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YONGHE

雍禾医疗

Yonghe Medical Group Co., Ltd.

雍禾醫療集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 2279)

ADOPTION OF THE 2022 RESTRICTED SHARE UNITS SCHEME

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The Board is pleased to announce that on July 26, 2022, the Board has resolved to adopt the Scheme. The Scheme will be effective for a term of ten (10) years after the Adoption Date. The Shares underlying the Awards will be purchased by the Trustee on the Stock Exchange or off the market.

The aggregate number of Shares under the Scheme available to be granted to the Grantees during the Valid Period (i) shall not exceed 10% of the issued share capital of the Company (as changed from time to time) throughout the Valid Period, and (ii) shall be subject to an annual limitation within 2% of the issued share capital of the Company (as changed from time to time). The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme under Chapter 17 of the Listing Rules and no Shareholders' approval is required to adopt the Scheme.

APPOINTMENT OF TRUSTEE

Futu Trustee Limited has been appointed by the Company as the Trustee.

ADOPTION OF THE 2022 RESTRICTED SHARE UNITS SCHEME

The Board is pleased to announce that on July 26, 2022, the Board has resolved to adopt the Scheme. Key terms of the Scheme are set out below:

1. Purpose of the Scheme

The purpose of the Scheme is to recognize and acknowledge the contributions that the Grantees have made or may make to the Group; and to provide the Grantees with the opportunity to own a personal stake in the Company with a view to (i) motivate the Grantees; and/or (ii) attract and retain or otherwise maintain an on-going relationship with the Grantees whose contributions are, will be or are likely to be beneficial to the long-term growth of the Group.

2. Administration

The Scheme shall be administered by the Board, whose decision as to all matters arising in relation to the Scheme or its interpretation or effect shall (save as otherwise provided therein) be final and binding on all related parties.

Subject to any restrictions in the rules of the Scheme, the Board has delegated the monitoring and managing authority of the Scheme to Mr. ZHANG Yu, the chairman of the Board, as the Administrator of the Scheme. Without prejudice to the Board's general power of administration, the Company has appointed the Trustee to assist with the administration and vesting of RSUs granted pursuant to the Scheme.

3. Scheme Limit

The aggregate number of Shares under the Scheme available to be granted to the Grantees during the Valid Period (i) shall not exceed 10% of the issued share capital of the Company (as changed from time to time); and (ii) shall be subject to an annual limitation within 2% of the issued share capital of the Company (as changed from time to time).

The number of Shares which may be awarded to an individual Grantee under the Scheme shall not exceed 1% of the issued share capital of the Company (as changed from time to time) in any 12-month period.

4. Grant of Awards

The Board shall periodically approve each grant plan which shall include (1) the range or the maximum number of the Shares underlying the RSUs to be granted; (2) the scope of the proposed Grantees; (3) the price range or the minimum price of the consideration to be received from the Grantees upon vesting of the underlying RSUs; and (4) the duration of the grant plan for each batch of the proposed grant under the Scheme from time to time during the Valid Period, which shall be proposed by the Administrator.

With prior approval of the Board, the Administrator may choose any qualified Employee as the Grantee from time to time. When determining the Grantees, the Administrator shall consider, among other things, the Grantees' current and expected contributions to the Company, the financial situation of the Company, and the objectives and future development of the whole business of the Group.

No Awards may be granted to Grantees or any such grant shall be invalid if:

- (i) in any case without the necessary approval of the regulatory authority (if any) or the Board;
- (ii) the grant would cause the Company (or any of its Subsidiary) or any director of the Company (or any of its Subsidiary) to violate any applicable laws and regulations;
- (iii) the grant would result in a violation of the Scheme Limit; and
- (iv) after the period during which the Grantee shall accept the Award expires.

In the following circumstances, no Awards shall be granted to Grantees, and no instructions to purchase any Shares shall be given to the Trustee under the Scheme:

- (i) after an event involving inside information of the Company (until such inside information has been publicly announced in accordance with the applicable laws and regulations and the Listing Rules);
- (ii) within 60 days immediately before the date of announcement of the Company' annual results, or the shorter period from the end of the relevant financial year to (and including) the date of such results announcement;
- (iii) within 30 days immediately before the date of announcement of quarterly or interim results, or the shorter period from the end of the relevant quarter or interim period to (and including) the date of such results announcement; and
- (iv) when the Grantee would or might be prohibited from dealing in the Shares by any applicable laws and regulations and the Listing Rules.

As far as the management and operation of the Scheme are concerned, the Company shall comply with all applicable disclosure requirements, including the Listing Rules and any applicable laws and regulations updated from time to time.

