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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 your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shanghai Haohai Biological Technology Co. Ltd.*, you should at once hand this circular, the accompanying form of proxy to the purchaser or transferee or to the bank, a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Shanghai Haohai Biological Technology Co., Ltd.* 上海昊海生物科技股份有限公司

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

(Stock code: 6826)

PROPOSED ADOPTION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME ASSESSMENT MANAGEMENT MEASURES AND PROPOSED ISSUE AND GRANT OF NEW A SHARES UNDER THE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE WHICH INVOLVES CONNECTED TRANSACTION

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



RAINBOW CAPITAL (HK) LIMITED
流博資本有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

Notices dated 10 February 2022 convening the EGM and the H Shareholders' Class Meeting have been despatched by the Company together with the forms of proxy for the EGM and the H Shareholders' Class Meeting, respectively, and they have also been published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.3healthcare.com).

Notices convening each of the EGM and the H Shareholders' Class Meeting to be held at 24/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, the PRC on Monday, 7 March 2022 are set out on pages IV-1 to IV-2 and V-1 to V-2 of this circular, respectively.

If you intend to appoint a proxy to attend the EGM and/or the H Shareholders' Class Meeting, you are required to complete and return the forms of proxy in accordance with the instructions printed thereon. The forms of proxy should be returned by holder of H Shares to the Company's H share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for holding the EGM and/or the H Shareholders' Class Meeting or any adjourned meeting thereof (as the case may be), i.e. not later than 2:00 p.m. on Sunday, 6 March 2022. Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM and/or the H Shareholders' Class Meeting or at any adjourned meeting (as the case may be) should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

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

* For identification purposes only.

15 February 2022

CONTENTS

	<i>Pages</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	55
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER	57
APPENDIX I – THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME (DRAFT)	I-1
APPENDIX II – THE MANAGEMENT MEASURES FOR ASSESSMENT FOR THE IMPLEMENTATION OF THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME	II-1
APPENDIX III – GENERAL INFORMATION	III-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	IV-1
NOTICE OF H SHAREHOLDERS’ CLASS MEETING	V-1

DEFINITIONS

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

“A Share(s)”	ordinary share(s) in the share capital of the Company with a par value of RMB1.00 each and listed on the STAR Market and traded in RMB
“A Shareholder(s)”	holder(s) of A Shares
“A Shareholders’ Class Meeting”	the 2022 first class meeting of A Shareholders
“Adjustment”	adjustment to the number of the Restricted Shares and/or the Grant Price upon occurrence of certain corporate actions of the Company according to the Incentive Scheme. Further details of the Adjustment are summarized in the paragraph headed “The Proposed 2021 Restricted A Share Incentive Scheme – IX. Method and Procedures for Adjustment” under “(6) Proposed Adoption of the Incentive Scheme (draft) and its summary” in this circular
“Articles of Association”	the Articles of Association of the Company
“Assessment Management Measures”	the assessment management measures adopted for the implementation of the Incentive Scheme
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“Class Meetings”	the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Company”	Shanghai Haohai Biological Technology Co., Ltd.* (上海昊海生物科技股份有限公司), 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 (Stock Code: 6826) and the STAR Market (Stock Code: 688366), respectively
“Connected Participant(s)”	a Participant(s) who is a connected person of the Company

DEFINITIONS

“connected person”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules, see also “Information of the Company and the Participants”
“CSDC”	China Securities Depository and Clearing Co., Ltd
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held on Monday, 7 March 2022 at 2:00 p.m. (or any adjournment thereof)
“First Grant”	the proposed grant of not more than 1,450,000 Restricted Shares, representing approximately 80.56% of the total number of Restricted Shares under the Incentive Scheme
“Grant Date”	the date on which the Company grants the Restricted Shares to the Participants
“Grant Price”	the price of each Restricted Share to be granted to the Participants
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“H Share(s)”	the overseas-listed foreign share(s) in the share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Shareholder(s)”	holder(s) of H Shares
“H Shareholders’ Class Meeting”	the 2022 first class meeting of H Shareholders
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Incentive Scheme”	the 2021 restricted A share incentive scheme of the Company
“Independent Board Committee”	an independent board committee of the Company comprising all independent non-executive Directors who are independent from related matters to advise the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571), and the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolutions in relation to the Incentive Scheme and the issue and grant of the Restricted Shares by the Company to the Connected Participants to be considered and, if thought fit, approved at the EGM and the Class Meetings
“Latest Practicable Date”	10 February 2022, being the latest practicable date prior to the printing of this circular of ascertaining certain information herein
“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》)
“Notice of EGM”	the notice of the EGM dated 10 February 2022, a copy of which is set out on pages IV-1 to IV-2 of this circular
“Notice of H Shareholders’ Class Meeting”	the notice of the H Shareholders’ Class Meeting dated 10 February 2022, a copy of which is set out on pages V-1 to V-2 of this circular
“Participant(s)”	the participants of the Incentive Scheme
“PRC” or “China”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

DEFINITIONS

“PRC Company Law”	the Company Law of the PRC
“PRC Securities Law”	the Securities Law of the PRC
“Remuneration and Appraisal Committee”	the Remuneration and Appraisal Committee of the Company
“Reserved Grant”	the reserved grant of not more than 350,000 Restricted Shares, representing approximately 19.44% of the total number of Restricted Shares under the Incentive Scheme
“Restricted Share(s)”	A Share(s) to be granted to the Participants by the Company on such conditions and at the Grant Price stipulated under the Incentive Scheme, which are subject to the attribution conditions stipulated under the Incentive Scheme and can only be attributed and transferred after satisfactory with the attribution conditions
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	A Shareholder(s) and/or H Shareholder(s)
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM and the Class Meetings to issue and allot not more than 1,800,000 A Shares as Restricted Shares under the Incentive Scheme
“SSE”	the Shanghai Stock Exchange
“STAR Market”	STAR Market of the SSE
“STAR Market Listing Rules”	Rules Governing the Listing of Stocks on the STAR Market of SSE (《上海證券交易所科創板股票上市規則》)
“Supervisor(s)”	Supervisor(s) of the Company
“%”	per cent

* For identification purposes only.

LETTER FROM THE BOARD



Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

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

(Stock code: 6826)

Executive Directors:

Dr. Hou Yongtai (Chairman)
Mr. Wu Jianying (General manager)
Ms. Chen Yiyi
Mr. Tang Minjie (Chief Financial Officer)

Non-executive Directors:

Ms. You Jie
Mr. Huang Ming

Independent Non-executive Directors:

Ms. Li Yingqi
Mr. Jiang Zhihong
Mr. Su Zhi
Mr. Yang Yushe
Mr. Zhao Lei

Registered office:

No. 5 Dongjing Road
Songjiang Industrial Zone
Shanghai, the PRC

*Headquarters and principal place of
business in the PRC:*

23/F, WenGuang Plaza
No. 1386 Hongqiao Road
Changning District
Shanghai, the PRC

Principal place of business in Hong Kong:

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

15 February 2022

To the Shareholders

Dear Sir/Madam,

**PROPOSED ADOPTION OF THE 2021 RESTRICTED
A SHARE INCENTIVE SCHEME
ASSESSMENT MANAGEMENT MEASURES AND
PROPOSED ISSUE AND GRANT OF NEW A SHARES UNDER
THE INCENTIVE SCHEME PURSUANT TO SPECIFIC MANDATE
WHICH INVOLVES CONNECTED TRANSACTION**

I. INTRODUCTION

The purpose of this circular is to provide you with information regarding resolutions to be proposed at the EGM and the Class Meetings to enable you to make informed decisions on whether to vote for or against the proposed resolutions at the EGM and the Class Meetings.

* For identification purposes only.

LETTER FROM THE BOARD

At the EGM and the Class Meetings, special resolutions will be proposed to consider and, if thought fit, approve:

- (1) the proposed Incentive Scheme (draft) and its summary;
- (2) the proposed Assessment Management Measures; and
- (3) the authorization granted by the general meeting to the Board to deal with matters relating to the Incentive Scheme.

II. DETAILS OF THE RESOLUTIONS

(1) Proposed Adoption of the Incentive Scheme (draft) and its summary

Reference is made to the Company's announcement dated 29 December 2021 in relation to the proposed adoption of the Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the Specific Mandate which involves a connected transaction.

The Board passed the resolution on 29 December 2021 on the proposed adoption of the Incentive Scheme.

The full text of the Incentive Scheme (draft) is set out in Appendix I to this circular. The Incentive Scheme was prepared in Chinese language. In the event of any discrepancy between the English translation and the Chinese version of the Incentive Scheme, the Chinese version shall prevail.

The Proposed 2021 Restricted A Share Incentive Scheme

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

I. Purpose of the Incentive Scheme

To further perfect the Company's corporate governance structure, establish and improve the Company's long-term incentive mechanism, attract and retain the Company's core management personnel, core technical or operational 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 Incentive Scheme is Restricted Shares. The source of all Restricted Shares under the Incentive Scheme will be new ordinary A Shares to be issued by the Company to the Participants.

LETTER FROM THE BOARD

III. Number of the Restricted Shares to be Granted

The total number of Restricted Shares to be granted under the Incentive Scheme will be not more than 1,800,000 A Shares, representing approximately 1.31% of the total number of issued A Shares and approximately 1.02% of the total issued share capital of the Company as at the Latest Practicable Date, amongst which 350,000 A Shares, representing approximately 19.44% of the total number of Restricted Shares under the Incentive Scheme, will be reserved for the Reserved Grant in a subsequent period, which shall be within 12 months after the adoption of the Incentive Scheme.

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

For reference and illustration purposes only, assuming there are no changes to the share capital of the Company before all the Restricted Shares are granted and attributed, the shareholding structure of the Company before and immediately following the grant and attribution of the Restricted Shares is set out as follows:

	Before the all Restricted Shares are granted and attributed		Immediately after the First Grant are granted and attributed		Immediately after the First Grant and Reserved Grant are granted and attributed	
	Number of issued Shares	Approximate percentage of the total number of issued Shares	Number of issued Shares	Approximate percentage of the total number of issued Shares	Number of issued Shares	Approximate percentage of the total number of issued Shares
A Shares						
<i>Connected Participants</i>						
Dr. Hou Yongtai	5,982,000	3.40%	6,032,000	3.40%	6,032,000	3.40%
Mr. Wu Jianying	6,000,000	3.41%	6,070,000	3.42%	6,070,000	3.42%
Mr. Tang Minjie	-	-	50,000	0.03%	50,000	0.03%
Ms. Chen Yiyi	400,000	0.23%	450,000	0.25%	450,000	0.25%
Ms. Tian Min	-	-	15,000	0.01%	15,000	0.01%
Ms. Jiang Lixia	-	-	20,000	0.01%	20,000	0.01%
Mr. Mak Cheung Kwai Anthony	-	-	20,000	0.01%	20,000	0.01%
Ms. Jin Sha	-	-	15,000	0.01%	15,000	0.01%
Ms. Huang Ling	-	-	12,000	0.01%	12,000	0.01%
Mr. Robert John McGregor	-	-	15,000	0.01%	15,000	0.01%
Mr. David Simon Wyatt	-	-	12,000	0.01%	12,000	0.01%
Mr. Robert Edward Lewis	-	-	10,000	0.01%	10,000	0.01%
Ms. Li Zirui	-	-	2,000	0.00%	2,000	0.00%
Ms. Huang Rongrong	-	-	2,000	0.00%	2,000	0.00%
Ms. Sheng Ailian	-	-	2,000	0.00%	2,000	0.00%

LETTER FROM THE BOARD

	Before the all Restricted Shares are granted and attributed		Immediately after the First Grant are granted and attributed		Immediately after the First Grant and Reserved Grant are granted and attributed	
	Number of issued Shares	Approximate percentage of the total number of issued Shares	Number of issued Shares	Approximate percentage of the total number of issued Shares	Number of issued Shares	Approximate percentage of the total number of issued Shares
<i>Other connected persons of the Group</i>						
Mr. Jiang Wei ⁽¹⁾	44,449,000	25.28%	44,449,000	25.07%	44,449,000	25.02%
Ms. You Jie ⁽¹⁾ (non-executive Director)	28,800,000	16.38%	28,800,000	16.25%	28,800,000	16.21%
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) ⁽¹⁾	6,471,000	3.68%	6,471,000	3.65%	6,471,000	3.64%
Mr. Huang Ming (non-executive Director)	2,000,000	1.14%	2,000,000	1.13%	2,000,000	1.13%
Mr. Liu Yuanzhong (Supervisor)	2,000,000	1.14%	2,000,000	1.13%	2,000,000	1.13%
<i>Public shareholders</i>	<u>41,698,000</u>	<u>23.72%</u>	<u>42,803,000⁽²⁾</u>	<u>24.25%</u>	<u>43,153,000⁽³⁾</u>	<u>24.29%</u>
Sub-total:	<u>137,800,000</u>	<u>78.37%</u>	<u>139,250,000</u>	<u>78.55%</u>	<u>139,600,000</u>	<u>78.59%</u>
H Shares						
<i>Connected Participants</i>						
Mr. Tang Minjie	7,000	0.004%	7,000	0.004%	7,000	0.004%
Mak Cheung Kwai Anthony	472,500	0.27%	472,500	0.27%	472,500	0.27%
<i>Public Shareholders</i>	<u>37,542,600</u>	<u>21.35%</u>	<u>37,542,600</u>	<u>21.18%</u>	<u>37,542,600</u>	<u>21.14%</u>
Sub-total:	<u>38,022,100</u>	<u>21.63%</u>	<u>38,022,100</u>	<u>21.45%</u>	<u>38,022,100</u>	<u>21.41%</u>
Total:	<u><u>175,822,100</u></u>	<u><u>100%</u></u>	<u><u>177,272,100</u></u>	<u><u>100%</u></u>	<u><u>177,622,100</u></u>	<u><u>100%</u></u>

Notes:

- (1) Mr. Jiang Wei is the spouse of Ms. You Jie, the non-executive Director, and holds 6,471,000 A Shares in the Company through his interest in controlling Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership).
- (2) Among the Restricted Shares to be granted in the First Grant, 345,000 Restricted Shares in aggregate will be granted to 15 Connected Participants in total, and not more than 1,105,000 Restricted Shares will be granted to not more than 191 other Participants who are not connected persons of the Company.
- (3) It is assuming no connected persons would be granted with Restricted Shares under the Reserved Grant, which is not more than 350,000 Restricted Shares.
- (4) Any discrepancies in this table between the total shown and the sum of the amounts listed are due to rounding.

LETTER FROM THE BOARD

IV. *Participants of the Incentive Scheme*

A. Basis for determining the Participants

1. Legal basis for determining the Participants

The Participants are determined after taking into account the actual circumstances of the Company and in accordance with the PRC Company Law, the PRC Securities Law, the Management Measures, the Hong Kong Listing Rules, the STAR Market Listing Rules, the Memorandum on Information Disclosure of Companies Listed on the STAR Market of the Shanghai Stock Exchange No. 4 – Information Disclosure on Equity Incentives (《科創板上市公司信息披露業務指南第4號–股權激勵信息披露》) and other relevant laws, regulations and regulatory documents as well as the Articles of Association.

2. Positions held by the Participants in the Company

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

B. Scope of the Participants

The total number of the Participants for the First Grant proposed under the Incentive Scheme shall be 206, representing approximately 13.53% of the total number of 1,522 employees of the Group as at 30 June 2021.

None of the Participants are independent non-executive Directors, Supervisors, persons who individually or jointly hold or control 5% or more of the total issued share capital of the Company or their spouses, parents and children.

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

The Participants for the Reserved Grant shall be determined within 12 months after the Incentive Scheme being considered and approved at the EGM and Class Meetings. The Company will announce relevant information about the Participants on the specialized website timely after the Board having made

LETTER FROM THE BOARD

such proposal, independent non-executive Directors and the Board of Supervisors having expressed clear opinions, and the Company counsel having provided professional opinions and legal opinions. The Reserved Grant shall lapse if the Participants cannot be determined within the 12-month period. The basis for determining the Participants for the Reserved Grant shall refer to the basis for determining the Participants for the First Grant.

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

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

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

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

LETTER FROM THE BOARD

D. Allocation of Restricted Shares to be granted

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

Name of Participant(s)	Major position of Participant(s)	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares	Percentage to the issued A Shares of the Company as at the Latest Practicable Date	Percentage to the total share capital of the Company as at the Latest Practicable Date
Dr. Hou Yongtai ⁽¹⁾	Executive Director, Chairman and core technical staff	50,000	2.78%	0.04%	0.03%
Mr. Wu Jianying ⁽¹⁾	Executive Director and general manager	70,000	3.89%	0.05%	0.04%
Mr. Tang Minjie ⁽¹⁾	Executive Director and chief financial officer	50,000	2.78%	0.04%	0.03%
Ms. Chen Yiyi ⁽¹⁾	Executive Director	50,000	2.78%	0.04%	0.03%
Ms. Ren Caixia	Deputy general manager and core technical staff	20,000	1.11%	0.01%	0.01%
Mr. Zhang Jundong	Deputy general manager and core technical staff	20,000	1.11%	0.01%	0.01%
Mr. Wang Wenbin	Deputy general manager and core technical staff	20,000	1.11%	0.01%	0.01%

LETTER FROM THE BOARD

Name of Participant(s)	Major position of Participant(s)	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares	Percentage to the issued A Shares of the Company as at the Latest Practicable Date	Percentage to the total share capital of the Company as at the Latest Practicable Date
Ms. Tian Min ⁽²⁾	Secretary of the Board, the joint company secretaries and a director of a subsidiary of the Company	15,000	0.83%	0.01%	0.01%
Ms. Jiang Lixia ⁽²⁾	An executive director of a subsidiary of the Company and core technical staff	20,000	1.11%	0.01%	0.01%
Mr. Du Peng	Core technical staff	12,000	0.67%	0.01%	0.01%
Mr. Liu Lu	Core technical staff	12,000	0.67%	0.01%	0.01%
Ms. Yueai Liu	Core technical staff	12,000	0.67%	0.01%	0.01%
Mr. Mak Cheung Kwai Anthony ⁽²⁾	A director of four subsidiaries of the Company	20,000	1.11%	0.01%	0.01%
Ms. Jin Sha ⁽²⁾	The chairperson of a subsidiary of the Company	15,000	0.83%	0.01%	0.01%
Ms. Huang Ling ⁽²⁾	A director of a subsidiary of the Company and a supervisor of two subsidiaries of the Company	12,000	0.67%	0.01%	0.01%
Mr. Robert John McGregor ⁽²⁾	A director of two subsidiaries of the Company	15,000	0.83%	0.01%	0.01%
Mr. David Simon Wyatt ⁽²⁾	A director of three subsidiaries of the Company	12,000	0.67%	0.01%	0.01%

LETTER FROM THE BOARD

Name of Participant(s)	Major position of Participant(s)	Number of Restricted Shares to be granted	Percentage to the total Restricted Shares	Percentage to the issued A Shares of the Company	Percentage to the total share capital of the Company as at the Latest Practicable Date
				as at the Latest Practicable Date	at the Latest Practicable Date
Mr. Robert Edward Lewis ⁽²⁾	A director of a subsidiary of the Company	10,000	0.56%	0.01%	0.01%
Ms. Li Zirui ⁽²⁾	A supervisor of a subsidiary of the Company	2,000	0.11%	0.00%	0.00%
Ms. Huang Rongrong ⁽²⁾	A supervisor of two subsidiaries of the Company	2,000	0.11%	0.00%	0.00%
Ms. Sheng Ailian ⁽³⁾	Quality control supervisor of a subsidiary of the Company	2,000	0.11%	0.00%	0.00%
Other employees of the Group (185 Participants in total)		1,009,000	56.06%	0.73%	0.57%
First Grant (206 Participants in total)		1,450,000	80.56%	1.05%	0.82%
Reserved Grant		350,000	19.44%	0.25%	0.20%
Total		1,800,000	100%	1.31%	1.02%

Notes:

- (1) Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Tang Minjie and Ms. Chen Yiyi are executive Directors and therefore Connected Participants.
- (2) Ms. Jiang Lixia, Ms. Jin Sha, Ms. Tian Min, Ms. Huang Ling, Ms. Li Zirui, Ms. Huang Rongrong, Mr. Robert John McGregor, Mr. David Simon Wyatt, Mr. Mak Cheung Kwai Anthony and Mr. Robert Edward Lewis are directors or supervisors of one or more subsidiaries of the Company and therefore Connected Participants.
- (3) Ms. Sheng Ailian, one of the employees of the Group, is the spouse of Mr. Wei Changzheng, a Supervisor and therefore a Connected Participant.
- (4) Any discrepancies in this table between the total shown and the sum of the amounts listed are due to rounding.
- (5) The number of the Restricted Shares is subject to Adjustment.

LETTER FROM THE BOARD

The number of the Restricted Shares to be granted under the Incentive Scheme is allocated to the Participants (including the Connected Participants) based on (i) the number of years of service of such Participant; (ii) his/her contributions made to the Group; and (iii) the contribution to be made by such Participant in view of his/her roles and responsibilities.

The table below sets out the approximate number of years of service and the contribution of the Connected Participants:

Connected Participants	Approximate number of years of service to the Group	Contribution
Dr. Hou Yongtai	15	Dr. Hou, being the executive Director, chairman and core technical staff, has contributed significantly in formulating operation and business strategies, and operating and overseeing the overseas business, research and development of the Group
Mr. Wu Jianying	15	Mr. Wu, being the executive Director and general manager, has contributed significantly directing in the daily operation of the Group and formulating operation and business strategies of the Group
Mr. Tang Minjie	6	Mr. Tang, being the executive Director and chief financial officer, has contributed significantly in the operation and business strategies and overseeing the overall financial management of the Group
Ms. Chen Yiyi	12	Ms. Chen, being the executive Director, has contributed significantly in the overall management of the ophthalmic business of the Group and formulating operation and business strategies of the Group
Ms. Tian Min	7	Ms. Tian, being the secretary of the Board, the joint company secretary of the Company and director of a subsidiary of the Company, is responsible for the internal control and compliance of the Group and has contributed significantly in improving and implementing the internal control and compliance system of the Group

LETTER FROM THE BOARD

Connected Participants	Approximate number of years of service to the Group	Contribution
Ms. Jiang Lixia	12	Ms. Jiang, being an executive director of a subsidiary of the Company and core technical staff, has contributed significantly in the overall management and research and development of Shanghai Qisheng Biologicals Company Limited (上海其勝生物製劑有限公司) (“Shanghai Qisheng”) which is one of the subsidiaries of the Company and is principally engaged in research and development, manufacture and sale of biological reagents, biologicals and biological materials
Mr. Mak Cheung Kwai Anthony	8	Mr. Mak, being the directors of four subsidiaries of the Company in the ophthalmic business, has contributed significantly in the overall management and formulating operation and business strategies of the ophthalmic business of the Group
Ms. Jin Sha	4	Ms. Jin, being the chairperson of a subsidiary of the Company and responsible for the overall management of Ouhua Meike (Tianjin) Medical Technology Company Limited (歐華美科(天津)醫學科技有限公司) which is one of the subsidiaries of the Company and is principally engaged in the business of medical aesthetics, professional life cosmetology and home cosmetology
Ms. Huang Ling	7	Ms. Huang, being a director of a subsidiary and supervisor of two subsidiaries of the Company, and an operation manager in the ophthalmic business of the Group, has contributed significantly in the overall management and operation of the ophthalmic business of the Group
Mr. Robert John McGregor	5 ⁽¹⁾	Mr. McGregor, being a director and founder of Contamac Limited and Contamac Holdings Limited, has contributed significantly in formulating the operation and business strategy of Contamac Limited and Contamac Holdings Limited which are the subsidiaries of the Company in U.K.
Mr. David Simon Wyatt	5 ⁽¹⁾	Mr. Wyatt, being a director of three overseas subsidiaries of the Company, has contributed significantly in the management of all aspects of the IOL materials business of the Group and overseas subsidiary business of Contamac Holdings Limited

LETTER FROM THE BOARD

Connected Participants	Approximate number of years of service to the Group	Contribution
Mr. Robert Edward Lewis	5 ⁽¹⁾	Mr. Lewis, being a director and a founder of Contamac Limited, has contributed significantly in the operation of Contamac Limited which is principally engaged in manufacture and sale of contact lens and intraocular lens material, machines and accessories
Ms. Li Zirui	5	Ms. Li, being a senior project supervisor in the investment and development department of the Company and a supervisor of a subsidiary of the Company, has contributed significantly in participating in and managing over 10 investment projects of the Group
Ms. Huang Rongong	2	Ms. Huang, being a legal manager of the Company and a supervisor of two subsidiaries of the Company, has contributed significantly in negotiating, drafting and reviewing major legal documents in daily business and investment projects of the Group
Ms. Sheng Ailian	14	Ms. Sheng, a quality control supervisor of Shanghai Qisheng, has contributed significantly in the quality control of products of Shanghai Qisheng over 10 years

Note:

- (1) Contamac Holdings Limited and its subsidiaries at that time became the subsidiaries of the Company since June 2017.

