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**Pharmaron Beijing Co., Ltd.\***

**康龍化成(北京)新藥技術股份有限公司**

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

**(Stock Code: 3759)**

**(1) PROPOSED ADOPTION OF  
THE 2023 A SHARE INCENTIVE SCHEME AND THE  
ASSESSMENT MANAGEMENT MEASURES;  
(2) PROPOSED ISSUE AND GRANT OF THE NEW  
A SHARES UNDER THE 2023 A SHARE  
INCENTIVE SCHEME; AND  
(3) PROPOSED AUTHORIZATION TO THE  
BOARD TO HANDLE MATTERS PERTAINING TO  
THE 2023 A SHARE INCENTIVE SCHEME**

**INTRODUCTION**

The Board has resolved at a meeting of the Board held on March 30, 2023 to propose the adoption of the 2023 A Share Incentive Scheme, and the Assessment Management Measures. The 2023 A Share Incentive Scheme is still subject to the consideration and approval of the Shareholders which will be sought at the AGM.

**IMPLICATIONS UNDER THE LISTING RULE**

**The 2023 A Share Incentive Scheme**

The 2023 A Share Incentive Scheme will constitute a share scheme and shall be subject to the applicable disclosure requirements under Chapter 17 of the Listing Rules. Pursuant to Chapter 17 of the Listing Rules, share schemes involving the grant of new shares must be approved by shareholders of the listed issuer in general meeting. Accordingly, the adoption of the 2023 A Share Incentive Scheme will be subject to, among others, the Shareholders' approval at the AGM.

**AGM**

The AGM will be convened to consider and, if thought fit, approve, among other things, (i) the proposed adoption of 2023 A Share Incentive Scheme and the Assessment Management Measures; (ii) the proposed issue and grant of the Restricted Shares under the 2023 A Share Incentive Scheme; and (iii) the proposed authorization to the Board to handle matters pertaining to the 2023 A Share Incentive Scheme.

A circular of the Company containing, among other things, (i) further details of the 2023 A Share Incentive Scheme, and the Assessment Management Measures; and (ii) a notice convening the AGM and the Class Meetings, is expected to be despatched to the Shareholders at least 21 days prior to the AGM.

## **I. PROPOSED ADOPTION OF THE 2023 A SHARE INCENTIVE SCHEME AND THE ASSESSMENT MANAGEMENT MEASURES**

### **(i) Purpose of the 2023 A Share Incentive Scheme**

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management, mid-level management, core technical personnel, basic-level management and technical personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align the interests of the shareholders, the Company and the core staff members, bring their attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realized.

### **(ii) Form and Source of the Restricted Shares to be Granted**

The form of incentive adopted under the 2023 A Share Incentive Scheme is Restricted Shares (Type II Restricted Shares).

The source of all Restricted Shares under the 2023 A Share Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants.

### **(iii) Number of the Restricted Shares to be Granted and allocations of Restricted Shares to be Granted under the First Grant**

The total number of Restricted Shares to be granted under the First Grant pursuant to the 2023 A Share Incentive Scheme will be 1,479,300 A Shares, representing approximately 90% of the A Shares available under the 2023 A Share Incentive Scheme, and approximately 0.12% of the total issued share capital of the Company as at the date of this announcement (the "**First Grant**"). The remaining 10%, being 164,400 A Shares, representing approximately 0.01% of the total issued share capital of the Company as at the date of this announcement, shall be reserved for further award grants (the "**Reserved Grant**").

The cumulative total number of underlying Shares unvested and unissued pursuant to the 2023 A Share Incentive Scheme and other fully effective share incentive schemes of the Company is 4,620,675 A Shares, which represents approximately 0.39% of the total share capital of the Company as at the date of this announcement. The maximum number of underlying Shares expected to be issued pursuant to fully effective share incentive scheme of the Company is 9,480,581 A Shares, which represents approximately 0.80% of the total share capital of the Company as at the date of this announcement, and shall not exceed 20% of the total share capital of the Company as at the date the 2023 A Share Incentive Scheme is submitted for approval at the AGM and the Class Meetings.

The total number of Shares to be granted to any participants under all the fully effective share incentive schemes of the Company shall not exceed 1% of the total share capital of the Company.

#### **(iv) Participants of the 2023 A Share Incentive Scheme**

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

The source of all Restricted Shares under the 2023 A Share Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants.

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

The Participants are determined after taking into account the actual circumstances of the Company and in accordance with the PRC Company law, the PRC Securities Law, the Management Measures, the Hong Kong Listing Rules, the Shenzhen Listing Rules, Guide No. 1 to Shenzhen Stock Exchange GEM Listed Companies Self-discipline Supervision Guide – Business Handling (《深圳證券交易所創業板上市公司自律監管指南第 1 號——業務辦理》) and other relevant laws, regulations and regulatory documents as well as the Articles of Association.

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

The Participants include core management, mid-level management, core technical personnel, basic-level management and technical personnel of the Group considered by the Board to be required to be incentivized. The list of Participants will be prepared by the Remuneration and Appraisal Committee and verified by the Supervisory Committee.

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

The total number of the Participants for the First Grant proposed under the 2023 A Share Incentive Scheme shall be 295, who are all employed by the Group.

The Participants of the Reserved Grant shall be determined within 12 months from the date on which the 2023 A Share Incentive Scheme is considered and approved at the AGM. After the Board having proposed, the Independent Directors and the Supervisory Committee having issued their respective opinions, and the lawyers having expressed their professional opinions and issuing the corresponding legal opinions, the Company shall disclose the relevant information of the Participants of the Reserved Grants in a timely and accurate manner on designated websites as required. The Reserved Grant will lapse where the Participants of the Reserved Grant are not determined for more than 12 months from the aforesaid date. The bases for determining the Participants under the Reserved Grant shall be made by reference to the bases in relation to the First Grant.

None of the Participants are the Company's Directors, Independent Director, Supervisor, chief executive senior management, non-PRC employee, shareholders who individually or collectively hold more than 5% of the Shares of the Company, de facto controllers, or their respective spouses, parents or children or associates. All Participants must have an employment or labour relationship with the Company or its subsidiaries when a grant under the 2023 A Share Incentive Scheme is made and during the assessment period in relation to the First Grant and the Reserved Grant under the 2023 A Share Incentive Scheme.

**(C) Persons who are prohibited to participate in the 2023 A Share Incentive Scheme**

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

During the implementation process of the 2023 A Share Incentive Scheme, if any of the above circumstances in relation to a Participant arises, the Company shall terminate his/her right to participate in the 2023 A Share Incentive Scheme, and any granted Restricted Shares which have not yet been attributed shall not be attributed and shall be lapsed.

**(D) Allocation of Restricted Shares to be granted**

The allocation of the Restricted Shares to be granted under the 2023 A Share Incentive Scheme is set out in the table below:

<b>Rank of Participants (number of such Participants)</b>	<b>Number of Restricted Shares to be Granted</b>	<b>Percentage to the total number of Shares to be granted under the 2023 A Share Incentive Scheme</b>	<b>Percentage to the total share capital as at the date of this Announcement</b>
Core management (1)	26,100	1.59%	0.002%
Mid-level management and core technical personnel (87)	1,007,700	61.31%	0.085%
Basic-level management and technical personnel (207)	445,500	27.10%	0.037%
Reserved Grant	164,400	10.00%	0.014%
<b>Total</b>	<b>1,643,700</b>	<b>100.00%</b>	<b>0.138%</b>

*Notes:*

- (1) Any discrepancies in this table between the total shown and the sum of the amounts listed are due to rounding.
- (2) The number of the Restricted Shares is subject to adjustment.

