurchase and cancellation**

- (I) The Company shall convene a board meeting to consider the repurchase plan and announce in a timely manner.
- (II) The repurchase by the Company under the Scheme shall be implemented in accordance with the requirements under Company Law.
- (III) The Company shall apply to the Shanghai Stock Exchange for dealing with the formalities of cancellation of the Restricted Shares before implementing the repurchase under the Scheme. Upon the confirmation by Shanghai Stock Exchange, the Company shall deal with the formalities of cancellation at the Securities Depository in a timely manner, and make announcement.

**XV SETTLEMENT OF DISPUTES BETWEEN THE COMPANY AND THE PARTICIPANTS**

Any disputes or conflicts between the Company and the Participants arising from, or in relation to, the implementation of the Scheme shall be resolved in accordance with the provisions of the Scheme and the agreement relating to the grant; if the provisions are ambiguous, both parties shall negotiate and resolve such disputes or conflicts in accordance with national laws and based on the principle of fairness and reasonableness. In the event that no agreement can be reached through negotiation, either party may file a civil lawsuit with the people's court where the Company is located, and resolve it through relevant judicial procedures.

**XVI MISCELLANEOUS**

- I. The Scheme will become effective upon approval at the general meeting, A Share class meeting and H Share class meeting of the Company;
- II. The Scheme is subject to the interpretation of the board of directors of the Company.

Board of Directors of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\*

29 August 2022

\* *For identification purpose only*

**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\*  
Management Measures for the Appraisal System of  
the 2022 Restricted A Share Incentive Scheme**

In order to further ensure the smooth implementation of the 2022 Restricted A Share Incentive Scheme (the “**A Share Incentive Scheme**” or the “**Scheme**”) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (the “**Company**”), and maximize the benefits of equity incentives, motivate the executive directors and senior management personnel of the Company and the employees of the Group (i.e. the Company and its controlled subsidiaries/entities, the same as below) to work diligently so as to guarantee the realization of the Group’s development strategy and business objectives, these measures are hereby formulated according to laws, regulations and regulatory documents and the actual circumstances of the Group.

**I. PURPOSE OF APPRAISAL**

The purpose of the appraisal is to further refine the corporate governance structure, improve incentive mechanism of the Group, ensure the smooth implementation of A Share Incentive Scheme and maximize the benefits of incentives so as to ensure the realization of Group’s development strategy and business objectives.

**II. PRINCIPLES OF APPRAISAL**

The principles of appraisal must be just, open and fair and strictly in compliance with these measures and the performance target of the appraisees so as to realize the linkage between the A Share Incentive Scheme and the work performance and contribution of the participants, which in turn help improve the management performance and maximize the interests of the Company and all its shareholders.

**III. SCOPE OF APPRAISAL**

These measures shall apply to all the participants under the A Share Incentive Scheme.

**IV. APPRAISAL INSTITUTION**

The remuneration and appraisal committee of the Company’s board of directors shall be responsible for organizing and carrying out the appraisal of the participants.

## V. PERFORMANCE AND PERFORMANCE APPRAISAL INDICATORS

### (I) Performance appraisal at the Group level

Under the Scheme, the financial performance indicators of the Group shall be appraised on an annual basis during the three financial years from 2022 to 2024, and the appraisal shall be made once in each financial year. The three sub-indicators, i.e. “revenue”, “attributable net profit after deduction” and “R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment”, of each appraisal year shall be assessed to determine the aggregated performance appraisal indicator score at the Group level (X) based on the scores and weights of each sub-indicator in order to further calculate the ratio for unlocking the Restricted Shares (M) for the corresponding year, the details of which are set forth below:

1. The aggregated performance appraisal indicator score at the Group level (X) =  $\Sigma$  the score of each sub-indicator \* the corresponding weight.