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

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

LETTER FROM THE BOARD

V. *Grant Price and Basis of Determination of the Grant Price*

A. Grant Price of the Restricted Shares

The Grant Price of the First Grant shall be RMB95.00 per A Share. A Participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at such Grant Price. The Grant Price of the Reserved Grant shall be the same as the Grant Price of the First Grant, i.e. RMB95.00 per A Share.

B. Basis of determination of the Grant Price

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

- (i) 50% of the average trading price of the A Shares for the 1 day immediately preceding the A share announcement of the draft Incentive Scheme (i.e. 29 December 2021), being RMB61.34 per A Share;
- (ii) 50% of the average trading price of the A Shares for the 20 days immediately preceding the A Shares announcement of the draft Incentive Scheme, being RMB66.69 per A Share;
- (iii) 50% of the average trading price of the A Shares for the 60 days immediately preceding the A Shares announcement of the draft Incentive Scheme, being RMB70.75 per A Share; and
- (iv) 50% of the average trading price of the A Shares for the 120 days immediately preceding the A Shares announcement of the draft Incentive Scheme, being RMB91.14 per A Share.

The Grant Price represents:

- (i) a premium of approximately 142.56% to the closing price of HKD47.95 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 22.64% to the closing price of RMB122.80 per A Share as quoted on the SSE on the trading day immediately preceding 29 December 2021 (being the date on which the Board approved the Incentive Scheme);

LETTER FROM THE BOARD

- (ii) a premium of approximately 138.97% to the average closing price of HKD48.67 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 22.17% to the average closing price of RMB122.07 per A Share as quoted on the SSE on the 5 consecutive trading days immediately preceding 29 December 2021;
- (iii) a premium of approximately 126.80% to the average closing price of HKD51.28 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 28.26% to the average closing price of RMB132.42 per A Share as quoted on the SSE on the 20 consecutive trading days immediately preceding 29 December 2021;
- (iv) a premium of approximately 166.48% to the closing price of HKD43.70 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 6.92% to the closing price of RMB102.06 per A Share as quoted on the SSE as at the Latest Practicable Date; and
- (v) a premium of approximately 194.21% to the net asset value per share of the Company, being approximately RMB32.29 (calculated based on the net assets attributable to owners of the Company as at 30 June 2021 of approximately RMB5,677,447,000 and the number of issued Shares as at the Latest Practicable Date, being 175,822,100 Shares).

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

VI. Validity Period, Grant Date, Attribution Arrangements and Black-Out Periods

A. Validity period of the Incentive Scheme

The Incentive Scheme will become effective upon the Grant Date of the First Grant, and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, such period shall not exceed 36 months.

LETTER FROM THE BOARD

B. Grant Date of the Restricted Shares

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

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

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

C. Attribution arrangements under the Incentive Scheme

Subject to the attribution conditions having been fulfilled, the Restricted Shares may be attributed to the Participants in tranches 12 months after the Grant Date. An attribution date must be a trading day within the validity period of the Incentive Scheme, and shall not fall within any of the periods during which the listing rules of the place where the Company's securities are listed prohibit the attribution. Within the validity period of the Incentive Scheme, if the relevant provisions of the listing rules of the place where the Company's securities are listed on the attribution period change, the attribution date for the Participants shall conform to the provisions of the revised relevant laws, regulations and normative documents.

LETTER FROM THE BOARD

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

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

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

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

LETTER FROM THE BOARD

Those Restricted Shares 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 deferred to be attributed in the next attribution period(s) and shall lapse.

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

D. Black-out periods

There is no additional black-out period for the Restricted Shares under the Incentive Scheme upon attribution. The requirements of black-out 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. Where the Participant is a director or a member of the senior management of the Company, the number of Shares which may be transferred each year during his/her term of office shall not exceed 25% of the total number of Shares held by him/her. No Shares held by him/her may be transferred within six months after his/her termination of office;
2. For Participants who are directors or members of the senior management of the Company and their spouses, parents or children, if they have sold the Shares held by them within 6 months after purchasing such Shares, or if they have purchased the Shares within 6 months after selling their Shares, the gains obtained therefrom shall be attributed to the Company and the Board shall forfeit the gains; and
3. During the validity period of the Incentive Scheme, if the relevant requirements under the relevant laws, administrative regulations, regulatory documents such as the PRC Company Law and the PRC Securities Law and the Articles of Association regarding the transfer of shares held by the directors and members of the senior management of the Company are changed, the transfer of the Shares held by the Participants shall comply with the relevant laws, regulations and regulatory documents including the PRC Company Law and the PRC Securities Law and the Articles of Association as amended at the time of transfer.

LETTER FROM THE BOARD

VII. Conditions for Grant and Attribution of Restricted Shares

A. Conditions for grant of the Restricted Shares

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

1. None of the following has occurred on the part of the Company:
 - (a) An audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (b) An audit report on internal control over financial reporting for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;
 - (c) In the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public 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 SSE 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;

LETTER FROM THE BOARD

- (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 Participant, 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 most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public commitments;
 - (d) Laws and regulations stipulate that equity incentives shall not be implemented; or
 - (e) Other circumstances as determined by the CSRC.

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

LETTER FROM THE BOARD

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

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

3. Requirements on 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 Incentive Scheme, the Company's performance indicators will be evaluated on an annual basis for the financial years of 2022 to 2023, and the achievement of performance assessment target will be one of the attribution conditions for the Participants for the current year.

LETTER FROM THE BOARD

The performance assessment objectives and the attribution percentage under the Incentive Scheme in relation to both the First Grant and the Reserved Grant are set out below:

Tranche	Target Value	Trigger Value
First Tranche	The Company meeting any one of the following two targets: (a) The revenue for 2022 reaching RMB2.5 billion (b) The net profit for 2022 reaching RMB560 million	The Company meeting any one of the following two targets: (a) The revenue for 2022 reaching RMB2 billion (b) The net profit for 2022 reaching RMB450 million
Second Tranche	The Company meeting any one of the following two targets: (a) The revenue for 2023 reaching RMB2.9 billion (b) The net profit for 2023 reaching RMB650 million	The Company meeting any one of the following two targets: (a) The revenue for 2023 reaching RMB2.3 billion (b) The net profit for 2023 reaching RMB510 million

A = The assessment result in relation to revenue

B = The assessment result in relation to net profit

M = “Company level attribution factor” for the Restricted Shares for each assessment year

When either A or B equals or exceed the target value

M=100%

When either A or B equals or exceed the trigger value

M=80% + (A/revenue target value) x 20% or
M=80% + (B/net profit target value) x 20%
(whichever is higher)

When both A and B are less than the trigger value

M=0%

Note: For the purpose of the performance assessment requirements at the Company level, “revenue” refers to the audited consolidated revenue of the Company, while “net profit” is calculated based on the audited net profit attributable to the shareholders of the Company, but excluding the net profit affected by the expenses incurred on the share-based payment relating to the Incentive Scheme and other share incentive scheme.

LETTER FROM THE BOARD

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 attributed to the Participants in such tranche shall not be attributed and shall lapse.

5. Performance assessment requirements at the business unit level

The business unit level assessment is carried out according to the internal performance assessment system of the Company. The assessment results of the business unit where Participants work are divided into three levels – “A”, “B” and “C”, and the corresponding attribution percentage is as follows:

Assessment Level	A	B	C
Business unit level attribution factor	100%	80%	0%

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 either “qualified” or “unqualified” and the corresponding attribution percentage is as follows:

Assessment Level	Qualified	Unqualified
Individual level attribution factor	100%	0%

Under the premise of the Company achieving above its aforementioned trigger value, the number of Restricted Shares to be attributed to the Participant in the current attribution tranche equals to the number of Restricted Shares to be attributed to the Participant under the Incentive Scheme in the current year × the Company level attribution factor × the business unit level attribution factor × the individual level attribution factor.

LETTER FROM THE BOARD

In any event if the Restricted Shares to be attributed to the Participant under the Incentive Scheme in the current tranche cannot be attributed or fully attributed due to assessment reasons, such Restricted Shares shall not be deferred to the next tranche for attribution and shall lapse.

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

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

The Company is a scientific and technological innovation enterprise that applies biomedical material technology and genetic engineering technology for the research and development, production and sales of medical devices and drugs. It is committed to providing innovative medical products to the market through technological innovation and transformation, integration of domestic and foreign resources, and large-scale production. Through gradually achieving the import substitution of related medical products, the Company aims to become a leading enterprise in the field of biomedical materials. After more than ten years of continuous independent innovation and industrial integration, the Company has completed the industry reorganization of absorbable biomedical materials represented by medical sodium hyaluronate/sodium hyaluronate and medical chitosan, and has realized the industrialization of recombinant human epidermis growth factors of innovative genetic engineering drugs, has further led to industry-leading advantages in the four main business areas of ophthalmology, medical aesthetics and wound care, orthopedics, and anti-adhesion and hemostasis.

In order to achieve the Company's strategy and maintain its existing competitiveness, the assessment indicators of the Incentive Scheme at the Company level are revenue and net profit. Revenue is an indicator of the Company's main business operating conditions and market value growth. Net profit is an indicator of the Company's operating conditions and profitability. According to the performance assessment indicators of the Incentive Scheme, the target value for the Company's revenue in 2022 and 2023 is RMB2.5 billion and RMB2.9 billion respectively, and the trigger value for revenue in 2022 and 2023 is RMB2 billion and RMB2.3 billion respectively. The target value for net profit for 2022 and 2023 is RMB560 million and RMB650 million respectively, and the trigger value for net profit in 2022 and 2023 is RMB450 million and RMB510 million respectively. Based on comprehensive consideration of the macroeconomic environment, the Company's historical performance, industry development, market competition, the Company's future development plans and other relevant factors, the Company has set performance assessment indicators for this Incentive Scheme. The appraisal indicators set in the Incentive Scheme are challenging to enhance the Group's competitiveness and mobilize the enthusiasm of employees, ensure the realization of the Group's future development strategy and business objectives, and bring more efficient and lasting returns to the Shareholders.

LETTER FROM THE BOARD

In addition to the performance indicators at the Company level, the Company has also set up a performance appraisal system at the business unit level and the Participant's individual level, which allows a more accurate, comprehensive evaluation of the work performance of the Participants. The Company will determine whether the Participants meets the attribution conditions and the actual number to be attributed based on the annual performance evaluation results of both the business unit and the Participant's individual.

In summary, the appraisal system under the Incentive Scheme is integrated, comprehensive and operable. Meanwhile, the scientific and reasonable performance indicators restrain and challenge the Participants and can achieve the appraisal purpose of the Incentive Scheme.

VIII. Implementation, Grant and Attribution Procedures

A. Procedures for the implementation of the Incentive Scheme

1. The Remuneration and Appraisal Committee is responsible for formulating the Incentive Scheme and the Assessment Management Measures of the Company.
2. The Board shall resolve on the Incentive Scheme and the Assessment Management Measures formulated by the Remuneration and Appraisal Committee. When the Board resolves on the Incentive Scheme, related Directors who have an interest in the resolution(s) shall abstain from voting.
3. The independent non-executive Directors and the Board of Supervisors will express opinions on whether the Incentive Scheme is conducive to the sustainable development of the Company, whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders.
4. The Company will engage an independent financial consultant to give professional opinions on the feasibility of the Incentive Scheme, whether the Incentive Scheme is conducive to the sustainable development of the Company, whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders. The Company will engage a legal advisor to issue a legal opinion on the Incentive Scheme.

LETTER FROM THE BOARD

5. Within two trading days after the Board having reviewed and approved the Incentive Scheme, the Company will make an announcement of Board resolutions, the draft and summary of the Incentive Scheme, the opinions of independent non-executive Directors, and the opinions of the Board of Supervisors.
6. The Company shall carry out self-investigation on the trading of Shares by insiders during the 6 months' period prior to the announcement of the Incentive Scheme to examine whether any insider trading exists.
7. Before convening the EGM and the Class Meetings, the Company shall announce the name and position of the Participants internally via the Company website or other channels for not less than 10 days. The Board of Supervisors shall review the list of the Participants and take sufficient consideration of the public response.
8. The Company shall disclose the information regarding the review by the Board of Supervisors regarding the list of Participants and the publication responses 5 days prior to the consideration of the Incentive Scheme at the EGM and the Class Meetings.
9. The Company will make an announcement of the Shareholders' resolutions, the Incentive Scheme as approved at the EGM 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 for the First Grant to the Participants and make announcements and complete other relevant procedures pursuant to the authorization granted by the Shareholders within 60 days after the Incentive Scheme having been adopted and approved at the EGM and the Class Meetings and the 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 EGM and the Class Meetings.

LETTER FROM THE BOARD

- B. Procedures for the grant of the Restricted Shares
1. The Board shall convene a meeting to grant the Restricted Shares to the Participants within 60 days after the Incentive Scheme having been adopted and approved at the EGM and the Class Meetings.
 2. Before granting the Restricted Shares to the Participants, the Board shall convene a meeting to consider whether the Participants have satisfied the conditions for grant prescribed in the Incentive Scheme and make an announcement thereafter. The independent non-executive Directors and the Board of Supervisors 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 Board of Supervisors 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 Incentive Scheme, the independent non-executive Directors, the Board of Supervisors (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 for the First Grant to the Participants and make an announcement within 60 days after the Incentive Scheme is considered and approved at the EGM and the Class Meetings and the 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 Incentive Scheme shall be terminated, and the Board shall promptly disclose the reasons for the failure to implement the Incentive Scheme and is prohibited from approving a share incentive scheme again within 3 months thereafter.

LETTER FROM THE BOARD

6. The Participants of the Reserved Grant shall be determined within 12 months after the Incentive Scheme being reviewed and approved by the EGM and the Class Meetings. The Reserved Grant shall lapse if such Participants cannot be determined within the said 12-month period.
 7. Where connected persons or other situations required by the listing rules of the place where the 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 Incentive Scheme have been satisfied and the independent non-executive Directors and Board of Supervisors shall issue their explicit opinions at the same time. The Company's legal advisor shall issue legal opinions as to whether the conditions for attributing the Restricted Shares have been satisfied.
 2. The Participants who have fulfilled the attribution conditions shall pay the Grant Price for the subscription of the Restricted Shares into the account designated by the Company, which will be verified and confirmed by a certified public accountant. Participants who have not paid the Grant Price within the requisite period shall be deemed to have waived his/her right to subscribe for the Restricted Shares. The Company shall apply to the SSE for the attribution of the Restricted Shares to Participants, and apply to the CSDC for the registration and settlement matters after confirmation by the SSE. The Restricted Shares of the Participants who have not fulfilled the attribution conditions in the relevant tranche shall not be attributed and shall lapse. The Company shall make timely disclosure in respect of the implementation of the Incentive Scheme.
 3. Participants may transfer their attributed Restricted Shares, however, the transfer of the Restricted Shares held by the Directors and members of the senior management of the Company should comply with the requirements of the relevant laws, regulations and regulatory documents.

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

LETTER FROM THE BOARD

IX. Method and Procedures for Adjustment

A. Adjustment method of the number of the Restricted Shares

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

1. Capital reserve converted into share capital, bonus stock distribution, stock 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. Rights issue

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

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

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. one Share of the Company shall be consolidated into n Shares); Q represents the number of Restricted Shares after the adjustment.

4. New issue of shares

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

LETTER FROM THE BOARD

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

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

1. Capital reserve converted into share capital, bonus stock distribution, stock 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; 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 per share; 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.

LETTER FROM THE BOARD

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 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 Incentive Scheme.

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

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

X. *Rights and Obligations of the Company and the Participants and Dispute Settlement Mechanism*

A. Rights and obligations of the Company

1. The Company has the right to interpret and implement the 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 Incentive Scheme, upon approval by the Board, the Restricted Shares that have been granted to the Participants but have not yet been attributed shall not be attributed and shall lapse.
2. The Company has the right to require the Participants to work for the Company according to the requirements of the positions at which he/she is employed. If the Participant 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

LETTER FROM THE BOARD

interests or reputation, upon approval by the Board, the Restricted Shares that have been granted to the Participants but have not yet been attributed shall not be attributed and shall lapse, and the Company has the right to demand the Participant to return all the benefits obtained from the Incentive Scheme to the Company.

3. The Company shall withhold and pay the personal income tax and other taxes and fees payable by the Participants according to the relevant provisions of the national tax laws and regulations.
4. The Company undertakes not to provide loans and any other forms of financial assistance, including providing guarantee for their loans, to the Participants to obtain relevant Restricted Shares according to the Incentive Scheme.
5. The Company shall timely, truly, accurately and completely disclose the information disclosure documents related to the Incentive Scheme in accordance with the relevant laws, regulations and regulatory documents, ensure that there are no false records, misleading statements or material omissions, and timely fulfill the relevant reporting obligations of the Incentive Scheme.
6. In accordance with the Incentive Scheme and the relevant requirements of the CSRC, the SSE 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 SSE 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. The Participants shall accept assessment requirements at both the business unit level and the Participant's individual level carried out according to the internal performance assessment system of the Company. If the Participants refuse to accept such individual

LETTER FROM THE BOARD

assessment, the Participant's right to participate in the Incentive Scheme shall be revoked, and the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

2. The Participants have the right to receive the attributed Restricted Shares granted in accordance with the Incentive Scheme, and should lock-up and deal with his/her Restricted Shares in accordance with relevant provisions.
3. The source of funds for the Participants is their own financing.
4. Prior to the attribution, the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, used to guarantee or repay debts.
5. Prior to the attribution, the Restricted Shares granted to the Participants under the Incentive Scheme do not carry any voting rights or right to participate in the distribution of bonus shares or share dividends.
6. The income received by the Participants as a result of the Incentive Scheme shall be subject to personal income tax and other taxes and fees in accordance with national tax regulations.
7. The Participants undertake that if there are false records, misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting or attributing rights and interests, the Participants shall fulfill their undertakings and return all the benefits obtained from the Incentive Scheme to the Company after confirming the existence of false records, misleading statements or major omissions in the relevant information disclosure documents.
8. If the Participant is no longer eligible to be a Participant under the Incentive Scheme as stipulated in Rule 10.4 of the STAR Market Listing Rules during the implementation of the Incentive Scheme, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.
9. If a Participant resigns after attribution, the Participant shall comply with the relevant regulations of the Company on the restriction of competition. If the Participant violate the relevant regulations, the Participant shall return all the income derived from the Incentive Scheme to the Company and bear the same amount of liquidated

LETTER FROM THE BOARD

damages as the income obtained. If losses are caused to the Company, the Participant shall also be liable to the Company for compensation. It shall be governed by the terms of the “Agreement on the Granting of Restricted Shares” entered into between the Company and the Participant.

10. The Participants agree to authorize the Company to handle the registration of the attribution of the Restricted Shares for the Participants.
11. Other relevant rights and obligations stipulated in laws, administrative regulations, regulatory documents and the Incentive Scheme.

C. Dispute settlement mechanism between the Company and the Participants

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

XI. Amendment and Termination of the Incentive Scheme

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

1. Procedure for the amendment of the Incentive Scheme

- (a) If the Company intends to make amendments to the Incentive Scheme before it is considered and approved by the Shareholders at the EGM and the Class Meetings, the amendments shall be considered and approved by the Board. If the Company intends to make amendments to the Incentive Scheme that has been adopted by Shareholders at the EGM and the Class Meetings, such amendments shall be submitted to the general meeting and class meetings of A Shareholders and H Shareholders for its approval and shall not include circumstances that would result in the acceleration of attribution or reduction of the Grant Price. Where other situations required by the listing rules of the place where the Company’s securities are listed are involved, the Company shall comply with such local laws and regulations.

LETTER FROM THE BOARD

- (b) The Company shall timely disclose the reasons and contents of the amendments. The independent non-executive Directors and the Board of Supervisors 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. Procedures for the termination of the Incentive Scheme

- (a) If the Company intends to terminate the Incentive Scheme before it is considered and approved at the EGM and the Class Meetings, the Board shall consider and approve and disclose such intended termination of the Incentive Scheme. If the Company intends to terminate the implementation of the Incentive Scheme after it is considered and approved at the EGM 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 Incentive Scheme conforms to the provisions of the Management Measures and relevant laws and regulations, and whether there are any circumstances that clearly harm the interests of the Company and all the Shareholders.

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

1. In the event that any of the circumstances below occurs, the Incentive Scheme shall be terminated, and the Restricted Shares that have been granted to the Participants under the Incentive Scheme but have not yet been attributed shall not be attributed and shall lapse:

- (a) An audit report on the financial and accounting report for the most recent financial year in which a certified public accountant issued an adverse opinion or was unable to express an opinion;

LETTER FROM THE BOARD

- (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 Incentive Scheme within five trading days from the date of merger or division.

3. Change of control of the Company

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

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

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

LETTER FROM THE BOARD

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

1. Change in position of the Participants

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

2. Resignation of the Participants

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

LETTER FROM THE BOARD

3. Retirement of the Participants

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

4. Incapacity of the Participants

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

5. Death of the Participants

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

LETTER FROM THE BOARD

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

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

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

7. Change in eligibility of the Participants

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

- (a) The Participant has been determined as an inappropriate candidate by the SSE 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

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

LETTER FROM THE BOARD

XII. Accounting Treatment and Impact on the operating Performance

A. Accounting treatment

In accordance with the relevant 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》), at each balance sheet date before the attribution date, the Company shall revise the number of the Restricted Shares which are expected to be attributed according to the change in the latest available number of persons eligible to obtain the Restricted Shares, completion of the performance indicators 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.

1. Grant Date

Since Restricted Shares cannot be attributed on the Grant Date, no related accounting treatment is required. The Company will use the Black-Scholes Model on the Grant Date to determine the fair value of Restricted Shares on the Grant Date in accordance with the Application Case of Share-Based Payments Standards – Grant of Restricted Shares.

2. Period from the Grant Date to the attribution date

Based on the best estimate of the number of attributable Restricted Shares, the services provided by the staff will be recognized as costs or expenses and the owners' equity – “Capital Reserve – Other Capital Reserve” will be recognized as well on each balance sheet date before the attribution date according to the fair value of the Restricted Shares on the Grant Date and the relevant attribution percentage of the Restricted Shares within the respective attribution tranche without recognizing subsequent changes in the fair value thereof

3. Accounting treatment after the attribution date

No adjustment shall be made to the recognized costs or expenses and total owners' equity.

4. Attribution date

If the attribution conditions are met on the attribution date, the Restricted Shares can be attributed and the “Capital Reserve – Other Capital Reserve” recognized on each balance sheet date before the

LETTER FROM THE BOARD

attribution date shall be carried over; if all or part of the Restricted Shares become invalid or are abolished due to failure to attribute, the owners' equity shall be reduced accordingly.

