

**Security Abbreviation: Supor**

**Stock Code: 002032.SZ**

**Zhejiang Supor Co., Ltd.  
Restricted Stock Incentive Plan in 2021  
(Draft)**

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**Zhejiang Supor Co., Ltd.  
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## Statement

The Company, directors and supervisors undertake that this Incentive Plan and its abstract are free from any false records, misleading statements or material omissions and commit to assume individual and joint liabilities for the authenticity, accuracy and completeness thereof.

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## Special Notes

1. This Incentive Plan is formulated in accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Administrative Measures for Equity Incentive of Listed Companies* and other relevant laws, regulations and normative documents, as well as the *Articles of Association* of Zhejiang Supor Co., Ltd. (hereinafter referred to as "the Company" or "Supor").

2. The Company does not have the circumstances under which equity incentive shall not be implemented as stipulated in Article 7 of the *Administrative Measures for Equity Incentive of Listed Companies*.

3. The incentive objects of this Incentive Plan do not have the circumstances under which they shall not be the incentive objects as stipulated in Article 8 of the *Administrative Measures for Equity Incentive of Listed Companies*.

4. The incentive tool applied in this Incentive Plan refers to restricted stock, which is the A-share common stock repurchased from the parallel market.

5. The number of restricted stocks to be granted under the Incentive Plan is 1,209,500 shares, accounting for about 0.150% of the total share capital of 808,678,476 shares of the Company when the Draft Incentive Plan was published.

The total number of underlying stocks involved in the equity incentive plans within the validity period ("underlying stocks") does not exceed 10% of the total share capital of the Company when the Draft Incentive Plan was published. The stocks of the Company granted to any incentive object in this Incentive Plan through all equity incentive plans within the validity period shall not exceed 1% of the total share capital of the Company.

6. The total number of incentive objects granted by this Incentive Plan is 293, including middle and senior management personnel and core technical (business) personnel at the time when the Draft Incentive Plan was published, as well as other employees identified by the Company's Board of Directors to be motivated. The incentive objects of this Incentive Plan do not include independent directors and

supervisors of the Company, shareholders or actual controllers who individually or collectively hold more than 5% of the Company's shares, and their spouses, parents, and children.

The incentive objects will promise that if the Company fails to comply with the arrangements for granting rights or exercising rights due to false records, misleading statements, or major omissions in the information disclosure documents, they will return all the benefits obtained from this Incentive Plan to the Company after the relevant information disclosure documents are confirmed to have false records, misleading statements or major omissions.

7. The grant price of restricted stocks in this Incentive Plan is 1 RMB/share. From the announcement of this Incentive Plan to the completion of the restricted stock registration of incentive objects, if the Company is subject to the conversion of capital reserve to share capital, distribution of stock dividends, splitting, shrinking, allotment or dividend distribution, the grant price and number of restricted stocks will be adjusted in accordance with this Plan accordingly.

8. According to the performance of the Company, the performance of the business unit of an incentive object, and the personal performance assessment result of an incentive object, the Incentive Plan will release the sales restriction of restricted stocks granted in two phases, 50% released in the first phase (24 months after completing the grant registration) and 50% released in the third phase (36 months after completing the grant registration).

9. The validity period of this Incentive Plan shall not exceed 48 months after completing the grant registration to the date when all restricted stocks granted to the incentive objects are released or the repurchase is cancelled.

10. The Company undertakes not to provide loans or any other forms of financial support, including guarantees, for incentive objects to obtain relevant restricted stocks of this Incentive Plan.

11. This Incentive Plan shall only be implemented after being reviewed and

approved by the shareholders' meeting of the Company.

12. Within 60 days from the date when the shareholders' meeting reviews and approves the Incentive Plan and the granting conditions are met, the Company will convene the Board of Directors to grant the incentive objects according to relevant regulations and complete registration and other relevant procedures. If the Company fails to finish the above issues within 60 days, the implementation of this Incentive Plan will be terminated, and the restricted stocks that have not been granted will become invalid.

13. The implementation of this Incentive Plan will not cause the Company's equity distribution to fail to meet the requirements of listing conditions.

## Chapter I Definitions

Unless the context otherwise states, the following abbreviations have the following meanings in this Draft:

Supor, the Company, Company	-	Zhejiang Supor Co., Ltd.
Equity Incentive Plan, Restricted Stock Incentive Plan, This Incentive Plan, this Plan	-	Restricted Stock Incentive Plan in 2021 of Zhejiang Supor Co., Ltd.
Restricted stock	-	The Company grants incentive objects a certain number of company stocks according to the conditions and prices specified in this Incentive Plan. These stocks have a certain sales restriction period, and can be released only after satisfying the releasing conditions as stipulated in this Incentive Plan.
Incentive object	-	The middle and senior management personnel or core technical (business) personnel who met the qualifications when this Incentive Plan was published, as well as other employees identified by the Company's Board of Directors to be motivated.
Grant date	-	The date on which the Company grants restricted stocks to incentive objects
Grant price	-	The price of each restricted stock granted by the Company to incentive objects
Sales restriction period	-	The period during which the restricted stocks granted to the incentive objects under this Incentive Plan are prohibited from being transferred, used for guarantee and debt repayment

Releasing period	-	The period during which the restricted stocks held by the incentive objects can be released and listed for circulation after reaching the releasing conditions as stipulated in this Incentive Plan
Releasing conditions	-	The conditions that shall be met for the restricted stocks obtained by incentive objects to be released from sales restrictions in accordance with this Incentive Plan
<i>Company Law</i>	-	<i>Company Law of the People's Republic of China</i>
<i>Securities Law</i>	-	<i>Securities Law of the People's Republic of China</i>
<i>Administrative Measures</i>	-	<i>Administrative Measures for Equity Incentive of Listed Companies</i>
<i>Listing Rules</i>	-	<i>Rules Governing the Listing of Shares on the Shenzhen Stock Exchange (Revised in 2020)</i>
<i>Articles of Association</i>	-	<i>Articles of Association of Zhejiang Supor Co., Ltd.</i>
Remuneration Committee	-	Compensation Committee of the Board of Directors of the Company
CSRC	-	China Securities Regulatory Commission
Stock Exchange	-	Shenzhen Stock Exchange
Depository and Clearing Corporation	-	China Securities Depository and Clearing Corporation Limited Shenzhen Branch
yuan, 0,000 yuan, 000,000,000 yuan	-	RMB yuan, RMB 0,000 yuan, RMB 000,000,000 yuan



## Chapter II Purpose and Principles of the Incentive Plan

The purpose of implementing the incentive plan is to further improve Supor's corporate governance structure, promote the establishment and improvement of incentive and restraint mechanisms, fully motivate the Company's middle and senior management personnel and employees, and effectively combine the interests of shareholders, the Company and the operators to realize the common development of employees and the Company. The specific manifestations are as follows:

I. Establish a medium- and long-term incentive and restraint mechanism for the Company's middle and senior management personnel and important professionals; closely link the interests of the incentive objects with the shareholder value; align the behavior of the incentive objects consistent with the strategic goals; and promote the Company's sustainable development.