If a Participant, due to personal reasons, voluntarily waives the Restricted Shares which have been granted to him/her, the Board of Directors shall adjust the number of granted Restricted Shares accordingly. In the event that a Participant does not have sufficient funds to subscribe all Restricted Shares which have been grant to him/her, the amount of the Restricted Shares to be subscribed by such Participant can be reduced accordingly.

**(v) Grant Price and Basis of Determination of the Grant Price**

***(A) Grant Price of the Restricted Shares under the First Grant and the Reserved Grant***

The Grant Price of the Restricted Shares under the First Grant shall be RMB28.58 per A Share (subject to adjustment). A Participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at such Grant Price (subject to adjustment). The Grant Price of Restricted Shares under the Reserved Grant shall be the same as that of the Grant Price of Restricted Shares under the First Grant.

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

Pursuant to the Shenzhen Listing Rules and the Management Measures, the grant price of the Restricted Shares under the First Grant and the Reserved Grant shall be not less than the par value of the Shares, and in principle not less than the higher of:

1. 50% of the average trading price of the Company's A Shares for one trading day immediately preceding the date of this announcement (i.e. March 30, 2023), being RMB28.51 per A Share; and
2. 50% of the average trading price of the Company's A Shares for the 20 trading days immediately preceding the date of this announcement (i.e. March 30, 2023), being RMB28.58 per A Share.

The Grant Price is at a substantial discount of the prevailing trading price of the A Shares. The Grant Price was determined in accordance with the price references abovementioned. This was also determined with a view to stabilize talents and effectively incentivize employees under different cycles and business environments which may allow the Company to gain advantage in the competitive industry that it operates in. The Board has also taken into consideration the level of difficulty of the performance targets which Participants must achieve for the Restricted Share(s) to be attributed, and considers that this is in balance with the substantial discount in the Grant Price.

The Grant Price of the First Grant and the Reserved Grant is RMB28.58 per Share, which represents:

- (i) a discount of approximately 19.59% to the closing price of HK\$40.50 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 49.81% to the closing price of RMB56.94 per A Share as quoted on the Shenzhen Stock Exchange on the trading day immediately preceding March 30, 2023 (being the date on which the Board approved the 2023 A Share Incentive Scheme);
- (ii) a discount of approximately 20.02% to the average closing price of HK\$40.72 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 50.87% to the average closing price of RMB58.17 per A Share as quoted on the Shenzhen Stock Exchange on the 5 consecutive trading days immediately preceding March 30, 2023; and
- (iii) a discount of approximately 19.42% to the average closing price of HK\$40.42 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 49.95% to the average closing price of RMB57.10 per A Share as quoted on the Shenzhen Stock Exchange on the 20 consecutive trading days immediately preceding March 30, 2023.

In the event of any capitalization issue, bonus issue, dividend distribution, share split or share consolidation of the Company during the period from the date of the announcement of the 2023 A Share Incentive Scheme to the date of completion of attribution registration of the Restricted Shares by Participants, the Grant Price and the number of Restricted Shares shall be adjusted in accordance with the terms of the 2023 A Share Incentive Scheme as summarized in the paragraph “(ix) Method and Procedures for Adjustment” below.

**(vi) Validity Period, Grant Date, Attribution Arrangements and Lock-up Period**

***(A) Validity period of the 2023 A Share Incentive Scheme***

The 2023 A Share Incentive Scheme will become effective upon the Grant Date of the Restricted Shares under the 2023 A Share Incentive Scheme, and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 72 months.

***(B) Grant Date of the Restricted Shares under the First Grant***

The Company will convene a Board meeting to determine whether the conditions of the grant under the 2023 A Share Incentive Scheme have been met and the Grant Date after the 2023 A Share Incentive Scheme having been adopted and approved at the AGM and the Class Meetings. The Company shall grant the Restricted Shares to the Participants and complete the relevant procedures including making relevant announcement(s), within 60 days after the 2023 A Share Incentive Scheme having been adopted and initially approved at the AGM and the Class Meetings (or in the event that conditions for the grant are required to be satisfied, the date of which conditions for the grant having been satisfied). If the Company is unable to complete the procedures within the 60-day period, the Company will make a timely announcement to disclose the reason for being unable to complete the procedures and declare the termination of the 2023 A Share Incentive Scheme.



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

***(C) Attribution arrangements under the 2023 A Share Incentive Scheme***

Subject to the attribution conditions having been fulfilled, the Restricted Shares under the First Grant may be attributed to the Participants in four tranches. An attribution date must be a trading day within the validity period of the 2023 A Share Incentive Scheme. Attribution shall be prohibited during the period of which the Restricted Shares cannot be attributed pursuant to the listing rules of the stock exchange where the Shares are listed. During the validity period of the 2023 A Share Incentive Scheme, if the relevant provisions of the stock exchange where the Shares are listed relating to the attribution period have changed, the attribution date shall comply with the provisions of the revised relevant laws, regulations and normative documents.

Attribution arrangements in relation to the Restricted Shares under the First Grant pursuant to the 2023 A Share Incentive Scheme are as follows:

<b>Tranche</b>	<b>Attribution Period</b>	<b>Attribution Percentage</b>
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the First Grant until the last trading day within the 24 months following the Grant Date of the First Grant	25%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the First Grant until the last trading day within the 36 months following the Grant Date of the First Grant	25%
Third tranche	From the first trading day after the expiry of 36 months following the Grant Date of the First Grant until the last trading day within the 48 months following the Grant Date of the First Grant	25%
Fourth tranche	From the first trading day after the expiry of 48 months following the Grant Date of the First Grant until the last trading day within the 60 months following the Grant Date of the First Grant	25%

Attribution arrangements in relation to the Restricted Shares under the Reserved Grant pursuant to the 2023 A Share Incentive Scheme are as follows:

<b>Tranche</b>	<b>Attribution Period</b>	<b>Attribution Percentage</b>
First tranche	From the first trading day after the expiry of 12 months following the Grant Date of the Reserved Grant until the last trading day within the 24 months following the Grant Date of the Reserved Grant	25%
Second tranche	From the first trading day after the expiry of 24 months following the Grant Date of the Reserved Grant until the last trading day within the 36 months following the Grant Date of the Reserved Grant	25%
Third tranche	From the first trading day after the expiry of 36 months following the Grant Date of the Reserved Grant until the last trading day within the 48 months following the Grant Date of the Reserved Grant	25%
Fourth tranche	From the first trading day after the expiry of 48 months following the Grant Date of the Reserved Grant until the last trading day within the 60 months following the Grant Date of the Reserved Grant	25%

Those Restricted Shares under the First Grant and the Reserved Grant which have not been attributed during the period of their respective tranches as a result of failure to fulfil the attribution conditions are not allowed to be attributed or deferred to be attributed in the next attribution period(s) and shall be forfeited.

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

***(D) Lock-up Period***

The requirements of lock-up for the Restricted Shares under the 2023 A Share Incentive Scheme are implemented in accordance with relevant laws, regulations and regulatory documents including the PRC Company Law and the PRC Securities Law, and the Articles of Association as follows:

1. The Participants undertake that any Restricted Share attributed in the respective tranche shall not be transferable for 6 months from the date of satisfying the vesting conditions considered and approved by the Board for the Restricted Shares in each tranche;
2. The Lock-up arrangement granted by the 2023 A Share Incentive Scheme to the Participants shall be implemented in accordance with the requirements of the Company Law, the Securities Law and the relevant laws, administrative regulations, regulatory documents and the Articles of Association; and



3. During the validity period of the 2023 A Share Incentive Scheme, if the relevant requirements under the relevant laws, administrative regulations, regulatory documents such as the PRC Company Law and the PRC Securities Law and the Articles of Association are changed, the transfer of the Shares held by the Participants shall comply with the relevant laws, regulations and regulatory documents including the PRC Company Law and the PRC Securities Law and the Articles of Association as amended at the time of transfer.