5. Determination of fair value of the Restricted Shares and rationality of valuation of significant parameters which involved in the valuation model

The Company uses the Black-Scholes Model as the pricing model to predict the fair value of the Restricted Shares under the First Grant of 29 December 2021 (formal calculation at the time of grant). The specific parameters are as follows:

- (a) underlying stock price: RMB121.53 (the closing price of the A Shares for the 1 trading day immediately preceding the announcement);
- (b) the validity period is 1 year and 2 years respectively (the period from the Grant Date to the first attribution date of each attribution tranche);
- (c) historical volatility: 16.06%, 19.95% (using the annualized volatility of Wind A Share Index (index code: 881001.WI) in recent one year and two years);
- (d) risk free interest rate: 1.50% and 2.10% (the benchmark interest rates for 1-year and 2-year deposits of financial institutions formulated by the People's Bank of China are adopted respectively).

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

The Company will grant 1,800,000 Restricted Shares to the Participants, in which 1,450,000 Restricted Shares will be granted under the First Grant. The fair value of the Restricted Shares was estimated based on the closing data in relation to the A Shares on the SSE of the trading day prior to the publication of the Incentive Scheme, and the total equity expense of the First Grant was estimated to be RMB44,306,100. The total amount of above expenses as the incentive cost of the Incentive Scheme will be recognized over the course of the Incentive Scheme in attribution proportion in installments and will be charged to operating profit or loss. In accordance with accounting standards,

LETTER FROM THE BOARD

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 January 2022, and the amortization of cost of the Restricted Shares from the years 2022 to 2024 shall be as follows:

Unit: RMB

Amortization cost of the Restricted Shares	Year 2022	Year 2023	Year 2024
44,306,100	29,716,500	13,598,900	990,700

Notes:

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

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

Proposed First Grant of Restricted Shares and Issue of New A Shares under the Incentive Scheme Pursuant to Specific Mandate

Subject to the approval of the Independent Shareholders at the EGM and the Class Meetings, the Board has resolved to grant not more than a total of 1,800,000 Restricted Shares, of which (i) 1,450,000 Restricted Shares will be granted to not more than 206 Participants under the First Grant, representing approximately 1.05% of the total number of issued A Shares and approximately 0.82% of the total issued share capital of the Company as at the Latest Practicable Date and (ii) 350,000 Restricted Shares will be granted under the Reserved Grant, representing approximately 0.25% of the total number of issued A Shares and approximately 0.20% of the total issued share capital of the

LETTER FROM THE BOARD

Company as at the Latest Practicable Date, pursuant to the terms of the Incentive Scheme set out above. The Restricted Shares to be granted (including those under the First Grant and the Reserved Grant) will be issued and allotted pursuant to the Specific Mandate which may be granted at the EGM and the Class Meetings.

Among the Restricted Shares to be granted in the First Grant, 345,000 Restricted Shares in aggregate will be granted to 15 Connected Participants in total, and not more than 1,105,000 Restricted Shares will be granted to not more than 191 other Participants who are not connected persons of the Company as set out in the paragraph “D. Allocation of Restricted Shares to be granted” above.

In addition to the principal terms of the proposed Incentive Scheme summarized in the section “The Proposed 2021 Restricted A Share Incentive Scheme” above, further information in relation to the issue and allotment of the Restricted Shares under the Incentive Scheme (including the First Grant and the Reserved Grant) are set out below:

The total funds to be raised and the proposed use of proceeds: Not more than RMB171,000,000, being the aggregated Grant Price, will be paid by the Participants to subscribe for not more than 1,800,000 Restricted Shares under the Incentive Scheme. The proceeds obtained by the Company from the Incentive Scheme shall be applied towards the replenishment of the Group’s liquidity and will be used for general working capital of the Group.

Grant Price: The Grant Price of the Restricted Shares under both the First Grant and the Reserved Grant shall be RMB95.00 per A Share which was determined with reference to the basis set out in the paragraph “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 par 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 Incentive Scheme (including the First Grant and the Reserved Grant) is not more than RMB1,800,000.

Fund raising activities in the past 12 months: The Company has not conducted any fund raising activities involving the issuance of share capital within 12 months immediately preceding the Latest Practicable Date.

Reasons for and Benefits of the Adoption of the Proposed Incentive Scheme

The purpose of the Incentive Scheme is 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 personnel, core technical or operational personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and the competitiveness of the Company, align

LETTER FROM THE BOARD

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.

The Company is of the view that the adoption and implementation of the proposed Incentive Scheme is beneficial to the Company and its Shareholders as a whole. The Board is also of the view that the terms and conditions of the Incentive Scheme are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Information of the Company and the Participants

The Company is a joint stock limited liability company established in the PRC, whose H Shares are listed on the Hong Kong Stock Exchange (stock code: 6826) and A Shares listed on the STAR Market of the Shanghai Stock Exchange (stock code: 688366). The businesses of the Group include the manufacture and sales of biological, medical hyaluronate and ophthalmology products, the research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

The Connected Participants under the First Grant are Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Tang Minjie and Ms. Chen Yiyi, who are all executive Directors; Ms. Sheng Ailian, who is the spouse of Mr. Wei Changzheng, a Supervisor; and Ms. Jiang Lixia, Ms. Jin Sha, Ms. Tian Min, Ms. Huang Ling, Ms. Li Zirui, Ms. Huang Rongrong, Mr. Robert John McGregor, Mr. David Simon Wyatt, Mr. Mak Cheung Kwai Anthony and Mr. Robert Edward Lewis, who are all directors or supervisors of one or more subsidiaries of the Company.

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

Implications of the Hong Kong Listing Rules

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

The Connected Participants include executive Directors (namely, Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Tang Minjie and Ms. Chen Yiyi), the spouse of a Supervisor (namely, Ms. Sheng Ailian) and directors or supervisors of one or more subsidiaries of the Company (namely, Ms. Jiang Lixia, Ms. Jin Sha, Ms. Tian Min, Ms. Huang Ling, Ms. Li Zirui, Ms. Huang Rongrong, Mr. Robert John McGregor, Mr. David Simon Wyatt, Mr. Mak Cheung Kwai Anthony and Mr. Robert Edward Lewis). The Connected Participants are therefore connected persons of the Company. Accordingly, the issue and grant of the Restricted Shares to the Connected Participants under the Incentive Scheme constitutes

LETTER FROM THE BOARD

non-exempt connected transactions of the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

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

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

Board Approval

The resolutions in relation to the adoption of the proposed Incentive Scheme and the Assessment Management Measures, the issue and grant of the Restricted Shares to the Participants (including the issue and grant of the Restricted Shares to the Connected Participants) under the Incentive Scheme were considered and approved at the meeting of the Board held on 29 December 2021. Each of Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Tang Minjie and Ms. Chen Yiyi, who were all Directors, were Connected Participants. The said Directors abstained from voting on the resolutions in relation to the adoption of the proposed Incentive Scheme and the Assessment Management Measures, the issue and grant of the Restricted Shares to the Participants (including the issue and grant of the Restricted Shares to the Connected Participants) under the Incentive Scheme at the Board meeting as a result of their interests. Save as disclosed, none of the remaining Directors has a material interest in the above resolutions and they approved the above resolutions unanimously.

Independent Board Committee and Independent Financial Adviser

The Company will establish an Independent Board Committee (consisting of all independent non-executive Directors, namely, Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei) to advise the Independent Shareholders of the Company in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme. The Company has appointed Rainbow Capital (HK) Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme.

LETTER FROM THE BOARD

A special resolution will be proposed at the EGM and the Class Meetings to consider and, if thought fit, approve the adoption of the Incentive Scheme (which involves the Specific Mandate for issue and allotment of the Restricted Shares under the Incentive Scheme and the issue and grant of the Restricted Shares (including the grant to the Connected Participants under the First Grant) under the Incentive Scheme).

(2) Proposed Adoption of the Assessment Management Measures for the Implementation of the Incentive Scheme

To ensure the smooth implementation of the Incentive Scheme, the Assessment Management Measures have been formulated according to the PRC Company Law, the PRC Securities Law, the Management Measures and other relevant laws, administrative regulations, normative documents, the relevant requirements of the Articles of Association as well as the actual situation of the Company.

The full text of Assessment Management Measures for implementation of the Incentive Scheme is set out in Appendix II to this circular. The Assessment Management Measures were prepared in Chinese language. In the event of any discrepancy between the English translation and the Chinese version of the Assessment Management Measures, the Chinese version shall prevail.

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

(3) Grant of Authorization to the Board by the general meeting to deal with matters relating to the Incentive Scheme

To ensure the smooth implementation of the Incentive Scheme, it is proposed at the EGM and the Class Meetings that the Board be authorized to handle matters related to the Incentive Scheme, including but not limited to the following:

1. To propose at the EGM and the Class Meetings that the Board be authorized to be responsible for the following matters in relation to the implementation of the Incentive Scheme:
 - (1) To authorize the Board to determine the participation qualification and conditions of the Participants under the Incentive Scheme, and determine the Grant Date under the Incentive Scheme;
 - (2) To authorize the Board to adjust the number of the Restricted Shares to be granted and attributed according to the methods provided in the Incentive Scheme in the event of capitalization of capital reserves, bonus issue, share split or consolidation, rights issue and dividend distribution of the Company;

LETTER FROM THE BOARD

- (3) To authorize the Board to adjust the grant price of the Restricted Shares according to the methods provided in the Incentive Scheme in the event of capitalization of capital reserves, bonus issue, share split or consolidation, rights issue and dividend distribution of the Company;
- (4) To authorize the Board to adjust the portion of the Restricted Shares that the Participant(s) have waived to subscribe to the Reserved Grant, or allocate and adjust such Restricted Shares among the Participants before the 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 to handle all necessary matters in connection with the grant of the Restricted Shares, including entering into an “Agreement on the Granting of Restricted Shares” with the Participants;
- (6) To authorize the Board to review and confirm the attribution qualification of the Participants and the conditions for attributing the Restricted Shares, and to agree to the Board delegating such rights to the Remuneration and Appraisal Committee;
- (7) To authorize the Board to determine whether the Restricted Shares that have been granted may be attributed to a Participant;
- (8) To authorize the Board 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 a stock exchange in respect of the attribution of the Restricted Shares, applying to securities registration and clearing company for registration and clearing services, changing the registered capital, making corresponding amendments to the Articles of Association in respect of total share capital and shareholding structure, etc., and fulfilling the legal registration and filing procedures;
- (9) To authorize the Board to make decisions on the amendment and termination of the Incentive Scheme including but not limited to disqualification of the Participants for attribution, cancellation of the Restricted Shares of the Participants that have not yet been attributed, dealing with the compensation and inheritance of Restricted Shares of the deceased Participants that have not yet been attributed and termination of the Incentive Scheme;
- (10) To authorize the Board to determine all matters including the Participants, the number of Restricted Shares to be granted, the Grant Price and the Grant Date of the Restricted Shares for the Reserved Grant under the Incentive Scheme;

LETTER FROM THE BOARD

- (11) To authorize the Board to sign, execute, amend or terminate any agreement in connection with the Incentive Scheme and other relevant agreements;
 - (12) To authorize the Board to manage and adjust the Incentive Scheme, and from time to time formulate or amend the management and implementation rules of the Incentive Scheme, subject to compliance with the terms of the 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;
 - (13) To authorize the Board to implement all other necessary matters in connection with the Incentive Scheme, except such rights as expressly required under the relevant documents to be exercised by the Shareholders at a general meeting;
- 2. To propose at the EGM and the Class Meetings to authorize the Board to complete procedures with relevant governments and authorities in relation to the 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; and to carry out all actions deemed to be necessary, appropriate, or expedient in relation to the Incentive Scheme.
 - 3. To propose at the EGM and the Class Meetings to authorize the Board to engage intermediaries, such as receiving bank, accountants, lawyers, securities companies or financial adviser, for the implementation of the Incentive Scheme.
 - 4. To propose at the EGM and the Class Meetings to approve the period of authorization given to the Board to be consistent with the validity period of the Incentive Scheme.

Save as specifically required by the laws, administrative regulations, rules of the CSRC, regulatory documents, the 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.

A special resolution will be proposed at the EGM and the Class Meetings to consider and, if thought fit, approve the authorization to be granted to the Board to deal with matters relating to the Incentive Scheme.

LETTER FROM THE BOARD

III. EGM AND CLASS MEETINGS

The EGM will be held at 24/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, the PRC on Monday, 7 March 2022 at 2:00 p.m. while the H Shareholders' Class Meeting will be held at 24/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, the PRC immediately after the conclusion or adjournment of the A Shareholders' Class Meeting (which will be held immediately after the conclusion or adjournment of the EGM). The notices of the AGM and the H Shareholders' Class Meeting are set out on pages IV-1 to V-2 of this circular.

IV. CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The register of members of H Shares will be closed from Tuesday, 1 March 2022 to Monday, 7 March 2022 (both days inclusive), during which time no transfer of H Shares will be registered. For qualifying to attend and vote at the EGM and the H Shareholders' Class Meeting, the H Shareholders whose transfers have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H share registrar, Computershare Hong Kong Investor Services Limited (the "H share registrar") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration at or before 4:30 p.m. on Monday, 28 February 2022. H Shareholders whose names appear on the register of members of H Shares after 4:30 p.m. on Monday, 28 February 2022 will be entitled to attend and vote at the EGM and the H Shareholders' Class Meeting or any adjournment thereof.

The Company will announce separately on the SSE for details of the A Shareholders' eligibility for attending the EGM and A Shareholders' Class Meeting.

V. FORMS OF PROXY

H Shareholders who intend to attend the EGM and the H Shareholders' Class Meeting by proxy are requested to complete and return the forms of proxy in accordance with the instructions printed thereon as soon as possible and in any event to the Company's H share registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the EGM and/or the H Shareholders' Class Meeting or any adjournment thereof (as the case may be), i.e. no later than 2:00 p.m. on Sunday, 6 March 2022. 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 or any adjournment thereof should you so wish.

VI. VOTING BY POLL

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the EGM and the Class Meetings will demand a poll for all resolutions to be proposed at the EGM and the Class Meetings in accordance with Article 87 of the Articles of Association. Poll results will be announced by the Company in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules after the EGM and the Class Meetings.

LETTER FROM THE BOARD

VII. GENERAL

To the best knowledge of the Directors and according to applicable PRC laws, regulations and regulatory requirements, the following Shareholders are required to abstain from voting at the EGM and the Class Meetings:

- (i) Dr. Hou Yongtai, who is interested in 5,982,000 A Shares, representing approximately 3.40% of the Company's total issued share capital as at the Latest Practicable Date;
- (ii) Mr. Wu Jianying, who is interested in 6,000,000 A Shares, representing approximately 3.41% of the Company's total issued share capital as at the Latest Practicable Date;
- (iii) Mr. Tang Minjie, who is interested in 7,000 H Shares, representing approximately 0.004% of the Company's total issued share capital as at the Latest Practicable Date;
- (iv) Ms. Chen Yiyi, who is interested in 400,000 A Shares, representing approximately 0.23% of the Company's total issued share capital as at the Latest Practicable Date;
- (v) Mr. Wang Wenbin, who is interested in 1,700,000 A Shares, representing approximately 0.97% of the Company's total issued share capital as at the Latest Practicable Date;
- (vi) Mr. Tao Weidong, who is interested in 1,598,000 A Shares, representing approximately 0.91% of the Company's total issued share capital as at the Latest Practicable Date;
- (vii) Mr. Wu Ming, who is interested in 197,222 A Shares, representing approximately 0.11% of the Company's total issued share capital as at the Latest Practicable Date;
- (viii) Ms. Wang Jingjing, who is interested in 6,100 A Shares, representing approximately 0.003% of the Company's total issued share capital as at the Latest Practicable Date; and
- (ix) Mr. Mak Cheung Kwai Anthony, who is interested in 472,500 H Shares, representing approximately 0.27% of the Company's total issued share capital as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief, save as disclosed in this circular, none of the Shareholders are required to abstain from voting at the EGM and the Class Meetings.

LETTER FROM THE BOARD

VIII. RECOMMENDATION

The Directors (including the independent non-executive directors) are of the view that the proposed adoption of the Incentive Scheme (including the Specific Mandate for issue and allotment of the Restricted Shares under the Incentive Scheme and the issue and grant of the Restricted Shares (including the grant to the Connected Participants under the First Grant) under the Incentive Scheme), the Assessment Management Measures and the authorization to the Board to handle all matters relating to the 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, although it is not in the usual and ordinary course of business of the Company due to the nature of such transaction. Accordingly, the Directors (including the Independent Non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions in relation to the above matters to be proposed at the EGM and the Class Meetings.

IX. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders as set out in this circular.

By order of the Board
Shanghai Haohai Biological Technology Co., Ltd.*
Hou Yongtai
Chairman

* *For identification purposes only.*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

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

(Stock code: 6826)

15 February 2022

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular dated 15 February 2022 (the “**Circular**”) of Shanghai Haohai Biological Technology Co., Ltd.* (the “**Company**”), of which this letter forms a part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders as to whether the issue and grant of the Restricted Shares by the Company to the Connected Participants under the Incentive Scheme is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the advice of Rainbow Capital (HK) Limited to the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of the Restricted Shares by the Company to the Connected Participants under the Incentive Scheme as set out in the “Letter From the Independent Financial Adviser” in the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taking into account the advice of Rainbow Capital (HK) Limited, we are of the view that the issue and grant of the Restricted Shares by the Company to the Connected Participants under the 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, although it is not in the usual and ordinary course of business of the Company due to the nature of such transaction.

Accordingly, we recommend the Independent Shareholders to vote in favour of the special resolutions to be proposed at the EGM and the Class Meetings to approve, among other things, the proposed adoption of the Incentive Scheme.

Yours faithfully,

for and on behalf of the Independent Board Committee

**Ms. Li
Yingqi**

**Mr. Jiang
Zhihong**

**Mr. Su
Zhi**

**Mr. Yang
Yushe**

**Mr. Zhao
Lei**

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme, which has been prepared for the purpose of incorporation in this circular.

Rainbow Capital (HK) Limited

15 February 2022

To the Independent Board Committee and the Independent Shareholders

Shanghai Haohai Biological Technology Co., Ltd.
23/F, WenGuang Plaza
No. 1386 Hongqiao Road
Changning District
Shanghai, the PRC

Dear Sir or Madam,

**CONNECTED TRANSACTION
ISSUE AND GRANT OF RESTRICTED SHARES
BY THE COMPANY TO THE CONNECTED PARTICIPANTS
UNDER THE INCENTIVE SCHEME**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the issue and grant of Restricted Shares by the Company to the Connected Participants under the Incentive Scheme (the “**Connected Grant**”), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 15 February 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Company announced on 29 December 2021 (the “**Last Trading Day**”) that the Board (with Directors who are Participants under the Incentive Scheme having abstained) approved the resolutions in relation to the proposed adoption of the Incentive Scheme and the proposed issue and grant of new A Shares under the Incentive Scheme pursuant to the Specific Mandate. The proposed Incentive Scheme is subject to Shareholders’ approval by way of special resolution at the EGM and the Class Meetings.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subject to the approval of the Independent Shareholders at the EGM and the Class Meetings, the Company will grant not more than 1,800,000 Restricted Shares to the Participants, representing approximately 1.31% of the total number of issued A Shares and approximately 1.02% of the total issued share capital of the Company as at the Latest Practicable Date, of which (i) 1,450,000 Restricted Shares will be granted under the First Grant, representing approximately 80.56% of the total number of Restricted Shares under the Incentive Scheme; and (ii) 350,000 Restricted Shares will be granted under the Reserved Grant, representing approximately 19.44% of the total number of Restricted Shares under the Incentive Scheme.

Among the 1,450,000 Restricted Shares under the First Grant, (i) 345,000 Restricted Shares will be granted to 15 Connected Participants; and (ii) 1,105,000 Restricted Shares will be granted to 191 other Participants who are not connected persons of the Company.

As the Connected Participants include executive Directors, the spouse of a Supervisor and directors or supervisors of one or more subsidiaries of the Company who are connected persons of the Company, the issue and grant of the Restricted Shares to the Connected Participants under the Incentive Scheme constitutes non-exempt connected transactions for the Company, and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. To the best knowledge of the Directors, Dr. Hou Yongtai, Mr. Wu Jianying, Mr. Tang Minjie, Ms. Chen Yiyi, Mr. Wang Wenbin, Mr. Tao Weidong, Mr. Wu Ming, Ms. Wang Jingjing and Mr. Mak Cheung Kwai Anthony, who are Shareholders as at the Latest Practicable Date, are required to abstain from voting on resolutions in relation to the adoption of the Incentive Scheme.

The Independent Board Committee, comprising all the five independent non-executive Directors, namely Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei, has been formed to advise the Independent Shareholders on whether (i) the Connected Grant is conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Connected Grant are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Rainbow Capital, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group. Accordingly, we are qualified to give independent advice in respect of the Connected Grant.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, 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 opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects 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 Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group 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 of the Group. We have also sought and received confirmation from the Directors 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 Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available 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 of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or its substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group

(i) Business of the Group

Established in January 2007 and listed on the Hong Kong Stock Exchange and the STAR Market of the Shanghai Stock Exchange in April 2015 and October 2019 respectively, the Group is principally engaged in the manufacture and sale of biologicals, medical hyaluronate and ophthalmology products, research and development of biological engineering, pharmaceutical and ophthalmology products and the provision of related services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the interim report of the Company for the six months ended 30 June 2021 (the “**2021 Interim Report**”), the Group will continue to focus on four fast-growing therapeutic areas, including ophthalmology, medical aesthetics and wound care, orthopedics and surgery. The Group will (a) pay attention to scientific research innovation and achievement transformation, and strengthen professional services; (b) continue to maintain the Company’s leading position in technology through cooperation with domestic and foreign well-known research and development (“**R&D**”) institutions, independent R&D and technology introduction; (c) continuously optimise and improve management capabilities and improve operational efficiency; (d) continuously expand and improve product lines and integrate the industrial chain through the combination of endogenous growth and mergers and acquisitions; and (e) strengthen the Company’s brand building and enhance brand value, making the Group a leading domestic and internationally renowned biomedical company in the field of biomedical materials (collectively, the “**Business Objectives**”).

(ii) Financial information of the Group

Set out below is summary of the key consolidated financial information of the Group for the three years ended 31 December 2020 and the six months ended 30 June 2021, as extracted from the annual reports of the Company for the two years ended 31 December 2020 and the 2021 Interim Report:

	For the six months ended		For the year ended		
	30 June		31 December		
	2021	2020	2020	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	845,874	493,609	1,324,427	1,595,498	1,545,824
Gross profit	629,084	380,556	990,423	1,231,499	1,211,538
Other income and gains, net	90,593	96,840	180,737	129,498	143,840
Selling and distribution expenses	(253,098)	(300,970)	(555,727)	(544,128)	(495,075)
Administrative expenses	(109,899)	(99,253)	(216,759)	(268,985)	(242,410)
Research and development costs	(73,486)	(56,573)	(126,474)	(116,076)	(95,370)
Profit attributable to ordinary equity holders of the Company	231,023	27,527	230,072	370,779	414,540

The revenue of the Group amounted to approximately RMB1,545.8 million, RMB1,595.5 million and RMB1,324.4 million for the year ended 31 December 2018 (“**FY2018**”), 2019 (“**FY2019**”) and 2020 (“**FY2020**”), respectively. The increase in revenue of approximately 3.2% in FY2019 was mainly due to the increase in revenue generated from ophthalmology products and orthopedics products, while the decrease in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

revenue of approximately 17.0% in FY2020 was primarily attributable to the temporary suspension of surgeries, diagnosis and treatment services, to which the Group's products are mainly applied, as a result of the outbreak of the COVID-19 pandemic. For the six months ended 30 June 2021 (“**2021H1**”), the Group's revenue increased significantly to RMB845.9 million, representing an increase of approximately 71.4% as compared to that for the six months ended 30 June 2020 (“**2020H1**”), which was mainly due to the effective control of the COVID-19 pandemic in China. As stated in the 2021 Interim Report, the Group's performance has shown a trend of continuous recovery and steady improvement since the second half of 2020. The Group recorded an aggregated revenue of approximately RMB1,676.7 million during the period from 1 July 2020 to 30 June 2021 (the “**Last 12 Months Revenue**”).