Details of the performance appraisal indicators at the Group level applicable to the unlocking of the Restricted Shares under the first grant are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2022	2023	2024	Scoring standard
		target value	target value	target value	
Revenue	10%	448.51	515.79	593.16	The score of each sub-indicator = (actual value/target value) × 100
Attributable net profit after deduction <sup>Note 1</sup>	70%	38.67	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>Note 2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	8%	

In the event of the grant of reserved Restricted Shares taking place in 2022, the years and specific indicators of the performance appraisal at the Group level applicable to the unlocking of such Shares shall be the same as those of the first grant. In the event of the grant of reserved Restricted Shares taking place in 2023, the years of the performance appraisal at the Group level applicable to the unlocking of such Shares shall be the two financial years of 2023 and 2024, and the appraisal shall be conducted once in each financial year, and details of the appraisal indicators at the Group level applicable to the unblocking of such Shares are as follows:

*Unit: RMB100 million*

Appraisal indicator	Weight	2023	2024	Scoring standard
		target value	target value	
Revenue	10%	515.79	593.16	The score of each sub-indicator = (actual value/target value) × 100
Attributable net profit after deduction <sup>Note 1</sup>	70%	45.63	53.84	
R&D expenses in the pharmaceutical manufacturing segment <sup>Note 2</sup> as a proportion of the revenue from the pharmaceutical manufacturing segment	20%	8%	8%	

*Note 1:* The “attributable net profit after deduction” mentioned above refers to net profit attributable to equity holders of the listed company after deduction of non-recurring profit or loss, as set out in the auditors’ report of the relevant financial year of the Company;

*Note 2:* The “R&D expenses in the pharmaceutical manufacturing segment” shall be calculated based on the auditors’ report of the relevant financial year of the Company taking into account of the adjustment mechanism under the Scheme.

With respect to any appraisal year, if any one of the sub-indicators does not reach its threshold value (the threshold value of revenue and attributable net profit after deduction is 80% of the target value of the year, and the threshold value of R&D expenses in the pharmaceutical manufacturing segment as a proportion of the revenue from the pharmaceutical manufacturing segment is 6%), the score of such applicable sub-indicator(s) is zero; and where the aggregated performance appraisal indicator score at the Group level (X) does not reach 75 points, all corresponding Restricted Shares granted to the participants for such year scheduled for unlocking shall not be unlocked, and shall be repurchased by the Company at the Grant Price and cancelled accordingly.

During the appraisal period, the board of directors of the Company may be authorised to adjust relevant indicators at its discretion as a result of material financial impact resulting from the disposal/deemed disposal for asset/business restructuring; executive directors who are participants of the Scheme shall abstain from voting when the board of directors considers the above matter(s).

2. The relationship between the aggregated performance appraisal indicator score at the Group level (X) and the unlocking percentage ratio (M) for the corresponding year is set out below:

<b>Range of the aggregated performance appraisal indicator score at the Group level (X)</b>	<b>Unlocking percentage ratio (M)</b>
X < 75 points	0
75 points ≤ X < 85 points	50%
85 points ≤ X < 95 points	80%
X ≥ 95 points	100%

## **(II) Performance appraisal at the individual level**

Where the performance targets at the Group level have been achieved, a participant is only entitled to unlock the Restricted Shares upon achieving the benchmark of “Target Achieved”(GP) or above in his or her performance appraisal at the individual level in the corresponding appraisal year in accordance with the Company’s administrative measures in respect of remuneration and performance appraisal, otherwise, the Restricted Shares granted to him or her which are scheduled to be unlocked for the corresponding appraisal year will not be unlocked and will be repurchased by the Company at Grant Price and cancelled accordingly.

**VI. PERIOD AND FREQUENCY OF APPRAISAL**

The appraisal period for unlocking the first grant under the A Share Incentive Scheme will be the three financial years from 2022 to 2024, and to be conducted once a year. For the reserved shares to be granted in 2022, the appraisal period and frequency for unlocking shall be the same those of the first grant. For the reserved shares to be granted in 2023, the appraisal period for unlocking will be the two financial years from 2023 to 2024, and to be conducted once a year.

**VII. PROCEDURES OF APPRAISAL**

The Company's human resources department shall be responsible for the specific appraisal work under the guidance of the remuneration and appraisal committee of the board of directors of the Company. It shall preserve the appraisal results based on which a performance appraisal report shall be formulated and submitted to the remuneration and appraisal committee of the board of directors.