II. By introducing this Incentive Plan, the Company's performance assessment system and remuneration system can be further improved, so that necessary talents for achievement of strategic goals can be attracted, retained and motivated.

III. Cultivate the concept and company culture of the continuous development of employees and the Company.

IV. This Incentive Plan utilizes a restricted stock incentive plan, considering both long-term and short-term interests, retaining and attracting various talents flexibly, so as to better promote the development of the Company.

Combined with the future development plan, on the premise of fully protecting the interests of shareholders and in accordance with the principle of equal benefits and contribution, this Incentive Plan will be formulated in accordance with the *Company Law*, *Securities Law*, *Administrative Measures* and other relevant laws, regulations and normative documents and the *Articles of Association*.

### **Chapter III Management Organization of the Incentive Plan**

I. As the Company's authority, the shareholders' meeting is responsible for reviewing and approving the implementation, modification and termination of this Incentive Plan. The shareholders' meeting may authorize the Board of Directors to handle certain matters related to this Incentive Plan within its authority.

II. The Board of Directors is the executive management organization of this Incentive Plan and is responsible for the implementation of this Incentive Plan. The Remuneration Committee under the Board of Directors is responsible for drafting and revising the Incentive Plan and submitting it to the Board of Directors for deliberation; after the Board of Directors reviews and approves the Incentive Plan, it is reported to the shareholders' meeting for review. The Board of Directors may handle other related matters of this Incentive Plan within the scope of authorization of the shareholders' meeting.

III. The Board of Supervisors is the supervision organization of this Incentive Plan and is responsible for reviewing the list of incentive objects. The Board of Supervisors shall give opinions on whether this Incentive Plan is conducive to the sustainable development of the Company, and whether there is a situation that obviously harms the interests of the Company and all shareholders and supervise whether the implementation of this Incentive Plan complies with relevant laws, regulations, regulatory opinions and stock exchange business rules.

IV. Independent directors will collect entrusted voting rights from all shareholders on this Incentive Plan, and give opinions on whether this Incentive Plan is conducive to the sustainable development of the Company and whether there is a situation that obviously harms the interests of the Company and all shareholders.

V. If the Company intends to make changes to the Incentive Plan before the shareholders' meeting reviews and approves the Incentive Plan, the Independent Directors and the Board of Supervisors shall make independent opinions on whether

the changed plan is beneficial to the Company's sustainable development and whether there is a situation that obviously harms the interests of the Company and all shareholders.

VI. The independent directors and the Board of Supervisors shall give clear opinions on the conditions for granting rights and interests to the incentive objects set in the incentive plan before the Company grants rights and interests to incentive objects. If there is a difference between the grant of rights and interests to incentive objects and the arrangement of this Incentive Plan, the independent directors and the Board of Supervisors (when incentive objects change) shall simultaneously give clear opinions.

VII. The independent directors and the Board of Supervisors shall give clear opinions on whether the conditions for the incentive objects to exercise their rights and interests set in the incentive plan have been achieved before the incentive objects exercise their rights and interests.

## **Chapter IV Determination Basis and Scope of Incentive Objects**

### **I. Determination basis of the incentive objects**

#### **(I) Legal basis for determining the incentive objects**

The incentive objects of this Incentive Plan are determined in accordance with the *Company Law*, *Securities Law*, *Administrative Measures* and other relevant laws, regulations, normative documents and the relevant provisions of the *Articles of Association*, combined with the actual situation of the Company.

The intended incentive objects of this Incentive Plan complies with Article 8 of the *Administrative Measures*, and there are no following circumstances under which they shall not be the incentive objects:

1. Being identified as an inappropriate candidate by the Stock Exchange within the last 12 months;
2. Being identified as an inappropriate candidate by the CSRC and its dispatched agencies within the last 12 months;
3. Being subject to administrative penalty or banned from entering the market by the CSRC or its dispatched offices for major violations of laws and regulations within the recent 12 months;
4. Being prohibited to serve as the director or senior executive of the Company as stipulated in the Company Law;
5. Being prohibited to participate in equity incentives of listed companies in line with laws and regulations;
6. Other circumstances recognized by the CSRC.

#### **(II) Position basis for determining the incentive objects**

The incentive objects granted by this Incentive Plan include middle and senior management personnel and core technical (business) personnel of the Company, as well as other employees identified by the Board of Directors to be motivated (excluding independent directors, supervisors, shareholders or actual controllers who individually or collectively hold more than 5% of the Company's shares, and their spouses, parents,

and children).

## **(II) Scope of the incentive objects**

The total number of incentive objects granted by this Incentive Plan is 293, including:

- (I) Middle and senior management personnel;
- (II) Core technical (business) personnel;
- (III) Other employees identified by the Board of Directors to be motivated.

The incentive objects of this Incentive Plan do not include independent directors and supervisors of the Company, shareholders or actual controllers who individually or collectively hold more than 5% of the Company's shares, and their spouses, parents, and children.

All incentive objects of this Incentive Plan shall work in the Company with labor contract or employment agreement when the company grants restricted stocks and during the assessment period of this plan.

## **III. Verification of the Incentive Objects Granted**

(I) After the Incentive Plan is reviewed and approved by the Board of Directors, the Company shall publicize the names and positions of incentive objects internally for a period of not less than 10 days.

(II) The Board of Supervisors of the Company will review the list of incentive objects, fully listen to the public opinions, and disclose its explanation on the review and publicity of the list of incentive objects 5 days before the shareholders' meeting reviews and approves this incentive plan. The list of incentive objects adjusted by the Board of Directors of the Company shall also be verified by the Board of Supervisors of the Company.

## **Chapter V Specific Contents of the Incentive Plan**

This Incentive Plan adopts a restricted stock incentive plan.

### **I Source of underlying stocks of restricted stock**

The stocks of Restricted Stock Plan are the Company's own shares repurchased from the secondary market.

### **II Quantity of underlying stocks of restricted stock**

The quantity of restricted stocks to be granted under the Incentive Plan is 1,209,500 shares, accounting for about 0.150% of the total share capital of 808,678,476 shares of the Company when the Draft Incentive Plan was published. All stocks will be granted to incentive objects this time with no reserved part remained.

From the announcement date of this Incentive Plan to the completion of the restricted stock registration of incentive objects, if the Company is subject to the conversion of capital reserve to share capital, distribution of stock dividends, splitting, shrinking or allotment, the number of restricted stocks granted and the total number of underlying stocks involved will be adjusted accordingly.