The gross profit of the Group amounted to approximately RMB1,211.5 million, RMB1,231.5 million, RMB990.4 million and RMB629.1 million in FY2018, FY2019, FY2020 and 2021H1, respectively. The fluctuation of gross profit is in line with the changes in revenue.

Notwithstanding the increase in revenue in FY2019, the net profit of the Group decreased from approximately RMB414.5 million in FY2018 to approximately RMB370.8 million in FY2019, which was primarily attributable to, among others, (a) the decrease in other income and gains as a result of the decrease in government grants; (b) the increase in selling and distribution expenses as a result of the expansion of internal sales team and the organisation of marketing activities; (c) the increase in administrative expenses; and (d) the increase in R&D costs due to the continuous increase of R&D investments of the ophthalmic and medical aesthetic products along with more projects in the pipeline and more R&D team members.

The net profit of the Group further decreased to approximately RMB230.1 million in FY2020. Such decrease was mainly due to, among others, (a) the significant decrease in revenue as a result of the outbreak of COVID-19; (b) the increase in selling and distribution expenses as a result of marketing activities and online promotion in the second quarter of 2020; and (c) the increase in R&D costs due to the increasing R&D investments. In 2021H1, the net profit increased to approximately RMB231.0 million from approximately RMB27.5 million, which was mainly attributable to the significant increase in revenue.

The Group's R&D costs recorded an upward trend in the past few years, indicating that the Group has continuously invested in R&D, which is in line with the Business Objectives of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Principle terms of the Connected Grant

Details of the principal terms of the Connected Grant are set out in Appendix I to the Circular, which are summarised below:

Participants : The Company proposed to grant 345,000 Restricted Shares to 15 Connected Participants, as follows:

Connected Participants	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares	Percentage to the total issued share capital of the Company as at the Latest Practicable Date
<i>Executive Directors</i>			
Dr. Hou Yongtai	50,000	2.78%	0.03%
Mr. Wu Jianying	70,000	3.89%	0.04%
Mr. Tang Minjie	50,000	2.78%	0.03%
Ms. Chen Yiyi	50,000	2.78%	0.03%
<i>Others (Note)</i>			
Ms. Tian Min	15,000	0.83%	0.01%
Ms. Jiang Lixia	20,000	1.11%	0.01%
Mr. Mak Cheung Kwai Anthony	20,000	1.11%	0.01%
Ms. Jin Sha	15,000	0.83%	0.01%
Ms. Huang Ling	12,000	0.67%	0.01%
Mr. Robert John McGregor	15,000	0.83%	0.01%
Mr. David Simon Wyatt	12,000	0.67%	0.01%
Mr. Robert Edward Lewis	10,000	0.56%	0.01%
Ms. Li Zirui	2,000	0.11%	0.00%
Ms. Huang Rongrong	2,000	0.11%	0.00%
Ms. Sheng Ailian	2,000	0.11%	0.00%
Total	345,000	19.17%	0.20%

Note: spouse of a Supervisor or directors or supervisors of subsidiaries of the Company

As stated in the Letter from the Board, the number of the Restricted Shares to be granted under the Incentive Scheme is allocated to the Participants (including the Connected Participants) based on (i) the number of years of service of such Participant; (ii) his/her contributions made to the Group; and (iii) the contribution to be made by such Participant in view of his/her roles and responsibilities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Grant Price : A Connected Participant who has satisfied the conditions for grant and attribution is entitled to purchase new A Shares issued by the Company at the Grant Price.

The Grant Price shall be RMB95.00 per A Share, which represents:

- (i) a premium of approximately 142.56% to the closing price of HK\$47.95 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 22.64% to the closing price of RMB122.80 per A Share as quoted on the SSE on the trading day immediately preceding the Last Trading Day (being the date on which the Board approved the Incentive Scheme);
- (ii) a premium of approximately 138.97% to the average closing price of HK\$48.67 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 22.17% to the average closing price of RMB122.07 per A Share as quoted on the SSE on the 5 consecutive trading days immediately preceding the Last Trading Day;
- (iii) a premium of approximately 126.80% to the average closing price of HK\$51.28 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 28.26% to the average closing price of RMB132.42 per A Share as quoted on the SSE on the 20 consecutive trading days immediately preceding the Last Trading Day;
- (iv) a premium of approximately 166.48% to the closing price of HK\$43.70 per H Share as quoted on the Hong Kong Stock Exchange and a discount of approximately 6.92% to the closing price of RMB102.06 per A Share as quoted on the SSE as at the Latest Practicable Date; and
- (v) a premium of approximately 194.21% to the net asset value per share of the Company, being approximately RMB32.29 (calculated based on the net asset attributable to owners of the Company as at 30 June 2021 of approximately RMB5,677,447,000 and the number of issued Shares as at the Latest Practicable Date, being 175,822,100 Shares).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, the Grant Price of RMB95.00 per A Share is in compliance with the STAR Market Listing Rules and the Management Measures given it is not lower than:

- (i) the nominal value of each Share; and
- (ii) the higher of the following:
 - (a) 50% of the average trading price of the A Shares on the trading day immediately preceding the A share announcement of the Incentive Scheme (i.e. 29 December 2021), being RMB61.34 per A Share;
 - (b) 50% of the average trading price of the A Shares for the last 20 trading days immediately preceding the A Shares announcement of the Incentive Scheme, being RMB66.69 per A Share;
 - (c) 50% of the average trading price of the A Shares for the last 60 trading days immediately preceding the A Shares announcement of the Incentive Scheme, being RMB70.75 per A Share; and
 - (d) 50% of the average trading price of the A Shares for the last 120 trading days immediately preceding the A Shares announcement of the Incentive Scheme, being RMB91.14 per A Share.

Validity : From the Grant Date of the First Grant until the date on which all Restricted period Shares have been attributed or lapsed, which shall not exceed 36 months.

Attributable : Subject to the attribution conditions having been fulfilled, the Restricted periods Shares under the Connected Grant may be attributed to the Connected Participants in two tranches, as follows:

Tranche	Attributable period	Attribution percentage
1st tranche	From the first trading day after the expiry of 12 months following the Grant Date until the last trading day within the 24 months following the Grant Date	50%
2nd tranche	From the first trading day after the expiry of 24 months following the Grant Date until the last trading day within the 36 months following the Grant Date	50%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Attributable conditions : Certain conditions have to be fulfilled before the Restricted Shares granted can be attributed which include, among others, (i) performance assessment objectives at the Company level are achieved; (ii) performance assessment objectives at the business unit level are achieved; and (iii) performance assessment objectives at the Participant's individual level are achieved.

Adjustments : The number of Restricted Shares and the Grant Price are subject to adjustments under certain circumstances including capital reserve converted into share capital, bonus stock distribution, stock split, rights issue, share consolidation, dividend distribution and new issue of shares.

3. Information on the Connected Participants

As stated in the Letter from the Board, the Participants, including the Connected Participants, are determined in accordance with the PRC Company Law, the PRC Securities Law, the Management Measures, the Listing Rules, the STAR Market Listing Rules, the Memorandum on Information Disclosure of Companies Listed on the STAR Market of the Shanghai Stock Exchange No. 4 – Information Disclosure on Equity Incentives (《科創板上市公司信息披露業務指南第4號–股權激勵信息披露》) and other relevant laws, regulations and regulatory documents as well as the Articles of Association.

We have reviewed the major position and responsibility of each the Connected Participants. Details of the Connected Participants are set out below:

Name	Position in the Group	Duties or responsibilities
Dr. Hou Yongtai	Executive Director, Chairman and core technical staff	Formulating operation and business strategies and responsible for overseas business, research and development
Mr. Wu Jianying	Executive Director and general manager	Responsible for daily operation of the Group and formulating operation and business strategies of the Group
Mr. Tang Minjie	Executive Director and chief financial officer	Formulating operation and business strategies and responsible for overall financial management
Ms. Chen Yiyi	Executive Director	Responsible for the overall management of the ophthalmic business of the Group and formulating operation and business strategies of the Group

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name	Position in the Group	Duties or responsibilities
Ms. Tian Min	Secretary of the Board, the joint company secretaries and a director of a subsidiary of the Company	Responsible for the internal control and compliance
Ms. Jiang Lixia	Executive director of a subsidiary of the Company and core technical staff	Responsible for the overall management of Shanghai Qisheng Biologicals Company Limited (上海其勝生物製劑有限公司) (“ Shanghai Qisheng ”) which is one of the subsidiaries of the Company and is principally engaged in R&D, manufacture and sale of biological reagents, biologicals and biological materials
Mr. Mak Cheung Kwai Anthony	Director of four subsidiaries of the Company	Responsible for the overall management of the ophthalmic business of the Group
Ms. Jin Sha	Chairperson of a subsidiary of the Company	Responsible for the overall management of Ouhua Meike (Tianjin) Medical Technology Company Limited (歐華美科(天津)醫學科技有限公司) which is one of the subsidiaries of the Company and is principally engaged in the business of medical aesthetics, professional life cosmetology and home cosmetology
Ms. Huang Ling	Director of a subsidiary of the Company and a supervisor of two subsidiaries of the Company	Responsible for the overall management and operation of the ophthalmic business of the Group
Mr. Robert John McGregor	Director of two subsidiaries of the Company	Responsible for the strategy of Contamac Limited and Contamac Holdings Limited which are the subsidiaries of the Company in U.K.
Mr. David Simon Wyatt; and	Director of three subsidiaries of the Company	Responsible for the businesses of overseas subsidiaries of Contamac Holdings Limited and the IOL materials business
Mr. Robert Edward Lewis	Director of a subsidiary of the Company	Responsible for the operation of Contamac Limited which is principally engaged in manufacture and sale of contact lens and intraocular lens material, machines and accessories

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Name	Position in the Group	Duties or responsibilities
Ms. Li Zirui	Supervisor of a subsidiary of the Company	Responsible for the investment activities of the Group
Ms. Huang Rongrong	Legal manager of the Company and supervisor of two subsidiaries of the Company	Responsible for negotiating, drafting and reviewing major legal contracts of the Group
Ms. Sheng Ailian	Quality control supervisor of a subsidiary of the Company	Responsible for the quality control of Shanghai Qisheng

Source: Prospectus and annual reports of the Company

As stated in the table above, the Connected Participants include executive Director of the Company and directors or supervisors of subsidiaries of the Company. Dr. Hou Yongtai, together with other three executive Directors of the Company, shall be responsible for, among other things, the operation and business strategies, R&D activities of the Group. Ms. Tian Min and other ten Connected Participants shall be responsible for, among other things, internal control and compliance, operation of principal subsidiaries, operation of ophthalmic business and investment activities of the Group.

As stated in the section headed “1. Information on the Group – (i) Business of the Group” above, the Group’s Business Objective include (i) maintaining the Company’s leading position in technology through cooperation with well-known R&D institutions, independent R&D and technology introduction; (ii) expanding and improving product lines and integrating the industrial chain through the combination of endogenous growth and mergers and acquisitions (i.e. investment activities); and (iii) strengthening the Company’s brand building and enhancing brand value, making the Group a leading domestic and internationally renowned biomedical company in the field of biomedical materials. Given all the Connected Participants are playing important roles in the Group, we are of the view that Connected Participants’ duties and performance would have significant impact on the Group’s ability to achieve the Business Objectives.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Letter from the Board, the Restricted Shares for the Reserved Grant shall be granted within 12 months after the Incentive Scheme being adopted and approved by the EGM and the Class Meetings. While the participants for the Reserved Grant are yet to be determined, we are given to understand that the Company will comply with the relevant requirements under Chapter 14A of the Listing Rules, including reporting, announcement and Independent Shareholders' approval requirements, in the event that the Restricted Shares under the Reserved Grant are to be granted and issued to any connected persons of the Company.

4. Reasons for and benefits of the grant of Restricted Shares under the Incentive Scheme

As stated in the section headed "3. Information on the Connected Participants" above, the Connected Participants' duties and performance would have significant impact on the Group's ability to achieve the Business Objectives. As such, we concur with the Directors that the grant of Restricted Shares could, among other things, (i) improve the Company's long-term incentive mechanism; (ii) attract and retain the Company's core management personnel, core technical or operational personnel; (iii) align the interests of the shareholders, the Company and the core staff members; and (iv) bring Connected Participants' attention to the long-term development of the Company and ensure that the Company's development strategy and business goals shall be realised.

In addition, we have conducted searches in relation to the adoption of restricted A share incentive scheme and we note that it is a common practice for companies listed on the STAR market of the Shanghai Stock Exchange to adopt restricted A share incentive scheme to motivate their directors, senior management and employees. As such, we consider the Incentive Scheme are in line with the market practice.

Having considered that (i) the Incentive Scheme can retain and motivate the Participants to make contribution to the Group through attainment of the performance targets under the Incentive Scheme; (ii) it is a common practice for companies listed on the STAR Market to adopt restricted A share incentive schemes for their employees as set out in the section headed "5. Assessment of the principal terms of the Connected Grant – (i) Comparable grants" below; and (iii) there will not be any actual cash paid by the Group to the Participants under the Incentive Scheme, we consider that the Incentive Scheme (including the Connected Grant) is conducted 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.

5. Assessment of the principal terms of the Connected Grant

(i) Comparable grants

In evaluating the fairness and reasonableness of the terms of the Connected Grant, we have, on a best effort basis, identified an exhaustive list of restricted A share incentive scheme proposals which (a) were announced by companies listed on the STAR Market during the period from 1 November 2021 to 29 December 2021 (the “**Review Period**”), being approximately two months prior to and including the date of announcement of the Incentive Scheme; and (b) involved grant of restricted A shares to executive directors of the relevant companies. Based on the aforesaid criteria, we identified 12 restricted A share incentive scheme proposals (the “**Comparable Schemes**”). Given we have identified 12 Comparable Schemes during the Review Period, we consider the Review Period to be long enough to provide a sufficient sample size for comparison purpose.

The listed issuers involved in implementing the Comparable Schemes have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company and the sizes of the restricted A shares to be granted to the participants under the Comparable Schemes vary. However, we still consider the Comparable Scheme to be fair and representative in assessing the fairness and reasonableness of the terms of the Incentive Scheme (including the Connected Grant), after taking into account (a) that both the Incentive Scheme and the Comparable Schemes are regulated by the similar rules and regulation including but not limited to the PRC Company Law, the PRC Securities Law, the Management Measures and the STAR Market Listing Rules (i.e. regulation condition); (b) that both the Incentive Scheme and Comparable Schemes are announced during the same period and under similar market condition; (c) that sufficient number of Comparable Schemes are identified, which could provide a general reference to the terms of restricted A share incentive schemes under the similar regulation condition and market condition; and (d) that no biotech companies listed on the STAR Market announced relevant schemes during the Review Period which could reflect the then market condition.

In short, we consider that the Comparable Schemes can provide a general reference to the pricing trend of recent restricted A share incentive scheme proposals as well as a sufficient sample size for comparison purpose, so as to determine whether the terms of the Incentive Scheme (including the Connected Grant) are in line with the market practice.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the details of the Comparable Schemes:

Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme (A)	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 20 trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 60 trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading day immediately preceding the announcement	Attribution conditions which are based on, among others, the participants' performance and/or the financial performance of the company (B)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (C)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (per month) (C/A)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (per tranche) (C/B)
29 December 2021	北京盛邦電力技術股份有限公司 Beijing Yupont Electric Power Technology Company Limited (688397.SH) ("Yupont")	Yupont is principally engaged in manufacturing electronic measuring instruments.	60 months	50.04%	55.17%	68.62%	76.82%	Attribution period for the first grant (attribution percentage for each period following the grant date) the grant date) (B)	1.56%	0.0260%	0.52%
								Three tranches: Yes 30%: 16 months to 28 months 30%: 28 months to 40 months 40%: 40 months to 60 months			
29 December 2021	上海和輝光電股份有限公司 Everisplay Optronics (Shanghai) Company Limited (688338.SH) ("Everisplay")	Everisplay is principally engaged in developing and manufacturing electronic products.	84 months	60.33%	60.13%	NA	NA	Three tranches: Yes 40%: 36 months to 48 months 30%: 48 months to 60 months 30%: 60 months to 72 months	2.71%	0.0323%	0.90%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme (A)	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 20 trading days immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 60 trading days immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days immediately preceding the announcement	Attribution conditions which are based on, among others, the participants' performance and/or the financial performance of the company (B)	Percentage of restricted A shares granted to all participants to the total issued share capital of the company (C)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (per month) (C/A)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (per tranche) (C/B)
25 December 2021	北京賽爾康德藥業股份有限公司 Beijing Baolande Software Corporation (688058.SH) ("Baolande")	Baolande is principally engaged in developing and selling middleware software, cloud management platform software, and application performance management software.	60 months	50.83%	50.92%	50.14%	46.50%	Attribution period for the first grant (attribution percentage for each period following the grant date) (B) Three tranches: Yes 30%: 12 months to 24 months 40%: 24 months to 36 months 30%: 36 months to 48 months	2.00%	0.0333%	0.67%
25 December 2021	華潤微電子有限公司 China Resources Microelectronics Limited (688396.SH) ("Resources Microelectronics")	Resources Microelectronics is principally engaged in manufacturing electronic products and semiconductors.	72 months	53.30%	49.23%	50.00%	44.17%	Three tranches: Yes 33%: 24 months to 36 months 33%: 36 months to 48 months 34%: 48 months to 60 months	1.14%	0.0158%	0.38%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme (A)	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 20 trading days immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 60 trading days immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 120 trading days immediately preceding the announcement	Attribution conditions which are based on, among others, the participants' performance and/or the financial performance of the company (B)	Percentage of restricted A shares granted to all participants to the total issued share capital of the company (C)	Percentage of restricted A shares granted to all participants to the total issued share capital of the company (per month) (C/A)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (per tranche) (C/B)
24 December 2021	珠海冠宇電池股份有限公司 Zhuhai Cosmx Battery Company Limited (688772.SH) ("Zhuhai Cosmx")	Zhuhai Cosmx is principally engaged in manufacturing and distributing energy storage equipment.	60 months	50.00%	44.50%	NA	NA	Three tranches: Yes 30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	2.10%	0.0350%	0.70%
14 December 2021	上海新穎軟體股份有限公司 Shanghai Newtouch Software Company Limited (688390.SH) ("Newtouch")	Newtouch is principally engaged in operation of information technology businesses.	60 months	66.19%	65.28%	66.44%	54.26%	Three tranches: Yes 33%: 16 months to 28 months 33%: 28 months to 40 months 34%: 40 months to 52 months	4.37%	0.0728%	1.46%
3 December 2021	廣東富信科技股份有限公司 Guangdong Fuxin Technology Company Limited (688662.SH) ("Guangdong Fuxin")	Guangdong Fuxin is principally engaged in manufacturing and distributing semiconductor products.	48 months	90.01%	94.26%	99.86%	102.19%	Three tranches: Yes 30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	4.08%	0.0850%	1.36%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme (A)	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Attribution conditions which are based on, among others, the participants' performance and/or the financial performance of the company (B)	Percentage of restricted A shares granted to all participants to the total issued share capital of the company (C)	Percentage of restricted A shares granted to all participants to the total issued share capital of the company (per month) (C/A)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (per tranche) (C/B)
1 December 2021	悅康藥集團股份有限公司 Youcare Pharmaceutical Group Company Limited (688658.SH) ("Youcare")	Youcare is principally engaged in manufacturing and distributing pharmaceutical products.	64 months	50.55%	50.44%	50.00%	Three tranches: Yes 40%: 16 months to 28 months 30%: 28 months to 40 months 30%: 40 months to 52 months	2.89%	0.0452%	0.96%
17 November 2021	無錫芯朋微電子股份有限公司 Wuxi Chipown is principally engaged in producing and selling light emitting diode drivers, motor drivers, chargers, and other products ("Wuxi Chipown")	Wuxi Chipown is principally engaged in producing and selling light emitting diode drivers, motor drivers, chargers, and other products	48 months	42.40%	46.75%	50.45%	Three tranches: Yes 30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	1.15%	0.0240%	0.38%
16 November 2021	安徽華恒生物科技股份有限公司 Anhui Huaheng is principally engaged in manufacturing and distributing biotechnology based products ("Anhui Huaheng")	Anhui Huaheng is principally engaged in manufacturing and distributing biotechnology based products	52 months	34.06%	42.37%	51.19%	Three tranches: Yes 40%: 16 months to 28 months 30%: 28 months to 40 months 30%: 40 months to 52 months	0.95%	0.0183%	0.32%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Principal activities	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading day immediately preceding the announcement	Attribution conditions which are based on, among others, the participants' performance and/or the financial performance of the company	Percentage of restricted A shares granted to all participants to the total issued share capital of the company (per month) (C/A)	Percentage of restricted A shares granted to all participants to the total issued share capital of the company (per tranche) (C/B)
			(A)					(B)	(C)	(C/B)
9 November 2021	杭州華光焊接新材料股份有限公司 Hangzhou Huagang Advanced Welding Materials Company Limited (688379.SH) ("Hangzhou Huagang")	Hangzhou Huagang is principally engaged in research, manufacture and trading of brazing materials.	48 months	60.14%	59.19%	53.82%	NA	Attribution period for the first grant (attribution percentage for each period following the grant date)	0.0563%	0.90%
								Three tranches: 40%: 12 months to 24 months 30%: 24 months to 36 months 30%: 36 months to 48 months	2.70%	
9 November 2021	上海派能能源科技股份有限公司 Pylon Technologies Company Limited (688063.SH) ("Pylon")	Pylon is principally engaged in researches, develops, manufactures, and distributes energy storage systems.	60 months	51.71%	52.27%	50.00%	52.09%	Attribution conditions which are based on, among others, the participants' performance and/or the financial performance of the company	0.0333%	0.67%
								Three tranches: 30%: 12 months to 24 months 30%: 24 months to 36 months 40%: 36 months to 48 months	2.00%	
								Maximum Minimum Average Median	4.37% 0.95% 2.30% 2.05%	1.46% 0.32% 0.77% 0.68%
			84 months 48 months 60 months 60 months	90.01% 34.06% 54.96% 51.27%	94.26% 42.37% 55.88% 51.60%	99.86% 45.10% 58.06% 50.36%	102.19% 44.17% 58.65% 51.19%			

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (Stock code)	Principal activities (A)	Validity period of the incentive scheme	Percentage of grant price to the average trading price of the A shares on the last trading day immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 20 trading days immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares on the last trading day 60 trading days immediately preceding the announcement	Percentage of grant price to the average trading price of the A shares for the last 120 trading days immediately preceding the announcement	Attribution conditions which are based on, among others, the participants' performance and/or the financial performance of the company (B)	Percentage of restricted A shares granted to all participants to the total issued share capital of the company (C)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (per month) (C/A)	Percentage of restricted A shares to be granted to all participants to the total issued share capital of the company (per tranche) (C/B)
29 December 2021	The Company	The Company is principally engaged in biological technology-related businesses	36 months	77.44%	71.23%	67.14%	52.12%	Two tranches: Yes 50%: 12 months to 24 months 50%: 24 months to 36 months	1.02%	0.0283%	0.51%

Source: the announcements of the respective companies

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Validity period and Attribution periods

The Incentive Scheme will become effective upon the Grant Date of the First Grant and shall be valid until the date on which all Restricted Shares have been attributed or lapsed, which shall not exceed 36 months. The validity period of the Incentive Scheme of 36 months is shorter than those of Comparable Schemes.

The Restricted Shares under the First Grant (including the Connected Grant) are attributed in two tranches in the proportion of 50% and 50%, respectively, commencing from the first trading day after expiry of 12 months following the Grant Date until the last trading day within 36 months following the Grant Date, while the restricted A shares under the Comparable Schemes were attributed in three tranches with attribution periods commencing from the trading day after expiry of 12, 16, 24 or 36 months following the grant date until the last trading day within 48, 52, 60 or 72 months following the grant date.