**VIII. MANAGEMENT OF APPRAISAL RESULTS****1. Feedback and complaint to appraisal results**

The participant shall have the right to be informed of his/her appraisal results. The relevant performance appraisers of the Company shall provide formal feedback to and communicate with participants on the appraisal results upon completion of the appraisal every year. Participants may lodge a complaint with the human resources department of the Company if they have objections to the annual performance appraisal results.

**2. Filing of appraisal results**

After the appraisal, appraisal results shall be kept as confidential information.

**IX. MISCELLANEOUS**

1. The board of directors of the Company shall be responsible for the formulation, interpretation and modification of these measures.
2. These measures shall be implemented upon approval at the general meeting, A Share class meeting and H Share class meeting of the Company and after the A Share Incentive Scheme becomes effective.

**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***

29 August 2022

\* For identification purpose only

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTEREST

### (a) Interests and short positions of Directors, Supervisors and chief executives in Shares, underlying Shares and debentures of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which should be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules (the “**Model Code**”) were as follows:

#### (i) Long positions in the Shares, underlying shares and debentures of the Company

Name of Director/ chief executive	Capacity	Class of Shares	Number of Shares <sup>(1)</sup>	Approximate percentage of Shares in relevant class of Shares
Mr. Wu Yifang	Beneficial owner	H Share	373,000(L)	0.07%
	Beneficial owner	A Share	749,900(L)	0.04%
Mr. WANG Kexin	Beneficial owner	H Share	20,000(L)	0.00%
	Beneficial owner	A Share	232,500(L)	0.01%
Ms. GUAN Xiaohui	Beneficial owner	H Share	25,000(L)	0.00%
	Beneficial owner	A Share	206,000(L)	0.01%
Mr. Wen Deyong	Beneficial owner	H Share	20,000 (L)	0.00%
	Beneficial owner	A Share	20,000 (L)	0.00%

<b>Name of Director/ chief executive</b>	<b>Capacity</b>	<b>Class of Shares</b>	<b>Number of Shares<sup>(1)</sup></b>	<b>Approximate percentage of Shares in relevant class of Shares</b>
Mr. Chen Qiyu	Beneficial owner	A Share	114,075(L)	0.01%
Mr. Yao Fang	Beneficial owner	A Share	458,300(L)	0.02%
Ms. Ren Qian	Beneficial owner	A Share	17,250(L)	0.00%

*Note:*

(1) (L) — Long position

**(ii) Long positions in the shares of the Company's associated corporations (within the meaning of Part XV of the SFO)**

<b>Name of Director/ chief executive</b>	<b>Name of associated corporation</b>	<b>Class of shares</b>	<b>Capacity</b>	<b>Number of shares<sup>(1)</sup></b>	<b>Approximate percentage of shares in issue</b>
Mr. Wang Kexin	Fosun International	Ordinary share	Beneficial owner	1,060,000(L)	0.01%
Ms. Guan Xiaohui	Fosun International	Ordinary share	Beneficial owner	1,000,000(L)	0.01%
Mr. Chen Qiyu	Fosun International	Ordinary share	Beneficial owner	27,006,400(L)	0.32%
	Fosun Tourism	Ordinary share	Beneficial owner	501,478(L)	0.04%
Mr. Yao Fang	Fosun International	Ordinary share	Beneficial owner	6,134,500(L)	0.07%
Mr. Xu Xiaoliang	Fosun International	Ordinary share	Beneficial owner	23,402,000(L)	0.28%
	Fosun Tourism	Ordinary share	Beneficial owner	552,328(L)	0.04%
Mr. Pan Donghui	Fosun International	Ordinary share	Beneficial owner	12,634,484(L)	0.15%
	Fosun Tourism	Ordinary share	Beneficial owner	240,000(L)	0.02%

*Note:*

(1) (L) — Long position

(iii) *Interests in the debentures of the Company's associated corporations (within the meaning of Part XV of the SFO)*

Name of Director/ chief executive	Name of associated corporation	Capacity	Amount of debentures <sup>(1)</sup>
Mr. Wu Yifang	Fortune Star (BVI) Limited	Beneficial owner	USD739,121(L)
Mr. Chen Qiyu	Fortune Star (BVI) Limited	Beneficial owner	USD1,478,241(L)
Mr. Yao Fang	Fortune Star (BVI) Limited	Beneficial owner	USD739,121(L)
Mr. Xu Xiaoliang	Fortune Star (BVI) Limited	Beneficial owner	USD6,356,437(L)
Mr. Pan Donghui	Fortune Star (BVI) Limited	Beneficial owner	USD739,121(L)