The total number of underlying stocks involved in the equity incentive plans within the validity period does not exceed 10% of the total share capital of the Company when the Draft Incentive Plan was published. The stocks of the Company granted to any incentive object in this Incentive Plan through all equity incentive plans within the validity period shall not exceed 1% of the total share capital of the Company.

### **III. Distribution of underlying stocks of restricted stock**

The distribution of restricted stocks granted by this Incentive Plan among incentive objects is shown in the following table:

No.	Name	Position	Number of restricted stocks granted (share)	Proportion of restricted stocks granted	Proportion of the Company's total share capital
1	Cheung Kwok Wah	General Manager	60,000	4.96%	0.007%
2	Xu Bo	Chief Financial Officer	45,000	3.72%	0.006%
3	Ye Jide	Vice General Manager and Secretary of the Board	20,000	1.65%	0.003%
4	Other incentive objects		1,084,500	89.67%	0.134%
Total			1,209,500	100%	0.150%

#### **IV. The validity period, grant date, sales restriction period, release of sales restriction and lock-up period of the restricted stock incentive plan**

##### **(I) Validity period of restricted stocks**

The validity period of this Incentive Plan shall not exceed 48 months after completing the grant registration to the date when all restricted stocks granted to the incentive objects are released or the repurchase is cancelled.

##### **(II) Grant date of the restricted stocks**

The grant date shall be determined by the Board of Directors after this Incentive Plan has been reviewed and approved by the shareholders' meeting, and the grant date shall be a transaction date. The Company shall grant restricted stocks to incentive objects and complete the announcement and registration within 60 days after the shareholders' meeting reviews and approves and the grant conditions are fulfilled. The Board of Directors of the Company shall review and approve whether the conditions

for granting restricted stocks to the incentive objects have been fulfilled, the independent directors and the Board of Supervisors of the Company shall give clear opinions, and the lawyer shall issue a legal opinion. If the Company fails to finish the above issues within 60 days, the implementation of this Incentive Plan will be terminated, and the restricted stocks that have not been granted will become invalid.

The grant date shall not be the following interval days:

1. (1) 30 days before the announcement of the periodic report, if the date of the announcement of the periodic report is postponed for special reasons, it shall be counted from the 30th day before the original appointment announcement date to 1 day before the announcement;

2. 10 days before the announcement of the Company's performance forecast and performance express;

3. From the date of the occurrence of a major event that may have a significant impact on the transaction price of the Company's stock and its derivatives or the date of entry into the decision-making process, to the next 2 transaction days after the disclosure according to law;

4. Other periods prescribed by the CSRC and the Stock Exchange. The aforementioned periods during which restricted stocks shall not be granted are not included in the 60-day period. If the directors and senior executives of the Company as the incentive objects have reduced their shareholdings in the Company within 6 months before the restricted stocks are granted, the grant of restricted stocks will be postponed for 6 months from the date of the last shareholding reduction transaction according to the *Securities Law* in the short-term trading regulations.

### **(III) Sales restriction period of restricted stocks**

Respectively, the sales restriction periods of restricted stocks are 24 months and 36 months after completing the grant registration.

If the conditions for releasing the sales restriction are not fulfilled within the current period, the restricted stocks shall not be released or deferred until the release of



the restrictions in the next period. After the expiration of the sales restriction period, the Company will handle the release of the restriction for the incentive objects that meet the releasing conditions, and the restricted stocks held by the incentive objects that do not meet the releasing conditions will be repurchased and cancelled by the Company.

#### **(IV) Arrangements for releasing the restricted stocks**

The restricted stock granted by this Incentive Plan is restricted to 24 months and 36 months from the date of completion of the registration. Restricted stock granted by this Incentive Plan shall not be transferred, and used for security or debt repayment before the restriction is lifted. The stocks resulting from the conversion from capital reserves to share capital, stock dividends and stock splits of the restricted stocks granted for incentive objects are also restricted for sales, and shall not be sold in the secondary market or transferred by other means, or used for security and debt repayment before the restriction is lifted. The releasing period of these shares is the same as that of the restricted stocks.

After the expiration of the sales restriction period, the Company will handle the release of the restriction for the incentive objects that meet the releasing conditions, and the restricted stocks held by the incentive objects that do not meet the releasing conditions will be repurchased and cancelled by the Company.

Restricted stock shall be lifted separately in two phases 24 months after the completion of grant registration. The time schedule for lifting the restrictions in each phase is shown in the table below:

<b>Arrangement for lifting the restriction</b>	<b>Time for lifting the restriction</b>	<b>Proportion of lifting the restriction</b>
First releasing period	From the first transaction date within 24 months after the completion of registration of the restricted stock to the last transaction date within 36 months after the completion of the registration of the restricted stock	50%
Second releasing period	From the first transaction date within 36 months after the completion of registration of the restricted stock to the last transaction date within 48 months after the completion of the registration of the restricted stock	50%

#### **(V) Lock-up period of restricted stocks**

The sales restriction rules of this Incentive Plan are implemented in accordance with the *Company Law*, *Securities Law* and other relevant laws, regulations, regulatory documents and the *Articles of Association*. The specific content is as follows:

1. The directors and senior executives as incentive objects, shall not transfer more than 25% of the total shares of the Company held by them each year during their tenure, and shall not transfer the shares of the Company held by them within six months of their resignation.

2. If directors, senior executives and their spouses, parents, and children as incentive objects, sell their stocks within six months after purchasing, or purchase such stocks again within six months after selling, then the profits received shall be owned by Company, and taken by the Board of Directors.

3. The directors and senior executives as incentive objects, shall also comply with the relevant provisions such as the *Several Regulations for the Reduction of Holding-shares of Shareholders, Directors, Supervisors and Senior Managers of Listed Companies* and the *Implementation Rules for Reduction of Holding-shares of Shareholders as well as Directors, Supervisors and Senior Managers of Listing Companies at Shenzhen Stock Exchange* when reducing their shareholdings in the Company.

4. During the validity period of this Incentive Plan, if the *Company Law*, *Securities Law* and other relevant laws, regulations and regulatory documents and the *Articles of Association* of the Company have any change about the regulations of the transfer of shares held by the directors and senior executives, then the incentive objects shall comply with the revised regulations of the *Company Law*, *Securities Law* and other relevant laws, regulations and regulatory documents and the *Articles of Association* of the Company when transferring the Company's stocks.

#### **V. Grant price of restricted stock incentive plan and its determination method**

**(I) The grant price of restricted stocks is 1 RMB/share.**

After meeting the grant conditions, the incentive objects can purchase A-share common stocks repurchased by the Company from the parallel market at a price of 1 RMB/share.