The Incentive Scheme's shorter validity period and fewer tranches could be justified by the relatively small size of the Restricted Shares to be granted as compared to those of Comparable Schemes.

As stated in the table above, the total number of Restricted Shares to be granted under the Incentive Scheme represents not more than approximately 1.02% of the total issued share capital of the Company as at the Latest Practicable Date (the "**Size of Grant**"), which is close to the low end of those of Comparable Schemes. From the perspective of validity period, the Size of Grant per month, which is calculated as dividing the Size of Grant of 1.02% by the validity period of 36 months, amounts to approximately 0.0283% which is lower than the average and median of those of Comparable Schemes. From the perspective of the number of tranches, the Size of Grant per tranche, which is calculated as dividing the Size of Grant of 1.02% by the two tranches, amounts to approximately 0.51% which is lower than the average and median of those of Comparable Schemes.

As such, we consider that the shorter validity period and fewer tranches of the Incentive Scheme are mainly due to the size of the Restricted Shares to be granted and therefore the validity period and attribution periods are fair and reasonable so far as the Independent Shareholders are concerned.

Attribution conditions

As disclosed in the Letter from the Board, certain conditions must be fulfilled before the Company can grant the Restricted Shares under the Incentive Scheme, or the Restricted Shares granted under the Incentive Scheme can be attributed, for details, please refer to the paragraph headed "Conditions for Grant and Attribution of the Restricted Shares" in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the above table, it is a common practice to make the attribution of restricted shares conditional on, amongst others, the participants' performance and/or financial performance of the companies. We are of the view that such arrangement could incentivise the Participants including the Connected Participants to put efforts on achieving the performance targets, which will contribute to the growth and development of the Company.

The performance targets at the Company's level under the Incentive Scheme include the Company's operating income and net profit in the years 2022 and 2023. In order for the Restricted Shares to be fully attributed under the First Grant (including the Connected Grant), the Company's revenue needs to reach RMB2.5 billion in year of 2022 and RMB2.9 billion in year of 2023, while the Company's net profit needs to reach RMB560 million in year of 2022 and RMB650 million in year of 2023. The performance assessment requirements at the business unit level and individual level are, on the other hand, carried out according to the internal performance assessment system of the Company.

Taking into account that (a) the Last 12 Months Revenue of the Group amounted to only approximately RMB1.7 billion; (b) the Group recorded a decreasing trend in the profit attributable to shareholders for the three years ended 31 December 2020; and (c) the Group's profit attributable to shareholders amounted to approximately RMB231.0 million for the six months ended 30 June 2021, which translates to an annual estimated net profit of approximately RMB462.0 million, we consider that the aforesaid performance targets at the Company's level are determined with a certain level of difficulty as compared to the current circumstances of the Group with a view to motivating the Participants to attain before the Restricted Shares are attributed.

As such, we consider such arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

Grant Price

The Grant Price shall be RMB95.00 per A Share, which represents (a) approximately 77.44% of the average trading price of the A Shares on the trading day preceding the A Shares announcement of the Incentive Scheme; (b) approximately 71.23% of the average trading price of the A Shares for the last 20 trading days preceding the A Shares announcement of the Incentive Scheme; (c) approximately 67.14% of the average trading price of the A Shares for the last 60 trading days preceding the A Shares announcement of the Incentive Scheme; and (d) approximately 52.12% of the average trading price of the A Shares for the last 120 trading days preceding the A Shares announcement of the Incentive Scheme.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Regarding the Comparable Schemes, (a) the percentages of the grant prices to the average trading price of the A Shares on the trading day preceding the A Shares announcement ranged from approximately 34.06% to approximately 90.01% with an average and median of approximately 54.96% and 51.27%, respectively; (b) the percentages of the grant prices to the average trading price of the A Shares for the last 20 trading days preceding the A Shares announcement ranged from approximately 42.37% to approximately 94.26% with an average and median of approximately 55.88% and 51.60%, respectively; (c) the percentages of the grant prices to the average trading price of the A Shares for the last 60 trading days preceding the A Shares announcement ranged from approximately 45.10% to approximately 99.86% with an average and median of approximately 58.06% and 50.56%, respectively; and (d) the percentages of the grant prices to the average trading price of the A Shares for the last 120 trading days preceding the A Shares announcement ranged from approximately 44.17% to approximately 102.19% with an average and median of approximately 58.63% and 51.19%, respectively.

The Grant Price is at a substantial discount to the prevailing trading price of the A Shares. However, taking into account that (a) the Incentive Scheme serves to align the interests of the Group's employees with those of the Shareholders and the Company and to retain and incentivise the Group's employees to achieve the performance targets; (b) the Grant Price compares favorably to those under the Comparable Schemes; and (c) the performance targets, which the Company has to achieve before the Restricted Shares are attributed, are established with a certain level of difficulty as explained in the paragraph headed "Attribution conditions" above, we consider the Grant Price to be justifiable and therefore fair and reasonable.

Adjustments

The number of Restricted Shares and the Grant Price are subject to adjustments according to various situations including capital reserve converted into share capital, bonus stock distribution, stock split, rights issue, share consolidation, dividend distribution and new issue of shares. For details, please refer to the section headed "The Proposed 2021 Restricted A Share Incentive Scheme – IX. Method and Procedure for Adjustment" in the Letter from the Board. Given that the adjustment mechanism of the number of Restricted Shares and the Grant Price is comparable to those under the Comparable Schemes, we consider it to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Number of Restricted Shares to be granted to the Participants

According to the STAR Market Listing Rules, the cumulative total number of underlying shares involved under the fully effective share incentive schemes of a listed company shall not exceed 20% of the total share capital of the company as at the date the incentive scheme is submitted for approval at the general meeting(s). Pursuant to the Management Measures, the total number of shares to be granted to any participant under all the fully effective share incentive schemes of a listed company shall not exceed 1% of the total share capital of the company.

The total number of Restricted Shares to be granted under the Incentive Scheme represents not more than approximately 1.02% of the total issued share capital of the Company as at the Latest Practicable Date, which is close to the low end of those of Comparable Schemes. Having considered that (a) the number of Restricted Shares to be attributed to the Participants shall decline or lapse if the performance targets at the individual level, business units level and the Company's level are not fully fulfilled; (b) Independent Shareholders can benefit from the Share price performance when the performance targets in the Incentive Scheme are fulfilled; and (c) the number of Restricted Shares to be granted to the Connected Participants under the Incentive Scheme is in compliance with the STAR Market Listing Rules and the Management Measures, we are of the view that the number of Restricted Shares to be granted to the Participants is fair and reasonable and the dilution effect on the shareholding interests of the existing Shareholders of Company will be immaterial.

The total number of Restricted Shares to be granted to each Connected Participant is up to approximately 0.04% of the total issued share capital of the Company as at the Latest Practicable Date. As set out in the section headed "2. Principle terms of the Connected Grant" above, the Company proposed to grant 70,000 Restricted Shares to Mr. Wu Jianying, representing 0.04% of the total issued share capital of the Company as at the Latest Practicable Date. We consider that the number of Restricted Shares to be granted to him is acceptable after considering his remuneration package, details of which are set out in the section headed "5. Assessment of the principal terms of the Connected Grant – (ii) Comparison of remuneration packages" below.

For details of our assessment on the fairness and reasonableness of the number of Restricted Shares to be granted to the Connected Participants under the Incentive Scheme, please refer to the following sub-section.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) Comparison of remuneration packages

(a) Remuneration packages of the Connected Participants

The table below set out (1) the number of Restricted Shares to be granted to the Connected Participants under the First Grant; (2) the estimated financial impact due to the grant of Restricted Shares; and (3) total emoluments of the Connected Participants for the year ended 31 December 2020:

Participants under the First Grant	Number of Restricted Shares to be granted	Percentage of total Restricted Shares to be granted	Total amortised	Total amortised	Total emoluments for the year ended 31 December 2020	Total annual remuneration
			cost of the Restricted Shares under the First Grant in 2022 to 2024	cost of the Restricted Shares on an annual basis		
	A	C = A/B	E = C x D	F = E/2	G	F + G
			(Note 1)	(Note 2)	(Note 3)	(Note 4)
Executive Directors						
Dr. Hou Yongtai	50,000	3.45%	1,527,797	763,898	1,146,000	1,909,898
Mr. Wu Jianying	70,000	4.83%	2,138,915	1,069,458	1,266,000	2,335,458
Mr. Tang Minjie	50,000	3.45%	1,527,797	763,898	1,048,000	1,811,898
Ms. Chen Yiyi	50,000	3.45%	1,527,797	763,898	928,000	1,691,898
Sub-total	220,000	15.17%	6,722,305	3,361,152	4,388,000	7,749,152
Others 11 Connected Participants						
Ms. Tian Min	15,000	1.03%	458,339	229,169	483,000	712,169
Ms. Jiang Lixia	20,000	1.38%	611,119	305,559	645,400	950,959
Mr. Mak Cheung Kwai Anthony	20,000	1.38%	611,119	305,559	787,200	1,092,759
Ms. Jin Sha	15,000	1.03%	458,339	229,169	479,061	708,230
Ms. Huang Ling	12,000	0.83%	366,671	183,336	627,900	811,236
Mr. Robert John McGregor	15,000	1.03%	458,339	229,169	1,838,235 (Note 5)	2,067,404
Mr. David Simon Wyatt	12,000	0.83%	366,671	183,336	1,708,236 (Note 5)	1,891,571
Mr. Robert Edward Lewis	10,000	0.69%	305,559	152,780	1,585,496 (Note 5)	1,738,276
Ms. Li Zirui	2,000	0.14%	61,112	30,556	196,019	226,575
Ms. Huang Rongrong	2,000	0.14%	61,112	30,556	163,367	193,923
Ms. Sheng Ailian	2,000	0.14%	61,112	30,556	220,400	250,956
Sub-total	125,000	8.62%	3,819,491	1,909,746	8,734,314	10,644,059
Sub-total	345,000	23.79%	10,541,796	5,270,898		
Other Participants	1,105,000	76.21%	33,764,304	16,882,152		
Total (B)	1,450,000	100.00%	44,306,100 (D)	22,153,050		

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. As disclosed in the Letter from the Board, total amortization cost of the Restricted Shares under the First Grant (including the Connected Grant) (the “**Total Amortization Cost**”) is estimated to be approximately RMB44,306,100 based on the closing price of the A Shares on the trading day prior to the announcement of the Incentive Scheme, which will be recognised over the course of the Incentive Scheme in attribution proportion in installments and will be charged to operating profit or loss. Shareholders are reminded that the actual financial impact is dependent on the closing price of the A Shares on the Grant Date.
2. As disclosed in the Letter from the Board, over 97% of the Total Amortization Cost would be recognised in year 2022 and 2023. As such, we assume the Total Amortization Cost would be recognised on a straight-line basis in year 2022 and 2023 for prudence.
3. Comprised salaries and other benefits, performance bonus and/or retirement benefit scheme contributions as disclosed in the 2020 Annual Report or provided by the Company.
4. Assuming total remunerations of the Connected Participants (excluding the Connected Grant) would remain the same as the level for the year ended 31 December 2020.
5. Based on exchange rate of GBP1 to RMB8.85.

As set out in the table above, on the basis that the value of the Restricted Shares would be recognised on a straight-line basis the year 2022 and 2023, the total amortised cost of the Restricted Shares on an annual basis for the Connected Grant amounts to approximately RMB5.3 million, accounting for approximately 2.3% of the net profit of the Group of approximately RMB226.3 million for the year ended 31 December 2020. On this basis, we are of the view that the financial impact of the Connected Grant shall not be material.

In addition, on the basis that total emoluments of the Connected Participants (excluding the Connected Grant) would remain the same as the level for the year ended 31 December 2020, the annual remuneration of each of the 11 Connected Participants who are not executive Directors of the Company, after taking into account the Connected Grant, is close to or below RMB2.0 million, being approximately 0.88% of the net profit of the Group of approximately RMB226.3 million for the year ended 31 December 2020.

Given (1) these 11 Connected Participants all play important roles in the Group; (2) the number of Restricted Shares to be attributed shall decline or lapse and the remuneration would reduce accordingly, if the performance targets are not fully fulfilled; (3) the performance targets at the Company’s level are determined with a certain level of difficulty; (4) Independent Shareholders can benefit from the Share price performance when the performance targets in the Incentive Scheme are fulfilled; and (5) the annual remuneration of each of the 11 Connected Participants is close to or below RMB2.0 million, being approximately 0.88% of the net profit of the Group of approximately RMB226.3 million for the year ended 31 December 2020, we consider the number of Restricted Shares to be granted to these 11 Connected Participants who are not executive Directors of the Company is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the analysis on the remuneration packages of four executive Directors, please refer to the sub-section below.

(b) Remuneration packages of the Comparable Companies

The Company is principally engaged in biological technology-related businesses. Based on the closing price of H share and A Shares of HK\$46.25 and RMB121.53, respectively, and the total issued H shares and A Shares of 38,022,100 and 137,800,000, respectively, as at the Last Trading Day, the market capitalisation of the Company amounts to approximately HK\$22.2 billion.

Among the 15 Connected Participants, four Connected Participants are executive Directors. In assessing the fairness and reasonableness of the remuneration packages of these four Connected Participants taking into account the Connected Grant under the Incentive Scheme, we have, based on our search on the website of the Stock Exchange, identified an exhaustive list of biotech companies which are listed on the Stock Exchange (the “**Comparable Company(ies)**”) with the market capitalisation ranging from approximately HK\$10 billion to HK\$30 billion as at the Last Trading Day and considered the remuneration packages of the executive directors of the Comparable Companies for the year ended 31 December 2020.

Set below is a summary of the remuneration packages of the executive directors of the Comparable Companies for the year ended 31 December 2020:

Company	Stock Code	Market Capitalisation as at 29 December 2021 <i>(HK\$' million)</i>	Range of total remunerations of executive directors <i>(Note 1)</i> <i>(RMB'000)</i>
Akeso, Inc.	9926	26,228	3,283 – 6,809
Brii Biosciences Limited	2137	24,238	22,330
InnoCare Pharma Limited	9969	22,195	15,736 and 119,548
3SBIO	1530	16,673	1,565 and 3,904
Clover Biopharmaceuticals, Ltd.	2197	15,542	3,247 and 4,060
CARsgen Therapeutics Holdings Limited	2171	14,751	1,099 and 1,186
Alphamab Oncology	9966	12,368	2,747 and 5,133
Shanghai Henlius Biotech, Inc.	2696	12,066	3,683 and 6,212

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company	Stock Code	Market Capitalisation as at 29 December 2021 <i>(HK\$' million)</i>	Range of total remunerations of executive directors <i>(Note 1)</i> <i>(RMB'000)</i>
Venus Medtech (Hangzhou) Inc.	2500	11,378	780 – 1,245
Ocumension Therapeutics	1477	11,201	1,320 and 5,375
New Horizon Health Limited	6606	10,013	5,074 and 11,381
			1,692 – 2,335
		The Company	<i>(Note 2)</i>

Source: Annual reports and/or prospectuses of the Comparable Companies

Notes:

1. Primarily included salaries and other allowances, performance-related bonus, retirement benefit scheme contributions and share-based payment expenses as extracted from the annual reports or prospectuses of the Comparable Companies.
2. Represented the range of the annual remunerations of the four Connected Participants who are executive Directors of the Company, which are calculated on the basis set out in the sub-section headed “(a) Remuneration packages of the Connected Participants” above.

As shown in the table above, the remuneration of the executive directors of the Comparable Companies ranged from approximately RMB780,000 to approximately RMB119.5 million for the year ended 31 December 2020.

The maximum total remunerations of the four executive Directors is approximately RMB2.3 million. Among the 11 Comparable Companies identified above, we noted that (1) executive directors in 10 Comparable Companies had total annual remunerations of at least RMB1.0 million for the year ended 31 December 2020; (2) executive directors in 7 Comparable Companies had total annual remunerations of at least RMB2.0 million for the year ended 31 December 2020; and (3) executive directors in 6 Comparable Companies had total annual remunerations of at least RMB3 million for the year ended 31 December 2020. On this basis, we consider that the annual remunerations of the four Connected Participants who are executive Directors of the Company are in line with those of the Comparable Companies.

To sum up, we are of the view that the number of Restricted Shares to be granted to the Connected Participants under the Connected Grant is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Save for the expenses relating to the allotment and issue of the new A Shares and the proceeds of not more than RMB171 million, the grant of the Restricted Shares will not have other material impact on the Company's cash position and net current assets.

OPINION AND RECOMMENDATION

Taking into account the above principal factors and reasons, we consider that the terms of the Connected Grant are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Connected Grant is conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favour of the special resolutions to be proposed at the EGM and the Class Meetings to approve the Connected Grant.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited
Danny Leung
Managing Director

Mr. Danny Leung is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in the corporate finance industry.

Stock Short Name: Haohai Biotec

Stock code: 688366

**THE 2021 RESTRICTED A SHARE INCENTIVE
SHANGHAI HAOHAI BIOLOGICAL TECHNOLOGY
CO., LTD.* (DRAFT)**

December 2021

* *For identification purpose only*

STATEMENT

The Company and all of its directors and supervisors undertake that there are no false records, misleading statements or material omissions in the Incentive Scheme and its summary, and assume individual and joint legal responsibility for its truthfulness, accuracy and completeness.

SPECIAL NOTE

- I. The 2021 Restricted A Share Incentive Scheme of Shanghai Haohai Biological Technology Co., Ltd.* (Draft) (the “**Incentive Scheme**”) is formulated by Shanghai Haohai Biological Technology Co., Ltd.* (“**Haohai Biotec**” or the “**Company**”) in accordance with the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Management Measures for Share Incentive Scheme Adopted by Listed Companies (《上市公司股權激勵管理辦法》), the Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》), the Business Guidelines for Information Disclosure of Listed Companies on the STAR Market No. 4 – Disclosure of Equity Incentive Information (《科創板上市公司信息披露業務指南第4號-股權激勵信息披露》) and other relevant laws, administrative regulations, regulatory documents and the relevant requirements of the Articles of Association.
- II. The form of incentive adopted by the Incentive Scheme is Restricted Shares (Type II Restricted Shares). The source of the shares shall be the Company’s RMB ordinary A shares issued by the Company to the Participants.

Participants that meet the conditions for the grant under the Incentive Scheme, after fulfilling the corresponding attribution conditions and attribution arrangement, shall obtain the Company’s ordinary A shares at the grant price during the attribution period. Such shares will be registered at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. Prior to the attribution, the Restricted Shares granted to the Participants do not carry any rights of the shareholders of the Company, and such Restricted Shares shall not be transferred, used to guarantee or repay debts.

- III. The Restricted Shares proposed to be granted to the Participants under the Incentive Scheme shall be 1,800,000 shares, representing 1.02% of the total share capital of the Company of 175,822,100 shares as at the date of the announcement of the draft Incentive Scheme. Among which, 1,450,000 Restricted Shares are proposed to be granted under the first grant, representing 0.82% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme and 80.56% of the total number of the Restricted Shares proposed to be granted under the Incentive Scheme; and 350,000

Restricted Shares are to be reserved, representing 0.20% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme and 19.44% of the total number of the Restricted Shares proposed to be granted under the Incentive Scheme.

As of the date of the announcement of the draft Incentive Scheme, the cumulative total number of underlying shares involved under all share incentive schemes of the Company which are within their validity period shall not exceed 20.00% of the Company's total share capital. The total number of shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity period shall not exceed 1.00% of the total share capital of the Company.

- IV. The number of the Participants for the First Grant proposed under the Incentive Scheme shall be 206 persons in total, including directors, members of the senior management, core technical staff and other persons considered the board of directors to be required to be incentivized working at the Company (including its subsidiaries, the same applies below) at the time of the Company's announcement of the Incentive Scheme, but excluding the independent directors and supervisors of Haohai Biotec, persons who individually or jointly hold or control 5% or more of the total issued share capital of the Company or their spouses, parents and children.

The Participants for the reserved grant shall mean those who are not yet determined when the Incentive Scheme is approved at a general meeting but are to be included in the Incentive Scheme during the validity period of the Incentive Scheme, and shall be determined within 12 months after the Incentive Scheme being considered and approved at a general meeting. The basis for determining the Participants for the reserved grant shall be the same as the basis for determining the Participants for the first grant.

- V. The grant price of the Restricted Shares to be granted to the Participants for the First Grant proposed under the Incentive Scheme shall be RMB95.00 per share. The grant price of the Restricted Shares under the reserved grant shall be the same as the grant price of the Restricted Shares under the first grant. In the event of any capitalization issue, bonus issue, dividend distribution, share split or share consolidation or rights issue of the Company during the period from the date of announcement of the Incentive Scheme to the date of completion of the attribution registration by the Participants, the grant price of the Restricted Shares and the number of Restricted Shares shall be adjusted in accordance with the Incentive Scheme accordingly.
- VI. The validity period of the Incentive Scheme commences from the grant date of the Restricted Shares until the date on which all Restricted Shares granted to the Participants have been attributed or lapsed. The validity period shall not exceed 36 months.
- VII. The Restricted Shares under the first grant of the Incentive Scheme shall be attributed in two tranches after the expiry of 12 months following the grant date, with the proportion of attribution in each tranche being 50% and 50%, respectively. The Restricted Shares

under the reserved grant shall be attributed in two tranches after the expiry of 12 months from the grant date of the reserved grant, with the proportion of attribution in each tranche being 50% and 50%, respectively.

The attribution arrangements, performance targets and attribution percentage in relation to the Restricted Shares to be granted are shown in the following table:

Tranche	Target Value	Trigger Value
Restricted Shares under both the First Grant and the Reserved Grant	First Tranche The Company meeting any one of the following two targets: The revenue for 2022 reaching RMB2.5 billion; The net profit for 2022 reaching RMB560 million.	The Company meeting any one of the following two targets: The revenue for 2022 reaching RMB2 billion; The net profit for 2022 reaching RMB450 million.
	Second Tranche The Company meeting any one of the following two targets: The revenue for 2023 reaching RMB2.9 billion; The net profit for 2023 reaching RMB650 million.	The Company meeting any one of the following two targets: The revenue for 2023 reaching RMB2.3 billion; The net profit for 2023 reaching RMB510 million.

A = The actual assessment result in relation to revenue

B = The actual assessment result in relation to net profit

M = “Company level attribution factor” for the Restricted Shares for each assessment year

When either A or B equals or exceed the target value

M = 100%

M = 80% + (A/revenue target value) × 20%
or

When either A or B equals or exceed the trigger value

M = 80% + (B/net profit target value) × 20%
(whichever is higher to confirm the attribution factor)

When both A and B are less than the trigger value

M = 0%

Note: The above “revenue” refers to the audited consolidated revenue of the Company, while “net profit” is calculated based on the audited net profit attributable to the shareholders of the Company, but excluding the net profit affected by the expenses incurred on the share-based payment relating to the Incentive Scheme and other share incentive scheme.

VIII. None of the following circumstances under which the implementation of the Incentive Scheme shall not be carried out as stipulated in the Management Measures for Share Incentives of Listed Companies has occurred to the Company:

- (i) 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;
- (ii) 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;
- (iii) in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
- (iv) laws and regulations stipulate that equity incentives shall not be implemented;
- (v) other circumstances as determined by the CSRC.

IX. None of the following circumstances under which one shall not be a Participant as stipulated in the Management Measures for Share Incentive Scheme Adopted by Listed Companies has occurred to a Participant under the Incentive Scheme:

- (i) the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
- (ii) the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
- (iii) 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;
- (iv) the Participant has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
- (v) laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
- (vi) other circumstances as determined by the CSRC.

