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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in **Consun Pharmaceutical Group Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**(1) PROPOSED ADOPTION OF 2024 SHARE OPTION SCHEME,  
(2) PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM  
AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE  
NEW MEMORANDUM AND ARTICLES OF ASSOCIATION  
AND  
(3) NOTICE OF EGM**

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A notice convening the EGM of the Company (the “EGM”) to be held with the combination of a physical meeting at 22/F United Centre, 95 Queensway, Admiralty, Hong Kong and an online virtual meeting on 31 May 2024 (Friday) at 10:15 a.m. or immediately after conclusion of the Company’s annual general meeting to be held on the same day, whichever is later, is set out on pages EGM-1 to EGM-4 of this circular.

This circular, the aforesaid notice convening the EGM and a form of proxy for use at the EGM are made available on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.chinaconsun.com](http://www.chinaconsun.com). Whether or not you intend to attend the EGM in person or via online platform, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Hong Kong, 7 May 2024

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“2013 Share Option Scheme”	the share option scheme adopted by the Company on 2 December 2013
“2024 Share Option Scheme”	the new share option scheme to be proposed for adoption by the Company at the EGM, the principal terms of which is set out in this circular
“Adoption Conditions”	the conditions for the adoption of the Share Option Scheme as disclosed in the paragraph headed “Proposed Adoption of 2024 Share Option Scheme – Explanation of the terms of the 2024 Share Option Scheme – Adoption Conditions” in the Letter from the Board in this circular
“Adoption Date”	the date on which the last condition set out in the Adoption Conditions is fulfilled
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Auditors”	the auditors of the Company from time to time
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“Company”	Consun Pharmaceutical Group Limited, an exempted company incorporated in Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 1681)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened and held by the Company for the Shareholders with the combination of a physical meeting at 22/F United Centre, 95 Queensway, Admiralty, Hong Kong and an online virtual meeting on Friday, 31 May 2024 at 10:15 a.m. or immediately after conclusion of the Company’s annual general meeting to be held on the same day, whichever is later, to consider and, if thought fit, approve, amongst others, the proposed adoption of the 2024 Share Option Scheme, the Proposed Amendments and the adoption of the New Memorandum and Articles of Association, or where the context so admits, any adjournment thereof
“Eligible Participant(s)”	<p>an individual or a corporate entity (as the case may be), being any of the following:</p> <ul style="list-style-type: none"><li>(a) Employee Participant(s); and</li><li>(b) Service Provider(s); and</li><li>(c) Related Entity Participant(s),</li></ul> <p>in each case provided that the Board considers, in its sole discretion, have contributed or will contribute to the Group</p>
“Employee Participant(s)”	any director (including executive directors, non-executive directors and independent non-executive directors) and employee (whether full-time or part-time) of the Company or any of its subsidiaries (including any persons who are granted Options under the 2024 Share Option Scheme as an inducement to enter into employment contracts with these companies), and provided that the Board shall have absolute discretion to determine whether or not one falls within such category
“Existing Memorandum and Articles of Association”	the existing memorandum and articles of association of the Company

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## DEFINITIONS

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“Grantee(s)”	any Eligible Participant who accepts the Offer in accordance with the terms of the 2024 Share Option Scheme or (where the context so permits) the person or persons who, in accordance with the laws of succession applicable in respect of the death of a Grantee, is or are entitled to exercise the Option granted to such Eligible Participant (to the extent not already exercised)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	30 April 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Memorandum and Articles of Association”	the second amended and restated memorandum and articles of association of the Company incorporating and consolidating all the Proposed Amendments, proposed to be adopted by the Company at the EGM
“Offer”	an offer for the grant of an Option made in accordance with the 2024 Share Option Scheme
“Offer Date”	the date on which an Offer is made to an Eligible Participant
“Option(s)”	an option to subscribe for Shares granted pursuant to the 2024 Share Option Scheme

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## DEFINITIONS

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“Option Period”	in respect of any particular Option, a period (which may not end later than ten years from the Offer Date) to be determined and notified by the Board to the Grantee thereof and, in the absence of such determination, from the date of acceptance of the Offer of such Option to the earlier of the date on which such Option lapses under the provisions of paragraph 13 of the Appendix I to this circular and ten years from the Offer Date
“Proposed Amendments”	proposed amendments to the Existing Memorandum and Articles of Association as set out in Appendix II to this circular
“Related Entity Participant(s)”	directors, chief executives and employees of the holding companies, fellow subsidiaries or associated companies of the Company, and provided that the Board shall have absolute discretion to determine whether or not one falls within such category
“Remuneration Committee”	remuneration committee of the Company
“Scheme Mandate Limit”	the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company
“Scheme Rules”	the rules of the 2024 Share Option Scheme
“Service Provider(s)”	any person (natural person or corporate entity) who provides services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including but not limited to person(s) who work(s) for the Company as (i) independent contractors (including suppliers); and (ii) advisers or consultants, but excluding any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity, and provided that the Board shall have absolute discretion to determine whether or not one falls within such category

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## DEFINITIONS

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“Service Provider Sublimit”	the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company to the Service Providers
“Share(s)”	ordinary share(s) of HK\$0.1 each (or of such other nominal amount as shall result from a sub-division, reduction, a consolidation, reclassification or reconstruction of such shares from time to time) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“%”	per cent.

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## LETTER FROM THE BOARD

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康臣藥業集團有限公司  
CONSUN PHARMACEUTICAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 1681)

*Executive Directors:*

Mr. An Meng (*Chairman*)  
Professor Zhu Quan  
Mr. Xu Hanxing

*Non-executive Director:*

Dr. Zhang Lihua

*Independent Non-executive Directors:*

Mr. Feng Zhongshi  
Ms. Chen Yujun

*Registered office:*

Windward 3  
Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Head office and principal place of  
business in the PRC:*

71, Dongpeng Avenue  
Eastern section, Guangzhou Economic  
and Technological Development District  
Guangzhou, PRC

7 May 2024

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED ADOPTION OF 2024 SHARE OPTION SCHEME,  
(2) PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM  
AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE  
NEW MEMORANDUM AND ARTICLES OF ASSOCIATION  
AND  
(3) NOTICE OF EGM**

### **1. INTRODUCTION**

Reference is made to the announcements of the Company dated 28 March 2024. The purpose of this circular is to provide you with information on the resolutions to be proposed at the EGM regarding, among other things, (a) the proposed adoption of the 2024 Share Option Scheme, (b) the Proposed Amendments and the adoption of the New Memorandum and Articles of Association, and to give you notice of the EGM at which the resolutions will be proposed to consider and, if thought fit, approve such matters.

### **2. PROPOSED ADOPTION OF 2024 SHARE OPTION SCHEME**

#### **Expiry of 2013 Share Option Scheme**

The Company adopted the 2013 Share Option Scheme on 2 December 2013. Under the terms of the 2013 Share Option Scheme, unless otherwise terminated or amended, the 2013 Share Option Scheme would remain in force for a period of 10 years from the date of its adoption and has expired on 1 December 2023. No further options can be offered or granted upon the expiration of the 2013 Share Option Scheme.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there are 44,549,565 outstanding options under the 2013 Share Option Scheme, which remain unexercised. Details of the said outstanding options are as follows:

Name or category of participant	Tranche number	Number of share options outstanding as at the Latest Practicable Date	Date of grant of share options	Exercise period of share options <sup>(Note 1)</sup>	Exercise price HK\$
Mr. An Yubao <sup>(Note 2)</sup>	2016 T7	1,200,000	27 May 2016	1 April 2017 – 31 March 2026	4.01
	2016 T8	1,200,000	27 May 2016	1 April 2018 – 31 March 2026	4.01
	2016 T9	1,600,000	27 May 2016	1 April 2019 – 31 March 2026	4.01
	2019 T5	875,000	31 May 2019	1 April 2021 – 1 January 2029	4.476
	2019 T6	3,500,000	31 May 2019	1 April 2022 – 1 January 2029	4.476
	2020 T2	844,000	18 June 2020	1 April 2021 – 17 June 2030	3.44
Ms. Li Qian <sup>(Note 2)</sup>	2016 T7	1,200,000	27 May 2016	1 April 2017 – 31 March 2026	4.01
	2016 T8	1,200,000	27 May 2016	1 April 2018 – 31 March 2026	4.01
	2016 T9	1,600,000	27 May 2016	1 April 2019 – 31 March 2026	4.01
	2019 T5	875,000	31 May 2019	1 April 2021 – 1 January 2029	4.476
	2019 T6	3,500,000	31 May 2019	1 April 2022 – 1 January 2029	4.476
	2020 T2	844,000	18 June 2020	1 April 2021 – 17 June 2030	3.44
Professor Zhu Quan <sup>(Note 3)</sup>	2016 T4	600,000	1 April 2016	1 April 2017 – 31 March 2026	4.01
	2016 T5	357,700	1 April 2016	1 April 2018 – 31 March 2026	4.01
	2016 T6	330,000	1 April 2016	1 April 2019 – 31 March 2026	4.01
	2019 T2	192,000	2 January 2019	1 April 2021 – 1 January 2029	4.476
	2019 T3	256,000	2 January 2019	1 April 2022 – 1 January 2029	4.476

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## LETTER FROM THE BOARD

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Name or category of participant	Tranche number	Number of share options outstanding as at the Latest Practicable Date	Date of grant of share options	Exercise period of share options <sup>(Note 1)</sup>	Exercise price HK\$
Employees (In aggregate)	2016 T1	2,647,014	1 April 2016	1 April 2017 – 31 March 2026	4.01
	2016 T2	2,647,014	1 April 2016	1 April 2018 – 31 March 2026	4.01
	2016 T3	3,529,352	1 April 2016	1 April 2019 – 31 March 2026	4.01
	2019 T2	3,999,220	2 January 2019	1 April 2021 – 1 January 2029	4.476
	2019 T3	5,332,294	2 January 2019	1 April 2022 – 1 January 2029	4.476
	2020 T1	6,220,971	24 March 2020	1 April 2021 – 23 March 2030	3.28

*Notes:*

1. The applicable vesting periods of all Share options outstanding as at the Latest Practicable Date which have been granted under the 2013 Share Option Scheme have expired.
2. A substantial Shareholder of the Company.
3. A Director of the Company.