**(II) Method for determining the grant price of restricted stock**

The number of restricted stocks to be granted under the Incentive Plan is 1,209,500 shares, accounting for about 0.150% of the total share capital of 808,678,476 shares of the Company when the Draft Incentive Plan was published. The Company intends to grant incentive objects at a price of 1 RMB/share, which is determined based on the comprehensive consideration of the remuneration of each incentive object to match the overall revenue level.

In view of the Company's stable cash flow and sound financial status, the costs and expenses incurred in the implementation of the share repurchase plan will not adversely affect the daily operation of the Company. Meanwhile, the Plan is to grant stocks at a price of 1 RMB/share, so the incentive objects do not have to pay an excessively high consideration, which ensures the feasibility of the Incentive Plan. The development of the Company requires a stable team, and the implementation of the equity incentive plan for the core personnel of the Company at a lower grant price can achieve effective incentives and have a positive effect on the development of the Company.

**VI. Grant conditions, releasing conditions and assessment indicators of restricted stock incentive plan****(I) Grant conditions of the restricted stocks**

When the following grant conditions are met simultaneously, the Company shall grant restricted stocks to the incentive objects; or otherwise, if any of the following granting conditions are not met, the restricted stocks shall not be granted to the incentive objects.

1. The Company does not have any of the following circumstances:

(1) The certified public accountant has issued an audit report with negative opinions or unable to express opinions to the financial and accounting report of the latest fiscal year;

(2) The certified public accountant has issued an audit report with negative opinions or unable to express opinions on the internal control of the financial statement of the latest fiscal year;

(3) In the last 36 months after listing, the Company has failed to distribute profits in accordance with laws and regulations, the *Articles of Association*, and public promises;

(4) Circumstances where laws and regulations stipulate that equity incentives shall not be implemented;

(5) Other circumstances recognized by the CSRC.

2. Any of the following circumstances do not happen to the incentive objects:

(1) Being identified as an inappropriate candidate by the Stock Exchange within the last 12 months;

(2) Being identified as an inappropriate candidate by the CSRC and its dispatched agencies within the last 12 months;

(3) Being subject to administrative penalty or banned from entering the market by the CSRC or its dispatched offices for major violations of laws and regulations within the recent 12 months;

(4) Being prohibited to serve as the director or senior executive of the Company as stipulated in the Company Law;

(5) Being prohibited to participate in equity incentives of listed companies in line with laws and regulations;

(6) Other circumstances recognized by the CSRC.

## **(II) Releasing conditions of the restricted stocks**

During the releasing period, the restricted stocks granted to the incentive objects can only be released when the following conditions are met at the same time:

1. The Company does not have any of the following circumstances:

(1) The certified public accountant has issued an audit report with negative opinions or unable to express opinions to the financial and accounting report of the latest fiscal year;

(2) The certified public accountant has issued an audit report with negative opinions or unable to express opinions on the internal control of the financial statement of the latest fiscal year;

(3) In the last 36 months after listing, the Company has failed to distribute profits in accordance with laws and regulations, the Articles of Association, and public promises;

(4) Circumstances where laws and regulations stipulate that equity incentives shall not be implemented;

(5) Other circumstances recognized by the CSRC.

2. Any of the following circumstances do not happen to the incentive objects:

(1) Being identified as an inappropriate candidate by the Stock Exchange within the last 12 months;

(2) Being identified as an inappropriate candidate by the CSRC and its dispatched agencies within the last 12 months;

(3) Being subject to administrative penalty or banned from entering the market by the CSRC or its dispatched offices for major violations of laws and regulations within the recent 12 months;

(4) Being prohibited to serve as the director or senior executive of the Company as stipulated in the Company Law;

(5) Being prohibited to participate in equity incentives of listed companies in line with laws and regulations;

(6) Other circumstances recognized by the CSRC.

If any of the circumstances specified in Article (I) above occurs in the Company, all restricted stocks that have been granted to incentive objects according to this

Incentive Plan but have not been released shall be repurchased and cancelled by the Company at the grant price; If any of the circumstances specified in Article (II) above occurs to an incentive object, all restricted stocks that have been granted to this incentive object according to this Incentive Plan but have not been released shall be repurchased and cancelled by the Company at the grant price.

### **(III) Assessment indicators of restricted stock**

#### **1. Requirements for company performance assessment**

Under this Restricted Stock Incentive Plan, the performance of the Company will be assessed in two fiscal years from 2022 to 2023 annually, so as to achieve the objective of performance assessment as one of the preconditions for the incentive object to lift the restriction in the phase wholly or partially. The annual objectives of performance assessment are shown in the table below:

<b>Releasing period</b>	<b>Year of assessment</b>	<b>Conditions of company-level performance assessment</b>
First releasing period	2022	Net profit attributable to shareholders of the parent company in 2022 shall not be less than 105% of that in 2021.
Second releasing period	2023	Net profit attributable to shareholders of the parent company in 2023 shall not be less than 105% of that in 2022.

Notes: The above indicators are subject to the data of the Company's consolidated statements contained in the annual audit report. The impact on profit or loss from merger, restructuring and disposal of significant assets in the period shall be excluded.

If any of the above conditions of company-level performance assessment are not met, the Company will cancel the restricted stock repurchase of the incentive goal that can be released from the restricted sale during the year in accordance with the provisions of the Plan.

#### **2. Requirements for business unit performance assessment**

Under this Incentive Plan, the Company is required to assess the performance of the business unit where the incentive object serves. It is one of the preconditions that the incentive object can lift the restriction in the phase wholly or partially if the relevant performance of the foregoing business unit reaches the basic goals or above; and if the relevant performance of the business unit fails to reach the basic goal, the Company

will cancel the restricted stock repurchase that can be cancelled for the incentive goal in the current period in accordance with the provisions of the Plan.

### 3. Requirements for individual performance assessment

Under this Incentive Plan, the Company is required to conduct individual performance assessment on the incentive object by year. The assessment result of the incentive object in the year should be qualified or above, which is one of the preconditions to lift the restriction in the phase wholly or partially; and if the individual performance assessment of the incentive object in the assessment year fails to achieve qualified, the Company will cancel the restricted stock repurchase of the incentive goal that can be cancelled in the current period in accordance with the provisions of the Plan.

In case that the three preconditions of (1) achieving company performance; (2) achieving basic goals and above in relevant performance of the business unit; and (3) achieving qualified and above in individual performance assessment for the incentive object in the assessment year are met at the same time, the incentive object can determine the specific proportion of restricted stock that can be lifted in the current period in accordance with the achievement of the performance of the business unit; and if any of the above preconditions are not met, the Company will repurchase and cancel the restricted stock that can be released from the restricted sale during the current period in accordance with the provisions of the Plan.

## **VII. Explanation of scientificity and rationality of assessment indicators**

The assessment indicators of this Incentive Plan are divided into three levels, namely the performance of the Company, the performance of the incentive object's business unit, and the performance of incentive objects.