- X. Haohai Biotec undertakes not to provide loans and any other forms of financial assistance, including providing guarantee for their loans, to the Participants to obtain their Restricted Shares through the Incentive Scheme under the Restricted Share Incentive Scheme.
- XI. Haohai Biotec undertakes that there are no false records, misleading statements or material omissions in the relevant information disclosure documents of the Incentive Scheme.
- XII. The Participants of the Incentive Scheme undertake 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 attributing rights and interests, the Participants shall return all the benefits obtained from the Incentive Scheme to the Company after confirming the existence of false records, misleading statements or major omissions in the relevant information disclosure documents.
- XIII. The Incentive Scheme shall be implemented after being considered and approved at the general meeting of the Company by way of special resolution.
- XIV. The Company shall convene a meeting of the board of directors in accordance with the relevant requirements to grant the Restricted Shares to the Participants for first grant and complete the announcement and other relevant procedures within 60 days after the Incentive Scheme is considered and approved at a general meeting (if there are conditions to the grant, then counting from the fulfilment of the conditions of grant). If the Company fails to complete the above procedures within the 60-day period, it shall promptly disclose the reasons for the failure to complete such procedures and declare the termination of the Incentive Scheme. The period during which no interests shall be granted pursuant to the Management Measures for Share Incentives of Listed Companies is excluded from the calculation of the 60-day period.
- XV. The implementation of the Incentive Scheme shall not result in the shareholding structure of the Company to fail to meet the listing requirements.

* *For identification purpose only*

CONTENTS

Statement	I-2
Special Note	I-2
Chapter I Definitions	I-8
Chapter II Purpose of the Incentive Scheme	I-10
Chapter III Administrative Bodies of the Incentive Scheme	I-11
Chapter IV Basis for Determining the Participants and Scope of Participants	I-12
Chapter V Restricted Shares to be Granted under the Incentive Scheme	I-15
Chapter VI List of Participants and Allocation of Restricted Shares to Be Granted	I-16
Chapter VII Validity Period, Grant Date, Attribution Arrangement and Black-out Period	I-18
Chapter VIII Grant Price and Basis of Determination of the Grant Price of Restricted Shares	I-21
Chapter IX Grant and Attribution Conditions of the Restricted Shares	I-22
Chapter X Methods and Procedures for Adjustment under the Incentive Scheme	I-28
Chapter XI Accounting Treatment on the Restricted Shares	I-31
Chapter XII Procedures for Implementation, Grant, Attribution of and Amendments to, and Termination of the Incentive Scheme	I-34
Chapter XIII Other Rights and Obligations of the Company and Participants	I-39
Chapter XIV Arrangements for the Incentive Scheme in the Event of Change at the level of Company/Participants	I-42
Chapter XV Supplementary Provisions	I-46

CHAPTER I DEFINITIONS

Unless otherwise requires, the following expressions herein shall have the following meanings:

Term	Meaning
Haohai Biotec, Company, Listed Company	: Shanghai Haohai Biological Technology Co., Ltd.* (上海昊海生物科技股份有限公司)
Incentive Scheme, Scheme	: the 2021 Restricted A Share Incentive Scheme of Shanghai Haohai Biological Technology Co., Ltd.* (《上海昊海生物科技股份有限公司2021年A股限制性股票激勵計劃》)
Restricted Shares, Type II Restricted Shares	: the shares of the Company to be obtained in tranches and registered by the Participants who meet the conditions for grant under the Incentive Scheme after meeting the corresponding attribution conditions
Participant(s)	: the directors, members of senior management, core technical staff and other persons considered by the board of directors to be required to be incentivized of the Company (including its subsidiaries), who shall be granted the Restricted Shares pursuant to the Incentive Scheme
grant date	: the date on which the Company grants the Restricted Shares to the Participants, which must be a trading day
grant price	: the price at which a Participant obtains the Company's shares, as determined at the time of grant of Restricted Shares to the Participant by the Company
attribution	: the act of registering the Restricted Shares by the Listed Company to the account of a Participant after the attribution conditions having been satisfied by the Participant
attribution date	: the date on which the registration of the granted Restricted Shares is completed after the attribution conditions having been satisfied by a Participant, which must be a trading day
attribution conditions	: the attribution conditions as stipulated under the Incentive Scheme which must be satisfied by a Participant in order to obtain the incentive shares

Term	Meaning
validity period	: the period commencing on the grant date of the Restricted Shares and ending on the date on which all Restricted Shares granted to the Participants have been attributed or lapsed
Remuneration Committee	: the remuneration and appraisal committee of the board of directors of the Company
CSRC	: the China Securities Regulatory Commission
Stock Exchange	: Shanghai Stock Exchange
CSDC	: the Shanghai Branch of China Securities Depository and Clearing Corporation Limited
Company Law	: the Company Law of the People's Republic of China (《中華人民共和國公司法》)
Securities Law	: the Securities Law of the People's Republic of China (《中華人民共和國證券法》)
Management Measures	: the Management Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》)
Listing Rules	: the Rules Governing the Listing of Stocks on the STAR Market of Shanghai Stock Exchange (《上海證券交易所科創板股票上市規則》)
Business Guidelines	: the Business Guidelines for Information Disclosure of Companies Listed on the STAR Market No. 4 – Information Disclosure of Equity Incentive (《科創板上市公司信息披露業務指南第4號–股權激勵信息披露》)
Articles of Association	: the Articles of Association of Shanghai Haohai Biological Technology Co., Ltd.* (《上海昊海生物科技股份有限公司公司章程》)
Company's Assessment Management Measures	: the Management Measures for Assessment for the Implementation of the 2021 Restricted A Share Incentive Scheme of S Shanghai Haohai Biological Technology Co., Ltd.* (《上海昊海生物科技股份有限公司2021年A股限制性股票激勵計劃實施考核管理辦法》)
RMB/RMB'0,000/ RMB'00,000,000	: RMB/RMB'0,000/RMB'00,000,000, the unit of the lawful currency of the People's Republic of China

* For identification purpose only

CHAPTER II PURPOSE OF THE INCENTIVE SCHEME

For the purpose of further improving the corporate governance structure, establishing and improving the Company's long-term incentive and restraint mechanism, attracting and retaining core members of the management, core technical or operational staff of the Company, fully mobilizing their enthusiasm and creativity, effectively enhancing the cohesion of the core team and core competitiveness of the enterprise, bonding the interests of shareholders, the Company and core teams together effectively, enabling all parties to jointly pay attention to the long-term development of the Company and securing the achievement of the Company's development strategies and business objectives, and under the premise of fully safeguarding the interests of shareholders, the Incentive Scheme is formulated following the principle of income equivalent to contribution in accordance with the relevant laws, regulations and regulatory documents including the Company Law, the Securities Law, the Management Measures, the Listing Rules and the Business Guidelines, as well as the Articles of Association.

As of the date of the announcement of the Incentive Scheme, there is no other equity incentive scheme or other long-term incentive mechanism being implemented after the Company is listed.

CHAPTER III ADMINISTRATIVE BODIES OF THE INCENTIVE SCHEME

- I. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, amendment and termination of the Incentive Scheme. The general meeting may, within its powers and authority, authorize the board of directors to handle certain matters relating to the Incentive Scheme.
- II. The board of directors shall act as the executive and administrative body for the Incentive Scheme and be responsible for the implementation of the Incentive Scheme. The Remuneration Committee under the board of directors shall be responsible for drafting and revising the Incentive Scheme, and submitting the Incentive Scheme to the board of directors of the Company for review and approval. Upon approval by the board of directors, the Incentive Scheme shall be further submitted to the general meeting of the Company for review and approval, and the board of directors may handle matters relating to the Incentive Scheme within its scope of authority as delegated by the general meeting.
- III. The board of supervisors and the independent directors shall act as the supervisory authority for the Incentive Scheme, and shall express opinions as to whether the Incentive Scheme is conducive to the sustainable development of the Company, and whether there are any situations that clearly harm the interests of the Company and all shareholders. The board of supervisors shall verify the list of the Participants under the Incentive Scheme, and shall supervise the implementation of the Incentive Scheme as to whether it is in compliance with the relevant laws, administrative regulations, regulatory documents and operational rules of the Stock Exchange. The independent directors shall solicit voting rights by proxy from all shareholders in respect of the Incentive Scheme.
- IV. Where amendments are being made to the Incentive Scheme before or after the Incentive Scheme is approved at the general meeting, the independent directors and the board of supervisors shall express opinions as to whether the amended Incentive Scheme will be conducive to the sustainable development of the Company or whether there are any situations that clearly harm the interests of the Company and all shareholders.

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

Before the granted Restricted Shares are attributed to a Participant, the independent directors and the board of supervisors shall express clear opinions as to whether the attribution conditions stipulated under the Incentive Scheme for the Participant have been fulfilled.

**CHAPTER IV BASIS FOR DETERMINING THE PARTICIPANTS
AND SCOPE OF PARTICIPANTS****I. Basis for Determining the Participants***(i) Legal Basis for Determining the Participants*

The Participants of the Incentive Scheme are determined in accordance with the relevant laws, administrative regulations, regulatory documents including the Company Law, the Securities Law, the Management Measures, the Listing Rules and the Business Guidelines as well as the relevant provisions of the Articles of Association and the actual situation of the Company.

(ii) Positions held by the Participants

The Participants under the Incentive Scheme shall include the directors, members of the senior management, core technical staff and other persons considered by the board of directors to be required to be incentivized of the Company (including its subsidiaries) (excluding independent directors and supervisors of Haohai Biotec), in accordance with the purposes of implementing the Share Incentive Scheme. The list of persons who fall within the scope of Participants of the Incentive Scheme shall be verified by the Company's board of supervisors.

II. Scope of Participants

The total number of the Participants for the first grant under the Incentive Scheme shall be 206 persons, representing 13.53% of the total number of 1,522 employees of the Company as at 30 June 2021, including:

1. Directors and members of the senior management;
2. Core technical staff;
3. Other persons considered by the board of directors to be required to be incentivized.

The above Participants exclude independent directors and supervisors of the Company, persons who individually or jointly hold or control 5% or more of the total issued share capital of the Company or their spouses, parents and children. Among the above Participants, all such directors or members of the senior management must have been elected at a general meeting of the Company or engaged by the board of directors of the Company. All Participants must have entered into a labour or employment relationship with the Company or its subsidiaries during the assessment period of the Incentive Scheme.

The above Participants include certain foreign employees. The reasons for which they are included in the Incentive Scheme are that: the Company operates in the biotechnology industry, which is characterized by its fierce competition for talents. Therefore, attracting and stabilizing international high-end talents is very important for the Company's development; the Participants who are foreign employees play a pivotal role in areas such as the Company's technology research and development, and business development. Equity incentives are commonly used as incentives for overseas companies, the Incentive Scheme will further promote the construction and stability of the Company's core talent team, thereby contributing to the long-term development of the Company.

The Participants of the reserved grant shall be determined within 12 months after the Incentive Scheme being considered and approved at a general meeting. The Company will announce relevant information about the Participants on the designated website timely and accurately in accordance with the requirements after the board of directors having made such proposal, the independent directors and the board of supervisors having expressed clear opinions, and the Company's counsel having provided professional opinions and issued legal opinions. The reserved grant shall lapse if the Participants cannot be determined within the 12-month period. The basis for determining the Participants for the reserved grant shall be the same as the basis for determining the Participants for the first grant.

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

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

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

IV. Verification of Participants

- (i) After the board of directors of the Company has reviewed and approved the Incentive Scheme, the Company shall publish the names and positions of the Participants internally via the Company's website or other channels for no less than 10 days.

- (ii) The board of supervisors of the Company 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 board of supervisors regarding the list of Participants and the publication situation 5 days prior to the Incentive Scheme being considered at the general meeting. Any adjustments to the list of the Participants made by the board of directors of the Company shall also be reviewed by the board of supervisors of the Company.

**CHAPTER V RESTRICTED SHARES TO BE GRANTED
UNDER THE INCENTIVE SCHEME****I. Form of Entitlements to Be Granted by the Incentive Scheme**

The form of incentive to be adopted under the Incentive Scheme is the Type II Restricted Shares.

II. Source and Type of Underlying Shares Involved in Restricted Shares to Be Granted under the Incentive Scheme

The Company will issue RMB ordinary A shares of the Company to Participants as the source of shares under the Incentive Scheme.

III. The Number of Restricted Shares to be Granted under the Incentive Scheme and its Proportion to the Total Shares of the Company

The Restricted Shares proposed to be granted to the Participants under the Incentive Scheme shall be 1,800,000 shares, representing 1.02% of the total share capital of the Company of 175,822,100 shares as at the date of the announcement of the draft Incentive Scheme. Among which, 1,450,000 Restricted Shares are proposed to be granted under the first grant, representing 0.82% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme and 80.56% of the total number of the Restricted Shares proposed to be granted under the Incentive Scheme; and 350,000 Restricted Shares are to be reserved, representing 0.20% of the total share capital of the Company as at the date of the announcement of the draft Incentive Scheme and 19.44% of the total number of the Restricted Shares proposed to be granted under the Incentive Scheme.

As of the date of the announcement of the draft Incentive Scheme, the cumulative total number of underlying shares involved under all share incentive schemes of the Company which are within their validity period shall not exceed 20.00% of the Company's total share capital. The total number of shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity period shall not exceed 1.00% of the total share capital of the Company.

CHAPTER VI LIST OF PARTICIPANTS AND ALLOCATION OF
RESTRICTED SHARES TO BE GRANTED

I. List of Participants and Allocation of Restricted Shares to be Granted

Name	Nationality	Position	Number of Restricted Shares to be granted	Percentage to the total number of Restricted Shares	Percentage to the total capital of the Company as at the Latest Practicable Date
Hou Yongtai	China	Executive Director, Chairman and core technical staff	50,000	2.78%	0.03%
Wu Jianying	China	Executive Director and general manager	70,000	3.89%	0.04%
Tang Minjie	China	Executive Director and chief financial officer	50,000	2.78%	0.03%
Chen Yiyi	China	Executive Director	50,000	2.78%	0.03%
Tian Min	China	Secretary of the Board	15,000	0.83%	0.01%
Zhang Jundong	China	Deputy general manager and core technical staff	20,000	1.11%	0.01%
Ren Caixia	China	Deputy general manager and core technical staff	20,000	1.11%	0.01%
Wang Wenbin	China	Deputy general manager and core technical staff	20,000	1.11%	0.01%
Jiang Lixia	China	Core technical staff	20,000	1.11%	0.01%
Du Peng	China	Core technical staff	12,000	0.67%	0.01%
Liu Lu	China	Core technical staff	12,000	0.67%	0.01%
Yueai Liu	U.S. and U.K.	Core technical staff	12,000	0.67%	0.01%
Subtotal			351,000	19.50%	0.20%
Other persons considered by the board of directors to be required to be incentivized (194 in total)			1,099,000	61.06%	0.63%
Reserved Grant			350,000	19.44%	0.20%
Total			1,800,000	100%	1.02%

Note: Any discrepancies in this table between the total shown and the breakdowns of the amounts listed in the Incentive Scheme are due to rounding (the same applies below).

I. Explanatory Notes

1. The total number of the shares to be granted to any Participant under all share incentive schemes of the Company which are within their validity period do not exceed 1.00% of the total share capital of the Company. The cumulative total number of underlying shares involved under all share incentive schemes of the Company which are within their validity period do not exceed 20.00% of the Company's total share capital. The percentage of the reserved shares does not exceed 20.00% of the total number of the Restricted Shares to be granted under the Incentive Scheme. If a Participant, due to personal reasons, voluntarily waives the Restricted Shares which have been granted to him/her, the board of directors shall adjust the number of granted Restricted Shares accordingly, and allocate the portion of the Restricted Shares waived by such Participant to the reserved portion or allocate such portion amongst the Participants.
2. The above Participants exclude independent directors and supervisors of the Company, persons who individually or jointly hold or control 5% or more of the total issued share capital of the Company or their spouses, parents and children.
3. The Participants under the reserved grant shall be determined within 12 months after the Incentive Scheme being considered and approved at a general meeting. The Company will announce relevant information about the Participants on the designated website timely and accurately in accordance with the requirements after the board of directors having made such proposal, independent directors and the board of supervisors having expressed clear opinions, and the Company's legal advisor having provided professional opinions and issued legal opinions.

**CHAPTER VII VALIDITY PERIOD, GRANT DATE, ATTRIBUTION
ARRANGEMENT AND BLACK-OUT PERIOD****I. Validity Period of the Incentive Scheme**

The validity period of the Incentive Scheme commences on the grant date of the Restricted Shares and ends on the date on which all Restricted Shares granted to the Participants have been attributed or lapsed. Such validity period shall not exceed 36 months.

II. Grant Date of the Incentive Scheme

The Company will convene a meeting of the board of directors to grant the Restricted Shares to the Participants for the first grant and complete the relevant procedures including making relevant announcement(s) according to the relevant regulations, within 60 days after the Incentive Scheme having been adopted and approved at a general meeting (counting from the date on which the conditions for the grant having been satisfied, if there are any granting conditions). If the Company is unable to complete the above procedures within the 60-day period, the Company shall make a timely announcement to disclose the reason for being unable to complete the procedures and declare the termination of the Incentive Scheme. The period during which no Restricted Shares shall be granted pursuant to the Management Measures for Share Incentives of Listed Companies is excluded from the calculation of the 60-day period.

The grant date shall be determined by the board of directors of the Company after the Incentive Scheme has been considered and approved at a general meeting of the Company. The grant date must be a trading day. If the date determined pursuant to the above principles falls on a non-trading day, the grant date will be postponed to the next trading day immediately after such non-trading day.

III. Attribution Arrangement under the Incentive Scheme

The Restricted Shares granted under the Incentive Scheme may be attributed in tranches as per the agreed proportions after the expiry of 12 months following the grant date and upon the Participants satisfying the corresponding attribution conditions. An attribution date must be a trading day within the validity period of the Incentive Scheme, and shall not fall within any of the periods during which the listing rules of the place where the Company's securities are listed prohibit the attribution. Within the validity period of the Incentive Scheme, if the relevant provisions of the listing rules of the place where the Company's securities are listed on the attribution period change, the attribution date for the Participants shall conform to the provisions of the revised relevant laws, regulations and normative documents.

The attribution arrangements for the first grant of the Restricted Shares are shown in the table below:

Tranche	Attribution Period	Attribution Percentage
First tranche	From the first trading day after the expiry of 12 months following the grant date of the First Grant until the last trading day within the 24 months following the grant date of the First Grant	50%
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	50%

The attribution arrangements for the reserved grant of the Restricted Shares are shown in the table below:

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

Those Restricted Shares 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 year(s) and shall lapse according to the provisions under the Incentive Scheme.

After the attribution conditions of the Restricted Shares are met, the Company shall handle the matters in relation to the attribution of the Restricted Shares which have met the conditions.

IV. Black-out Period under the Incentive Scheme

There is no additional black-out period for the Restricted Shares under the Incentive Scheme upon attribution. The requirements of black-out 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:

- (i) Where the Participant is a director or a member of the senior management of the Company, the number of shares which may be transferred each year during his/her term of office shall not exceed 25% of the total number of shares held by him/her. No shares held by him/her may be transferred within six months after his/her termination of office;
- (ii) For Participants who are directors or members of the senior management of the Company and their spouses, parents or children, if they have sold the Company's shares held by them within 6 months after purchasing such shares, or if they have purchased the shares within 6 months after selling their shares, the gains obtained therefrom shall be attributed to the Company and the board of directors shall forfeit the gains;
- (iii) During the validity period of the Incentive Scheme, if the relevant requirements under the relevant laws, administrative regulations, regulatory documents including the Company Law and the Securities Law and the Articles of Association regarding the transfer of shares held by the directors and members of the senior management of the Company are changed, the transfer of the shares held by the Participants under this section shall comply with the relevant laws, regulations and regulatory documents including the Company Law and the Securities Law and the Articles of Association as amended at the time of transfer.

**CHAPTER VIII GRANT PRICE AND BASIS OF DETERMINATION OF THE
GRANT PRICE OF RESTRICTED SHARES****I. Grant Price of Restricted Shares**

The grant price of the first grant of the Restricted Shares shall be RMB95.00 per share. A Participant who has satisfied the conditions for grant and attribution may purchase new A Shares issued by the Company at the price of RMB95.00 per share.

The grant price of the reserved grant of the Restricted Shares shall be the same as the grant price of the first grant of the Restricted Shares.

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

The grant price shall not be lower than the par value of each share of the Company and in principle should not be lower than the higher of the following prices:

- (i) 50% of the average trading price of the A Shares for the 1 day immediately preceding the announcement of the draft Incentive Scheme⁽¹⁾, being RMB61.34 per A Share;
- (ii) 50% of the average trading price of the A Shares for the 20 days immediately preceding the announcement of the draft Incentive Scheme, being RMB66.69 per A Share;
- (iii) 50% of the average trading price of the A Shares for the 60 days immediately preceding the announcement of the draft Incentive Scheme, being RMB70.75 per A Share; and
- (iv) 50% of the average trading price of the A Shares for the 120 days immediately preceding the announcement of the draft Incentive Scheme, being RMB91.14 per A Share.

Note:

- (1) 29 December 2021

CHAPTER IX GRANT AND ATTRIBUTION CONDITIONS
OF THE RESTRICTED SHARES**I. 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.

- (i) None of the following has occurred on the part of the Company:
 - 1. 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;
 - 2. 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;
 - 3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 - 4. laws and regulations stipulate that equity incentives shall not be implemented;
 - 5. other circumstances as determined by the CSRC.
- (ii) None of the following has occurred on the part of the Participants:
 - 1. the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
 - 2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 - 3. 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;
 - 4. the Participant has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
 - 5. laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 - 6. other circumstances as determined by the CSRC.

II. Conditions for Attribution of the Restricted Shares

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

- (i) None of the following has occurred on the part of the Company:
 - 1. 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;
 - 2. 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;
 - 3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
 - 4. laws and regulations stipulate that equity incentives shall not be implemented;
 - 5. other circumstances as determined by the CSRC.

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

- (ii) None of the following has occurred on the part of the Participants:
 - 1. the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
 - 2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
 - 3. 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;
 - 4. 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 a company;
 - 5. laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
 - 6. other circumstances as determined by the CSRC.

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

- (iii) Requirements on length of employment of the Participants for attribution of Restricted Shares:

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

- (iv) Performance assessment requirements at company level:

Under the Incentive Scheme, the Company's performance indicators will be evaluated on an annual basis for the financial years of 2022 to 2023, and the achievement of performance assessment target will be one of the attribution conditions for the Participants for the current year. The attribution arrangement of the Restricted Shares granted, the performance assessment indicators and attribution percentage are shown in the following table:

Tranche	Target Value	Trigger Value
Restricted Shares under both the First Grant and the Reserved Grant	First Tranche The Company meeting any one of the following two targets: The revenue for 2022 reaching RMB2.5 billion; The net profit for 2022 reaching RMB560 million.	The Company meeting any one of the following two targets: The revenue for 2022 reaching RMB2 billion; The net profit for 2022 reaching RMB450 million.
	Second Tranche The Company meeting any one of the following two targets: The revenue for 2023 reaching RMB2.9 billion; The net profit for 2023 reaching RMB650 million.	The Company meeting any one of the following two targets: The revenue for 2023 reaching RMB2.3 billion; The net profit for 2023 reaching RMB510 million.

A = The actual assessment result in relation to revenue

B = The actual assessment result in relation to net profit

M = "Company level attribution factor" for the Restricted Shares for each assessment year

When either A or B equals or exceed the target value

M = 100%

When either A or B equals or exceed the trigger value

M = 80% + (A/revenue target value) × 20%
or
M = 80% + (B/net profit target value) × 20%
(whichever is higher to confirm the attribution factor)

When both A and B are less than the trigger value

M = 0%

Note: The above “revenue” refers to the audited consolidated revenue of the Company, while “net profit” is calculated based on the audited net profit attributable to the shareholders of the Company, but excluding the net profit affected by the expenses incurred on the share-based payment relating to the Incentive Scheme and other share incentive scheme.