### **Explanation of the terms of the 2024 Share Option Scheme**

In view of the expiration of the 2013 Share Option Scheme, the Board proposes to adopt the 2024 Share Option Scheme in accordance with the amended Chapter 17 of the Listing Rules effective on 1 January 2023 to provide incentives or rewards to the Eligible Participants for their contribution to the Group. A summary of the principal terms of the 2024 Share Option Scheme is set out in Appendix I to this circular.

### ***Adoption Conditions***

The 2024 Share Option Scheme will take effect upon satisfaction of the following conditions:

- (a) the passing of ordinary resolution(s) by the Shareholders at a general meeting of the Company to approve the adoption of the 2024 Share Option Scheme, and to authorize the directors of the Company to grant Options under the 2024 Share Option Scheme and to allot and issue Shares pursuant to the exercise of any Options granted under the 2024 Share Option Scheme; and

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## LETTER FROM THE BOARD

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- (b) the Listing Committee granting approval to the listing of, and permission to deal in, the new Shares to be allotted and issued pursuant to the exercise of the Options to be granted under the 2024 Share Option Scheme.

An application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the 2024 Share Option Scheme.

### *Purpose*

The purpose of the 2024 Share Option Scheme is to enable the Group to grant Options to selected participants as incentives or rewards for their contribution to the Group, in particular, (i) to motivate them to optimize their performance and efficiency for the benefit of the Group; and (ii) to attract and retain or otherwise maintain ongoing business relationships with them whose contributions are or will be beneficial to the Group.

### *Duration*

The 2024 Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date, after which period, no further Options may be offered or granted but the provisions of the 2024 Share Option Scheme shall remain in full force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2024 Share Option Scheme.

### *Eligible Participants*

Eligible Participants include the Employee Participants, the Service Providers and the Related Entity Participants, in each case provided that the Board considers, in its sole discretion, have contributed or will contribute to the Group.

In the case of the Employee Participants, in assessing their eligibility, the Board will consider, in its sole discretion, on a case-by-case basis, the following factors, including but not limited to (i) contribution or potential contribution to the development, growth and performance of the Group; (ii) quality of work performed for the Group; (iii) initiative and commitment in performing his/her duties, responsibilities or employment conditions according to the prevailing market practice and industry standard; (iv) length of service or contribution of the Group; and (v) the amount of support, assistance, guidance, advice or efforts that has been given or will be given towards the Group's success.

The Directors are of the view that the adoption of the 2024 Share Option Scheme is in line with current market practices of providing incentives to employees to motivate them to contribute to the growth of the organisation. By offering Options to Employee Participants, the 2024 Share Option Scheme aims to align Employee Participants' interests with the overall objectives of the Group, by encouraging them to work towards enhancing the enterprise value, as well as achieving the long-term objectives set by the Group and ultimately benefiting the Group as a whole.

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## LETTER FROM THE BOARD

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In assessing the eligibility of the Service Providers, the Board will take into account the criteria of (a) the individual performance of the Service Providers; (b) the frequency of collaboration and the length of business relationship with the Group; (c) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (d) the track record in the quality of services provided to and/or cooperation with the Group and the ability to maintain the quality of services; (e) the scale of business dealings and/or collaboration with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the Service Providers; (f) the actual contribution or potential contribution towards the long-term development and success of the Group; and (g) the remuneration packages of comparable listed peers for similar service providers based on available information in the industry.

Further to the above criteria, set out below is the detailed basis of determining the eligibility of each category of the Service Providers:

<b>Class of Service Providers</b>	<b>Contribution of the Service Providers</b>	<b>Criteria for determining eligibility under the 2024 Share Option Scheme</b>
Independent contractors (including suppliers)	<p>Independent contractors under this category are third-party suppliers of raw materials and equipment for production and research and development, and service providers relating to research and development of medicines, who/which support, on a regular or recurring basis, the Group's day-to-day operation in the research, manufacturing and sale of pharmaceutical products in the PRC.</p> <p>The Group considers that it is important to maintain an ongoing collaborative relationship with the independent contractors as the Group may from time to time require their delivery of the raw materials and services for the Group to carry out its business activities. It would also be beneficial to the collaboration between the Group and the Service Provider if the Company grants such Service Providers proprietary ownership in the Company, which encourages the Service Provider to have a vested shareholding interest in the Group and the Group's future development and maintain a stable supply chain.</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Providers, including:</p> <ul style="list-style-type: none"><li>(a) the benefits and strategic value brought by the Service Providers to the Group's development and future prospects in terms of the profits and/or income attributable to the Service Providers' collaboration with the Group; and</li><li>(b) the business opportunities and external connections that the Service Providers have introduced or will potentially introduce to the Group.</li></ul>

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## LETTER FROM THE BOARD

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Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Option Scheme
Advisers or consultants	<p>Advisers and consultants under this category would be individuals and/or businesses which provide, on a regular or recurring basis, advisory services and consultancy services, to the Group on areas relating to the Group's principal business activities in operation of research, manufacturing and sale of pharmaceutical products in the PRC, or the Group's business strategy, human resources and marketing activities.</p> <p>The Group may seek advisory services and consultancy services from consultants or advisers with the expertise, professional qualifications and industry experience, which can bring positive impacts or strategic benefits to the Group's business growth and development in light of the Group's business plan from time to time. Granting performance rewards in the form of Options to such Service Providers will motivate them to continuously devote resources towards the Group and serves to bind their interests with the Group's interests in the long term.</p>	<p>The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Providers, including:</p> <ul style="list-style-type: none"> <li>(a) the expertise, professional qualifications and industry experience of the Service Providers;</li> <li>(b) the prevailing market fees chargeable by other services providers;</li> <li>(c) the Group's period of engagement of or collaboration with the Service Providers; and</li> <li>(d) the Service Providers' actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit.</li> </ul>

In assessing whether a Service Provider provides services to the Group on a continuing and recurring basis, the Board will take into account factors such as: (i) the duration and nature of products or services provided to the Group in the past 12 months, and the recurrence and regularity of such products or services; (ii) the length of engagement of the Service Provider; (iii) the selection criteria against comparable metrics used to determine other Eligible Participants who have been granted Options under the 2024 Share Option Scheme; (iv) the Group's objectives in engaging the Service Provider and how granting Options to the Service Provider would align with the purpose of the 2024 Share Option Scheme or benefit the Group and its Shareholders; and (v) remuneration packages of comparable listed peers, if any, based on available industry information.

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## LETTER FROM THE BOARD

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In assessing whether a Service Provider provides services to the Group in the Company's ordinary and usual course of business, the Board will take into account factors such as the nature of the services provided to the Group by the Service Provider, and whether such services form part of or are directly ancillary to the businesses conducted by the Group.

The qualified Service Providers shall directly contribute to the long-term growth of the Group's business by providing services that are of a continuing and recurring nature in the ordinary and usual course of the Group's business. In particular, they shall be closely connected to and crucial to the Group's operations.

In assessing the eligibility of the Related Entity Participant(s), the Board will consider, in its sole discretion, on a case-by-case basis, including (a) the responsibility taken up or to be taken up by the Related Entity Participant(s) towards the success of the Group's operations or enhancing the value of the Company and its Shares; (b) the measurable positive contributions brought by, or expected to be brought by, the Related Entity Participant on the Group's business development in terms of financial performance or financial position; (c) whether the Related Entity Participant has referred or introduced opportunities to the Group which have materialised into further business relationships; (d) whether the Related Entity Participant has assisted the Group in tapping into new markets and/or increased its market share; and (e) the materiality and nature of the business relations of holding companies, fellow subsidiaries or associated companies with the Group and the Related Entity Participant's contribution in such holding companies, fellow subsidiaries or associated companies of the Group which may benefit the principal businesses of the Group through a collaborative relationship.