The company performance assessment indicator selects the net profit of audited consolidated statement attributable to shareholders of the parent company, so it can reflect the Company's profitability more objectively and is the ultimate expression of corporate growth, establishing better image of the capital market effectively. The determination of specific values takes into account related factors such as the macroeconomic environment, industry development status, market competition, and the Company's future development plans, and comprehensively considers the

possibility of realization and its incentive effect on the Company's employees, so the indicators are reasonable and scientific.

Because there are many business units under the Company and the scale and sales are quite different, setting different business assessment indicators according to the business units where the incentive objects are located is conducive to incentivizing employees to make greater contributions in their respective positions, avoid a one-size-fits-all situation and make performance assessment more fair and just.

In addition, the Company has also set up strict personal-level performance assessment indicators, which can make a more accurate and comprehensive evaluation of incentive objects' work performance. According to the performance evaluation results of the incentive object, the Company will determine whether each incentive object meets the conditions for releasing conditions.

To sum up, the assessment indicator system of this Incentive Plan is comprehensive, scientific, fair and operable, and it is both incentive and restrictive for the incentive objects, which can better achieve the assessment purpose of the cost plan.

## **VIII.Adjustment method and procedure of restricted stock incentive plan**

### **(I) Adjustment method of restricted stock quantity**

During the period from the announcement of this Incentive Plan to the completion of the registration of restricted stocks by the incentive objects, if the Company is subject to the conversion of capital reserve to share capital, distribution of stock dividends, share splitting, share allotment or shrinking, the number of restricted stocks should be adjusted accordingly. The adjustment method is as follows:

1. Conversion of capital reserve into share capital, distribution of stock dividends and split of shares

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

Wherein:  $Q_0$  refers to the number of restricted stocks before adjustment;  $n$  refers to the ratio of capital reserve per share converted into share capital, dividend



distribution and stock subdivision (i.e. the number of stocks increased after conversion, share distribution or subdivision of each share); Q refers to the number of restricted stocks after adjustment.

2. Stock allotment

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

Wherein:  $Q_0$  refers to the number of restricted stocks before adjustment;  $P_1$  refers to the closing price on the day of equity registration;  $P_2$  refers to the stock allotment price;  $n$  refers to the proportion of shares allotted (i.e. the proportion between the number of shares allotted and the total share capital of the Company before the allotment); Q refers to the number of restricted stocks after adjustment.

3. Share shrinking

$$Q=Q_0 \times n$$

Wherein:  $Q_0$  refers to the number of restricted stocks before adjustment;  $n$  refers to the stock reduction ratio (i.e. 1 share of the Company is reduced to  $n$  shares); Q refers to the number of restricted stocks after adjustment.

4. Dividend distribution and additional issuance

The number of restricted stocks will not be adjusted when dividends are paid or new shares are issued.

**(II) Adjustment method of restricted stock grant price**

During the period from the announcement of this Incentive Plan to the completion of the registration of restricted stocks by the incentive objects, if the Company is subject to the conversion of capital reserve to share capital, distribution of stock dividends, share splitting, share allotment or dividend distribution, the grant price of restricted stocks should be adjusted accordingly. However, if the Company's restricted stock grant price is less than 1 RMB/share due to the price adjustment, the grant price will still be 1 RMB/share. The adjustment method is as follows:

1. Conversion of capital reserve into share capital, distribution of stock dividends and split of shares

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

Wherein:  $P_0$  is the grant price before adjustment;  $n$  is the ratio of capital stock increased from capital reserve, share delivery dividend, stock split of each share;  $P$  is the adjusted grant price.

## 2. Stock allotment

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

Wherein:  $P_0$  is the grant price before adjustment;  $P_1$  refers to the closing price on the day of equity registration;  $P_2$  refers to the stock allotment price;  $n$  refers to the proportion of stocks allotted (i.e. the proportion between the number of shares allotted and the total share capital of the joint stock company before the allotment);  $P$  is the adjusted grant price.

## 3. Share shrinking

$$P=P_0\div n$$

Wherein:  $P_0$  is the grant price before adjustment;  $n$  is the stock reduction ratio;  $P$  is the adjusted grant price.

## 4. Dividend Distribution

$$P=P_0-V$$

Wherein:  $P_0$  is the grant price before adjustment;  $V$  is the amount of the dividend distribution for each share;  $P$  is the adjusted grant price. After dividend adjustment,  $P$  shall still be greater than 1.

## 5. Additional issuance

If the Company issues new stocks, the grant price of restricted stocks shall not be adjusted.

### **(III) Procedures for Adjustment of Restricted Stocks**

If circumstance mentioned above occurs, the Shareholders' Meeting authorizes the board of Directors of the Company to adjust the number and/or grant price of restricted stocks in accordance with the above provisions, make timely announcement and notify the incentive object in accordance with relevant provisions, and timely perform

information disclosure procedures. The Company shall hire a lawyer to give professional opinions on whether the above adjustments comply with the *Administrative Measures*, the *Articles of Association* and the incentive plan.

## **IX. Accounting treatment of restricted stock**

In accordance with the *Accounting Standards for Business Enterprises No.11 - Share-based Payment*, on every balance sheet date, the Company will revise the number of restricted stocks whose sales restrictions can be lifted according to the latest changes in the number of restricted stocks that can be lifted, the completion of performance indicators and other follow-up information, and according to the fair value of the restricted stocks on the grant date, the services obtained in the current period shall be included in relevant cost or expense and the capital reserve.

### **(I) Fair value and determination method of restricted stocks**

According to the relevant provisions of *Accounting Standards for Business Enterprises No.11 - Share-based Payment*, the Company shall determine the fair value of the restricted stocks on the base date of grant and finally confirm the stock payment fee of the incentive plan. The incentive cost = market price on grant date - grant price.

### **(II) Estimated impact of the implementation of restricted stock on operating performance of each period**

The Company intends to grant 1,209,500 restricted stocks to the incentive object. According to the closing price on the date that Board of Directors made the resolutions (assumed to be consistent with the closing price on the grant date), the fair value of restricted stocks is predicted according to the closing data of the previous trading day. It is estimated that the total amount of equity expenses granted is RMB 78.315 million. The incentive costs of the Company's equity incentive plan are the total expenses, which will be confirmed at different stages according to the proportion of releasing conditions during the implementation of the incentive plan, and will be charged to the operating profit and loss. Assuming the grant is made at the January, 2022, and the amortization

of restricted stock costs is as follows:

<b>Fair value of restricted stocks (RMB Million)</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
78.315	32.631	32.631	13.053

Note 1: The final accounting cost shall not be represented by results above. The actual accounting cost is not only related to the actual grant date, grant price and grant quantity, but also related to the quantity of actual valid and invalid restricted stocks.