During the attribution period, the Company shall handle the registration of share vesting for Participants meeting the attribution conditions. If the Company’s performance level fails to meet the performance assessment indicator requirements in each attribution period, the Restricted Shares that have been granted but are yet to be attributed to the Participants in such tranche shall not be attributed and shall lapse.

(v) Performance assessment requirements at the business unit level

The business unit level assessment is carried out according to the internal performance assessment system of the Company. The assessment results of the business unit where Participants work are divided into three levels – “A”, “B” and “C”, and the corresponding attribution percentage is as follows:

Assessment Level	A	B	C
Business unit level attribution factor	100%	80%	0%

(vi) 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 – “qualified” and “unqualified” and the corresponding attribution percentage is as follows:

Assessment Level	Qualified	Unqualified
Individual level attribution factor	100%	0%

Under the premise of the Company achieving above its aforementioned trigger value, the number of Restricted Shares to be attributed to the Participant in the current attribution tranche equals to the number of Restricted Shares to be attributed to the Participant under the Incentive Scheme in the current year × the Company level attribution factor × the business unit level attribution factor × the individual level attribution factor.

In any event if the Restricted Shares to be attributed to the Participant under the Incentive Scheme in the current year cannot be attributed or fully attributed due to assessment reasons, such Restricted Shares shall lapse and cannot be deferred to the next year for attribution.

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

III. Explanation on the scientificity and reasonableness of the performance appraisal indicators of the Restricted Shares

The Company is a scientific and technological innovation enterprise that applies biomedical material technology and genetic engineering technology for the research and development, production and sales of medical devices and drugs. It is committed to providing innovative medical products to the market through technological innovation and transformation, integration of domestic and foreign resources, and large-scale production. Through gradually achieving the import substitution of related medical products, the Company aims to become a leading enterprise in the field of biomedical materials. After more than ten years of continuous independent innovation and industrial integration, the Company has completed the industry reorganization of absorbable biomedical materials represented by medical sodium hyaluronate/sodium hyaluronate and medical chitosan, and has realized the industrialization of recombinant human epidermis growth factors of innovative genetic engineering drugs, has further led to industry-leading advantages in the four main business areas of ophthalmology, medical aesthetics and wound care, orthopedics, and anti-adhesion and hemostasis.

In order to achieve the Company's strategy and maintain its existing competitiveness, the assessment indicators of the Incentive Scheme at the Company level are revenue and net profit. Revenue is an indicator of the Company's main business operating conditions and market value growth. Net profit is an indicator of the Company's operating conditions and profitability. According to the performance assessment indicators of the Incentive Scheme, the target value for the Company's revenue in 2022 and 2023 is RMB2.5 billion and RMB2.9 billion respectively, and the trigger value for revenue in 2022 and 2023 is RMB2 billion and RMB2.3 billion respectively. The target value for net profit for 2022 and 2023 is RMB560 million and RMB650 million respectively, and the trigger value for net profit in 2022 and 2023 is RMB450 million and RMB510 million respectively. Based on comprehensive consideration of the macroeconomic environment, the Company's historical performance, industry development, market competition, the Company's future development plans and other relevant factors, the Company has set performance assessment indicators for this Incentive Scheme. The appraisal indicators set in the Incentive Scheme are challenging to enhance the Group's competitiveness and mobilize the enthusiasm of employees, ensure the realization of the Group's future development strategy and business objectives, and bring more efficient and lasting returns to the Shareholders.

In addition to the performance indicators at the Company level, the Company has also set up a performance appraisal system at the business unit level and the Participant's individual level, which allows a more accurate, comprehensive evaluation of the work performance of the Participants. The Company will determine whether the Participants meets the attribution conditions and the actual number to be attributed based on the annual performance evaluation results of both the business unit and the Participant's individual.

In summary, the appraisal system under the Incentive Scheme is integrated, comprehensive and operable. Meanwhile, the scientific and reasonable performance indicators restrain and challenge the Participants and can achieve the appraisal purpose of the Incentive Scheme.

CHAPTER X METHODS AND PROCEDURES FOR ADJUSTMENT
UNDER THE INCENTIVE SCHEME**I. Adjustment Method for the Number of the Restricted Shares**

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

(i) Capitalization issue, bonus issue and share split

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

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

(ii) Rights issue

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

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

(iii) Share consolidation

$$Q = Q_0 \times n$$

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

(iv) 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.

II. Adjustment Method of the Grant Price of the Restricted Shares

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

(i) Capitalization issue, bonus issue and share split

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

Where: P_0 represents the grant price before the adjustment; n represents the ratio of increase per share resulting from capitalization issue, bonus issue and share split; P represents the grant price after the adjustment.

(ii) 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.

(iii) Share consolidation

$$P = P_0 \div n$$

Where: P_0 represents the grant price before the adjustment; n represents the ratio of consolidation of shares per share; P represents the grant price after the adjustment.

(iv) 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.

(v) *New issue of shares*

In the event of new issue of shares by the Company, no adjustment will be made to the grant price of the Restricted Shares.

III. Adjustment procedures for the Incentive Scheme

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

CHAPTER XI ACCOUNTING TREATMENT ON THE RESTRICTED SHARES

In accordance with relevant requirements of the Accounting Standards for Business Enterprises No. 11 – Share-Based Payments and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments published by the Ministry of Finance, at each balance sheet date before the attribution date, the Company shall revise the number of the Restricted Shares which are expected to be attributed according to the changes in the latest available number of persons eligible to be attributed the Restricted Shares, fulfilment of the performance targets 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. Method of Accounting Treatment**1. Grant Date**

Since Type II Restricted Shares cannot be attributed on the grant date, no related accounting treatment is required. The Company will use the Black-Scholes Model on the grant date to determine the fair value of Restricted Shares on the grant date in accordance with the Application Case of Share-Based Payments Standards – Grant of Restricted Shares.

2. Period before the attribution date

Based on the best estimate of the number of attributable Type II Restricted Shares, the services provided by the staff will be recognized as costs or expenses and the owners' equity – “Capital Reserve – Other Capital Reserve” will be recognized as well on each balance sheet date before the attribution date according to the fair value of the Restricted Shares on the grant date and the relevant attribution percentage of the Restricted Shares within the respective attribution tranche without recognizing subsequent changes in the fair value thereof.

3. Accounting treatment after the attribution date

No adjustment shall be made to the recognized costs or expenses and total owners' equity.

4. Attribution date

If the attribution conditions are met on the attribution date, the Restricted Shares can be attributed and the “Capital Reserve – Other Capital Reserve” recognized on each balance sheet date before the attribution date shall be carried over; if all or part of the Restricted Shares become invalid or are abolished due to failure to attribute, the owners' equity shall be reduced accordingly.

5. *Determination of fair value of the Type II Restricted Shares and rationality of valuation of significant parameters which involved in the valuation model*

The Company uses the Black-Scholes Model as the pricing model to predict the fair value of the Restricted Shares under the First Grant of 29 December 2021 (formal calculation at the time of grant). The specific parameters are as follows:

- (a) underlying stock price: RMB121.53 (the closing price of the A Shares for the 1 trading day immediately preceding the announcement);
- (b) the validity period is 1 year and 2 years respectively (the period from the grant date to the first attribution date of each attribution tranche);
- (c) historical volatility: 16.06%, 19.95% (using the annualized volatility of Wind A Share Index (index code: 881001.WI) in recent one year and two years);
- (d) risk free interest rate: 1.50% and 2.10% (the benchmark interest rates for 1-year and 2-year deposits of financial institutions formulated by the People's Bank of China are adopted respectively).

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

The Company will grant 1,800,000 Restricted Shares to the Participants, in which 1,450,000 Restricted Shares will be granted under the First Grant. The fair value of the Restricted Shares was estimated based on the closing data in relation to the A Shares on the SSE of the trading day prior to the publication of the Incentive Scheme, and the total equity expense of the First Grant was estimated to be RMB44,306,100. The total amount of above expenses as the incentive cost of the Incentive Scheme will be recognized over the course of the Incentive Scheme in attribution proportion in installments and will be charged to operating profit or loss. In accordance with 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 January 2022, and the amortization of cost of the Restricted Shares from the years 2022 to 2024 shall be as follows:

	Unit: RMB		
Amortization cost of the Restricted Shares	Year 2022	Year 2023	Year 2024
44,306,100	29,716,500	13,598,900	990,700

Notes:

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

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

**CHAPTER XII PROCEDURES FOR IMPLEMENTATION, GRANT,
ATTRIBUTION OF AND AMENDMENTS TO, AND TERMINATION
OF THE INCENTIVE SCHEME**

I. Procedures for Implementation of the Incentive Scheme

- (i)* The Remuneration Committee is responsible for formulating the draft Incentive Scheme and the Company's Assessment Management Measures.
- (ii)* The board of directors shall resolve on the draft Incentive Scheme and the Company's Assessment Management Measures formulated by the Remuneration Committee. When the board of directors resolves on the Incentive Scheme, related directors shall abstain from voting.
- (iii)* The independent directors and the board of supervisors should express opinions as to whether the Incentive Scheme is conducive to the sustainable development of the Company and whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders.
- (iv)* The Company will engage an independent financial adviser to give professional opinions on the feasibility of the Incentive Scheme, whether the Incentive Scheme is conducive to the sustainable development of the Company and whether there are any circumstances apparently harmful to the interests of the Company and all Shareholders. The legal adviser engaged by the Company will issue a legal opinion on the Incentive Scheme.
- (v)* Within two trading days after the board of directors having reviewed and approved the draft Incentive Scheme, the Company will make an announcement of the board resolutions, the draft and summary of the Incentive Scheme, the opinions of independent directors, and the opinions of the board of supervisors.
- (vi)* The Company shall carry out self-investigation on the trading of shares of the Company by individuals in possession of inside information within 6 months prior to the announcement of the Incentive Scheme.
- (vii)* Before convening a general meeting, the Company shall announce the names and positions of the Participants internally via the Company's website or other channels for no less than 10 days. The board of supervisors shall review the list of Participants and take sufficient consideration of the public response. The Company shall disclose the information regarding the review by the board of supervisors regarding the list of Participants and the publication responses 5 days prior to the consideration of the Incentive Scheme at the general meeting.

- (viii) During voting on the Incentive Scheme and related resolutions at the general meeting of the Company, the independent directors shall solicit proxy voting rights from all shareholders regarding the Incentive Scheme and related resolutions. When the Incentive Scheme and related resolutions are considered by way of special resolution at the general meeting, the related shareholders shall abstain from voting.
- (ix) The Company will make an announcement of the resolutions of the general meeting, the Incentive Scheme as considered and approved at the general meeting, the self-investigation report on the trading of shares of the Company by individuals in possession of inside information and the legal opinions. 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).
- (x) After the Incentive Scheme has been considered and approved by the general meeting of the Company, the board of directors will grant the Restricted Shares to the Participants and complete the announcements and other relevant procedures pursuant to the authorization granted by the shareholders within 60 days after the Incentive Scheme having been adopted and approved at a general meeting. The board of directors shall handle matters including the attribution and registration of Restricted Shares in accordance with the authorization at a general meeting.

II. Procedures for Grant of the Restricted Shares

- (i) The Company shall convene a meeting of the board of directors to grant the Restricted Shares to the Participants within 60 days from the date on which the Incentive Scheme has been adopted and approved at a general meeting.
- (ii) Before granting the Restricted Shares to the Participants, the board of directors shall consider whether the Participants have satisfied the conditions for grant prescribed in the Incentive Scheme and make an announcement thereafter. The independent directors and the board of supervisors shall also issue their express opinions at the same time. The legal advisor shall issue a legal opinion on whether the Participants have satisfied the conditions of the grant. The board of supervisors of the Company shall verify the list of the Participants on the grant date of the Restricted Shares and issue its opinion.

When there is any discrepancy between the Company's grant of the Restricted Shares to the Participants and the arrangement stipulated under the Incentive Scheme, the independent directors, the board of supervisors (when there are changes to the Participants), legal advisor and the independent financial adviser shall issue their clear opinions simultaneously.

- (iii) The Company shall enter into the Agreement on the Granting of Type II Restricted Shares with the Participants setting out their respective rights and obligations.
- (iv) 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 the Granting of Type II Restricted Shares.
- (v) Upon the general meeting's consideration and approval of the Share Incentive Scheme, the Company shall grant the Restricted Shares to the Participants and make an announcement within 60 days (if there are conditions to the grant, then counting from the fulfilment of the granting conditions). If the Company fails to publish an announcement in respect of the grant of the Restricted Shares within the 60-day period, the Incentive Scheme shall be terminated, and the board of directors shall promptly disclose the reasons for the failure to complete and is prohibited from approving a share incentive scheme again within 3 months thereafter.
- (vi) The Participants of the reserved grant shall be determined within 12 months after the Incentive Scheme being reviewed and approved at the general meeting. The reserved grant shall lapse if such Participants cannot be determined within the said 12-month period.
- (vii) 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).

III. Procedures for the Attribution of the Restricted Shares

- (i) Prior to attribution, the Company shall confirm whether the Participants have satisfied the attribution conditions. The board of directors shall consider whether the attribution conditions under the Incentive Scheme have been satisfied, and the independent directors and the board of supervisors shall express clear opinions at the same time. The legal advisor shall issue a legal opinion on whether the conditions for attributing the Restricted Shares have been satisfied.
- (ii) The Participants who have fulfilled the attribution conditions shall pay the funds for the subscription of the Restricted Shares into the account designated by the Company according to the Company's requirements, which will be verified and confirmed by a certified public accountant. Participants who have not paid the funds within the requisite period shall be deemed to have waived his/her right to subscribe for the Restricted Shares. The Company shall in a unified manner make an

application to the Stock Exchange, and after confirmation by the Stock Exchange, the CSDC will handle the matters for the attribution of the Restricted Shares. The Restricted Shares of the Participants who have not fulfilled the attribution conditions in the relevant tranche shall not be attributed and shall lapse. The Company shall make timely disclosure in respect of the implementation of the Incentive Scheme.

- (iii) Participants may transfer their attributed Restricted Shares, however, the transfer of the Restricted Shares held by the directors and members of the senior management of the Company should comply with the requirements of the relevant laws, administrative regulations and regulatory documents.

IV. Procedures for Amendment and Termination of the Incentive Scheme

(i) *Procedures for the Amendment of the Incentive Scheme*

1. If the Company intends to make amendments to the Incentive Scheme before it is considered and approved at the general meeting, the amendments shall be considered and approved by the board of directors. If the Company intends to make amendments to the Incentive Scheme that has been adopted at the general meeting, such amendments shall be submitted to the general meeting for its approval and shall not include circumstances that would result in the acceleration of attribution or reduction of the grant price. Where other situations required by the listing rules of the place where the Company's securities are listed are involved, the Company shall comply with such local laws and regulations.
2. The Company shall timely disclose the reasons for and the content of the amendments. The independent directors and the board of supervisors of the Company shall give clear opinions as to whether the amendments to the Incentive Scheme is conducive to the sustainable development of the Company and whether there are any situations that clearly harm the interests of the Company and all shareholders. The legal advisor shall express its professional opinions as to whether the amended proposal is in compliance with the requirements 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 shareholders.

(ii) *Procedures of termination of the Incentive Scheme*

1. If the Company intends to terminate the Incentive Scheme before it is considered and approved at the general meeting, the board of directors shall consider and approve and make an announcement. If the Company intends to

terminate the implementation of the Incentive Scheme after it is considered and approved at the general meeting, such termination shall be submitted to the board of directors and the general meetings for approval and be disclosed.

2. The Company shall timely disclose the resolutions of the general meetings or the resolutions of the board of directors. The legal advisor shall express its professional opinions as to whether the Company's termination of the implementation of the Incentive Scheme is in compliance with the requirements 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 shareholders.

**CHAPTER XIII OTHER RIGHTS AND OBLIGATIONS OF THE COMPANY
AND PARTICIPANTS****I. Rights and Obligations of the Company**

- (i) The Company has the right to interpret and implement the Incentive Scheme, to conduct performance assessment of the Participants, and to supervise and examine whether the Participants are eligible for attribution. If a Participant fails to fulfill the attribution conditions as determined under the Incentive Scheme, upon the approval of the board of directors of the Company, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed and shall lapse.
- (ii) 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 violates the laws and professional ethics, divulges company secrets, violates the rules and regulations of the Company, and neglects his/her duty or malfeasance or has other acts that seriously damage the Company's interests or reputation, upon the approval of the board of directors, the Restricted Shares that have been granted to the Participant but have not yet been attributed shall be attributed and shall lapse and the Company has the right to demand the Participant to return all the benefits obtained from the Incentive Scheme to the Company.
- (iii) The Company shall withhold and pay the personal income tax and other taxes and fees payable by the Participants in accordance with relevant national tax laws and regulations.
- (iv) The Company undertakes not to provide loans and any other forms of financial assistance, including providing guarantee for their loans, to the Participants to obtain relevant Restricted Shares according to the Incentive Scheme.
- (v) The Company shall timely, truthfully, accurately and completely disclose the information disclosure documents related to the Incentive Scheme in accordance with relevant laws, regulations and regulatory documents, ensure that there are no false records, misleading statements or material omission and fulfil relevant reporting obligations under the Incentive Scheme in a timely manner.
- (vi) In accordance with the Incentive Scheme and relevant requirements of the CSRC, the 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 of the attribution of Restricted Shares and causes losses to the Participants due to the reasons on the part of the CSRC, the Stock Exchange and the registration and clearing companies.
- (vii) Other relevant rights and obligations as stipulated under the laws, administrative regulations and regulatory documents.

II. Rights and Obligations of the Participants

- (i) 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. The Participants shall accept assessment requirements at both the business unit level and the Participant's individual level carried out according to the internal performance assessment system of the Company. If the Participants refuse to accept such individual assessment, the Participant's right to participate in the Incentive Scheme shall be revoked, and the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.
- (ii) The Participants have the right to receive the attributed Restricted Shares granted in accordance with the provisions of the Incentive Scheme, and should lock-up and deal with his/her Restricted Shares in accordance with relevant provisions.
- (iii) Source of funds for the Participants shall be their own financing.
- (iv) Prior to the attribution, the Restricted Shares granted to the Participants under the Incentive Scheme shall not be transferred, used to guarantee or repay debts.
- (v) Prior to the attribution, the Restricted Shares granted to the Participants under the Incentive Scheme do not carry any voting rights or right to participate in the distribution of bonus shares or share dividends.
- (vi) The income received by the Participants as a result of the Incentive Scheme shall be subject to personal income tax and other taxes and fees in accordance with national tax regulations.
- (vii) The Participants undertake that, if there are false records, misleading statements or material omissions in the Company's information disclosure documents, resulting in non-compliance with the arrangement for granting rights and interests or attribution, the Participants shall fulfill their undertakings and return all the benefits obtained from the Incentive Scheme to the Company after confirming the existence of false records, misleading statements or major omissions in relevant information disclosure documents.
- (viii) If the Participant is no longer eligible to be a Participant under the Incentive Scheme as stipulated in Article 10.4 of the Listing Rules during the implementation of the Incentive Scheme, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed, and shall lapse.

- (ix) If a Participant resigns after attribution, the Participant shall comply with the relevant regulations of the Company on the restriction of competition. If the Participant violate the relevant regulations, the Participant shall return all the income derived from the Incentive Scheme to the Company and bear the same amount of liquidated damages as the income obtained. If losses are caused to the Company, the Participant shall also be liable to the Company for compensation. It shall be governed by the terms of the Agreement on the Granting of Type II Restricted Shares entered into between the Company and the Participant.
- (x) The Participants agree to authorize the Company to handle the registration of the attribution of the Restricted Shares for the Participants.
- (xi) Other relevant rights and obligations as stipulated by laws, administrative regulations, regulatory documents and the Incentive Scheme.

III. Other Explanatory Notes

The Company shall enter into the Agreement on the Granting of Type II Restricted Shares with each Participant after the Incentive Scheme having been considered and approved at the general meeting, setting out the parties' respective rights and obligations under the Incentive Scheme and other relevant matters.

Any dispute between the Company and the Participants shall be resolved in accordance with the provisions of the Incentive Scheme and the Agreement on the Granting of Type II Restricted Shares. In event of any dispute that is not clearly covered by such provisions, both parties 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 incorporation.

The Company's determination of a Participant under the Incentive Scheme does not constitute an undertaking with regards to the employment period of any employee. The employment relationship between the Company and the Participants shall be determined in accordance with the labor contract or employment contract signed.

**CHAPTER XIV ARRANGEMENTS FOR THE INCENTIVE SCHEME
IN THE EVENT OF CHANGE AT THE LEVEL OF COMPANY/PARTICIPANTS****I. In the Event of any Changes Occurred at the Company Level**

(i) In the event that any of the circumstances below occurs in respect of the Company, the Incentive Scheme shall be terminated and the Restricted Shares that have been granted to the Participants under the Incentive Scheme but have not yet been attributed shall not be attributed and shall lapse:

1. 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;
2. 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;
3. in the most recent 36 months upon listing, there have been cases of failure to distribute profits according to laws and regulations, the Articles of Association and public undertakings;
4. laws and regulations stipulate that equity incentives shall not be implemented;
5. other circumstances where the Incentive Scheme should be terminated as determined by the CSRC.

(ii) Merger or division of the Company, etc.;

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

(iii) Change of Control of the Company

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

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

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

II. In the Event of Changes in the Personal Circumstances of the Participants

(i) Change in Position of the Participants

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

(ii) Resignation of the Participants

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

Shares that have been attributed shall not be handled. In such case, the Restricted Shares that have been granted but have not yet been attributed shall not be attributed and shall lapse.

(iii) Retirement of the Participants

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

(iv) Incapacity of the Participants

1. If the Participants are incapacitated and leave the Company due to work injury, the Remuneration Committee shall decide that the Restricted Shares granted to the Participants shall be carried out in accordance with the procedures stipulated in the Incentive Scheme which takes effect before the occurrence thereof, and the personal performance assessment results will no longer be included in the attribution conditions; or the Restricted Shares that have been attributed shall not be handled and his/her Restricted Shares that have been granted but not yet been attributed shall not be attributed and shall lapse.
2. If the Participants leave the Company, which is not due to the incapability arising from work injury, the Restricted Shares that have been attributed shall not be handled. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed and shall lapse.

(v) Death of the Participants

1. If the Participants die due to their duty, the Remuneration Committee shall decide that:
 - (1) the Restricted Shares granted to them shall be held by the designated property heir or legal heir on their behalf, and shall be carried out in accordance with the procedures stipulated in the Incentive Scheme which takes effect before their death, and the results of their personal performance evaluation shall not be included in the attribution conditions; or
 - (2) the Company shall cancel his/her Restricted Shares that have been granted but have not yet been attributed.

2. If the Participants die for other reasons, the Restricted Shares that have been attributed for the Participants shall not be handled. The Restricted Shares that have been granted but have not yet been attributed shall not be attributed and shall lapse.

(vi) Change of Control of the Subsidiary where the Participants Work

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

(vii) Changes in Eligibility of Participants

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

1. the Participant has been determined as an inappropriate candidate by the Stock Exchange within the most recent 12 months;
2. the Participant has been identified as an inappropriate candidate by the CSRC and its delegated institutions within the most recent 12 months;
3. 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;
4. the Participant has the circumstances stipulated in the Company Law that he/she shall not act as a director or member of the senior management of a company;
5. laws and regulations stipulate that the Participant shall not participate in the equity incentives of listed companies;
6. other circumstances as determined by the CSRC.

III. Others

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

CHAPTER XV SUPPLEMENTARY PROVISIONS

- I. The Incentive Scheme shall become effective after being considered and approved at the general meeting of the Company;
- II. The board of directors of the Company shall be responsible for the interpretation of the Incentive Scheme.

*Shanghai Haohai Biosciences Co., Ltd.**

Board of directors

29 December 2021

* *For identification purpose only*

Should there be any discrepancy between the Chinese and English versions of the 2020 Restricted A Share Incentive Scheme, the Chinese version shall prevail.