Having considered the basis of determining the eligibility of Service Providers and Related Entity Participants, the Directors consider that (i) the proposed categories of the Service Providers and Related Entity Participants are in line with the Company's business needs and the industry norm of offering equity-based compensation to stakeholders; (ii) the success of the Group is not solely attributed to the contributions of employees and directors of the Group but also to the efforts and collaboration of non-employees, including Service Providers and Related Entity Participants, who contribute to the Group's development and ongoing success and may contribute in the future; and (iii) in order to foster a sustainable and stable relationship vital to the Group's business development, including Service Providers and Related Entity Participants are advantageous.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the inclusion of the Employee Participants, Service Providers and Related Entity Participants in the 2024 Share Option Scheme and the basis of determining their respective eligibility are in line with the purpose of the 2024 Share Option Scheme, enabling the Group to attract and retain talented employees and valuable human resources from both within and outside the Group and promote its long-term growth, the adoption of the 2024 Share Option Scheme is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Vesting period*

Except for certain circumstances as allowed under the 2024 Share Option Scheme, the vesting period in respect of any Option granted shall be no less than twelve (12) months from (and including) the date of grant. To ensure the practicability in fully attaining the purpose of the 2024 Share Option Scheme, for Employee Participants, the Board (and the Remuneration Committee where the arrangements relate to grant of Options to Directors and/or senior management of the Group) is of the view that (i) there are certain instances where a strict 12-month vesting requirement would not work or would not be fair to the Grantees, such as those set out in paragraphs 10.2(a) to (f) of Appendix I to this circular; (ii) there is a need for the Group to maintain flexibility in its remuneration package to attract and retain talented individuals facilitate succession planning and the effective transition of employee responsibilities and appropriately reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (iii) the Group should be allowed discretion to formulate its own talent recruitment and retention strategies to adapt to evolving market conditions and industry competition, and therefore should have flexibility to impose vesting conditions such as performance-based vesting conditions instead of time-based vesting criteria depending on individual circumstances.

Hence, the Board (and the Remuneration Committee where the arrangements relate to grant of Options to Directors and/or senior management of the Group) is of the view that the shorter vesting period prescribed in paragraphs 10.2(a) to (f) of Appendix I to this circular, which is available to Employee Participants at the discretion of the Board (and the Remuneration Committee where the arrangements relate to grant of Options to Directors and/or senior management of the Group), aligns with the market practice, is appropriate and in line with the purpose of the 2024 Share Option Scheme.

### *Scheme Mandate Limit and Service Provider Sublimit*

There was a total of 817,901,427 Shares in issue as at the Latest Practicable Date. Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Adoption Date, the maximum number of Shares which may be issued in respect of all Options to be granted under the 2024 Share Option Scheme and any other share scheme(s) will be 81,790,142 Shares, representing 10% of the total number of Shares in issue as at the Adoption Date (excluding, for the purpose, options which are outstanding and granted and yet to be exercised pursuant to the 2013 Share Option Scheme and treasury Shares (if any)).

The Service Provider Sublimit of the 2024 Share Option Scheme and any other share scheme(s) of the Company will be 8,179,014 Shares, representing 1% of total number of the issued Shares as of the Adoption Date (excluding treasury Shares), assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Adoption Date.



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## LETTER FROM THE BOARD

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The basis for determining the Service Provider Sublimit includes (i) the potential dilution effect arising from grants to the Service Providers; (ii) the importance of striking a balance between achieving the purpose of the 2024 Share Option Scheme and protecting Shareholders from the dilution effect from granting a substantial amount of Options to the Service Providers; (iii) the extent of the use of Service Providers in the Group's business; and (iv) the fact that the Company expects that a majority of the Options will be granted to Employee Participants and Related Entity Participants and as such there is a need to reserve a larger portion of the Scheme Mandate Limit for grants to the Employee Participants and Related Entity Participants. Given the above, the Board has made reference to the 1% Individual Limit (as defined in Appendix I) and considered that a sublimit of 1% would not lead to an excessive dilution of existing Shareholders' holdings.

If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit or the Service Provider Sublimit has been approved in general meeting of the Company, the maximum number of new Shares that may be issued in respect of all options and awards to be granted under the 2024 Share Option Scheme and any share scheme(s) of the Company under the Scheme Mandate Limit or the Service Provider Sublimit as a percentage of the total number of issued Shares as at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.

Considering the Group's business model and human resources allocation strategy and that the Service Providers have contributed to the long-term growth of the Group's business development, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable given the Group's business needs, and such sublimit enables flexibility to provide equity incentives (instead of expending cash resources in the form of monetary consideration) to reward persons who are not employees or officers of the Group, but who may have exceptional expertise in their field or who may be able to provide valuable contribution to the Group, which is in line with the purpose of the 2024 Share Option Scheme. The relatively low threshold sublimit of 1% can provide adequate safeguard against excessive dilution of existing Shareholders' holdings. The Service Provider Sublimit is subject to separate approval of the Shareholders at the EGM.

### *Performance targets and clawback mechanism*

Specific performance targets that must be met before an Option can be exercised are not prescribed in the Scheme Rules. However, the Scheme Rules will give the Board or the Remuneration Committee discretion to determine and set any performance targets, which shall be stated in the Offer to the Grantee, to be attained before the exercise of an Option granted to the Grantee as the Board or the Remuneration Committee may think fit. The performance targets may include the attainment of program milestones and market capitalization milestones by the Group, which may vary among the Grantees. The Board or the Remuneration Committee shall have the authority, after the grant of any Option which is performance-linked, to make fair and reasonable adjustments to the prescribed performance targets during the Option Period if there is a change in circumstances, provided that any such adjustments shall be less onerous than the prescribed performance targets and are considered fair and reasonable by the Board or the Remuneration Committee (as the case may be).



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## LETTER FROM THE BOARD

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The Board or the Remuneration Committee (as the case may be) will conduct assessment from time to time by comparing the performance with the pre-set targets to determine whether such targets and the extents to which have been met. If, after the assessment, the Board or the Remuneration Committee determines that any prescribed performance targets have not been met, the unexercised Options shall lapse automatically. For the avoidance of doubt, the performance targets are not applicable to independent non-executive Directors.

The Board (and the Remuneration Committee in respect of grants of Options to the Directors and/or senior management) considers that it may not always be appropriate to impose performance targets on the Options, especially when the purpose of granting the Options is to remunerate or compensate Eligible Participants for past contributions. The Board (and the Remuneration Committee in respect of grants of Options to the Directors and/or senior management) considers that it is more beneficial to the Group to retain the flexibility to determine whether such conditions are appropriate in light of the particular circumstances of each grant. It is also considered not feasible to establish a standardized set of performance targets in the Scheme Rules due to the diverse roles and unique contributions of each Grantee within the Group. Therefore, the Board or the Remuneration Committee will consider the purpose of the 2024 Share Option Scheme, as well as the Grantee's position, contributions, and significance to the Group when making decisions and ensure appropriate and specific performance targets based on the individual circumstances of each relevant Grantee(s) will be set.

According to the Scheme Rules, the Board has the authority to provide that any Option shall be subject to a clawback if any of the events prescribed in paragraphs 10.4(a) to (c) of Appendix I to this circular occurs. The Board may (but is not obliged to) by notice in writing to the relevant Grantee claw back such number of Options granted (to the extent not already exercised) as the Board may consider appropriate. The Options that are clawed back shall be regarded as cancelled and the Options so cancelled shall be regarded as utilized for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

The Board (and the Remuneration Committee in respect of grants of Options to the Directors and/or senior management) is of the view that with the above clawback mechanism in place in the event of misconduct of the Grantees, the Company would have the flexibility to claw back the equity incentives granted to the Grantees culpable of serious misconduct or cause damage to the Group (including material misstatement in the Company's financial statements), and provides the Board with more versatility in setting the terms and conditions of the Options under particular circumstances of each grant, which would facilitate the objective to offer meaningful incentives to attract and retain quality personnel that are valuable to the development of the Group, which is in line with the purpose of the 2024 Share Option Scheme and the interest of Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Basis of Determination of the Subscription Price*

Eligible Participants to whom Options shall be granted, are entitled to subscribe for the number of Shares at the Subscription Price as determined by the Board in its discretion on the date of grant, but in any event, the Subscription Price shall be at least the highest of:

- (a) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a Business Day;
- (b) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five (5) Business Days immediately preceding the date of grant; and
- (c) the nominal value of the Shares on the date of grant.

The basis for determining the Subscription Price is also specified precisely in the Scheme Rules. The Board considers that such basis will serve to preserve the value of the Company and encourage the Eligible Participants to acquire proprietary interests in the Company.

### **Application for Listing**

An application will be made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the Options to be granted under the 2024 Share Option Scheme.

### **Document on Display**

A copy of the rules of the 2024 Share Option Scheme will be published on the respective websites of the Stock Exchange at "www.hkexnews.hk" and the Company at "www.chinaconsun.com" for display for a period of not less than 14 days before the date of EGM and will be made available for inspection at the EGM.

### **3. PROPOSED AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES OF ASSOCIATION AND ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF ASSOCIATION**

Reference is made to the announcement of the Company dated 28 March 2024. As set out in the said announcement, the Board proposes to seek approval from the Shareholders at the EGM for the Proposed Amendments in order to align the Existing Memorandum and Articles of Association with the latest regulatory requirements in relation to the expanded paperless listing regime and the electronic dissemination of corporate communications by listed issuers and the relevant amendments made to the Listing Rules which took effect from 31 December

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## LETTER FROM THE BOARD

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2023 and incorporate certain housekeeping amendments. The Board also proposes to adopt the New Memorandum and Articles of Association which consolidates the Proposed Amendments in substitution for, and to the exclusion of, the Existing Memorandum and Articles of Association in their entirety.

The Company has been advised by its legal advisers that the Proposed Amendments are not inconsistent with the requirements of the Listing Rules and the laws of the Cayman Islands. The Company also confirms that there is nothing unusual about the Proposed Amendments for a company listed on the Stock Exchange.

Details of the Proposed Amendments are set out in Appendix II to this circular and the Proposed Amendments are subject to the approval of the Shareholders by way of a special resolution at the EGM.

#### **4. EGM**

A notice of the EGM is set out on pages EGM-1 to EGM-4 of this circular.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolution(s) to be put forward at the EGM.