**(vii) Conditions for Grant and Attribution of Restricted Shares**

***(A) Conditions for grant of the Restricted Shares***

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

1. *None of the following has occurred on the part of the Company:*
  - (a) An audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
  - (b) An audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
  - (c) In the past 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
  - (d) Laws and regulations stipulate that equity incentives shall not be implemented; or
  - (e) Other circumstances as determined by the CSRC.
2. *None of the following has occurred on the part of the Participants:*
  - (a) The Participant has been determined as an inappropriate candidate by the Shenzhen Stock Exchange within the past 12 months;
  - (b) The Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the past 12 months;

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

***(B) Conditions for attribution of the Restricted Shares***

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

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

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

In the event that any one of the circumstances specified above arises, the Restricted Shares that have been granted but have not yet been attributed to the Participant under the 2023 A Share Incentive Scheme shall not be attributed and shall be lapsed.

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

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

In the event that any one of the circumstances specified above arises in relation to a certain Participant, the Company will terminate such Participant's right to participate in the 2023 A Share Incentive Scheme and the Restricted Shares that have been granted but have not yet been attributed to such Participant under the 2023 A Share Incentive Scheme shall not be attributed and shall be lapsed.

3. *Requirements of length of employment of the Participants*

The Participant must be employed by the Group for more than 12 months before each tranche of attribution of Restricted Shares.

4. *Performance assessment requirements at the Company level*

Under the 2023 A Share Incentive Scheme, the Company's performance will be evaluated on an annual basis for the financial years of 2023 to 2027, and the achievement of performance assessment target will be one of the attribution conditions for the Participants.

The performance assessment targets under the 2023 A Share Incentive Scheme are set out below in relation to (i) the First Grant and (ii) the Reserved Grant to be made prior to the publication of the third quarter report of the Company for the year ended December 31, 2023, if any:

<b>Attribution Period</b>	<b>Performance Assessment Target</b>
First Attribution Period	20%  (Company's revenue increase for the year ended December 31, 2023 as compared to the year ended December 31, 2022)
Second Attribution Period	40%  (Company's revenue increase for the year ended December 31, 2024 as compared to the year ended December 31, 2022)
Third Attribution Period	60%  (Company's revenue increase for the year ended December 31, 2025 as compared to the year ended December 31, 2022)
Fourth Attribution Period	80%  (Company's revenue increase for the year ended December 31, 2026 as compared to the year ended December 31, 2022)

The performance assessment targets under the 2023 A Share Incentive Scheme are set out below in relation to the Reserved Grant to be made upon the publication of the third quarter report of the Company for the year ended December 31, 2023, if any:

<b>Attribution Period</b>	<b>Performance Assessment Target</b>
First Attribution Period	40%  (Company's revenue increase for the year ended December 31, 2024 as compared to the year ended December 31, 2022)
Second Attribution Period	60%  (Company's revenue increase for the year ended December 31, 2025 as compared to the year ended December 31, 2022)
Third Attribution Period	80%  (Company's revenue increase for the year ended December 31, 2026 as compared to the year ended December 31, 2022)

<b>Attribution Period</b>	<b>Performance Assessment Target</b>
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Fourth Attribution Period	100%
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(Company’s revenue increase for the year ended December 31, 2027 as compared to the year ended December 31, 2022)

*Note:* Revenue refers to the audited revenue of the Company.

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

5. *Performance assessment requirements at the Participant’s project group level*

The number of Restricted Shares attributed to the Participants corresponds to the satisfaction of the internal performance assessment targets in relation to the particular project group of the Company during the relevant attribution period. Depending on the assessment result achieved by such project group, different attribution percentage shall be applied.

6. *Performance assessment requirements at the Participant’s individual level*

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

<b>Assessment Results</b>	<b>Pass</b>	<b>Fail</b>
Attribution Percentage at the Participant’s individual level	100%	0%

Subject to the Company achieving the aforementioned performance assessment target in the respective attribution period, the actual number of Restricted Shares to be attributed = the number of Restricted Shares expected to be attributed during the respective attribution period pursuant to the 2023 A Share Incentive Scheme x corresponding attribution percentage at the Participant’s individual level x corresponding attribution percentage at the Participant’s project group level. If such Participant fails to achieve the assessment result, the corresponding Restricted Shares that have been granted but are yet to be attributed to the Participants in such tranche shall not be attributed and shall be lapsed.

The assessments under the 2023 A Share Incentive Scheme at project group level and individual level are reviewed by the Remuneration and Appraisal Committee, and its specific content is implemented in accordance with the Assessment Management Measures. The Participants are not the members under the Remuneration and Appraisal Committee, who won't be involved in the performance assessment at project group level and individual level.

7. *Explanation on reasonableness of the performance appraisal indicators of the Restricted Shares*

The Company is a leading fully-integrated pharmaceutical R&D services platform with global operations to accelerate drug innovation for our customers. The Company provides fully-integrated drug research, development and manufacturing services throughout the research and development cycle. The Company continues to strengthen the integration of its service offerings both vertically and horizontally, investing in building new service capabilities and improving management efficiency in order to meet the needs of the market and customers. Vertically, the Company is strengthening the seamless integration of the same discipline across different pharmaceutical R&D stages. Horizontally, the Company is also enhancing the integration of different disciplines at the same pharmaceutical R&D stages, improving the professional standards of each discipline, expanding the service offerings, and promoting the interdisciplinary collaborations. In addition, the Company has been striving to enhance the establishment of R&D service capabilities for Biologics and CGT services through its well-established small molecules drug R&D service platforms, and committed to becoming a global leader in pharmaceutical R&D services across multiple therapeutic modalities. The Company has set out a drug R&D service framework in compliance with general global R&D standards to provide customers with complete solutions for drug research, development and production around the world. Currently, the Company's customer portfolio comprises the top 20 multinational pharmaceutical companies worldwide.

In order to realize the strategy of the Company and maintain its competitiveness, the Company intends to motivate the core management, mid-level management, core technical personnel, basic-level management and technical personnel of the Company through the implementation of the 2023 A Share Incentive Scheme. After reasonable prediction and taking into account the incentive effects of the 2023 A Share Incentive Scheme, the revenue of the Company is adopted as the company-level performance evaluation indicator under the 2023 A Share Incentive Scheme, which can directly reflect the Company's principal business operations and indirectly reflect the market share of the Company in the industry.



Under the performance indicators and based on the operating revenue for 2022, the operating revenue's growth rates of the Company from 2023 to 2027 were no less than 20%, 40%, 60%, 80% and 100%, respectively. The performance indicators for the 2023 A Share Incentive Scheme were formulated by the Company based on the Company's actual conditions, future strategic planning, industry development and various potential risks (which refer to the risk factors out of the control of the Directors, such as the risk of international policy changes and currency exchange rates). The satisfaction of the performance targets presents a certain degree of challenge, which helps to continuously improve the profitability of the Company and proactiveness of the staff, ensure the successful implementation of future development strategy and business objectives, and bring better and lasting returns to the shareholders.

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

In summary, the Company's appraisal system under the 2023 A Share Incentive Scheme is integrated, comprehensive and operable. Such appraisal system can incentivize the enthusiasm and creativity of the Participants, promote the construction of a core team of the Company, and restrain the Participants, thereby serving as a solid guarantee for the Company's future business strategies and objectives.