**SHANGHAI HAOHAI BIOLOGICAL TECHNOLOGY CO., LTD.*
THE MANAGEMENT MEASURES FOR ASSESSMENT
FOR THE IMPLEMENTATION OF
THE 2021 RESTRICTED A SHARE INCENTIVE SCHEME**

To further perfect the corporate governance structure of Shanghai Haohai Biological Technology Co., Ltd.* (the “**Company**”), establish and improve the Company’s long-term incentive and restraint mechanism, attract and retain the Company’s core management personnel, core technical or operational personnel, fully mobilize their enthusiasm and creativity, effectively strengthen the cohesion of the core team and core competitiveness of the enterprise, align the interests of shareholders, the Company and core teams effectively, bring their attention to the long-term development of the Company and ensure the achievement of the Company’s development strategies and business goals. Under the premise of fully safeguarding the interests of shareholders, the Company plans to implement the 2021 Restricted A Share Incentive Scheme (the “**Incentive Scheme**”) following the principles of income equivalent to contribution.

To ensure the smooth implementation of the Incentive Scheme of the Company, these measures are specially formulated according to the Company Law of the People’s Republic of China (《中華人民共和國公司法》), the Securities Law of the People’s Republic of China (《中華人民共和國證券法》), the Management Measures for Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》) and other relevant laws, administrative regulations, regulatory documents, relevant articles of the Articles of Association as well as the actual situation of the Company.

ARTICLE 1 PURPOSE OF ASSESSMENT

The purposes of these measures are to strengthen the planned implementation of the Company’s Incentive Scheme, quantify the specific objectives set by the Company’s Incentive Scheme, promote the scientific, standardized and institutionalized assessment management of Participants; at the same time, these measures are to guide the Participants to improve work performance and competence and evaluate employees’ performance and contribution in an objective and fair manner, to provide an objective and comprehensive evaluation basis for the implementation of the Incentive Scheme.

ARTICLE 2 PRINCIPLES OF ASSESSMENT

- (i) Assessment and evaluation of the Participants shall be conducted in strict accordance with these measures following the principles of fairness, justice, and openness;

- (ii) The assessment indicators shall be combined with the Company's medium and long-term development strategies and annual business objectives; as well as the work performance, work competence and work attitude of the Participants.

ARTICLE 3 SCOPE OF ASSESSMENT

These measures apply to all Participants identified in the Incentive Scheme, including directors, senior management personnel, core technical staff and other persons considered the Board to be required to be incentivized of the Company (including its subsidiaries) but excluding the independent non-executive Directors, Supervisors, persons who individually or jointly hold or control 5% or more of the total issued share capital of the Company or their spouses, parents and children. All such Director or member of the senior management being Participants must have been elected at a Shareholders' general meeting or engaged by the Board. All Participants must have entered into a labour or employment relationship with the Company or its subsidiaries during the assessment period of the Incentive Scheme.

ARTICLE 4 ASSESSMENT BODY AND IMPLEMENTATION BODY

- (i) The Remuneration and Appraisal Committee is responsible for leading and organizing the assessment of the Participants;
- (ii) The human resources department of the Company shall form an assessment team that is responsible for the specific assessment work and reporting to the Remuneration and Appraisal Committee;
- (iii) Under the supervision of the internal audit department of the Company, the human resources department, finance department and other relevant departments of the Company are responsible for the collection and provision of relevant assessment data, as well as the authenticity and reliability of the data;
- (iv) The Board is responsible for reviewing the assessment results.

ARTICLE 5 PERFORMANCE ASSESSMENT INDICATORS AND STANDARDS

The attribution of the Restricted Shares that have been granted to the Participants will depend on the assessment results at the Company level, the business unit level and the Participant's individual level.

(i) Performance assessment requirements at the Company level

Under the Incentive Scheme, the Company's performance indicators will be evaluated on an annual basis for the financial years of 2022 to 2023, and the achievement of performance assessment target will be one of the attribution conditions for the Participants for the current year. The performance assessment objectives and the attribution percentage under the Incentive Scheme in relation to both the First Grant and the Reserved Grant are set out below:

Tranche		Target Value	Trigger Value
Restricted Shares under both the First Grant and the Reserved Grant	First Tranche	The Company meeting any one of the following two targets: The revenue for 2022 reaching RMB2.5 billion; The net profit for 2022 reaching RMB560 million.	The Company meeting any one of the following two targets: The revenue for 2022 reaching RMB2 billion; The net profit for 2022 reaching RMB450 million.
	Second Tranche	The Company meeting any one of the following two targets: The revenue for 2023 reaching RMB2.9 billion; The net profit for 2023 reaching RMB650 million.	The Company meeting any one of the following two targets: The revenue for 2023 reaching RMB2.3 billion; The net profit for 2023 reaching RMB510 million.
A = The actual assessment result in relation to revenue B = The actual assessment result in relation to net profit			
M = "Company level attribution factor" for the Restricted Shares for each assessment year			
When either A or B equals or exceed the target value		M=100%	
When either A or B equals or exceed the trigger value		M=80% + (A/revenue target value) × 20% or M=80% + (B/net profit target value) × 20% (whichever is higher to confirm the attribution factor)	
When both A and B are less than the trigger value		M=0%	

Note: The above "revenue" refers to the audited consolidated revenue of the Company, while "net profit" is calculated based on the audited net profit attributable to the shareholders of the Company, but excluding the net profit affected by the expenses incurred on the share-based payment relating to the Incentive Scheme and other share incentive scheme.

During the attribution period, the Company will handle the registration of attributed Restricted Shares for Participants who have satisfied the attribution conditions. In the event that the 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 attributed to the Participants for the current assessment year shall not be attributed and shall lapse.

(ii) Performance assessment requirements at the business unit level

The business unit level assessment is carried out according to the internal performance assessment system of the Company. The assessment results of the business unit where Participants work are divided into three levels – “A”, “B” and “C”, and the corresponding attribution percentage is as follows:

Assessment Level	A	B	C
Business unit level attribution factor	100%	80%	0

(iii) 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 either “qualified” or “unqualified” and the corresponding attribution percentage is as follows:

Assessment Level	Qualified	Unqualified
Individual level attribution factor	100%	0

Under the premise of the Company achieving above its aforementioned trigger value, the number of Restricted Shares to be attributed to the Participant in the current attribution tranche equals to the number of Restricted Shares to be attributed to the Participant under the Incentive Scheme in the current year × the Company level attribution factor × the business unit level attribution factor × the individual level attribution factor.

The Restricted Shares of a Participant that have been granted but are yet to be attributed or fully attributed for the current year due to assessment shall not be attributed shall lapse, and shall not be deferred to the next year.

ARTICLE 6 ASSESSMENT PROCEDURES

The human resources department of the Company is responsible for the specific assessment work under the guidance of the Remuneration and Appraisal Committee and retaining the assessment results. On this basis, a performance assessment report shall be prepared and submitted to the Remuneration and Appraisal Committee, and the Board is responsible for reviewing the assessment results.

ARTICLE 7 PERIOD AND TIMES OF ASSESSMENT

The assessment years of the Incentive Scheme are the two accounting years of 2022-2023, and the assessments at the Company level, the business unit level and the Participant's individual level shall be conducted once a year.

ARTICLE 8 MANAGEMENT OF ASSESSMENT RESULTS**(i) Feedback and application of assessment results**

1. The assessment targets are entitled to know their own assessment results. The person in charge or responsible leader of the department where the employees service shall inform the assessment targets of the assessment results within 5 working days after the completion of the assessment.
2. If the assessment targets have objections against the assessment results, they can communicate with the human resources department to resolve within 5 working days after receiving the assessment results. If the objections cannot be resolved through communication, the assessment objects may appeal to the Remuneration and Appraisal Committee within 10 working days after receiving the assessment results, and the Remuneration and Appraisal Committee shall review and determine the final assessment result or level, which the Board will not further review, within 10 working days after receiving the appeal.
3. If the assessment objects fail to communicate or appeal within the time specified in these Measures, it shall be deemed that there is no objection to the assessment results.
4. The assessment results shall be the basis for the attribution of Restricted Shares.

(ii) Filing of assessment records

1. After the completion of assessment, the human resources department shall retain all the records of the performance assessment. The assessment results shall be kept as confidential information.
2. In order to ensure the validity of the performance records, the performance records are not allowed to be altered. If the records are to be revised or re-recorded, it must be signed by the parties concerned.
3. The assessment results shall be filed and kept by the human resources department as confidential information, and the performance assessment records shall be kept for 10 years. Documents and records that exceed the storage period shall be uniformly destroyed by the human resources department subject to the approval of the Remuneration and Appraisal Committee.

ARTICLE 9 SUPPLEMENTARY PROVISIONS

- (i) The Board is responsible for the formulation, interpretation and revision of these measures.
- (ii) If the relevant provisions of these measures conflict with the relevant national laws, administrative regulations, regulatory documents, and the draft of the Incentive Scheme, the relevant national laws, administrative regulations, regulatory documents, and the draft of the Incentive Scheme shall prevail. If there are no clear provisions in these measures, the relevant national laws, administrative regulations, regulatory documents, and the Incentive Scheme shall be implemented.
- (iii) These measures shall be subject to consideration and approval at the general meeting and become effective upon the Incentive Scheme becoming effective.

Shanghai Haohai Biological Technology Co., Ltd.*
Board of directors
29 December 2021

* *For identification purpose only*

Should there be any discrepancy between the Chinese and English versions of the Management Measures for Assessment for the Implementation of the 2021 Restricted A Share Incentive Scheme, the Chinese version shall prevail.

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 that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors', chief executives' and Supervisors' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the following Directors, Supervisors or chief executives of the Company had interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or will be required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Name	Nature of interests	Class of Shares	Number of Shares	Approximate percentage in relevant issued class of Shares ⁽¹⁾	Approximate percentage in total issued share capital ⁽¹⁾
You Jie ⁽²⁾	Beneficial owner	A Shares	28,800,000(L)	20.90%	16.38%
	Interest of spouse	A Shares	50,920,000(L)	36.95%	28.96%
Hou Yongtai	Beneficial owner	A Shares	5,982,000(L)	4.34%	3.40%
Wu Jianying	Beneficial owner	A Shares	6,000,000(L)	4.35%	3.41%
Tang Minjie	Beneficial owner	H Shares	7,000(L)	0.02%	0.004%
Chen Yiyi	Beneficial owner	A Shares	400,000(L)	0.29%	0.23%
Huang Ming	Beneficial owner	A Shares	2,000,000(L)	1.45%	1.14%
Liu Yuanzhong	Beneficial owner	A Shares	2,000,000(L)	1.45%	1.14%

Notes:

L demotes long position

- As at the Latest Practicable Date, the Company had 175,822,100 issued Shares, comprising 137,800,000 A Shares and 38,022,100 H Shares.
- Ms. You Jie directly holds 28,800,000 A Shares in the Company. She is the spouse of Mr. Jiang Wei and therefore she is deemed under the SFO to be interested in the 44,449,000 A Shares directly held by Mr. Jiang Wei and 6,471,000 A Shares held through Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) in the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors and the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register of the Company required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders in shares and underlying shares of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than the Directors, the Supervisors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interests	Class of Shares	Number of Shares	Approximate percentage in relevant issued class of Shares ⁽¹⁾	Approximate percentage in total issued share capital ⁽¹⁾
Jiang Wei ⁽²⁾	Beneficial owner	A Shares	44,449,000(L)	20.90%	25.28%
	Interest of spouse	A Shares	28,800,000(L)	32.26%	16.38%
	Interest of corporation controlled by the substantial shareholder	A Shares	6,471,000(L)	4.70%	3.68%
Shanghai Zhanxi Corporate Management Limited Company ⁽³⁾	Interest of corporation controlled by the substantial shareholder	A Shares	6,471,000(L)	4.70%	3.68%
Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) ⁽³⁾	Beneficial owner	A Shares	6,471,000(L)	4.70%	3.68%
Lou Guoliang	Beneficial owner	A Shares	7,125,075(L)	5.17%	4.05%
Kabouter Management LLC ⁽⁴⁾	Investment Manager/Interest of corporation controlled by you	H Shares	3,524,731(L)	9.27%	2.00%
Kabouter International Insight Fund, LLC ⁽⁴⁾	Beneficial owner	H Shares	2,336,168(L)	6.14%	1.33%

Name	Nature of interests	Class of Shares	Number of Shares	Approximate percentage in relevant issued class of Shares ⁽¹⁾	Approximate percentage in total issued share capital ⁽¹⁾
Templeton Investment Counsel, LLC ⁽⁴⁾	Investment Manager	H Shares	2,625,700(L)	6.91%	1.49%
Dalton Investments LLC ⁽⁴⁾	Investment Manager	H Shares	2,254,700(L)	5.93%	1.28%
Prudence Investment Management (Hong Kong) Limited ⁽⁴⁾	Investment Manager	H Shares	1,969,600(L)	5.18%	1.12%
The Bank of New York Mellon Corporation ⁽⁴⁾	Interest of corporation controlled by you	H Shares	2,197,623(L)	5.78%	1.25%

Notes:

L demotes long position

1. As at the Latest Practicable Date, the Company had 175,822,100 issued Shares, comprising 137,800,000 A Shares and 38,022,100 H Shares.
2. Mr. Jiang Wei directly holds 44,449,000 A Shares in the Company. He is the spouse of Ms. You Jie, the non-executive Director, and therefore he is deemed under the SFO to be interested in the 28,800,000 A Shares held by Ms. You Jie in the Company. He holds 6,471,000 A Shares in the Company through his interest in controlling Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company.
3. Each of Shanghai Zhanze Corporate Management Partnership Enterprise (Limited Partnership) and its executive partner Shanghai Zhanxi Corporate Management Limited Company is deemed to be interested in such shares.
4. The disclosure is based on the information available on the website of the Hong Kong Stock Exchange (www.hkexnews.com.hk).

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any persons (other than the Directors, the Supervisors or chief executives of the Company) who had interests and/or short positions in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

None of the Directors is a director or employee of a company which has an interest or short position in the Shares and 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 Securities and Futures Ordinance.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, proposed Director, and their respective associates had any interest in a business which competes or is likely to compete with the business of the Group.

4. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Director or the Supervisors: (a) had any direct or indirect interest in any assets acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up; or (b) was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, none of the Directors or Supervisors has entered into or intends to enter into a service contract with any member of the Group (other than contracts expiring or terminable by the relevant employer within one year without payment of compensation (other than statutory compensation)).

7. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any material litigation or claims. To the knowledge of the Directors, no member of the Group had any pending or threatened material litigation or claims.

8. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given advice and recommendations which are contained in this circular:

Name	Qualification
Rainbow Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The Independent Financial Adviser issued a letter dated 15 February 2022 in respect of its recommendation to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation in this circular. As at the Latest Practicable Date, the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter in this circular, and the references to its name and opinion in the form and context in which they appear.

9. EXPERT'S INTERESTS

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any direct or indirect interest in any assets acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company's website (www.3healthcare.com) from the date of this circular up to and including the date of the EGM and the Class Meetings:

- (a) the letter from the Independent Board Committee as set out in pages 56 to 57 of this circular;
- (b) the letter from the Independent Financial Adviser as set out in pages 58 to 84 of this circular;

- (c) the written consent of Rainbow Capital, the Independent Financial Adviser, referred to in the paragraph headed “8. Expert’s Qualification and Consent” above; and
- (d) this circular.

11. GENERAL INFORMATION

- (a) The joint company secretaries of the Company are Ms. Tian Min and Mr. Chiu Ming King. Mr. Chiu is an associate member of The Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) and a fellow member of the Hong Kong Institute of Chartered Secretaries.
- (b) The registered address of the Company is No. 5 Dongjing Road Songjiang Industrial Zone Shanghai, China. The principal place of business of the Company in Hong Kong is at Room 1901, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay, Hong Kong.
- (c) The H share registrar of the Company is Computershare Hong Kong Investor Services Limited located at 17M Floor Hopewell Centre 183 Queen’s Road East Wan Chai, Hong Kong.
- (d) Unless otherwise indicated above, the English version of this circular shall prevail over the Chinese version in the event of any inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

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

(Stock code: 6826)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of Shanghai Haohai Biological Technology Co., Ltd.* (the “Company”) will be held at 24/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, the PRC on Monday, 7 March 2022 at 2:00 p.m. to consider and, if thought fit, pass the following resolutions. Unless the context requires otherwise, capitalized terms used herein shall have the same meaning as defined in the announcement of the Company dated 29 December 2021.

Special Resolutions

1. The proposal in relation to the 2021 restricted A share incentive scheme of the Company (draft) and its summary.
2. The proposal in relation to the assessment management measures for the implementation of the 2021 restricted A share incentive scheme of the Company.
3. The proposal in relation to the authorization granted by the general meeting to the Board of Directors to deal with matters relating to the restricted A share incentives.

By order of the Board

Shanghai Haohai Biological Technology Co., Ltd.*

Hou Yongtai

Chairman

Shanghai, the PRC

10 February 2022

As at the date of this notice, the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Ms. Chen Yiyi and Mr. Tang Minjie; the non-executive directors of the Company are Ms. You Jie and Mr. Huang Ming; and the independent non-executive directors of the Company are Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei.

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Eligibility for attending and voting at the EGM and date of registration of holders for H Shares

In order to determine the holders of H Shares (the “H Shareholders”) who are entitled to attend the EGM, the register of members of H Shares will be closed from Tuesday, 1 March 2022 to Monday, 7 March 2022 (both days inclusive), during which time no transfer of H Shares will be registered. For qualifying to attend and vote at the EGM, the H Shareholders of the Company whose transfers have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for H Shareholders for registration at or before 4:30 p.m. on Monday, 28 February 2022. H Shareholders of the Company whose names appear on the register of members of H Shares of the Company after 4:30 p.m. on Monday, 28 February 2022 will be entitled to attend and vote at the EGM or any adjournment thereof.

The Company will announce separately on The Shanghai Stock Exchange for details of A Shareholders’ eligibility for attending the EGM.

2. Proxy

- (1) Each Shareholder entitled to attend and vote at the EGM may appoint one or more proxies in writing to attend and vote at the EGM on his behalf. A proxy need not be a Shareholder of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other document of authorisation must be notarised.
- (3) To be valid, for H Shareholders, the form of proxy and notarised power of attorney or other document of authorisation (if any) must be delivered to the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the EGM or any adjournment thereof (as the case may be), i.e. not later than 2:00 p.m. on Sunday, 6 March 2022. Completion and return of the form of proxy will not preclude Shareholders from attending and vote at the EGM should they wish to do so.

3. Registration procedures for attending the EGM

A Shareholder or his proxy should present proof of identity when attending the EGM. If a Shareholder is a legal person, its legal representative or other person authorised by the Board or other governing body of such Shareholder may attend the EGM by providing a copy of the resolution of the Board or other governing body of such Shareholder appointing such person to attend the meeting.

4. Voting method at the EGM

All voting at the EGM will be conducted by poll.

5. Miscellaneous

- (1) The EGM is expected to take no more than half a day. Shareholders who attend the EGM shall bear their own travelling and accommodation expenses.
- (2) The address and contact details of the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited are:

17M Floor, Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990/(852) 2529 6087

- (3) The address and contact details of the head office of the Company are:

23/F, WenGuang Plaza,
No. 1386 Hongqiao Road, Changning District,
Shanghai, the PRC
Telephone: (86) 021-52293555
Facsimile: (86) 021-52293558

- (4) Further details of the resolutions will be included in the circular to be despatched to Shareholders by the Company.

NOTICE OF H SHAREHOLDERS' CLASS MEETING



Shanghai Haohai Biological Technology Co., Ltd.*

上海昊海生物科技股份有限公司

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

(Stock code: 6826)

NOTICE OF H SHAREHOLDERS' CLASS MEETING

NOTICE IS HEREBY GIVEN that the 2022 first H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of Shanghai Haohai Biological Technology Co., Ltd.* (the "**Company**") will be held on Monday, 7 March 2022 immediately after the conclusion or adjournment of the extraordinary general meeting (the "**EGM**") and A shareholders' class meeting of the Company to be held on the same date at 24/F, WenGuang Plaza, No. 1386 Hongqiao Road, Changning District, Shanghai, the PRC to consider and, if thought fit, pass the following resolution. Unless the context requires otherwise, capitalized terms used herein shall have the same meaning as defined in the announcement of the Company dated 29 December 2021.

Special Resolutions

1. The proposal in relation to the 2021 restricted A share incentive scheme of the Company (draft) and its summary.
2. The proposal in relation to the assessment management measures for the implementation of the 2021 restricted A share incentive scheme of the Company.
3. The proposal in relation to the authorization granted by the general meeting to the Board of Directors to deal with matters relating to the restricted A share incentives.

By order of the Board

Shanghai Haohai Biological Technology Co., Ltd.*

Hou Yongtai

Chairman

Shanghai, the PRC
10 February 2022

As at the date of this notice, the executive directors of the Company are Dr. Hou Yongtai, Mr. Wu Jianying, Ms. Chen Yiyi and Mr. Tang Minjie; the non-executive directors of the Company are Ms. You Jie and Mr. Huang Ming; and the independent non-executive directors of the Company are Ms. Li Yingqi, Mr. Jiang Zhihong, Mr. Su Zhi, Mr. Yang Yushe and Mr. Zhao Lei.

* For identification purpose only

NOTICE OF H SHAREHOLDERS' CLASS MEETING

Notes:

1. Eligibility for attending and voting at the H Shareholders' Class Meeting and date of registration of holders for H Shares

In order to determine the holders of H Shares (the "H Shareholders") who are entitled to attend the H Shareholders' Class Meeting, the register of members of H Shares will be closed from Tuesday, 1 March 2022 to Monday, 7 March 2022 (both days inclusive), during which time no transfer of H Shares will be registered. For qualifying to attend and vote at the H Shareholders' Class Meeting, the H Shareholders whose transfers have not been registered must lodge all transfer instruments accompanied by the relevant share certificates with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders for registration at or before 4:30 p.m. on Monday, 28 February 2022. H Shareholders whose names appear on the register of members of H Shares after 4:30 p.m. on Monday, 28 February 2022 will be entitled to attend and vote at the H Shareholders' Class Meeting or any adjournment thereof.

2. Proxy

- (1) Each H Shareholder entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies in writing to attend and vote at the H Shareholders' Class Meeting on his behalf. A proxy need not be a H Shareholder.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other document of authorisation must be notarised.
- (3) To be valid, for H Shareholders, the form of proxy and notarised power of attorney or other document of authorisation (if any) must be delivered to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the H Shareholders' Class Meeting or any adjournment thereof (as the case may be), i.e. not later than 2:00 p.m. on Sunday, 6 March 2022. Completion and return of the form of proxy will not preclude H Shareholders from attending and vote at the H Shareholders' Class Meeting should they wish to do so.

3. Registration procedures for attending the H Shareholders' Class Meeting

A H Shareholder or his proxy should present proof of identity when attending the H Shareholders' Class Meeting. If a H Shareholder is a legal person, its legal representative or other person authorised by the Board or other governing body of such H Shareholder may attend the H Shareholders' Class Meeting by providing a copy of the resolution of the Board or other governing body of such H Shareholder appointing such person to attend the meeting.

4. Voting method at the H Shareholders' Class Meeting

All voting at the H Shareholders' Class Meeting will be conducted by poll.

5. Miscellaneous

- (1) The H Shareholders' Class Meeting is expected to take no more than half a day. H Shareholders who attend the H Shareholders' Class Meeting shall bear their own travelling and accommodation expenses.
- (2) The address and contact details of the Company's H Share registrar, Computershare Hong Kong Investor Services Limited are:

17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Facsimile: (852) 2865 0990/(852) 2529 6087
- (3) The address and contact details of the head office of the Company are:

23/F, WenGuang Plaza,
No. 1386 Hongqiao Road, Changning District,
Shanghai, the PRC
Telephone: (86) 021-52293555
Facsimile: (86) 021-52293558
- (4) Further details of the resolutions will be included in the circular to be despatched to Shareholders by the Company.