*Note:*

(1) (L) — Long position

(b) **Interests and short positions of substantial shareholders of the Company in Shares and underlying Shares**

As at the Latest Practicable Date, so far as is known to the Directors and Supervisors of the Company, the persons or entities, other than the Directors, Supervisors or chief executive of the Company, who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares <sup>(1)</sup>	Approximate percentage of Shares in relevant class of Shares
Fosun High Tech	Beneficial owner	H Share	71,533,500(L)	12.96%
	Beneficial owner	A Share	885,595,955(L)	41.82%
Fosun International	Beneficial owner	H Share	6,000,000(L) <sup>(2)</sup>	1.09%
	Interest of a controlled corporation	H Share	71,533,500(L) <sup>(2)</sup>	12.96%
	Interest of a controlled corporation	A Share	885,595,955(L) <sup>(3)</sup>	41.82%

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares <sup>(1)</sup>	Approximate percentage of Shares in relevant class of Shares
Fosun Holdings	Interest of a controlled corporation	H Share	77,533,500(L) <sup>(2)</sup>	14.05%
	Interest of a controlled corporation	A Share	885,595,955(L) <sup>(3)</sup>	41.82%
Fosun International Holdings	Interest of a controlled corporation	H Share	77,533,500(L) <sup>(2)</sup>	14.05%
	Interest of a controlled corporation	A Share	885,595,955(L) <sup>(3)</sup>	41.82%
Mr. Guo Guangchang	Interest of a controlled corporation	H Share	77,533,500(L) <sup>(2)</sup>	14.05%
	Interest of a controlled corporation	A Share	885,595,955(L) <sup>(3)</sup>	41.82%
	Beneficial owner	A Share	114,075(L)	0.01%

*Notes:*

- (1) (L) — Long position;
- (2) Among these Shares, 71,533,500 Shares are held by Fosun High Tech and 6,000,000 Shares are held by Fosun International. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 72.99% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.
- (3) These Shares are held by Fosun High Tech. Fosun High Tech is wholly owned by Fosun International, which in turn is owned as to 72.99% by Fosun Holdings, and Fosun Holdings is wholly owned by Fosun International Holdings. As Fosun International Holdings is owned as to 85.29% by Mr. Guo Guangchang, Fosun International, Fosun Holdings, Fosun International Holdings and Mr. Guo Guangchang are deemed to be interested in these Shares.
- (4) As at the Latest Practicable Date, Mr. Chen Qiyu, a non-executive Director, served as a director of Fosun High Tech and as a director and employee of Fosun International, Mr. Xu Xiaoliang, a non-executive Director, served as a director of Fosun High Tech and as a director and employee of Fosun International, and Mr. Pan Donghui, a non-executive Director, served as an employee of Fosun International.

**3. COMPETING INTEREST OF THE DIRECTORS**

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Hong Kong Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**5. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors had entered, or proposed to enter, into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**6. MATERIAL INTERESTS OF THE DIRECTORS AND SUPERVISORS**

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest, directly or indirectly, in any assets which had been, since 31 December 2021, being the date on which the latest audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired, disposed of by or leased to any member of the Group.

None of the Directors or Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

**7. EXPERT'S QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
Yue Xiu Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

Yue Xiu Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Yue Xiu Capital (i) did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2021, being the date to which the latest audited financial statements of the Group were made up; and (ii) was not beneficially interested in the share capital of any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## **8. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the following document will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://fosunpharma.com>) from the date of this circular up to and including the date of the EGM:

- (a) the Renewed Financial Services Agreement

**FOSUN PHARMA**  
**复星医药**

上海復星醫藥（集團）股份有限公司  
**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***

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

**(Stock Code: 02196)**

**NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 2022 second extraordinary general meeting (“**EGM**”) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\* (the “**Company**”) will be held at 1:30 p.m. on Tuesday, 29 November 2022 at Sky Fortune Boutique Hotel Shanghai, No. 358 Hong Xu Road, Shanghai, the PRC (to be convened in the order of the EGM, the 2022 second class meeting of A Shareholders and the 2022 second class meeting of H Shareholders (or any adjournment thereof) (collectively, the “**General Meetings**”)) for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 31 October 2022 (the “**Circular**”).