### **(viii) Implementation, Grant and Attribution Procedures**

#### ***(A) Procedures for the implementation of the 2023 A Share Incentive Scheme***

1. The Remuneration and Appraisal Committee is responsible for formulating the 2023 A Share Incentive Scheme and the Assessment Management Measures of the Company.
2. The Board shall resolve on the 2023 A Share Incentive Scheme and the Assessment Management Measures of the Company formulated by the Remuneration and Appraisal Committee. When the Board resolves on the 2023 A Share Incentive Scheme, connected Directors who have an interest in the resolution shall abstain from voting.
3. The Independent Directors and the Supervisory Committee will express opinions on whether the 2023 A Share Incentive Scheme is conducive to the sustainable development of the Company, whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders.

4. The Company will engage an independent financial consultant to give professional opinions on the feasibility of the 2023 A Share Incentive Scheme, whether the 2023 A Share Incentive Scheme is conducive to the sustainable development of the Company, whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders. The Company will engage a legal advisor to issue a legal opinion on the 2023 A Share Incentive Scheme.
5. Within two trading days after the Board having reviewed and approved the 2023 A Share Incentive Scheme, the Company will make an announcement of Board resolutions, the draft and summary of the 2023 A Share Incentive Scheme, the opinions of Independent Directors, and the opinions of the Supervisory Committee.
6. The Company shall carry out self-investigation on the dealing of Shares by insiders during the 6 months' period prior to the announcement of the 2023 A Share Incentive Scheme to examine whether any insider dealing exists.
7. Before convening the AGM and the Class Meetings, the Company shall announce the name and position of the Participants internally via the Company website or other channels for 10 days. The Supervisory Committee shall review the list of the Participants and take sufficient consideration of the public response. The Company shall disclose the information regarding the review by the Supervisory Committee regarding the list of Participants and the publication responses 5 days prior to the consideration of the 2023 A Share Incentive Scheme at the AGM and the Class Meetings.
8. When the AGM and the Class Meetings are convened to consider and, if thought fit, approve the 2023 A Share Incentive Scheme, the Independent Directors shall solicit proxy voting rights from all Shareholders regarding the resolutions related to the 2023 A Share Incentive Scheme. The 2023 A Share Incentive Scheme and relevant resolutions shall be considered and, if thought fit, approved by the Shareholders by way of special resolution at the AGM and the Class Meetings. Connected Shareholders who have an interest in the resolution shall abstain from voting.
9. The Company will make an announcement of the Shareholders' resolutions, the 2023 A Share Incentive Scheme as approved at the AGM and the Class Meetings, as well as the self-investigation report and legal opinion of the insiders trading of the Shares. Where connected persons or other situations required by the listing rules of the place where the Company's securities are listed are involved, the Company shall comply with such local laws and regulations and meet the relevant requirements (including, if necessary, obtaining prior approval from the independent Shareholders).

10. The Board will grant the Restricted Shares to the Participants and make announcements and complete other relevant procedures pursuant to the authorization granted by the Shareholders within 60 days after the 2023 A Share Incentive Scheme having been adopted and initially approved at a general meeting and the Class Meetings (or in the event that conditions for the grant are required to be satisfied, the date of which conditions for the grant having been satisfied). The Board shall handle specific matters such as the attribution and registration of Restricted Shares in accordance with the authorization at the AGM and the Class Meetings.

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

1. The Board shall convene a meeting to grant the Restricted Shares to the Participants within 60 days after the 2023 A Share Incentive Scheme having been adopted and initially approved at the AGM and the Class Meetings (or in the event that conditions for the grant are required to be satisfied, the date of which conditions for the grant having been satisfied).
2. Before granting the Restricted Shares to the Participants, the Board shall convene a meeting to consider whether the Participants have satisfied the conditions for grant prescribed in the 2023 A Share Incentive Scheme and make an announcement thereafter. The Independent Directors and the Supervisory Committee shall also issue their explicit opinions at the same time. The legal advisor shall issue legal opinions as to whether the Participants have satisfied the conditions of the grant. The Supervisory Committee shall verify the Grant Date and the list of Participants and issue an opinion. When there is discrepancy between the Company's grant of the Restricted Shares to the Participants and the arrangement stipulated under the 2023 A Share Incentive Scheme, the Independent Directors, the Supervisory Committee (when the Participants change), legal advisor and independent financial consultants shall simultaneously express clear opinions.
3. The Company shall enter into an "Agreement on the Granting of Restricted Shares" with the Participants setting out their respective rights and obligations.
4. The Company shall keep a register for management of the Restricted Shares with reference to the "Agreement on the Granting of Restricted Shares" signed by the Participants and the subscription situation, and such register shall record the names of the Participants, the number of Restricted Shares granted, the Grant Date and the serial number of the relevant agreement on granting of the Restricted Shares.

5. The Company shall grant the Restricted Shares to the Participants and make an announcement within 60 days after the 2023 A Share Incentive Scheme is considered and initially approved at the AGM and the Class Meetings (or in the event that conditions for the grant are required to be satisfied, the date of which conditions for the grant having been satisfied). If the Company fails to make an announcement in respect of the grant of the Restricted Shares within the 60-day period, the 2023 A Share Incentive Scheme shall be terminated, and the Board shall promptly disclose the reasons for the failure to implement the 2023 A Share Incentive Scheme and is prohibited from approving a share incentive scheme again within 3 months thereafter.
6. The Participants of the Reserved Grant shall be determined within 12 months from the date on which the 2023 A Share Incentive Scheme is considered and approved at the AGM. The Reserved Grant will lapse where the Participants of the Reserved Grant are not determined for more than 12 months from the aforesaid date.
7. Where connected persons or other situations required by the listing rules of the place where the Company's securities are listed are involved, the Company shall comply with such local laws and regulations and meet the relevant requirements (including, if necessary, any prior approval from the independent Shareholders).

***(C) Procedures for the attribution of the Restricted Shares***

1. Prior to attribution, the Company shall confirm whether the Participants have satisfied the attribution conditions. The Board shall consider whether the attribution conditions under the 2023 A Share Incentive Scheme have been satisfied and the Independent Directors and Supervisory Committee shall issue their explicit opinions at the same time. The Company's legal advisor shall issue legal opinions as to whether the conditions for attribution of the Restricted Shares have been satisfied. A Board meeting to consider the satisfaction of attribution conditions under the 2023 A Share Incentive Scheme shall be convened within 6 months after each attribution period begins.

2. Each Participant shall set up a cash securities account before the first attribution period begins. The Participants who have fulfilled the attribution conditions shall from three months after the commencement of each attribution tranche (specific payment time shall be subject to payment notice confirmation to be issued by the Company at the time), pay the Grant Price for the subscription of the Restricted Shares into the account designated by the Company, which will be verified and confirmed by a certified public accountant. Participants who have not paid the Grant Price within the requisite period shall be deemed to have waived his/her right to subscribe for the Restricted Shares. The Company shall apply to the Shenzhen Stock Exchange for the attribution of the Restricted Shares to Participants, and apply to the CSDC for the attribution matters after confirmation by the Shenzhen Stock Exchange. The Restricted Shares of the Participants who have not fulfilled the attribution conditions in the relevant tranche shall not be attributed and shall be lapsed. The Company shall make timely disclosure in respect of the implementation of the 2023 A Share Incentive Scheme.

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

**(ix) Method and Procedures for Adjustment**

***(A) Adjustment method of the number of the Restricted Shares***

In the event of any capitalization of reserve, bonus issue, share split, share consolidation or new issue of shares of the Company during the period from the date of announcement of the 2023 A Share Incentive Scheme to the completion of attribution registration of Restricted Shares by the Participants, the number of Restricted Shares shall be adjusted accordingly. The adjustment method is as follows:

*1. Capitalization of reserve, bonus issue or share split*

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

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

*2. Share consolidation*

$$Q = Q_0 \times n$$

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

3. *New issue of shares*

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

**(B) *Adjustment method of the Grant Price of the Restricted Shares***

In the event of any dividend distribution, capitalization of reserve, bonus issue, share split, rights issue, share consolidation or new issue of shares of the Company during the period from the date of announcement of the 2023 A Share Incentive Scheme to the completion of attribution registration of Restricted Shares by the Participants, the Grant Price shall be adjusted accordingly. The adjustment method is as follows:

1. *Capitalization of reserve, bonus issue or share split*

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

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus issue or sub-division of shares to each Share (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus issue or sub-division of shares);  $P$  represents the Grant Price after the adjustment.