At the EGM, resolutions will be proposed to the Shareholders to be considered at the EGM, including: (a) the proposed adoption of the 2024 Share Option Scheme; and (b) the Proposed Amendments and the adoption of the New Memorandum and Articles of Association.

A form of proxy for use at the EGM is enclosed herewith. Whether or not you intend to attend the EGM in person, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

In addition to physical attendance at the EGM, you may also opt to attend the EGM via online platform by visiting the website at [https://meetings.computershare.com/CPGL\\_2024EGM](https://meetings.computershare.com/CPGL_2024EGM). For details, please refer to the notice of the EGM set out in this circular.

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## LETTER FROM THE BOARD

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### 5. VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules and article 79 of the Articles, all votes at the EGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### 6. CLOSURE OF REGISTER OF MEMBERS FOR EGM

For the purpose of determining the Shareholders' eligibility to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024 (both dates inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 27 May 2024.

### 7. RESPONSIBILITY STATEMENT

This circular, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the issuer. 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.

### 8. RECOMMENDATION

The Directors consider the proposed adoption of the 2024 Share Option Scheme and the Proposed Amendments and the adoption of the New Memorandum and Articles of Association are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

### 9. GENERAL

Your attention is drawn to the additional information set out in appendices to this circular.

Yours faithfully,  
By Order of the Board of  
**Consun Pharmaceutical Group Limited**  
**AN Meng**  
*Chairman and Executive Director*

*The following is a summary of the principal terms of the 2024 Share Option Scheme proposed to be adopted at the EGM. It does not form part of, nor is it intended to be part of, the Scheme Rules and it should not be taken as affecting the interpretation of the Scheme Rules. The Directors reserve the right at any time prior to the EGM to make such amendments to the 2024 Share Option Scheme as they may consider necessary or appropriate provided that such amendments do not conflict with any material aspects with the summary in this Appendix.*

## **1. PURPOSE OF THE 2024 SHARE OPTION SCHEME**

The purpose of the 2024 Share Option Scheme is to enable the Group to grant Options to selected participants as incentives or rewards for their contribution to the Group, in particular, (i) to motivate them to optimize their performance and efficiency for the benefit of the Group; and (ii) to attract and retain or otherwise maintain ongoing business relationships with them whose contributions are or will be beneficial to the Group.

## **2. ELIGIBLE PARTICIPANTS AND BASIS OF DETERMINING THE ELIGIBILITY**

2.1 The Board may, at its absolute discretion, select and invite any person belonging to any of the following classes of Eligible Participants, to take up an Option pursuant to which such Participant may subscribe for such number of Shares as the Board may determine:

- (i) an Employee Participant (i.e. any director (including executive directors, non-executive directors and independent non-executive directors) and employee (whether full-time or part-time) of the Company or any of its subsidiaries (including any persons who are granted Options under the 2024 Share Option Scheme as an inducement to enter into employment contracts with these companies), and provided that the Board shall have absolute discretion to determine whether or not one falls within such category);
- (ii) a Service Provider (i.e. any person (natural person or corporate entity) who provides services to the Group on a continuing and recurring basis in the ordinary course of business of the Group which are in the interests of the long term growth of the Group, including but not limited to person(s) who work(s) for the Company as (i) independent contractors (including suppliers, agents, entities providing research, development or other technological support and service providers of any member of the Group); and (ii) advisers or consultants, but excluding any placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, and professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity, and provided that the Board shall have absolute discretion to determine whether or not one falls within such category); and
- (iii) a Related Entity Participant (i.e. directors, chief executives and employees of the holding companies, fellow subsidiaries or associated companies of the Company, and provided that the Board shall have absolute discretion to determine whether or not one falls within such category);

in each case provided that the Board considers, in its sole discretion, have contributed or will contribute to the Group.

- 2.2 In the case of the Employee Participants, in assessing their eligibility, the Board will consider, in its sole discretion, on a case-by-case basis, the following factors, including but not limited to (i) contribution or potential contribution to the development, growth and performance of the Group; (ii) quality of work performed for the Group; (iii) initiative and commitment in performing his/her duties, responsibilities or employment conditions according to the prevailing market practice and industry standard; (iv) length of service or contribution of the Group; and (v) the amount of support, assistance, guidance, advice or efforts that has been given or will be given towards the Group's success.
- 2.3 In assessing the eligibility of the Service Providers, the Board will take into account the criteria of (a) the individual performance of the Service Providers; (b) the frequency of collaboration and the length of business relationship with the Group; (c) the materiality and nature of the business relationship with the Group (such as whether they relate to the core business of the Group and whether such business dealings could be readily replaced by third parties); (d) the track record in the quality of services provided to and/or cooperation with the Group and the ability to maintain the quality of services; (e) the scale of business dealings and/or collaboration with the Group with regard to factors such as the actual or expected change in the Group's revenue or profits which is or may be attributable to the Service Providers; (f) the actual contribution or potential contribution towards the long-term development and success of the Group; and (g) the remuneration packages of comparable listed peers for similar service providers based on available information in the industry.

Further to the above criteria, set out below is the detailed basis of determining the eligibility of each category of the Service Providers:

Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Option Scheme
Independent contractors (including suppliers)	<p data-bbox="572 463 963 853">Independent contractors under this category are third-party suppliers of raw materials and equipment for production and research and development, and service providers relating to research and development of medicines, who/which support, on a regular or recurring basis, the Group's day-to-day operation in the research, manufacturing and sale of pharmaceutical products in the PRC.</p> <p data-bbox="572 902 963 1532">The Group considers that it is important to maintain an ongoing collaborative relationship with the independent contractors as the Group may from time to time require their delivery of the raw materials and services for the Group to carry out its business activities. It would also be beneficial to the collaboration between the Group and the Service Provider if the Company grants such Service Providers proprietary ownership in the Company, which encourages the Service Provider to have a vested shareholding interest in the Group and the Group's future development and maintain a stable supply chain.</p>	<p data-bbox="979 463 1366 651">The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Providers, including:</p> <ul style="list-style-type: none"> <li data-bbox="979 704 1366 970">(a) the benefits and strategic value brought by the Service Providers to the Group's development and future prospects in terms of the profits and/or income attributable to the Service Providers' collaboration with the Group; and</li> <li data-bbox="979 1023 1366 1215">(b) the business opportunities and external connections that the Service Providers have introduced or will potentially introduce to the Group.</li> </ul>

Class of Service Providers	Contribution of the Service Providers	Criteria for determining eligibility under the 2024 Share Option Scheme
Advisers or consultants	<p data-bbox="572 342 963 772">Advisers and consultants under this category would be individuals and/or businesses which provide, on a regular or recurring basis, advisory services and consultancy services, to the Group on areas relating to the Group's principal business activities in operation of research, manufacturing and sale of pharmaceutical products in the PRC or the Group's business strategy, human resources and marketing activities.</p> <p data-bbox="572 825 963 1410">The Group may seek advisory services and consultancy services from consultants or advisers with the expertise, professional qualifications and industry experience, which can bring positive impacts or strategic benefits to the Group's business growth and development in light of the Group's business plan from time to time. Granting performance rewards in the form of Options to such Service Providers will motivate them to continuously devote resources towards the Group and serves to bind their interests with the Group's interests in the long term.</p>	<p data-bbox="979 342 1370 534">The Board will, on a case-by-case basis, take into account both qualitative and quantitative factors when determining the eligibility of such Service Providers, including:</p> <ul style="list-style-type: none"> <li data-bbox="979 587 1370 736">(a) the expertise, professional qualifications and industry experience of the Service Providers;</li> <li data-bbox="979 789 1370 895">(b) the prevailing market fees chargeable by other services providers;</li> <li data-bbox="979 949 1370 1055">(c) the Group's period of engagement of or collaboration with the Service Providers; and</li> <li data-bbox="979 1108 1370 1251">(d) the Service Providers' actual or potential contribution to the Group in terms of a reduction in costs or an increase in turnover or profit.</li> </ul>

In assessing whether a Service Provider provides services to the Group on a continuing and recurring basis, the Board will take into account factors such as: (i) the duration and nature of products or services provided to the Group in the past 12 months, and the recurrence and regularity of such products or services; (ii) the length of engagement of the Service Provider; (iii) the selection criteria against comparable metrics used to determine other Eligible Participants who have been granted Options under the 2024 Share Option Scheme; (iv) the Group's objectives in engaging the Service Provider and how granting Options to the Service Provider would align with the purpose of the 2024 Share Option Scheme or benefit the Group and its Shareholders; and (v) remuneration packages of comparable listed peers, if any, based on available industry information.



In assessing whether a Service Provider provides services to the Group in the Company's ordinary and usual course of business, the Board will take into account factors such as the nature of the services provided to the Group by the Service Provider, and whether such services form part of or are directly ancillary to the businesses conducted by the Group.

The qualified Service Providers shall directly contribute to the long-term growth of the Group's business by providing services that are of a continuing and recurring nature in the ordinary and usual course of the Group's business. In particular, they shall be closely connected to and crucial to the Group's operations.

- 2.4 In assessing the eligibility of the Related Entity Participant(s), the Board will consider, in its sole discretion, on a case-by-case basis, including (a) the responsibility taken up or to be taken up by the Related Entity Participant(s) towards the success of the Group's operations or enhancing the value of the Company and its Shares; (b) the measurable positive contributions brought by, or expected to be brought by, the Related Entity Participant on the Group's business development in terms of financial performance or financial position; (c) whether the Related Entity Participant has referred or introduced opportunities to the Group which have materialised into further business relationships; (d) whether the Related Entity Participant has assisted the Group in tapping into new markets and/or increased its market share; and (e) the materiality and nature of the business relations of holding companies, fellow subsidiaries or associated companies with the Group and the Related Entity Participant's contribution in such holding companies, fellow subsidiaries or associated companies of the Group which may benefit the principal businesses of the Group through a collaborative relationship.