Note 2: Please noted the dilution influence caused by the share-based payment.

Note 3: The final result of the above-mentioned impact on the Company's operating results will be subject to the audit report issued by the accounting firm.

The performance of relevant accounting periods is influenced by the share-based payment costs generated by the incentive plan, but the degree of such influence is controllable. In addition, the implementation of this incentive plan will effectively unlock the passion of the core team, upgrade operating efficiency and reduce operating costs. Therefore, although certain costs has been generated in implementation of this incentive plan, it has effectively promoted the continuing operation capacity of the Company.

## **Chapter VI Implementation Procedures of the Incentive Plan**

### **I. Procedures for the Plan come into force**

(I) The Remuneration Committee under the Board of Directors of the Company is taking charge of formulating the incentive plan and submitting it to the Board of Directors for deliberation and approval.

(II) The Board of Directors of the Company shall make resolutions on this incentive plan in accordance with the law. When the board of directors reviews the incentive plan, the directors who are the incentive object or have an associated relationship with them shall withdraw from voting. The Board of Directors shall submit the Incentive Plan to the Shareholders' Meeting for deliberation after reviewing and approving the Incentive Plan and completing the publicity and announcement procedures. At the same time, the Shareholders' Meeting is required to authorize the Board of Directors to take the responsibility of the implementation of the granting, lifting of sales restrictions, repurchase and cancellation of restricted stocks.

(III) The Independent Directors and the Board of Supervisors shall express their opinions on whether the plan is conducive to the sustainable development of the Company and whether it may cause noticeable damage to the interests of the Company and all shareholders. The Company will employ an independent financial adviser to provide professional opinion on the feasibility of the plan, whether it is conducive to the Company's sustainable development, whether it is detrimental to the interests of the Company and its impact on the interests of shareholders.

(IV) This Plan shall only be implemented after being reviewed and approved by the shareholders' meeting of the Company. The Company shall publicize the name and position of the incentive object through the Company website or other channels prior to the general meeting of shareholders (the public disclosure period shall be no less than 10 days). The Board of Supervisors shall review the list of equity incentives and be

fully open to the public opinions. The Company shall unveil the explanation of the review and publicity of the incentive list by the Board of Supervisors 5 days before the plan is deliberated by the Shareholders' Meeting.

(V) When the shareholders' meeting votes on this incentive plan, Independent Directors shall solicit entrusted voting rights of all shareholders on this incentive plan. The Shareholders' Meeting shall vote on the content of the equity incentive plan stipulated in Article Nine of the *Administrative Measures*, and shall be approved by more than 2/3 of the voting rights held by shareholders attending the meeting, and separately count and disclose the votes of other shareholders except Directors, Supervisors, Senior Executive and Shareholders holding more than 5% of the Company's shares individually or jointly. When the Shareholders' Meeting of the Company deliberates the equity incentive plan, the shareholders who are the incentive object or have an associated relationship with the incentive object shall withdraw from voting.

(VI) Within 60 days after the shareholders' meeting has reviewed and approved this incentive plan and the grant conditions are met, the Company shall convene the Board of Directors to grant restricted stocks to incentive objects based on the authorization of the Shareholders' Meeting, and complete the registration, announcement and other related affairs.

## **II. Grant procedure of the Plan**

(I) After the shareholders' meeting has reviewed and approved this incentive plan, the Company and the incentive object will sign the *Restricted Stock Grant Agreement* to agree on the rights and obligations of both parties.

(II) Before the Company grants rights and interests to the incentive object, the Board of Directors shall review and make an announcement about whether the conditions for the incentive object to be granted rights and interests specified in the incentive plan have been met.

Independent Directors and the Board of Supervisors shall express clear opinions at the same time. The Law Firm shall issue legal opinions on whether the conditions for granting rights and interests to incentive objects have been met.

(III) The Board of Supervisors of the Company shall verify the grant date and the list of incentive objects and express opinions.

(IV) If there is any difference between the arrangement of the equity incentive plan and the rights granted to the incentive object by the Company, the Independent Board of Directors, the Board of Supervisors, the Law Firm and the Independent Financial Consultant shall give clear opinions at the same time.

(V) After the incentive plan has been deliberated and approved by the Shareholders' Meeting and the granting conditions have been met, the Company shall grant restricted stocks to incentive objects and complete the procedures of announcement and registration within 60 days. The Board of Directors of the Company shall timely disclose the announcement of the relevant implementation after the registration of the granted restricted stocks is completed. If the Company fails to complete the above work within 60 days, the implementation of the Plan shall be terminated, and the Board of Directors shall timely disclose the reasons for the failure and shall not review the equity incentive plan again within 3 months (the period during which restricted stocks are not granted by listed companies, according to the *Administrative Measures*, shall not be counted within 60 days).

(VI) Before granting restricted stocks, the Company shall submit an application to the Stock Exchange, and after the confirmation by the Stock Exchange, the Registration and Settlement Company shall handle the registration and settlement affairs.

### **III. Releasing conditions procedures under the Plan**

(I) Before releasing conditions, the Company shall confirm whether the incentive objects meet the releasing conditions. The Board of Directors shall review whether the conditions for releasing conditions stipulated in this plan have been met, and the

Independent Directors and the Board of Supervisors shall express their opinions specifically at the same time. The Law Firm shall issue legal opinions on whether the conditions for the incentive objects to lift the sales restrictions have been met. For the incentive objects that meet the conditions for releasing conditions, the Company shall address the affairs of lifting restrictions on sales together. For incentive objects that fail to meet the conditions for releasing conditions on sales, the Company shall repurchase and cancel the restricted stocks, and the Company shall timely disclose the announcement of relevant implementation.

(II) The incentive object may transfer the restricted stocks that have been lifted from sales restrictions, but the transfer of the shares held by the Directors and Senior Executives of the Company shall comply with the provisions of relevant laws, regulations and normative documents.

(III) Before lifting the restriction on the sale of restricted stocks of incentive objects, the Company shall submit an application to the Stock Exchange. After being confirmed by the Stock Exchange, the Registration and Settlement Company shall handle the registration and settlement affairs.

#### **IV. Procedures for changes to the Plan**

(I) If the Company intends to change the Plan before the Shareholders' Meeting deliberates the plan, it shall be deliberated and approved by the board of directors.

(II) If the Company intends to change the incentive plan after the Shareholders' Meeting deliberates and approves the incentive plan, it shall be reviewed and approved by the Shareholders' Meeting, and the following circumstances shall not be included:

1. Circumstances leading to the early lifting of the restrictions;
2. Circumstances in which the grant price is reduced.

#### **V. Procedures for terminating the Plan**

(I) If the Company intends to terminate the implementation of this incentive plan before the Shareholders' Meeting reviews this incentive plan, it shall be deliberated and



approved by the Board of Directors.