**ORDINARY RESOLUTIONS**

1. To consider and approve the adoption of the 2022 H Share Employee Share Ownership Scheme;
2. To consider and approve the mandate to be granted to the Board to deal with matters pertaining to the 2022 H Share Employee Share Ownership Scheme;
3. To consider and approve the Renewed Financial Services Agreement dated 29 August 2022 entered into between the Company and Fosun Finance, the transactions contemplated thereunder and the proposed annual caps in respect of the deposit services, settlement services and other financial services; and to authorise the management of the Company or its authorised persons to deal with specific matters pertaining to the Renewed Financial Services Agreement;
4. To consider and approve the proposed amendments to the Management System for Proceeds;
5. To consider and approve the Renewed Products/Services Mutual Supply Framework Agreement entered into between the Company and Sinopharm on 29 August 2022 and to authorise the management of the Company or its authorised persons to deal with specific matters pertaining to the Renewed Products/Services Mutual Supply Framework Agreement;

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## NOTICE OF EGM

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### SPECIAL RESOLUTIONS

6. To consider and approve the adoption of the 2022 Restricted A Share Incentive Scheme (including the allotment and issuance of the Restricted Shares thereunder) and the Connected Grant;
7. To consider and approve the adoption of the Management Measures for the Appraisal System of the 2022 Restricted A Share Incentive Scheme; and
8. To consider and approve the mandate to be granted to the Board to deal with matters pertaining to the 2022 Restricted A Share Incentive Scheme.

By order of the Board  
**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***  
**Wu Yifang**  
*Chairman*

Shanghai, the PRC

31 October 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Wu Yifang, Mr. Wang Kexin, Ms. Guan Xiaohui and Mr. Wen Deyong; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. Yao Fang, Mr. Xu Xiaoliang and Mr. Pan Donghui; and the independent non-executive directors of the Company are Ms. Li Ling, Mr. Tang Guliang, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson.*

*Notes:*

1. A holder of H Shares entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend the EGM and vote by poll instead of him/her. **The health of Shareholders, employees and stakeholders is of paramount importance to the Company. In view of the novel coronavirus epidemic (“COVID-19”), the Company recommends that the Shareholders of the Company give priority to appointing Ms. Ren Qian, the chairman of the supervisory committee of the Company, or Mr. Wang Quandi, an independent non-executive Director, who will attend the EGM in person as their proxy to vote on the relevant resolutions at the EGM. The Company will comply with the prevention and control requirements related to the COVID-19 and will take appropriate prevention and control measures at the EGM.** A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number of H Shares in respect of which each such proxy is so appointed. In relation to the public solicitation of voting rights by the independent non-executive Director, please refer to the overseas regulatory announcement of the Company dated 31 October 2022.
2. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company’s Hong Kong share registrar for H Shares, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 24 hours before the time appointed for the convening of the General Meetings. Return of the form of proxy will not preclude any holder of H Shares from attending the EGM and voting in person if such member so wishes and in such event, the form of proxy will be deemed to be revoked.

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## NOTICE OF EGM

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3. For the purpose of determining the entitlement of Shareholders to attend and vote at the EGM, the register of holders of H Shares will be closed from Thursday, 24 November 2022 to Tuesday, 29 November 2022 (both days inclusive). In order to qualify for attending and voting at the EGM, unregistered holders of H Shares should ensure that all transfer documents for H Shares together with the relevant Share certificates should be lodged for registration with the Company's Hong Kong share registrar for H Shares, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 23 November 2022.
4. Shareholders who attend the EGM in person or by proxy shall bear their own travelling and accommodation expenses.
5. This Notice of EGM is dispatched to the holders of H Shares only. The notice of EGM to the holders of A Shares and proxy form are separately published on the websites of the Company (<http://www.fosunpharma.com>) and the Shanghai Stock Exchange (<http://www.sse.com.cn>).