### **3. SCHEME MANDATE LIMIT AND SERVICE PROVIDER SUBLIMIT**

- 3.1 The Scheme Mandate Limit is the maximum number of Shares in respect of which all options and awards may be granted (including Shares in respect of which Options, whether exercised or still outstanding, have already been granted) under the 2024 Share Option Scheme and under any other share scheme(s) of the Company must not in aggregate exceed 10.0% of the total number of Shares in issue (excluding treasury shares) at the Adoption Date, unless otherwise permitted by the Listing Rules or the Company obtains the approval of its Shareholders to refresh the Scheme Mandate Limit in accordance with paragraph 3.5. In addition, the Company will not use treasury shares (if any) to satisfy any grant of Options or cover the exercise of any outstanding Options.

- 3.2 The Service Provider Sublimit, being a sublimit under the Scheme Mandate Limit, the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company to the Service Providers must not in aggregate exceed 1% of the total number of Shares in issue as at the Adoption Date.
- 3.3 Options which have lapsed in accordance with the terms of the 2024 Share Option Scheme (or any other share scheme(s) of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit or the Service Provider Sublimit. If the Company conducts a share consolidation or subdivision after the Scheme Mandate Limit or the Service Provider Sublimit has been approved in general meeting of the Company, the maximum number of new Shares that may be issued in respect of all options and awards to be granted under the 2024 Share Option Scheme and any share scheme(s) of the Company under the Scheme Mandate Limit or the Service Provider Sublimit as a percentage of the total number of issued Shares (excluding treasury Shares) as at the date immediately before and after such consolidation or subdivision shall be the same, rounded to the nearest whole Share.
- 3.4 The Company may seek the approval of its Shareholders at general meeting to refresh the Scheme Mandate Limit or the Service Provider Sublimit after three years from the Adoption Date or the date of Shareholders' approval for the last refreshment (as the case may be), such that the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% (and the Service Provider Sublimit as refreshed shall not exceed 1%) of the Shares in issue (excluding treasury Shares) as at the date of the aforesaid approval for refreshment by the Shareholders in general meeting. Options and awards lapsed in accordance with the terms of the 2024 Share Option Scheme and any other share scheme(s) of the Company will not be regarded as utilized for the purpose of calculating the limit as refreshed. The Company shall send a circular to the Shareholders containing the number of options and awards that were already granted under the existing Scheme Mandate Limit and the existing Service Provider Sublimit, and the reason for the refreshment.

Any refreshment within any abovementioned three-year period must be approved by the Shareholders subject to the following provisions:

- (a) any controlling shareholder(s) of the Company and their respective associates, or if there is no controlling shareholder(s) of the Company, directors (excluding independent non-executive directors) and the chief executives of the Company and their respective associates must abstain from voting in favor of the relevant resolution at the general meeting; and
- (b) the Company must comply with the requirements under the Listing Rules.

The requirements under paragraphs 3.4(a) and 3.4(b) above do not apply if the refreshment is made immediately after an issue of securities by the Company to its Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the Scheme Mandate Limit or the Service Provider Sublimit (as a percentage of the Shares in issue) upon refreshment is the same as the unused part of the Scheme Mandate Limit or the Service Provider Sublimit immediately before the issue of securities, rounded to the nearest whole Share.

- 3.5 The Company may also seek separate approval of the Shareholders in general meeting for granting any Options beyond the Scheme Mandate Limit, or if applicable, the refreshed limit as referred to in paragraph 3.4 above, provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Participants specifically identified by the Company before the aforesaid Shareholders' meeting where such approval is sought. A circular shall be sent to Shareholders containing the name of each specified Eligible Participant who may be granted such Options, the number and terms of the Options to be granted to each specified Eligible Participant, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose, and all other information as required under the Listing Rules. The number and terms of the Options to be granted to such Eligible Participant must be fixed before Shareholders' approval. In respect of any Options to be granted, the date of the Board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

#### **4. MAXIMUM ENTITLEMENT OF SHARES OF EACH ELIGIBLE PARTICIPANT**

- 4.1 Unless approved by the Shareholders in the manner set out in this paragraph, the total number of Shares issued and to be issued in respect of all options and awards granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company to each Eligible Participant in any 12-month period shall not exceed 1% of the total number of Shares in issue (excluding treasury Shares) (the "**Individual Limit**"). Where any grant of Options under the 2024 Share Option Scheme to an Eligible Participant would result in the aggregate number of Shares issued and to be issued in respect of all options and awards granted under the 2024 Share Option Scheme and any other share scheme(s) of the

Company to such Eligible Participant (excluding any options and awards lapsed in accordance with the terms of the 2024 Share Option Scheme and any other share scheme(s) of the Company) in the 12-month period up to and including the date of such grant exceeding the Individual Limit, such grant shall be subject to separate approval of the Shareholders in general meeting with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person of the Company) abstaining from voting. A circular shall be sent to the Shareholders disclosing the identity of such Eligible Participant, the number and terms of the Options to be granted (and those options and awards previously granted to such Eligible Participant in the 12-month period), the purpose of granting the Options to the Eligible Participant and an explanation as to how the terms of the Options serve such purpose, and all other information as required under the Listing Rules. The number and terms of the Options to be granted to such Eligible Participant shall be fixed before the Shareholders' approval is sought and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the Subscription Price.

## **5. GRANT OF OPTIONS**

On and subject to the terms of the 2024 Share Option Scheme, the Board shall be entitled (but shall not be bound) at any time within the period of ten years commencing on the Adoption Date to make an Offer to any Eligible Participant, as the Board may in its absolute discretion select, to take up an Option pursuant to which such Eligible Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at the exercise price and on and subject to such terms and conditions as the Board may determine and impose and inform the Grantee accordingly. The Offer shall specify the terms and conditions on which the Option is to be granted. Such terms and conditions may include any minimum period(s) for which an Option must be held and/or any minimum performance target(s) that must be achieved, before the Option can be exercised or vested in whole or in part, may include any clawback mechanism in respect of the Options, and may include at the discretion of the Board such other terms either on a case by case basis or generally.

## **6. GRANT OF OPTIONS TO CONNECTED PERSONS**

6.1 Each grant of Options to any Director, chief executive or substantial Shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of Options). Where any grant of Options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) would result in the number of Shares issued and to be issued in respect of all options and awards involving issue of new Shares already granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company (excluding any options or awards lapsed in accordance with the terms of the 2024 Share Option Scheme or any other share scheme(s) of the Company) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other

higher percentage as may from time to time be specified by the Stock Exchange) of the total number of Shares in issue as at the date of grant (excluding treasury Shares), such further grant of Options shall be subject to prior approval by the Shareholders (voting by way of poll) in general meeting. The Company shall send a circular to its Shareholders containing all those terms as required under the Listing Rules. The relevant Grantee, his/her associates and all core connected persons of the Company shall abstain from voting at such general meeting, except that such person may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

6.2 The circular to be issued by the Company to its Shareholders pursuant to paragraph 6.1 shall contain the following information:

- (a) the details of the number and terms of the Options to be granted to each Grantee which must be fixed before the Shareholders' meeting. In respect of any Options to be granted, the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the Subscription Price;
- (b) the views of the independent non-executive Directors (excluding any independent non-executive Director who is the relevant Grantee) as to whether the terms of the grant are fair and reasonable and whether such grant is in the interests of the Company and its Shareholders as a whole, and their recommendation to the independent Shareholders as to whether to vote for or against the resolution relating to the grant of the Options;
- (c) the information required under Rule 17.02(2)(c) of the Listing Rules;
- (d) the information as required under Rule 2.17 of the Listing Rules; and
- (e) any other information as may be required under the Listing Rules or by the Stock Exchange from time to time.

## **7. PERIOD WITHIN WHICH THE OPTION MAY BE EXERCISED**

In respect of an Option, the period within which an option may be exercised is to be determined and notified by the Board to each Grantee at the time of making an Offer, which shall not expire later than ten years from the date of grant. Subject to the limitation in relation to vesting period as set out in paragraph 10 below, the 2024 Share Option Scheme does not provide for any minimum period for which an Option must be held before it can be exercised or vested.

**8. ACCEPTANCE OF OPTION**

The Offer shall specify the terms on which the Option is to be granted and the Board may at its discretion specify any condition in the Offer which must be satisfied before the Option may be exercised. The Board shall forward to the Eligible Participant an offer document in such form as the Board may from time to time determine, requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the 2024 Share Option Scheme. The Offer shall remain open for acceptance by the Eligible Participant concerned (and by no other person, including his personal representative(s)) for a period as stated in the offer document. An Offer shall be deemed to have been accepted by and the Option shall be deemed to have been granted to the Grantee and to have taken effect when the duplicate offer document constituting acceptances of the Offer duly signed by the Grantee, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. To the extent that the offer to grant an Option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

**9. SUBSCRIPTION PRICE**

9.1 The Subscription Price in respect of any Option shall, subject to any adjustments made pursuant to paragraph 17, be at the absolute discretion of the Board, provided that it shall be not less than the highest of:

- (a) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a Business Day;
- (b) the average closing price of Shares as stated in the Stock Exchange's daily quotations sheet for the five (5) Business Days immediately preceding the date of grant; and
- (c) the nominal value of the Shares on the date of grant.