2. *Rights issue*

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

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

3. *Share consolidation*

$$P = P_0 \div n$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $n$  represents the ratio of consolidation of shares (i.e. one Share of the Company shall be consolidated into  $n$  Shares);  $P$  represents the Grant Price after the adjustment.

4. *Dividend distribution*

$$P = P_0 - V$$

Where:  $P_0$  represents the Grant Price before the adjustment;  $V$  represents the dividend per share;  $P$  represents the Grant Price after the adjustment.  $P$  shall be greater than 1 after the dividend distribution.



5. *New issue of shares*

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

**(C) *Adjustment procedures***

The Company's general meeting authorizes the Board to adjust the number of Restricted Shares and the Grant Price based on the reasons set forth in the 2023 A Share Incentive Scheme. After the Board adjusts the number of Restricted Shares and the Grant Price in accordance with the above provisions, it shall promptly announce and notify the Participants. The Company shall employ lawyers to provide professional opinions to the Board on whether the above adjustments comply with the requirements under the Management Measures, the Articles of Association and the 2023 A Share Incentive Scheme.

**(x) *Other Rights and Obligations of the Company and the Participants and Dispute Mechanism***

**(A) *Rights and obligations of the Company***

1. The Company has the right to interpret and implement the 2023 A Share Incentive Scheme, to conduct performance appraisal on the Participants, and to supervise and examine whether the Participants are eligible for attribution. If the Participants fail to meet the attribution conditions as determined under the 2023 A Share Incentive Scheme, upon approval by the Board, the Restricted Shares that have been granted to the Participants but have not yet been attributed shall not be attributed and shall be lapsed.
2. The Company has the right to require the Participants to work for the Company according to the requirements of the positions at which he/she is employed. If the Participant is not qualified for the positions or fails the assessment, or if the Participant violates the law, violates professional ethics, divulges company secrets, violates the Company's rules and regulations, neglects his/her duty or malfeasance or has other acts that seriously damage the Company's interests or reputation, upon approval by the Board, the Restricted Shares that have been granted to the Participants but have not yet been attributed shall not be attributed and shall be lapsed.
3. The Company shall withhold and pay the personal income tax and other taxes and fees payable by the Participants according to the relevant provisions of the national tax laws and regulations.
4. The Company undertakes not to provide loans and any other forms of financial assistance, including providing guarantee for their loans, to the Participants to obtain relevant Restricted Shares according to the 2023 A Share Incentive Scheme.

5. The Company shall timely, truly, accurately and completely disclose the information disclosure documents related to the 2023 A Share Incentive Scheme in accordance with the relevant laws, regulations and regulatory documents, ensure that there are no false records, misleading statements or material omissions, and timely fulfill the relevant reporting obligations of the 2023 A Share Incentive Scheme.
6. In accordance with the 2023 A Share Incentive Scheme and the relevant requirements of the CSRC, the Shenzhen Stock Exchange and registration and clearing companies, the Company shall handle the registration of the attribution of Restricted Shares for the Participants that meet the attribution conditions. However, the Company shall not be held liable if the Participants fails to complete the registration matters of the attribution of Restricted Shares and causes losses to the Participants due to the reasons on the part of the CSRC, the Shenzhen Stock Exchange and the registration and clearing companies.
7. Other relevant rights and obligations stipulated in laws, administrative regulations and regulatory documents.

***(B) Rights and obligations of the Participants***

1. The Participants shall be diligent and responsible, abide by professional ethics, and make due contributions to the development of the Company in accordance with the requirements of the positions at which he/she is employed by the Company.
2. The Participants have the right to receive the attributed Restricted Shares granted in accordance with the 2023 A Share Incentive Scheme, and should follow the Lock-up obligations aforementioned and deal with his/her Restricted Shares in accordance with relevant provisions.
3. The source of funds for the Participants is their own financing.
4. Prior to the vesting and registration, the Restricted Shares granted to the Participants under the 2023 A Share Incentive Scheme shall not be transferred or assigned, used as guarantee or repay debts.
5. Prior to the vesting and registration, the Restricted Shares granted to the Participants under the 2023 A Share Incentive Scheme do not carry any voting rights, transfer and other rights (including those arising on liquidation of the Company). or right to participate in the distribution of bonus shares or share dividends. Prior to the vesting and registration, the Restricted Shares granted to the Participants under the 2023 A Share Incentive Scheme shall not be transferred or assigned, used as guarantee or to repay debts.
6. The income received by the Participants as a result of the 2023 A Share Incentive Scheme shall be subject to personal income tax and other taxes and fees in accordance with national tax regulations.

7. The Participants undertake that if there are false records, misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting or exercising rights and interests, the Participants shall fulfill their undertakings and return all the benefits obtained from the 2023 A Share Incentive Scheme to the Company after confirming the existence of false records, misleading statements or major omissions in the relevant information disclosure documents.
8. If the Participant is no longer eligible to be a Participant under the 2023 A Share Incentive Scheme as stipulated in Article 8 of the Management Measures during the implementation of the 2023 A Share Incentive Scheme, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall be lapsed.
9. If the Participant ceases to be employed by the Company after attribution of the Restricted Shares, such Participant shall not engage in business related or similar to that of the Company for two years following the end of such Participant's employment with the Company. If the Participant who ceases to be employed by the Company after attribution of the Restricted Shares, engages in business related or similar to that of the Company within the two years following the end of such Participant's employment with the Company, such Participant shall return to the Company all interests in the Restricted Shares granted, and be liable for damages for breach in the same amount. Such Participant shall also be liable for damages should he/she cause loss to the Company.
10. The Participant agreed to authorize the Company to register the share-related matters under the Incentive Scheme.
11. Other relevant rights and obligations stipulated in laws, administrative regulations, regulatory documents and the 2023 A Share Incentive Scheme.

***(C) Dispute settlement mechanism between the Company and the Participants***

Any dispute between the Company and the Participants shall be resolved in accordance with the provisions of the 2023 A Share Incentive Scheme and the "Agreement on the Granting of Restricted Shares". In event of any dispute that is not clearly covered by such provisions, the Company and the Participants shall negotiate and resolve their disputes in accordance with national laws and the principles of fairness and reasonableness. Where any dispute cannot be settled by negotiation, it shall be resolved through litigation by submitting to the People's Court with jurisdiction over the Company's place of business.

***(D) Other descriptions***

The Participant won't be involved in the procedure for examination and approval of the Incentive Scheme and the follow-up performance appraisal works at project group level and individual level.

**(xi) Amendment and Termination of the 2023 A Share Incentive Scheme**

**(A) Procedure for the amendment and termination of the 2023 A Share Incentive Scheme**

*1. Procedure for the amendment of the 2023 A Share Incentive Scheme*

- (a) If the Company intends to make amendments to the 2023 A Share Incentive Scheme before it is considered and approved by the Shareholders at the AGM and the Class Meetings, the amendments shall be considered and approved by the Board and the Remuneration and Appraisal Committee, and that the independent non-executive Directors shall also issue their opinions. If the Company intends to make amendments to the 2023 A Share Incentive Scheme that has been adopted by Shareholders at the AGM and the Class Meetings, such amendments shall be submitted to the general meeting and class meetings of A Shareholders and H Shareholders for its approval and shall not include circumstances that would result in the acceleration of attribution or reduction of the Grant Price.
- (b) The Company shall timely disclose the reasons and contents of the amendments. The Independent Directors and the Supervisory Committee shall make clear opinions on whether the amended plan is conducive to the sustainable development of the Company and whether there are any situations that clearly harm the interests of the Company and all shareholders. The legal advisor shall express its professional opinions on whether the amended plan conforms to the provisions of the Management Measures and relevant laws and regulations, and whether there are any circumstances that clearly harm the interests of the Company and all the Shareholders.