(II) If the Company terminates the implementation of this incentive plan after the Shareholders' Meeting reviews and approves this incentive plan, it shall be deliberated and decided by the Shareholders' Meeting.

(III) The Independent Director and the Board of Supervisors shall give independent opinions on whether the modified plan is conducive to the sustainable development of the Company and whether it may cause noticeable damage to the interests of the listed company and shareholders. The law firm shall give professional opinions on whether the Company's modification or termination of the incentive plan conforms to the provisions of relevant laws and regulations and whether it may cause noticeable damage to the interests of the Company and all shareholders.

(IV) Upon the termination of the Plan, the Company shall repurchase the restricted stocks that have not been lifted from the restriction and address them in accordance with the provisions of the *Company Law*.

(V) Before repurchasing restricted stocks, the Company shall submit an application to the Stock Exchange. After being confirmed by the Stock Exchange, the Registration and Settlement Company shall handle the registration and settlement affairs.

## **Chapter VII Rights and Obligations of the Company and Incentive Objects**

### **I. Rights and obligations of the Company**

(I) The Company has the right to interpret and implement the incentive plan, and conduct performance appraisal on the incentive object according to the provisions of the incentive plan. If the incentive object fails to meet the conditions for releasing conditions on sales specified in the incentive plan, the Company will repurchase and cancel the corresponding restricted stocks whose sales restrictions have not been lifted according to the principles specified in the incentive plan.

(II) The Company undertakes not to provide loans or any other forms of financial support, including guarantees, for incentive objects to obtain relevant restricted stocks in accordance with this Incentive Plan.

(III) The Company shall timely perform the obligations of reporting and information disclosure of the incentive plan in accordance with relevant regulations.

(IV) The Company shall, in accordance with this incentive plan and the relevant provisions of the CSRC, the Stock Exchange and the Registration and Settlement Company, actively cooperate with the incentive objects meeting the conditions for releasing conditions to remove the sales restriction according to the provisions. However, if the incentive object fails to lift the sales restriction as it desires and causes losses to the incentive object due to the actions of the CSRC, Stock Exchange and Registration and Settlement Company, the Company shall not bear such responsibilities.

### **II. Rights and obligations of incentive objects**

(I) The incentive objects shall be diligent, conscientious and abide by professional ethics and make his or her fair share of contributions to the development of the Company in line with the requirements posed by the position offered by the Company.

(II) The incentive objects shall be restricted in selling restricted stocks they are

granted in line with the provisions of this Incentive Plan.

(III) The source of funds for incentive objects shall be the raised by incentive objects.

(IV) The restricted stocks granted to the incentive objects shall not be transferred, nor be used for guarantees or meeting one's liability during the restricted selling period.

(V) The incentive object shall pay individual income tax and other taxes in accordance with national tax laws and regulations for the income obtained from this Incentive Plan.

(VI) Other relevant rights and obligations stipulated by laws, regulations and this Incentive Plan.

Upon the approval of this incentive Plan by the Shareholders' Meeting, the Company will sign the *Restricted Stock Grant Agreement* with every incentive object, which clearly stipulates their rights and obligations under this incentive Plan and other relevant matters.

## **Chapter VIII Handling of Abnormalities of the Company and Incentive Objects**

### **I. The Plan shall be terminated immediately in case of any of the following circumstances:**

(I) The certified public accountant has issued an audit report with negative opinions or unable to express opinions to the financial and accounting report of the latest fiscal year;

(II) The certified public accountant has issued an audit report with negative opinions or unable to express opinions on the internal control of the financial statement of the latest fiscal year;

(III) In the last 36 months after listing, the Company has failed to distribute profits in accordance with laws and regulations, the Articles of Association, and public promises;

(IV) Equity incentive is not allowed as prescribed by laws and regulations;

(V) Other circumstances recognized by the CSRC.

When circumstances mentioned above occurred, and the Company needs to terminate the plan, the restricted stocks that have been granted to incentive objects, but have not yet reached the conditions for releasing conditions shall not be lifted, and the Company shall repurchase and cancel them at the granted price. If the number of restricted stocks increases due to the conversion of capital reserve to share capital, distribution of stock dividend, stock split, etc., before the buyback, the repurchase price paid by the Company when the restricted stocks are not released shall be based on the

ex-right and ex-dividend price paid by the incentive object at the time of subscription.

## **II. The plan will not be changed under any of the following circumstances:**

(I) Change of Control Right of the Company;

(II) The Company has merger, division, etc.

## **III. Changes in the personal situation of the incentive objects**

(I) In the event that one of the following circumstances occurs to the incentive object, the restricted stocks of the incentive object that have not been lifted from the restrictions on sales shall be cancelled by the Company after repurchase:

1. Being identified as an inappropriate candidate by the Stock Exchange within the last 12 months;

2. Being identified as an inappropriate candidate by the CSRC and its dispatched agencies within the last 12 months;

3. Being subject to administrative penalty or banned from entering the market by the CSRC or its dispatched offices for major violations of laws and regulations within the recent 12 months;

4. Being prohibited to serve as the director or senior executive of the Company as stipulated in the Company Law;

5. Being prohibited to participate in equity incentives of listed companies in line with laws and regulations;

6. Other circumstances recognized by the CSRC.

(II) If the position of the incentive object changes due to the Company's reasons, but the incentive object still works in the Company, or in a subsidiary of the Company, the rights enjoyed by the incentive object under the plan remain unchanged.

(III) If the position of the incentive object changes due to incompetence, violation of laws, violation of professional ethics, disclosure of Company secrets, dereliction of duty and other acts that damage the interests or reputation of the Company, or the

termination of the labor relationship between the Company and the incentive object due to the above reasons, the board of directors may, in accordance with the plan, require that the restricted stocks granted to the incentive object but not yet reaching the conditions for releasing conditions on sales shall not be lifted, and the Company shall repurchase and cancel them.

(IV) If the incentive object leaves the Company due to resignation or downsizing of the Company, the incentive object may reserve the right to lift the restriction on sale of the restricted stocks that have reached the conditions for releasing conditions on sales but has not yet lifted the restrictions on sales. In terms of the restricted stocks that have not yet reached the conditions for releasing conditions on sales shall not be lifted, and shall be repurchased and cancelled by the Company.

(V) If the incentive object retires due to reaching the retirement age stipulated by the state and the Company, on the date of resignation, for the restricted stocks of the incentive object that have reached the conditions for releasing conditions on sales but have not yet been lifted, the right to lift the restrictions on sales may be retained, and the restricted stocks that have not reached the conditions for releasing conditions on sales may still be lifted according to the regulations without changes.

The Board of Directors may decide that the personal performance appraisal conditions will no longer be included in the conditions for releasing conditions.