**10. VESTING PERIOD, PERFORMANCE TARGETS AND CLAWBACK OF OPTIONS**

10.1 The vesting period in respect of any Option granted shall be no less than twelve (12) months from (and including) the date of grant.

10.2 Options granted to an Employee Participant may be subject to a shorter vesting period in the following circumstances at the sole discretion of the Board or the Remuneration Committee:

- (a) grants of "make-whole" Options to new joiners to replace the share awards or options they forfeited when leaving their previous employers;

- (b) grants to an Employee Participant whose employment is terminated due to disability or occurrence of any out-of-control event;
- (c) grants that are made in batches during a year for administrative or compliance reasons, which include Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for a subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Option would have been granted;
- (d) grants with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of twelve (12) months, or where the Options may vest by several batches with the first batch to vest within twelve (12) months of the date of grant and the last batch to vest twelve (12) months after the date of grant;
- (e) grants with performance-based vesting conditions provided in the 2024 Share Option Scheme or as specified in the offer letter in lieu of time-based vesting criteria; and
- (f) grants with a total vesting and holding period of more than twelve (12) months,

10.3 Vesting of Options shall be subject to the performance targets, if any, to be satisfied by the Grantees as determined by the Board or the Remuneration Committee from time to time. The Board or the Remuneration Committee shall have the authority, after the grant of any Option which is performance-linked, to make fair and reasonable adjustments to the prescribed performance targets during the Option Period if there is a change in circumstances, provided that any such adjustments shall be less onerous than the prescribed performance targets and are considered fair and reasonable by the Board or the Remuneration Committee (as the case may be). The performance targets may include the attainment of program milestones and market capitalization milestones by the Group, which may vary among the Grantees. The Board or the Remuneration Committee (as the case may be) will conduct assessment from time to time by comparing the performance with the pre-set targets to determine whether such targets and the extents to which have been met. If, after the assessment, the Board or the Remuneration Committee determines that any prescribed performance targets have not been met, the unexercised Options shall lapse automatically. For the avoidance of doubt, the performance targets are not applicable to independent non-executive directors of the Company.

10.4 Notwithstanding the terms and conditions of the 2024 Share Option Scheme, the Board has the authority to provide that any Option shall be subject to a clawback if any of the following events occurs:

- (a) if the Grantee (being an employee or a director of any member of the Group) ceases to be an Eligible Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of fraud or dishonesty



or persistent or serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

- (b) the granting of any Option, or its becoming exercisable or vested was based on material misstatements in financial statements or any other materially inaccurate performance metric criteria;
- (c) if the Grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of the Company; and
- (d) if any other clawback event implicitly or explicitly characterized in the offer letter occurs.

Upon occurrence of any of the above events (and whether an event is to be regarded as having occurred for the purpose of this Clause is subject to the sole determination of the Board) in relation to a Grantee, the Board may (but is not obliged to) by notice in writing to the relevant Grantee claw back such number of Options granted (to the extent not already exercised) as the Board may consider appropriate. The Options that are clawed back shall be regarded as cancelled and the Options so cancelled shall be regarded as utilized for the purpose of calculating the Scheme Mandate Limit and the Service Provided Sublimit.

## **11. RIGHTS ON VOTING AND DIVIDENDS**

No Grantee shall enjoy any rights of a Shareholder by virtue of the grant of an Option pursuant to the 2024 Share Option Scheme, unless and until the Shares are actually issued to the Grantee pursuant to the exercise of an Option. The Options do not carry any right to vote in general meeting of the Company, or the right to dividend and other rights, including those arising on a liquidation of the Company until such Options have been exercised. A Share issued upon the exercise of an Option shall not carry rights until the registration of the Grantee (or any other person so permitted pursuant to the 2024 Share Option Scheme) as the holder thereof.

## **12. LIFE OF THE 2024 SHARE OPTION SCHEME**

Subject to any early termination provisions pursuant to the 2024 Share Option Scheme, the 2024 Share Option Scheme shall be valid and effective for the period of ten years commencing on the Adoption Date. After the expiry of the 2024 Share Option Scheme, no further Options shall be offered or granted, but in all other respects the provisions of the 2024 Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2024 Share Option Scheme.



**13. LAPSE OF OPTIONS**

13.1 An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the date of expiry of the Option Period;
- (b) the expiry of any of the periods referred to in paragraph 13.3;
- (c) the date on which the scheme of arrangement of the Company referred to in paragraph 13.3 becomes effective;
- (d) subject to paragraph 13.3(e), the date of commencement of the winding-up of the Company;
- (e) the date on which the Grantee ceases to be an Eligible Participant by reason of such Grantee's resignation from the employment of the Company or any of its subsidiaries or the termination of his or her employment or contract on the grounds that he or she has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his or her debts or has become insolvent or has made any arrangement or has compromised with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or has been in breach of contract or on any other ground on which an employer would be entitled to terminate his or her employment summarily. A resolution of the Board to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 13.1(e) shall be conclusive;
- (f) the date on which the Grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of the Company;
- (g) the date on which the Board or the Remuneration Committee determines that any prescribed performance targets have not been met after conducting the assessment referred to in paragraph 10.3;
- (h) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts when they fall due or has become insolvent or has made any arrangement or composition with its creditors generally;
- (i) where the Grantee is a Related Entity Participant or a Service Provider, the date on which the Board shall at its absolute discretion determine that: (a) the Grantee has committed any breach of any contract entered into between the Grantee, his/her/its associate and/or the relevant related entity and/or the service provider on the one part and any member of the Group on the other part; (b) the Grantee has committed

any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with its creditors generally; or (c) the Grantee and/or the relevant related entity and the service provider which the Grantee served could no longer make any contribution to the growth and development of any member of the Group by reason of the cessation of its relations with the Group or by any other reason whatsoever;

- (j) where the Grantee is an Employee Participant, a Related Entity Participant or a Service Provider of a member of the Group (other than the Company), the date on which such member ceases to be a Subsidiary of the Company;
- (k) the date on which the Board shall exercise the Company's right to cancel the Option at any time after the Grantee commits a breach of paragraph 14.1 or the Options are cancelled in accordance with paragraph 16; or
- (l) unless the Board otherwise determines, and other than in the circumstances referred to in paragraphs 13.3(a) or 13.3(b), the date the Grantee ceases to be an Eligible Participant (as determined by a Board resolution) for any other reason.

13.2 For the avoidance of doubt, transfer of employment or engagement from one member of the Group to another member of the Group shall not be considered as a cessation of employment or engagement. Options held by such Grantee, to the extent not already exercised, shall remain exercisable in accordance with the terms and conditions of the 2024 Share Option Scheme.

13.3 Subject to the terms and conditions upon which such Option was granted, and the Scheme Rules, a vested Option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:

- (a) in the event of the Grantee, who is an employee of the Group at the time of the grant of the Option, ceasing to be an employee thereof by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events which would be a ground for termination of his relationship with the Company and/or any of its subsidiaries specified in paragraph 13.1(e) has occurred, the Grantee or, as appropriate, his a personal representative(s) may exercise the Option (to the extent not already exercised) in whole or in part in accordance with the Scheme Rules within a period of twelve (12) months (or such longer period as the Board may determine) from the date of cessation of being an Eligible Participant or death);

- (b) in the event that the Grantee, who is an employee of the Group at the time of the grant of the Option, ceases to be an employee thereof by reason other than his death, ill-health, injury, disability or termination of his relationship with the Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph 13.1(e), the Grantee may exercise the Options then already vested up to the entitlement of the Grantee as at the date of cessation (to the extent not already exercised) in whole or in part in accordance with the Scheme Rules within a period of one (1) month (or such longer period as the Board may determine) from such cessation which date shall be the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse (or such longer period as the Company may determine);
- (c) if a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 13.3(d)) is made to all the Shareholders (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company, at any time within such period as shall be notified by the Company;
- (d) if a general offer for Shares by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option to its full extent or, if the Company shall give the relevant notification, to the extent notified by the Company;
- (e) in the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to all Grantees and thereupon, each Grantee (or his personal representative(s)) shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of the Company referred to above by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the Grantee credited as fully paid;

- (f) if a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 13.3(d), between the Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which the Company was incorporated, the Company shall give notice to all the Grantees of the Options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any Grantee may, at any time thereafter but before such time as shall be notified by the Company, by notice in writing to the Company accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given (such notice to be received by the Company no later than two (2) Business Days immediately prior to the date of the proposed meeting), exercise the Option to its full extent or to the extent specified in the notice or, if the Company shall give the relevant notification, to the extent notified by the Company pursuant to paragraph 13.4(b), and the Company shall as soon as possible and in any event no later than two (2) Business Days immediately prior to the date of the proposed meeting, allot, issue and register in the register of members of the Company the name of the Grantee as holder of such number of fully paid Shares to the Grantee which falls to be issued on such exercise of the Option. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of Grantees to exercise their respective Options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

13.4 For the purpose of this paragraph 13:

- (a) any references to exercising an Option shall refer to exercising that Option to the extent not already exercised, notwithstanding that the Option Period has not come into effect;
- (b) pursuant to paragraphs 13.3(c), 13.3(d), 13.3(e) and 13.3(f), the Company may in its discretion notwithstanding the terms of the relevant Option, at the same time as giving the notice provided for under each of those Clauses, also give notice to a Grantee that his Option may be exercised at any time within such period as shall be notified by the Company and/or to the extent (not being less than the extent to which it could then be exercised in accordance with its terms) notified by the Company but in any event (save for the circumstances set out in paragraphs 10.2(a) to (f)) such period shall not be less than 12 months from (and including) the date of grant; and

- (c) if the Company gives notice under paragraph 13.4(b) that an Option can be exercised in part only, the balance of the Option shall lapse.