*2. Procedure for the termination of the 2023 A Share Incentive Scheme*

- (a) If the Company intends to terminate the 2023 A Share Incentive Scheme before it is considered and approved at the AGM and the Class Meetings, the Board shall consider and approve and disclose such intended termination of the 2023 A Share Incentive Scheme. If the Company intends to terminate the implementation of the 2023 A Share Incentive Scheme after it is considered and approved at the AGM and the Class Meetings, it shall be submitted to the Board and the general meeting and class meetings of A Shareholders and H Shareholders for approval and be disclosed.
- (b) The Company shall timely disclose the announcement of resolutions of the general meeting or the Board. The legal advisor shall express its professional opinions on whether the termination of 2023 A Share Incentive Scheme conforms to the provisions of the Management Measures and relevant laws and regulations, and whether there are any circumstances that clearly harm the interests of the Company and all the Shareholders.

**(B) *In the event of any changes occurred at the Company level***

1. In the event that any of the circumstances below occurs, the 2023 A Share Incentive Scheme shall be terminated, and the Restricted Shares that have been granted to the Participants under the 2023 A Share Incentive Scheme but have not yet been attributed shall not be attributed and shall be lapsed:
  - (a) An audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
  - (b) An audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
  - (c) In the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
  - (d) Laws and regulations stipulate that equity incentives shall not be implemented; or
  - (e) Other circumstances as determined by the CSRC.

2. *Merger or division of the Company, etc.*

In case of merger or division of the Company, the Board shall decide whether to terminate the 2023 A Share Incentive Scheme within five trading days from the date of merger or division.

3. *Change of control of the Company*

In the event of a change of control of the Company by way of a merger, privatization of the Company by way of a scheme or by way of an offer, change of actual control of the Company involving reorganization of major assets, or resolution of the general meeting of the Shareholders to replace half of all members of the Board before the expiry of the term of office of the Board, the Board shall decide whether to terminate the 2023 A Share Incentive Scheme within five trading days from the date of the change of the control.

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

If the Restricted Shares that have been granted to the Participants have already been attributed, all the Participants shall return the granted rights and interests. If a Participant who is not responsible for the above matters suffers from losses due to the return of rights and interests, such Participant can recover such losses from the Company or the responsible targets in accordance with the relevant arrangements under the 2023 A Share Incentive Scheme. The Board shall recover the proceeds from the Participants in accordance with the preceding paragraph and the relevant arrangements under the 2023 A Share Incentive Scheme.

***(C) In the event of any changes in the personal circumstances of the Participants***

*1. Change in position of the Participants*

- (a) If the position of a Participant changes but he/she still works in the Company or its subsidiaries, the Restricted Shares granted to him/her shall still be attributed in accordance with the procedures stipulated in the 2023 A Share Incentive Scheme.
- (b) If a Participant becomes a Supervisor or an Independent Director, or changes to a position not allowed to hold the Restricted Shares of the Company, the Restricted Shares that have been attributed shall not be affected. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall be lapsed.
- (c) If a Participant violates the law, violates professional ethics, divulges confidential information of the Company, causes damage to the interests or reputation of the Company due to failure to discharge his duties or willful misconduct, and resulting in a change of position, or causes the Company to terminate the employment or labor relationship with such Participant due to the above-mentioned reasons, such Participants shall return to the Company all interests in the Restricted Shares already attributed. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall be lapsed.

At the same time, in the event of serious circumstances which include but not limited to serious misconduct, a material misstatement in the Company's financial statement or other serious circumstances, the Company may also claim for the damages suffered by the Company from such Participant in accordance with relevant laws and regulations.



2. *Resignation of the Participants*

If the employment or labor relationship between the Company and a Participant is terminated (due to reasons including but not limited to layoffs by the Company, failure to pass performance evaluation, expiry and non-renewal of employment contract, voluntary resignation of such Participant or passive termination of employment or labor relationship between the Company and such Participant), the Restricted Shares that have been attributed prior to the date of termination of such employment shall not be affected, and the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall be lapsed.

3. *Retirement of the Participants*

If a Participant enters into re-employment arrangements with the Company after retirement, the Restricted Shares that have been granted to him/her will be carried out in accordance with the procedures stipulated in the 2023 A Share Incentive Scheme in effect before the retirement. If such Participant rejects the Company's request for his/her re – employment, or if such Participant retires and leaves the Company, the Restricted Shares that have been granted but not yet attributed shall not be attributed, and shall be lapsed.

4. *Incapacity of the Participants*

- (a) If a Participant becomes incapacitated due to work injury and leaves the Company, the Remuneration and Appraisal Committee shall decide whether the Restricted Shares granted to such Participant shall be carried out in accordance with the procedures stipulated in the 2023 A Share Incentive Scheme in effect before the occurrence thereof, and the personal performance evaluation results will no longer be included in the attribution conditions; or the Company shall cancel his/her Restricted Shares that have been granted but not yet been attributed.
- (b) If a Participant leaves the Company due to incapacity not resulting from work injury, the Restricted Shares that have been attributed to the Participant shall not be affected. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall be lapsed.

5. *Death of the Participants*

- (a) In the event of death of a Participant due to the carrying out of his/her duty, the Remuneration and Appraisal Committee shall decide whether the Restricted Shares granted to him/her shall be held by the designated beneficiary to his/her estate or such beneficiary as stipulated by applicable law, and shall be carried out in accordance with the procedures stipulated in the 2023 A Share Incentive Scheme in effect before his/her death, and the results of his/her personal performance evaluation shall not be included in the attribution conditions; or the Company shall cancel his/her Restricted Shares that have been granted but has not been attributed.
- (b) In the event of death of a Participant not due to the carrying out of his/her duty, the Restricted Shares that have been attributed to the Participants shall not be affected. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall be lapsed.

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

If a Participant works in a subsidiary of the Company, and if the Company loses control over such subsidiary while the Participant not works there, the Restricted Shares that have been attributed shall not be affected. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall be lapsed.

7. *Change in eligibility of the Participants*

If a Participant no longer meets the eligibility requirements to participate in the 2023 A Share Incentive Scheme due to any one of the following circumstances, the Restricted Shares that have been attributed shall not be affected, and the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall be lapsed:

- (a) The Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
- (b) The Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
- (c) The Participant has been subject to administrative punishment or market ban measures by the CSRC and its delegated institutions due to major breach of laws and regulations in the most recent 12 months;

- (d) The Participant has the circumstances stipulated in the PRC Company Law that he/she shall not act as a director or member of the senior management of any company;
- (e) Laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies; or
- (f) Other circumstances as determined by the CSRC.

8. *Others*

Circumstances not expressly stipulated in the 2023 A Share Incentive Scheme and the method of handling such circumstances shall be determined by the Remuneration and Appraisal Committee.

**(xii) Accounting Treatment and Impact on the Operating Performance**

***(A) Accounting treatment***

In accordance with the rules of the 2023 A Share Incentive Scheme, any Restricted Shares attributed in the respective tranche shall not be assignable or transferable for 6 months from the date of satisfying the attribution conditions considered and approved by the Board for the Restricted Shares in each tranche (the “Restrictive Factor”). Such condition is a non-attribution condition, and based on the Enterprise Accounting Standard, when determining the fair value of an equity instrument on the Grant Date, the enterprise shall consider the impact of such non-attribution condition. The fair value of this second class of Restricted Shares represents the fair value (including the option’s inherent value and time value) by adopting the Option Pricing Model after deducting the discounted costs arising from the Restrictive Factor.