(VI) If the incentive object leaves the Company due to the loss of labor ability, it shall be handled in the following two ways:

1. If the incentive object loses labor capacity and leaves the Company due to work injury, for the restricted stocks that have reached the conditions for releasing conditions on sales but have not yet been lifted, the right to lift the restrictions on sales may be retained on the date of leaving the Company. The restricted stocks that have not reached the conditions for releasing conditions on sales may still be lifted according to the regulations without any changes.

The Board of Directors may decide that the personal performance appraisal

conditions will no longer be included in the conditions for releasing conditions.

2. If the incentive object loses labor capacity and leaves the Company due to non-service injury, for the restricted stocks that have reached the conditions for releasing conditions on sales but have not yet been lifted, the incentive object may retain the right to lift the restrictions on sales on the date of resignation. However, the restricted stocks that have not reached the conditions for releasing conditions on sales shall not be lifted and shall be repurchased and cancelled by the Company.

(VII) Death of incentive object:

If the incentive object dies, on the date of death, for the restricted stocks that have reached the conditions for releasing conditions on sales but have not yet been lifted, the right to lift the restrictions on sales may be retained, and the restricted stocks that have not reached the conditions for releasing conditions on sales may still be lifted in accordance with the regulations without any change. Restricted stocks may be held by their designated heirs or legal heirs, and the rights under the plan remain unchanged.

The Board of Directors may decide that the personal performance appraisal will no longer be included in the conditions for releasing conditions.

(VIII) Compensation Committee of the Board of Directors shall determine other unspecified situations and determine their treatment methods.

## Chapter IX Principles of Repurchase and Cancellation of the Incentive Plan

### I. Repurchase price adjustment methods

Unless otherwise specified in the incentive plan, if the Company repurchases and cancels restricted stocks from incentive objects in accordance with the provisions of the incentive plan, the repurchase price shall be the grant price. However, after the restricted stocks granted to the incentive object are registered, if the Company faces any affairs that affect the total share capital or the stock price of the Company, such as the conversion of capital reserve into share capital, distribution of stock dividends, share splitting, allotment, share reduction or dividend distribution, the Company shall make corresponding adjustments to the repurchase price of the restricted stocks whose restrictions on sales have not been lifted. The adjustment methods are as follows:

- (I) Conversion of capital reserve into share capital, distribution of stock dividends, stock split

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

Wherein: P is the adjusted restricted stock repurchase price per share, and  $P_0$  is the grant price per restricted stock; n refers to the ratio of conversion of reserve fund per share into share capital, distribution of stock dividends and stock subdivision (i.e. the number of shares increased after conversion, distribution or stock subdivision of each share).

- (II) Stock allotment

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

Wherein: P is the adjusted repurchase price of restricted stocks per share,  $P_0$  is the grant price before the adjustment, and  $P_1$  is the closing price on the equity registration date;  $P_2$  refers to the stock allotment price; n refers to the proportion of shares allotted (i.e. the proportion between the number of shares allotted and the total share capital of the Company before the allotment)



(III) Share shrinking

$$P=P_0 \div n$$

Wherein: P is the adjusted repurchase price of restricted stocks per share, and  $P_0$  is the grant price of restricted stocks per share; n is the stock reduction ratio per share (i.e. 1 share is reduced to n shares).

(IV) Dividend Distribution

$$P=P_0-V$$

Wherein:  $P_0$  is the grant price of restricted stock per share; V is the dividend per share; P is the adjusted restricted stock repurchase price per share. After dividend adjustment, P shall still be greater than 1.

## II. Repurchase quantity adjustment methods

After the restricted stocks granted to the incentive object are registered, the Company faces matters such as capital reserve conversion to share capital, distribution of stock dividends, share splitting, share allotment, share reduction, etc., and the number of restricted stocks whose restrictions on sales have not been lifted shall be adjusted accordingly. The adjustment method is as follows:

(I) Conversion of capital reserve into share capital, distribution of stock dividends and split of shares

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

Wherein:  $Q_0$  refers to the number of restricted stocks before adjustment; n refers to the ratio of capital reserve per share converted into share capital, dividend distribution and stock subdivision (i.e. the number of stocks increased after conversion, distribution or stock subdivision of each share); Q refers to the number of restricted stocks after adjustment.

(II) Stock allotment

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

Wherein:  $Q_0$  refers to the number of restricted stocks before adjustment;  $P_1$  refers

to the closing price on the day of equity registration;  $P_2$  refers to the stock allotment price;  $n$  refers to the proportion of shares allotted (i.e. the proportion between the number of shares allotted and the total share capital of the Company before the allotment);  $Q$  refers to the number of restricted stocks after adjustment.

(III) Share shrinking

$$Q=Q_0 \times n$$

Wherein:  $Q_0$  refers to the number of restricted stocks before adjustment;  $n$  refers to the stock reduction ratio (i.e. 1 share of the Company is reduced to  $n$  shares);  $Q$  refers to the number of restricted stocks after adjustment.

(IV) Dividend distribution and additional issuance

The number of restricted stocks will not be adjusted when dividends are paid or new shares are issued.

### III. Adjustment Procedures for Repurchase Price and Repurchase Quantity

(I) The shareholders' meeting authorizes the board of directors of the Company to adjust the repurchase price or quantity of restricted stocks for the reasons listed above. The Board of Directors shall make a timely announcement after adjustment in accordance with the above provisions.

(II) If it requires adjusting the repurchase price or quantity of restricted stocks for other reasons, it shall be subject to the resolution of the board of directors and the deliberation and approval of the shareholders' meeting.

### IV. Repurchase and cancellation procedures

The Company shall convene the Board of Directors to review the share repurchase plan timely, submit the share repurchase plan to the shareholders' meeting for approval, and make a timely announcement. When the Company carries out repurchase in accordance with the provisions of the Plan, it shall be handled in accordance with the provisions of the *Company Law*. The Company shall apply to the stock exchange for cancellation of such restricted stocks when carrying out repurchase in accordance with

the provisions of this plan, and after confirmation by the securities exchange, the registration and settlement company shall handle the registration and settlement affairs.

## **Chapter X Settlement Mechanism of Disputes and Controversies**

For disputes and controversies arising out of the execution of this Plan or relating to the agreement between the Company and incentive objects, both parties shall negotiate and communicate to solve them, or solve through the conciliation of the Compensation Committee of the Board of Directors. If both parties fail to solve related disputes or controversies through the above-mentioned modes within 60 days since the occurrence of the dispute or controversy, either party shall have the right to bring a lawsuit to the people's court of the Company's location.

## **Chapter XI Supplementary Provisions**

- I. This incentive plan shall come into force from the date of approval by the shareholders' meeting of the Company.
- II. This incentive plan shall be interpreted by the Board of Directors of the Company.

**Board of Directors of Zhejiang Supor Co., Ltd.**

**December 10, 2021**