#### 14. RESTRICTIONS AND LIMITATIONS

14.1 An Option shall be personal to the Grantee and shall not be transferrable or assignable, and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any Option, except for the transmission of an Option on the death of the Grantee to his personal representative(s) on the terms of the 2024 Share Option Scheme or as permitted by the Stock Exchange or under the Listing Rules. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee without incurring any liability on the part of the Company.

14.2 No Offer shall be made and no Option shall be granted to any Eligible Participant in circumstances prohibited by the Listing Rules or at a time when the Eligible Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any applicable rules, regulations or laws. No Offer shall be made and no Option shall be granted to any Eligible Participants after inside information has come to the knowledge of the Company until (and including) the trading day after such inside information has been published in an announcement in accordance with the Listing Rules. In particular, during the period commencing 30 days immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of the Company's quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for the Company to publish an announcement of its quarterly, interim or annual results or its results for any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement, no Option may be granted. Such period will also cover any period of delay in the publication of any results announcement, and where an option is granted to a Director:

- (a) no Options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (b) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

**15. RANKING OF SHARES**

15.1 The Shares to be allotted and issued upon the exercise of an Option shall be identical to the then existing issued shares of the Company and subject to all the provisions of the memorandum of association and articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the other fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of the Company or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date the name of the Grantee is registered on the register of members of the Company or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, save that the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

**16. CANCELLATION OF OPTION GRANTED**

Any cancellation of Options granted but not exercised must be approved by the Grantees of the relevant Options in writing. For the avoidance of doubt, such approval is not required in the event any Option is cancelled pursuant to paragraph 14.1. Where the Company cancels Options granted to a Grantee and makes a new grant to the same Grantee, such new grant may only be made under the 2024 Share Option Scheme with available Scheme Mandate Limit and Service Provider Sublimit, and that Options so cancelled will be regarded as utilized for the purpose of calculating the Scheme Mandate Limit and the Service Provider Sublimit.

**17. REORGANISATION OF CAPITAL STRUCTURE AND SPECIAL DIVIDEND**

17.1 In the event of an alteration in the capital structure of the Company whilst any Option remains exercisable whether by way of capitalisation issue, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of the Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to:–

- (a) the number or nominal amount of Shares comprised in each Option so far as unvested;
- (b) the number or nominal amount of Shares comprised in each Option so far as vested but unexercised; and/or
- (c) the Subscription Price.

as the Auditors or an independent financial advisor engaged by the Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that Grantee was previously entitled, but no such adjustments may be made to the extent that a Share would be issued at less than its nominal value (if any). The capacity of the Auditors or independent financial advisor (as the case may be) in this Clause is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or independent financial advisor (as the case may be) in relation to the preparation of any certificate or the provision of any other services in relation to the 2024 Share Option Scheme shall be borne by the Company.

17.2 In respect of any adjustment referred to in paragraph 17.1, other than any adjustment made on a capitalisation issue, the Auditors or independent financial advisor (as the case may be) must confirm to the Board in writing that the adjustments satisfy the requirements set out in the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time.

17.3 If there has been any alteration in the capital structure of the Company as referred to in paragraph 17.1, the Company shall, upon receipt of a notice from a Grantee in accordance with the Scheme Rules, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the Auditors or the independent financial adviser to the Company obtained by the Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the Auditors or the independent financial adviser to the Company as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 17.1.

## **18. ALTERATION**

18.1 Subject to paragraphs 18.2 to 18.5, The Board may amend any of the provisions of the 2024 Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of the 2024 Share Option Scheme, which are not restricted under Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date).

18.2 Any alterations to the terms and conditions of the 2024 Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the Eligible Participants must be approved by Shareholders in general meeting.



- 18.3 Any change to the terms of Options granted to an Eligible Participant must be approved by the Board, the Remuneration Committee, the independent non-executive directors of the Company and/or the Shareholders (as the case may be) if the initial grant of the Options was approved by the Board, the Remuneration Committee, the independent non-executive directors of the Company and/or the Shareholders (as the case may be), unless the alterations take effect automatically under the existing terms of the 2024 Share Option Scheme.
- 18.4 Any change to the authority of the directors of the Company or the administrators of the 2024 Share Option Scheme to alter the terms of the 2024 Share Option Scheme must be approved by the Shareholders in general meeting.
- 18.5 The amended terms of the 2024 Share Option Scheme and/or any Options pursuant to this paragraph 18 must comply with the relevant requirements of Chapter 17 of the Listing Rules.

## **19. TERMINATION**

The Company may by resolution in general meeting or the Board at any time terminate the operation of the 2024 Share Option Scheme and in such event no further Options shall be offered or granted but the provisions of the 2024 Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding Options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the 2024 Share Option Scheme. Outstanding Options (to the extent not already exercised) complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the 2024 Share Option Scheme and remain unexercised and unexpired immediately prior to the termination of the operation of the 2024 Share Option Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the 2024 Share Option Scheme.



The following are the Proposed Amendments. Unless otherwise specified, clauses, paragraphs and article numbers referred to herein are clauses, paragraphs and article numbers of the New Memorandum and Articles of Association.

*Note:* The New Memorandum and Articles of Association is prepared in English with no official Chinese version. Chinese translation is for reference only. In the event of any inconsistency, the English version shall prevail.

**Provisions in the New Memorandum and Articles of Association (showing changes to the existing Articles of Association and parts without changes in the following provisions are shown in "...")**

Cover Page                    SECOND AMENDED AND RESTATED MEMORANDUM AND  
ARTICLES  
OF  
ASSOCIATION OF  
Consun Pharmaceutical Group Limited  
康臣藥業集團有限公司  
(as adopted by a Special Resolution passed on ~~27 May 2022~~ 31  
May 2024)

Title of the                    THE COMPANIES ACT (AS REVISED) EXEMPTED COMPANY  
memorandum                    LIMITED  
of                                    BY SHARES  
association                    SECOND AMENDED AND RESTATED  
MEMORANDUM OF ASSOCIATION  
OF  
Consun Pharmaceutical Group Limited  
康臣藥業集團有限公司  
(the "Company")  
(adopted by a Special Resolution passed on ~~27 May 2022~~ 31 May  
2024)

**Provisions in the New Memorandum and Articles of Association (showing changes to the existing Articles of Association and parts without changes in the following provisions are shown in "...")**

Title of the  
articles of  
association

THE COMPANIES ACT (AS REVISED) EXEMPTED COMPANY  
LIMITED  
BY SHARES  
SECOND AMENDED AND RESTATED  
ARTICLES OF ASSOCIATION  
OF  
Consun Pharmaceutical Group Limited  
康臣藥業集團有限公司  
(adopted by a Special Resolution passed on ~~27 May 2022~~ 31 May  
2024)

- 1 (b) Any marginal notes, titles or lead in references to Articles and the index of the Memorandum and Articles of Association shall not form part of the Memorandum or Articles of Association and shall not affect their interpretation. In interpreting these Articles of Association, unless there be something in the subject or context inconsistent therewith:
- ...
- “corporate communication” has the meaning given to it in the Listing Rules;
- ...
- In these Articles of Association, unless there be something in the subject or context inconsistent herewith:
- (i) ...
- (ii) ...
- (iii) subject to the foregoing provisions of this Article, any words or expressions defined in the Companies Act (except any statutory modification thereof not in force when these Articles become binding on the Company) shall bear the same meaning in these Articles, save that “company” shall where the context permits include any company incorporated in the Cayman Islands or elsewhere; ~~and~~

**Provisions in the New Memorandum and Articles of Association (showing changes to the existing Articles of Association and parts without changes in the following provisions are shown in "...")**

- Clause No. 175
- (iv) references to any statute or statutory provision shall be construed as relating to any statutory modification or re-enactment thereof for the time being in force; and
  - (v) references to writing shall, unless the contrary intention appears, be construed as including without limitation printing, lithography, photography and other modes of representing words or figures in a visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or notice and the Shareholder's election comply with all applicable laws, rules and regulations.
  - (c) ...
  - (a) ...
  - (b) Subject to paragraph (c) below, every balance sheet of the Company shall be signed on behalf of the Board by 2 of the Directors and a copy of every balance sheet (including every document required by law to be comprised therein or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the Auditors' report thereon, shall, not less than 21 days before the date of the meeting be delivered or sent by post or in any manner in which notices and documents may be sent to Shareholders as provided in these Articles, together with the notice of annual general meeting to every Shareholder and every Debenture Holder of the Company and every other person entitled to receive notices of general meetings of the Company under the provisions of these Articles, provided that this Article shall not require a copy of those documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders of any Shares or Debentures, but any Shareholder or Debenture Holder to whom a copy of those documents has not been sent shall be entitled to receive a copy free of charge on application at the Head Office or the Registration Office. If all or any of the Shares or Debentures or other securities of the Company shall for the time being be (with the consent of the Company) listed or dealt in on any stock exchange or market, there shall be forwarded to such stock exchange or market such number of copies of such documents as may for the time being be required under its regulations or practice.
  - (c) ...