The Company used the Black-Scholes model (B-S Model) to estimate the fair value of the Restricted Shares as of the date of this Announcement amongst other things (i.e. March 30, 2023). The specific figures for such estimation are as follows:

- (a) Underlying share price: RMB57.05 (March 30, 2023 as closing date)
- (b) Valid period of call option: 1 year, 2 years, 3 years and 4 years (from grant date to the first vesting date of each period), valid period of put option: 0.5 year (restricted factors, i.e. the additional Lock-up Period after each vesting date)
- (c) Historical volatility: annualized volatility of the Shenzhen Composite Index for respective period
- (d) Risk-free interest rate: the benchmark deposit rate for financial institutions formulated by the People’s Bank of China for respective period

**(B) Estimated impact on the operating performance in each accounting period due to the implementation of the Restricted Shares**

The Company will grant 1,643,700 Restricted Shares, of which 1,479,300 Restricted Shares will be granted under the First Grant (subject to adjustment) to the Participants. The fair value of the Restricted Shares was estimated based on the closing data in relation to the A Shares on the Shenzhen Stock Exchange of the trading day prior to the publication of the draft 2023 A Share Incentive Scheme, and the total equity expense of the grant under the 2023 A Share Incentive Scheme was estimated to be RMB40.29 million. The total amount of the above expenses as the incentive cost of the 2023 A Share Incentive Scheme will be recognized over the course of the 2023 A Share Incentive Scheme in proportion in installments and will be charged to operating profit or loss. In accordance with accounting standards, the amount shall be based on the fair value of the Shares calculated on the “actual grant date”, assuming the Grant Date to be in May 2023, and that all of the Participants have fulfilled the attribution conditions and all Restricted Shares have been attributed within the relevant attribution tranche, the amortization of cost of the Restricted Shares from the years 2023 to 2027 shall be as follows:

Unit: RMB0'000

<b>Amortization cost of the Restricted Shares</b>	<b>Year 2023</b>	<b>Year 2024</b>	<b>Year 2025</b>	<b>Year 2026</b>	<b>Year 2027</b>
4,029.03	1,200.01	1,498.76	812.51	407.44	110.31

*Notes:*

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

The cost of the 2023 A Share Incentive Scheme will be charged to cost expenses. Without considering the positive effect of the 2023 A Share Incentive Scheme on the Company's performance, the Company estimates, based on current information, that the amortization of cost expenses of the 2023 A Share Incentive Scheme will have an impact on net profit of each year within the validity period, but the impact is not significant. Considering the positive effect of the 2023 A Share Incentive Scheme on the Company's operation and development, which will stimulate the enthusiasm of the management and business team, improve operating efficiency and reduce operating costs, the 2023 A Share Incentive Scheme will play a positive role in the Company's long-term performance.

## **II. PROPOSED GRANT OF RESTRICTED SHARES UNDER THE FIRST GRANT AND ISSUE OF NEW A SHARES UNDER THE 2023 A SHARE INCENTIVE SCHEME**

Subject to the approval of the Shareholders at the AGM and the Class Meetings, the Board has resolved to grant not more than 1,643,700 Restricted Shares under the First Grant, all of which will be granted to not more than 295 Participants under the First Grant pursuant to the 2023 A Share Incentive Scheme, representing approximately 0.14% of the total issued share capital of the Company as at the date of this announcement.

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

In addition to the principal terms of the proposed 2023 A Share Incentive Scheme summarized in the section headed “I. Proposed Adoption of the 2023 A Share Incentive Scheme and Assessment Management Measures” above, further information in relation to the issue and allotment of the Restricted Shares under the 2023 A Share Incentive Scheme are set out below:

The total funds to be raised and the proposed use of proceeds: Not more than RMB40.29 million, being the aggregate Grant Price, will be paid by the Participants to subscribe for 1,643,700 Restricted Shares under the 2023 A Share Incentive Scheme. The proceeds obtained by the Company from the 2023 A Share Incentive Scheme shall be applied towards the replenishment of the Group’s liquidity.

**Grant Price:** The Grant Price of the Restricted Shares under the First Grant and the Reserved Grant pursuant to the 2023 A Share Incentive Scheme shall be RMB28.58 per A Share which was determined with reference to the basis set out in the section headed “I. Proposed Adoption of the 2023 A Share Incentive Scheme and Assessment Management Measures – (v) Grant Price and Basis of Determination of the Grant Price” above. A Participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at such Grant Price.

**Aggregate nominal value:** The nominal value of the A Shares of the Company is RMB1.00 per A Share. The aggregate nominal value of the Restricted Shares to be granted under the 2023 A Share Incentive Scheme is not more than RMB1,643,700.

**Fund raising activities in the past 12 months:** The Company had not conducted any other fund raising activities in the past 12 months immediately preceding the date of this announcement.

### **III. INFORMATION ON THE COMPANY AND THE GROUP**

The Company is a joint stock limited liability company established in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange (stock code: 3759) and A Shares are listed on the Shenzhen Stock Exchange (stock code: 300759).

The Group is a leading fully-integrated pharmaceutical research and development service platform with global operations to accelerate drug innovation for its customers.

### **IV. REASONS FOR AND BENEFITS OF THE ADOPTION OF THE 2023 A SHARE INCENTIVE SCHEME**

Please refer to the section headed “I. Proposed Adoption of the 2023 A Share Incentive Scheme and Assessment Management Measures – (i) Purpose of the 2023 A Share Incentive Scheme” in this announcement.

The Directors are of the view that the adoption of the 2023 A Share Incentive Scheme will realize the aforesaid goals, and that the terms and conditions of the 2023 A Share Incentive Scheme are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **V. IMPLICATIONS UNDER THE LISTING RULES**

#### **The 2023 A Share Incentive Scheme**

The 2023 A Share Incentive Scheme will constitute a share scheme and shall be subject to the applicable disclosure requirements under Chapter 17 of the Listing Rules. Pursuant to Chapter 17 of the Listing Rules, share schemes involving the grant of new shares must be approved by shareholders of the listed issuer in general meeting. Accordingly, the adoption of the 2023 A Share Incentive Scheme will be subject to, among others, the Shareholders’ approval at the AGM.

The resolutions in relation to the adoption of the proposed 2023 A Share Incentive Scheme and the Assessment Management Measures, the issue and grant of the Restricted Shares to the Participants under the 2023 A Share Incentive Scheme were considered and approved at the meeting of the Board held on March 30, 2023.