\* *for identification purposes only*

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## NOTICE OF H SHAREHOLDERS CLASS MEETING

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# FOSUN PHARMA 复星医药

上海復星醫藥（集團）股份有限公司  
Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\*

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

**(Stock Code: 02196)**

## NOTICE OF 2022 SECOND H SHAREHOLDERS CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the 2022 second class meeting of H Shareholders (“**H Shareholders Class Meeting**”) of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\* (the “**Company**”) will be held at 1:30 p.m. on Tuesday, 29 November 2022 at Sky Fortune Boutique Hotel Shanghai, No. 358 Hong Xu Road, Shanghai, the PRC (to be convened in the order of the 2022 second extraordinary general meeting of the Company, the 2022 second class meeting of A Shareholders and the H Shareholders Class Meeting (or any adjournment thereof) (collectively, the “**General Meetings**”)) for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 31 October 2022 (the “**Circular**”).

### SPECIAL RESOLUTIONS

1. To consider and approve the adoption of the 2022 Restricted A Share Incentive Scheme (including the allotment and issuance of the Restricted Shares thereunder) and the Connected Grant;
2. To consider and approve the adoption of the Management Measures for the Appraisal System of the 2022 Restricted A Share Incentive Scheme;
3. To consider and approve the mandate to be granted to the Board to deal with matters pertaining to the 2022 Restricted A Share Incentive Scheme;

By order of the Board

**Shanghai Fosun Pharmaceutical (Group) Co., Ltd.\***

**Wu Yifang**

*Chairman*

Shanghai, the PRC

31 October 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Wu Yifang, Mr. Wang Kexin, Ms. Guan Xiaohui and Mr. Wen Deyong; the non-executive directors of the Company are Mr. Chen Qiyu, Mr. Yao Fang, Mr. Xu Xiaoliang and Mr. Pan Donghui; and the independent non-executive directors of the Company are Ms. Li Ling, Mr. Tang Guliang, Mr. Wang Quandi and Mr. Yu Tze Shan Hailson.*

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## NOTICE OF H SHAREHOLDERS CLASS MEETING

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*Notes:*

1. A holder of H Shares entitled to attend and vote at the H Shareholders Class Meeting is entitled to appoint one or more proxies to attend the H Shareholders Class Meeting and vote by poll instead of him/her. **The health of Shareholders, employees and stakeholders is of paramount importance to the Company. In view of the novel coronavirus epidemic (“COVID-19”), the Company recommends that the Shareholders of the Company give priority to appointing Ms. Ren Qian, the chairman of the supervisory committee of the Company, or Mr. Wang Quandi, an independent non-executive Director, who will attend the H Shareholders Class Meeting in person as their proxy to vote on the relevant resolutions at the H Shareholders Class Meeting. The Company will comply with the prevention and control requirements related to the COVID-19, and will take appropriate prevention and control measures at the H Shareholders Class Meeting.** A proxy need not be a Shareholder. If more than one proxy is so appointed, the appointment shall specify the number of H Shares in respect of which each such proxy is so appointed. In relation to the public solicitation of voting rights by the independent non-executive Director, please refer to the overseas regulatory announcement of the Company dated 31 October 2022.
  2. In order to be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a certified copy thereof, must be deposited at the Company’s Hong Kong share registrar for H Shares, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 24 hours before the time appointed for the convening of the General Meetings. Return of the form of proxy will not preclude any member of H Shares from attending the H Shareholders Class Meeting and voting in person if such member so wishes and, in such event, the form of proxy will be deemed to be revoked.
  3. For the purpose of determining the entitlement of Shareholders to attend and vote at the H Shareholders Class Meeting, the register of members of H Shares will be closed from Thursday, 24 November 2022 to Tuesday, 29 November 2022 (both days inclusive). In order to qualify for attending and voting at the H Shareholders Class Meeting, unregistered holders of H Shares should ensure that all transfer documents together with the relevant share certificates for H Shares should be lodged for registration with the Company’s Hong Kong share registrar for H Shares, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Wednesday, 23 November 2022.
  4. Shareholders who attend the H Shareholders Class Meeting in person or by proxy shall bear their own travelling and accommodation expenses.
  5. This Notice of H Shareholders Class Meeting is dispatched to the holders of H Shares only.
- \* *for identification purposes only*