**Provisions in the New Memorandum and Articles of Association (showing changes to the existing Articles of Association and parts without changes in the following provisions are shown in "...")**

180. (A) (i) ~~Except where otherwise expressly stated, any~~Any notice or document to be given to or by any person pursuant to these Articles shall be in writing or, to the extent permitted by the Companies Act and the Listing Rules from time to time and subject to this Article, contained in an electronic communication. A notice calling a meeting of the Board need not be in writing.
- (ii) ~~Except where otherwise expressly stated, any~~Any notice or document to be given to or by any person pursuant to these Articles (including any corporate communications within the meaning ascribed thereto under the Listing Rules) may be served on or delivered to any Shareholder either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such Shareholder at his registered address as appearing in the register or by leaving it at that address addressed to the Shareholder or by any other means ~~authorised in writing by the Shareholder concerned (including but not limited to electronic means) as permitted by the Companies Act and the Listing Rules~~ or (other than share certificate) by publishing it by way of advertisement in the Newspapers. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the Companies Act and the Listing Rules, any corporate communication a notice or document may be served or delivered by the Company to any Shareholder by ~~electronic means to such address as may from time to time be authorised by the Shareholder concerned or by publishing it on a website and notifying the Shareholder concerned that it has been so published~~ (i) sending or otherwise making available the corporate communication to the relevant holders of its securities using electronic means or (ii) making the corporate communication available on its website and the HK Stock Exchange's website.
- (iii) ...
- 183 A notice or document may be given by the Company to the person entitled to a Share in consequence of the death, mental disorder, bankruptcy or liquidation of a Shareholder by sending it through electronic means or the post in a prepaid envelope or wrapper addressed to him by name, or by the title of representative of the deceased, the trustee of the bankrupt or the liquidator of the Shareholder, or by any like description, at the electronic address or the address, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an electronic address or address has been so supplied) by giving the notice or document in any manner in which the same might have been given if the death, metal disorder, bankruptcy or winding up had not occurred.

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## NOTICE OF EGM

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康臣藥業集團有限公司  
CONSUN PHARMACEUTICAL GROUP LIMITED

*(Incorporated in the Cayman Islands with limited liability)*  
(Stock code: 1681)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Consun Pharmaceutical Group Limited (the “**Company**”) will be held at 22/F United Centre, 95 Queensway, Admiralty, Hong Kong, on Friday, 31 May 2024, at 10:15 a.m. or immediately after conclusion of the Company’s annual general meeting to be held on the same day, whichever is later, for the following purposes:

#### ORDINARY RESOLUTIONS

To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

1. **“THAT:**
  - (a) subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the new shares of the Company (the “**Shares**”) to be allotted and issued pursuant to the exercise of any options granted under the 2024 share option scheme of the Company (the “**2024 Share Option Scheme**”), the rules of which are contained in the document marked “A” produced to the EGM and initialled by the chairman of the EGM for the purpose of identification, the 2024 Share Option Scheme be and is hereby approved and adopted, and any directors of the Company (the “**Directors**”) be and is hereby authorized to do all such acts and to enter into all such transactions, arrangements and agreements as he may in his absolute discretion consider necessary or expedient in order to give effect to the 2024 Share Option Scheme, including without limitation:
    - (i) to administer and operate the 2024 Share Option Scheme under which options will be granted to eligible participants under the 2024 Share Option Scheme to subscribe for shares in the Company;
    - (ii) to modify and/or amend the 2024 Share Option Scheme from time to time, provided that such modification and/or amendment is/are effected in accordance with the provisions of the 2024 Share Option Scheme relating to modification and/or amendment and is in compliance with Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time) (the “**Listing Rules**”);

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- (iii) to grant options to subscribe for Shares under the 2024 Share Option Scheme and to allot and issue from time to time such number of Shares as may be required to be allotted and issued pursuant to the exercise of the options granted under the 2024 Share Option Scheme and subject to the Listing Rules;
  - (iv) to make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares that may be allotted and issued pursuant to the exercise of the options granted under the 2024 Share Option Scheme; and
  - (v) to consent, if he so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the 2024 Share Option Scheme; and
- (b) the Scheme Mandate Limit (as defined in the 2024 Share Option Scheme) on the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company, representing 10% of the total number of Shares in issue at the date of the passing of this resolution, be and is hereby approved and adopted and any Directors of the Company be and is hereby authorized to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as he may in his absolute discretion consider necessary, desirable or expedient to effect and implement the Scheme Mandate Limit.”
2. “**THAT** subject to and conditional upon the passing of resolutions numbered 1, the Service Provider Sublimit (as defined in the 2024 Share Option Scheme) on the total number of Shares which may be issued in respect of all options and awards involving issue of new Shares that may be granted under the 2024 Share Option Scheme and any other share scheme(s) of the Company to the Service Providers (as defined in the 2024 Share Option Scheme), representing 1% of the total number of Shares in issue at the date of the passing of this resolution, be and is hereby approved and adopted and any Directors of the Company be and is hereby authorized to take all such steps and attend all such matters, approve and execute (whether under hand or under seal) such documents and do such other things, for and on behalf of the Company, as he may in his absolute discretion consider necessary, desirable or expedient to effect and implement the Service Provider Sublimit.”

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### SPECIAL RESOLUTION

As special business, to consider and, if thought fit, pass with or without amendments, the following resolution a special resolution:

3. “**THAT** (a) the existing memorandum and articles of association of the Company (the “**Existing Memorandum and Articles of Association**”) be amended in the manner as set out in the circular of the Company dated 7 May 2024 (the “**Circular**”) be approved and the second amended and restated memorandum and articles of association of the Company (the “**New Memorandum and Articles of Association**”) be adopted in substitution for and to the exclusion of the Existing Memorandum and Articles of Association with immediate effect after the close of the EGM; and (b) any one Director, registered office provider or company secretary of the Company be and is hereby authorised to do all such acts and things and execute all such documents and make all such arrangements as he shall, in his absolute discretion, deem necessary, desirable or expedient in connection with the implementation of or giving effect to the aforesaid amendments to the Existing Memorandum and Articles of Association and the adoption of the New Memorandum and Articles of Association, and to make relevant registrations and filings in accordance with the relevant requirements of the applicable laws, rules and regulations in the Cayman Islands and Hong Kong.”

Yours faithfully,  
By Order of the Board of  
**Consun Pharmaceutical Group Limited**  
**AN Meng**  
*Chairman and Executive Director*

Hong Kong, 7 May 2024

*Registered office:*

Windward 3  
Regatta Office Park  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Headquarters in the PRC:*

71, Dongpeng Avenue  
Eastern section, Guangzhou Economic  
and Technological Development District  
Guangzhou, PRC

*Principal place of business in Hong Kong:*

22nd Floor  
World-Wide House  
19 Des Voeux Road Central  
Hong Kong

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*Notes:*

1. A member entitled to attend and vote at the EGM (or at any adjournment thereof) shall be entitled to appoint another person as his proxy to attend and, on a poll, vote in his stead. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and, on a poll, vote on his behalf. A proxy need not be a member of the Company.
2. In order to be valid, a proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof.
3. The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to determine the eligibility of the Shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 27 May 2024.
4. According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at general meeting of the Company must be taken by poll. Therefore, all proposed resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.
5. A form of proxy for use at the EGM is enclosed. Such form of proxy is also published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). Whether or not a Shareholder is able to attend the EGM, he/she is requested to complete the form of proxy in accordance with the instructions printed thereon and return the same together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.
6. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person or via online platform at the EGM or any adjournment thereof should he so wish.
7. The Company will conduct a hybrid EGM via online platform, which allows shareholders to participate in the EGM online in a convenient and efficient way from anywhere with an internet connection. Shareholders will be able to view the live video broadcast and participate in voting and submit questions in written form to the EGM by visiting the website at [https://meetings.computershare.com/CPGL\\_2024EGM](https://meetings.computershare.com/CPGL_2024EGM) via smartphones, tablets, or computers. Please refer to the Online User Guide at <http://www.chinaconsun.com> for assistance. The live broadcast option can also broaden the reach of the EGM to shareholders who are unable to attend in person.
8. If you have any queries on the above, please contact the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, via their hotline at (852) 2862 8555 from 9:00 a.m. to 6:00 p.m. (Monday to Friday, excluding Hong Kong public holidays).
9. Shareholders who wish to attend the EGM and exercise their voting rights can be achieved in one of the following ways:
  - (1) attend the EGM in person and vote at the EGM venue; or
  - (2) attend the EGM via online platform which enables live streaming and interactive platform for Q&A and vote online; or
  - (3) appoint chairman of the EGM or other persons as your proxy to vote on your behalf. Your proxy's authority and instruction will be revoked if you attend and vote in person or via online platform at the EGM.

Non-registered shareholders who wish to attend and participate in the EGM via online platform should liaise with your bank(s), broker(s), custodian(s), nominee(s) or HKSCC Nominees Limited through which your shares are held (collectively, the "Intermediaries") and provide your email addresses to your Intermediaries. Details regarding the arrangements of the EGM, including login details to access the online platform and online voting, will be sent by Computershare Hong Kong Investor Services Limited to the email addresses provided by the non-registered shareholders.

For corporate shareholders who wish to attend the EGM and vote online, please contact the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at (852) 2862 8555 on or before Wednesday, 29 May 2024 for arrangement.

10. As at the date of this notice, the Board comprises Mr. An Meng, Professor Zhu Quan and Mr. Xu Hanxing as executive Directors; Doctor Zhang Lihua as a non-executive Director; Mr. Feng Zhongshi and Ms. Chen Yujun as independent non-executive Directors.