5. Satisfaction of Awards

The Company may direct and procure the Trustee to purchase existing Shares on the Stock Exchange or off the market to satisfy the RSUs granted to any Grantees upon vesting, in each case subject to applicable restrictions or requirements under any applicable laws and/or the Listing Rules. The Company will not issue new Shares to satisfy the Awards under the Scheme.

6. Vesting of Awards

The vesting of the Awards granted under the Scheme is subject to the Continuous Service, the fulfillment of the vesting conditions of the relevant Grantees and any other applicable conditions stated in the Award Agreement. The RSUs in an Award shall be vested in phases, which shall be determined by the Administrator and stated in the Award Agreement.

Unless otherwise agreed by the Administrator, the Awards shall be vested in three phases:

- (i) the first thirty percent (30%) of the RSUs shall vest on the first anniversary from the Grant Date;
- (ii) the second thirty percent (30%) of the RSUs shall vest on the second anniversary from the Grant Date; and
- (iii) the last forty percent (40%) of the RSUs shall vest on the third anniversary from the Grant Date.

Subject to the fulfillment or waiver of all the vesting conditions of the vesting of the Awards, the Administrator may determine at its sole discretion to either:

- (i) direct and procure the Trustee to transfer the number of Shares underlying the vested Awards to the Grantee or its wholly owned entity or in the event of the Grantee's death, to the legal personal representative(s) of the Grantee; or

- (ii) direct and procure the Trustee to sell the number of Shares underlying the vested Awards, by on-market transactions and pay the Grantee the actual price at which the Shares are sold (net of brokerage, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) in cash arising from such sale within a reasonable time period.

7. Position Adjustment and Termination of Continuous Service

In case the Grantee undergoes promotion or horizontal position adjustment or other adjustments that do not affect the main scope, content and duration of the Continuous Service, the Unvested Awards shall remain the same with the regulations stipulated in the Award Agreement. In case that Grantee is demoted and/or the scope, content or duration of his/her work is materially reduced or shortened, if necessary, the Administrator has the right to determine the adjustment of the Unvested Awards at its discretion.

In the event of termination of Grantee's Continuous Service as a result of good reason that is not attributed to any default of Grantee and recognized by the Company, then all the Unvested Awards granted to Grantee shall be automatically cancelled and lapsed in its entirety. Such Unvested Awards shall be re-incorporated into the Scheme and can be granted to other Grantees. The vested Awards shall belong to such Grantee.

In the event of termination of Grantee's Continuous Service for Cause that is attributed to default of Grantee, then all the Unvested Awards granted to Grantee shall be automatically cancelled and lapsed in its entirety. Such Unvested Awards shall be re-incorporated into the Scheme and can be granted to other Grantees. The Administrator has the right to cancel, recover or dispose of the vested Awards of the Grantee.

8. Valid Period

The Scheme shall become effective upon the Adoption Date. The Scheme shall continue in effect for a term of ten (10) years after the Adoption Date, unless terminated earlier by the Board (the "**Valid Period**").

9. Non-transferability of Awards

The Awards shall be personal to the Grantee and shall not be assignable or transferable, and no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest (legal or beneficial) in favour of any third party over or in relation to any Award unless specified in the Award Agreement.

10. Shareholders' Rights

No Grantee shall enjoy any of the rights of a Shareholder (including the right to vote and the right to receive dividends) by virtue of the grant of an Award pursuant to the Scheme. The Grantee and the Trustee shall not exercise any voting rights attached to any Shares in the Trust held by the Trustee.

11. Alternation of the Scheme

The Scheme may be altered by the Board, provided that any relevant amendments do not materially adversely affect any existing rights of any Grantee under the Scheme.

12. Termination

The Board may in its sole determination to terminate the Scheme and the Unvested Awards shall be automatically lapsed and cancelled with immediate effect if any of the following events occurred:

- (i) an audit is not carried out pursuant to the procedures and requirements accordance to the applicable laws and regulations;
- (ii) a certified public accountant has issued an audit report with an adverse opinion or a disclaimer of opinion for the financial accounting report of the most recent fiscal year;
- (iii) the regulatory authorities raise a significant objection to the performance or financial statements of the Company;
- (iv) material punishment is imposed by the regulatory authorities; and/or
- (v) any other circumstances where the Scheme shall be terminated as required by the regulatory authorities.

LISTING RULES IMPLICATION

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders' approval is required for the adoption of the Scheme.

Pursuant to the Scheme, Grantee may include any Director, chief executive or substantial Shareholder of any member of the Group, or any of their associates. As such, if the Company grants Awards to a Director, such grant will constitute a connected transaction of the Company, unless such grant forms part of the remuneration of the relevant Director under his/her service contract so that such grant of Awards will be exempted from all the reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules.

APPOINTMENT OF TRUSTEE

Futu Trustee Limited has been appointed by the Company as the Trustee. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, the Trustee and its ultimate beneficial owners were third parties independent of the Company and its connected persons prior to its appointment.