### **VI. PROPOSED AUTHORIZATION TO THE BOARD TO HANDLE MATTERS PERTAINING TO THE 2023 A SHARE INCENTIVE SCHEME**

- I. In order to ensure the successful implementation of the 2023 A Share Incentive Scheme, the Board of the Company proposed the general meeting to grant an authorization to the Board to handle the following matters pertaining to the 2023 A Share Incentive Scheme of the Company:
  1. To authorize the Board to determine the eligibility requirements and conditions of the Participants under the 2023 A Share Incentive Scheme, and determine the Grant Date of the Restricted Shares;

2. To authorize the Board to adjust the number of the Restricted Shares and the number of underlying shares involved according to the method stipulated in the 2023 A Share Incentive Scheme in the event of capitalization of capital reserves, bonus issue and share split or consolidation of the Company;
3. To authorize the Board to adjust the Grant Price of the Restricted Shares of the First Grant and the Reserved Grant according to the method stipulated in the 2023 A Share Incentive Scheme in the event of capitalization of capital reserves, bonus issue, share split or consolidation and dividend distribution of the Company;
4. To authorize the Board to directly reduce the number of Restricted Shares lapsed prior to any further grant of the Restricted Shares;
5. To authorize the Board to grant the Restricted Shares to a Participant upon his/her fulfillment of the conditions of grant, and authorize the chairman of the Board and his/her authorized persons to handle all necessary matters in connection with the grant of the Restricted Shares;
6. To authorize the Board to review and confirm the attribution eligibility of the Participants and the conditions for attributing the Restricted Shares, and to authorize the Board to delegate such rights to the Remuneration and Appraisal Committee;
7. To authorize the Board to determine whether the Restricted Shares may be attributed to a Participant;
8. To authorize the Board or the chairman of the Board and his/her authorized persons to handle all matters necessary in connection with the attribution of the Restricted Shares to the Participants, including but not limited to the submission of application to the Shenzhen Stock Exchange in respect of the attribution of the Restricted Shares, applying to CSDC for registration and clearing services, amending the Articles of Association, and registering the change in registered capital of the Company;
9. To authorize the Board to handle matters in connection with the attribution of the Restricted Shares which have not been attributed;
10. To authorize the Board to determine all matters in relation to the Reserved Grant pursuant to the 2023 A Share Incentive Scheme, including the Participants, number of Restricted Shares to be granted, Grant Price and the Grant Date.
11. To authorize the Board or the chairman of the Board and his/her authorized persons to sign, execute, amend or terminate any agreement in connection with the 2023 A Share Incentive Scheme and other relevant agreements;



12. To authorize the Board or the chairman of the Board and his/her authorized persons to manage and adjust the 2023 A Share Incentive Scheme of the Company, and from time to time formulate or amend the management and implementation rules of the 2023 A Share Incentive Scheme, subject to compliance with the terms of the 2023 A Share Incentive Scheme. However, if such amendments are subject to approval at the general meeting or/and by relevant regulatory authorities under the requirements of laws, regulations or relevant regulatory authorities, such amendments by the Board shall be subject to such approvals; and
  13. To authorize the Board or the chairman of the Board and his/her authorized persons to implement all other necessary matters in connection with the 2023 A Share Incentive Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting.
- II. The Board proposed that the Shareholders authorize the Board or the chairman of the Board and his/her authorized persons to complete procedures with relevant governments and authorities in relation to the 2023 A Share Incentive Scheme including review, registration, filing, approval and consent; to sign, execute, amend and complete documents submitted to relevant governments, authorities, organizations, and individuals; to amend the Articles of Association and handle the registration of the change in registered capital of the Company (including capital increase and capital reduction); and to carry out all actions deemed to be necessary, appropriate, or expedient in relation to the 2023 A Share Incentive Scheme.
  - III. The Board proposed that the Shareholders also authorize the Board or the chairman of the Board and his/her authorized persons to engage intermediaries, such as receiving bank, accountants, lawyers or securities companies, for the implementation of the 2023 A Share Incentive Scheme.
  - IV. Further, the Board proposed that the Shareholders also approve the period of authorization given to the Board or the chairman of the Board and his/her authorized persons to be consistent with the validity period of the 2023 A Share Incentive Scheme. Save as specifically required by the laws, administrative regulations, rules of the CSRC, regulatory documents, the 2023 A Share Incentive Scheme, or the Articles of Association to be approved by the Board through resolutions, other matters may be directly exercised on behalf of the Board by the chairman of the Board or appropriate person(s) authorized thereby.

## **VII. AGM AND THE CLASS MEETINGS**

The AGM and the Class Meetings will be convened to consider and, if thought fit, approve, among other things, (i) the proposed adoption of the 2023 A Share Incentive Scheme, and the Assessment Management Measures; (ii) the proposed authorization to the Board to handle matters pertaining to the 2023 A Share Incentive Scheme; and (iii) the proposed grant of Restricted Shares.

The notice of the AGM and the Class Meetings will be published on the website of the Company ([www.pharmaron.com](http://www.pharmaron.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and despatched to the Shareholders at least 21 days prior to the AGM.

A circular of the Company containing, among other things, (i) further details of the 2023 A Share Incentive Scheme and the Assessment Management Measures; (ii) the proposed issue and grant of the Restricted Shares under the 2023 A Share Incentive Scheme; (iii) the proposed authorization to the Board to handle matters pertaining to the 2023 A Share Incentive Scheme; and (iv) a notice convening the AGM and the Class Meetings, is expected to be despatched to the Shareholders at least 21 days prior to the AGM.

## DEFINITIONS

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

“2023 A Share Incentive Scheme”	the 2023 Restricted A Share Incentive Scheme of the Company
“A Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are traded in Renminbi and are listed on the Shenzhen Stock Exchange
“A Shareholder(s)”	holder(s) of A Shares
“AGM”	the 2022 annual general meeting of the Company
“Articles of Association”	the articles of association of the Company currently in force (as amended from time to time)
“Assessment Management Measures”	the assessment management measures for the 2023 A Share Incentive Scheme of Pharmaron Beijing Co., Ltd 《.康龍化成(北京)新藥技術股份有限公司 2023年A股限制性股票激勵計劃實施考核管理辦法》
“Board”	the board of directors of the Company, from time to time
“Class Meetings”	the Class Meeting of A Shareholders and the Class Meeting of H Shareholders
“Class Meeting of A Shareholders”	the 2023 first class meeting of A Shareholders
“Class Meeting of H Shareholders”	the 2023 first class meeting of H Shareholders
“Company”	Pharmaron Beijing Co., Ltd.* (康龍化成(北京)新藥技術股份有限公司)
“CSDC”	China Securities Depository and Clearing Co., Ltd., Shenzhen Branch
“CSRC”	China Securities Regulatory Commission

“Director(s)”	the director(s) of the Company, from time to time
“Grant Price”	the price of each Restricted Share to be granted to the Participants
“Group”	the Company and its subsidiaries from time to time, and the expression member of the Group shall be construed accordingly
“H Shares”	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange
“H Shareholder(s)”	holder(s) of H Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Measures”	the Management Measures for Share Incentive Scheme Adopted by Listed Companies 《(上市公司股權激勵管理辦法)》
“Participants”	the participants of the 2023 A Share Incentive Scheme
“PRC”	the People’s Republic of China
“PRC Company Law”	the Company Law of the PRC
“PRC Securities Law”	the Securities Law of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Company
“Restricted Shares”	A Share(s) to be granted to the Participants by the Company on such conditions and at the Grant Price stipulated under the 2023 A Share Incentive Scheme, which are subject to the attribution conditions stipulated under the 2023 A Share Incentive Scheme and can only be attributed and transferred after satisfaction of the attribution conditions
“Shareholder(s)”	the shareholder(s) of the Company

“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and A Shares
“Shenzhen Listing Rules”	the listing rules of the Shenzhen Stock Exchange
“Shenzhen Stock Exchange”	The Shenzhen Stock Exchange
“Supervisor(s)”	supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percent

By order of the Board  
**Pharmaron Beijing Co., Ltd.\***  
康龍化成(北京)新藥技術股份有限公司  
**Dr. LOU Boliang**  
*Chairman*

Beijing, the PRC  
March 30, 2023

*As at the date of this announcement, the Board of Directors comprises Dr. LOU Boliang, Mr. LOU Xiaoqiang and Ms. ZHENG Bei as executive Directors; Mr. CHEN Pingjin, Mr. HU Baifeng, Mr. LI Jiaqing and Mr. ZHOU Hongbin as non-executive Directors; Ms. LI Lihua, Mr. ZHOU Qilin, Mr. TSANG Kwan Hung Benson and Mr. YU Jian as independent non-executive Directors.*

\* *For identification purposes only*