The Trustee is not an associate of a connected person under Rule 14A.12(1)(b) because the Scheme is a restricted share unit scheme established for a wide scope of grantees being qualified Employee under the Scheme and the connected persons' aggregate interests in the Scheme are less than 30%.

The Trustee will become a connected person of the Company under the Listing Rule if the number of the Shares underlying the Awards held by the Trustee for the benefit of the connected persons of the Company equals to or exceeds 30% of the aggregate number of the Shares underlying the Awards held by the Trustee. The Company will comply with the relevant provisions under Chapter 14A of the Listing Rules where appropriate.

The Shares held by the Trustee will be regarded as public float unless the Trustee becomes a core connected persons of the Company or would otherwise cease to be regarded as member of the public under the Listing Rules. The Company will take appropriate measures to ensure at least 25% of the Company's total issued Shares are held by the public Shareholders from time to time.

DEFINITIONS

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

Term	Definition
“Administrator”	the chairman of the Board or any of the committee or person appointed by the Board to administer the Scheme
“Adoption Date”	July 26, 2022, being the date on which the Scheme was adopted by the Board
“Award(s)”	the grant of RSU(s) or other rights or benefits under the Scheme
“Award Agreement”	the written agreement evidencing the grant of an Award executed by the Company and the Grantee, including any amendments thereto
“Board”	the board of directors of the Company
“Cause”	with respect to the termination of the Grantee’s Continuous Service to which the Grantee provides service, that such termination is for “Cause” as such term is expressly defined in a then-effective written agreement between the Grantee and the employer, or in the absence of such then-effective written agreement or such definition, is based on, in the sole determination of the Administrator, the Grantee’s: (i) negligence in performing, or refusal to perform, any major duties to the employer (as stated in the agreement between the Grantee and the employer, or reasonably assigned by the employer based on the Grantee’s position), or material violation of any articles of association, code of conduct, rules, regulations, or policies of the employer, (ii) performance of any act or failure to perform any act in bad faith and to the detriment of the employer (economical, reputational or otherwise), (iii) dishonesty or commitment in an act of theft, embezzlement, fraud, or a breach of trust, (iv) any intentional misconduct or material breach of any employment contract, non-disclosure obligation, non-competition obligation, non-solicitation obligation or other agreement between the Grantee and the employer, (v) breach of a fiduciary duty, or commission of a crime (other than minor traffic violations or similar offenses), (vi) material violation of any applicable laws and regulations, or (vii) any intentional act in a manner detrimental to the reputation, business operation, assets, or market image of the employer
“Company”	Yonghe Medical Group Co., Ltd., a company listed on the Main Board of the Stock Exchange

“connected person”	has the meaning ascribed thereto under the Listing Rules
“Continuous Service”	the provision of services to any member of the Group in any capacity of an Employee that is not interrupted or terminated
“Director(s)”	a member of the Board
“Employee”	any individuals, including executive directors (but excluding non-executive directors and independent non-executive directors), who provide service under the employment contract to any member of the Group, and in terms of work and working methods, accepts the control and dominance of any member of the Group
“Grant Date”	in respect of any particular RSU, the date on which the RSU is granted in accordance with the terms of the Scheme
“Grantee(s)”	any Employee of any member of the Group who receives and agrees to accept an Award under the Scheme
“Group”	the Company and its Subsidiaries or, where the context so requires, in respect of the period before the Company became the holding company of its current subsidiaries, such subsidiaries as if they were the Company’s subsidiaries at that time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended and supplemented from time to time
“RSU”	a restricted share unit, being a contingent right to receive Shares under the Scheme
“Scheme”	the 2022 Restricted Share Units Scheme of the Company in its present form or as amended from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“Shares”	ordinary shares of the Company
“Shareholder(s)”	the holder(s) of a Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary(ies)”	a company which is for the time being and from time to time a subsidiary (within the meaning given under section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time) of the Company, whether incorporated in Hong Kong or elsewhere
“Trust”	the trust constituted by the trust deed to be entered into between the Company and the Trustee to service the Scheme

“Trustee”	Futu Trustee Limited, being the trustee appointed by the Company for the time being
“Unvested Awards”	the Awards that have been granted but have not met certain terms and conditions required by the Scheme and/or the Administrator
“%”	per cent.

By Order of the Board
Yonghe Medical Group Co., Ltd.
ZHANG Yu
Chairman of the Board

Hong Kong, July 26, 2022

As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Yu, Mr. ZHANG Hui and Ms. HAN Zhimei, the non-executive director of the Company is Mr. GENG Jiaqi, and the independent non-executive directors of the Company are Ms. LIANG Jihong, Mr. CHAN Peng Kuan and Mr. LI Xiaopei.