

CNGR Advanced Material Co., Ltd. Announcement on the Completion of Registration of First Grant in the 2022 Restricted Stock Incentive Plan

The Company and the members of the Board of Directors hereby guarantee that the contents of the announcement are authentic, correct and complete, with no false record, misleading presentation or significant omissions.

Important tips:

- Date of listing for restricted shares first granted: May 18, 2022;
- The number of restricted shares first granted: 3,993,835 shares, accounting for 0.6594% of the total share capital of the Company before granting;
- Price of restricted shares first granted: RMB 63.97/share;
- Number of people first granted restricted shares: 903.

CNGR Advanced Material Co., Ltd. (hereinafter referred to as "the Company" or "CNGR") held the 29th Session of the 1st Board of Directors and the 17th Session of the 1st Board of Supervisors on April 13, 2022 to review and approve the *Proposal on the First Granting of Restricted Shares by the Company to Incentive Targets* and the *Proposal on Adjusting the List and Number of Incentive Targets First Granted in the 2022 Restricted Share Incentive Plan*. According to the *Administrative Measures of Share Incentives for Listed Companies* (hereinafter referred to as "the *Administrative Measures*") and relevant business rules of Shenzhen Stock Exchange and Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, the Company has completed the registration of first granting of the 2022 Restricted Share Incentive Plan (hereinafter referred to as "the Incentive Plan"). Relevant information is hereby announced as follows:

I. Relevant approval procedures performed for the Incentive Plan

1. On March 18, 2022, the 28th Session of the 1st Board of Directors of the Company reviewed and approved the *Proposal on <2022 Restricted Share Incentive Plan (Draft)> and Its Summary*, the *Proposal on <Assessment Management Measures for Implementation of 2022 Restricted Share Incentive Plan>* and the *Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to Share Incentives*. On the same day, the independent directors of the Company issued an independent opinion agreeing to implement the Incentive Plan.

2. On March 18, 2022, the 16th Session of the 1st Board of Supervisors reviewed and approved the *Proposal on <2022 Restricted Share Incentive Plan (Draft)> and Its Summary*, the

Proposal on <Assessment Management Measures for Implementation of 2022 Restricted Share Incentive Plan> and the Proposal on Verifying the <List of Partial Incentive Targets First Granted by 2022 Restricted Share Incentive Plan (Draft)>.

3. From March 19 to 28, 2022, the *List of Partial Incentive Targets First Granted by 2022 Restricted Share Incentive Plan (Draft)* was published on the Company's bulletin board, and the names and positions of incentive targets were publicized. During the publicity period, no objection or adverse reaction has been raised by any organization or individual, and there was no feedback record. On April 01, 2022, the Company disclosed the *Review Opinions and Publicity Statement of the Board of Supervisors on the List of Partial Incentive Targets First Granted by the 2022 Restricted Share Incentive Plan*. The Board of Supervisors verified the list of partial incentive targets first granted in the Incentive Plan and explained the publicity.

4. On April 06, 2022, the Company held its 1st Extraordinary General Meeting of Shareholders in 2022 to review and approve the *Proposal on <2022 Restricted Share Incentive Plan (Draft)> and Its Summary*, the *Proposal on <Assessment Management Measures for Implementation of 2022 Restricted Share Incentive Plan>* and the *Proposal on Requesting the General Meeting of Shareholders to Authorize the Board of Directors to Handle Matters Related to Share Incentives*, and to disclose the *Self-inspection Report on Sales of Company Stock by Insiders and Incentive Targets of 2022 Restricted Share Incentive Plan*.

5. On April 13, 2022, the Company held the 29th Session of the 1st Board of Directors and the 17th Session of the 1st Board of Supervisors to review and approve the *Proposal on Adjusting the List and Number of Incentive Targets First Granted in the 2022 Restricted Share Incentive Plan* and the *Proposal on the First Granting of Restricted Shares by the Company to Incentive Targets*. The Board of Supervisors of the Company re-verified and agreed with the adjusted list of incentive targets. The independent directors of the Company expressed their concurring and independent opinions on the adjustment and granting of the Incentive Plan.

II. Granting of Restricted Shares

1. Source of shares: the Company issues A-share ordinary shares to incentive targets;
2. Granted on: April 13, 2022;
3. Price granted: RMB 63.97/share;
4. Granting targets and quantity: The total number of incentive targets first granted in the Incentive Plan is 903, and the total number of restricted shares first granted is 3,993,835. The specific distribution is shown in the following table:

No.	Name	Natio nality	Title	Number of Restricted Shares Granted (10,000	Proportion to the Total Number of Restricted Shares First	Proportion to the Total Share Capital of the Company on
-----	------	-----------------	-------	---	---	---

				shares)	Granted	the Announcement Date of the Incentive Plan
1	Tao Wu	China	Director and Vice President	3.88	0.97%	0.0064%
2	Liao Hengxin g	China	Secretary of the Board of Directors	3.78	0.95%	0.0062%
3	Zhu Zongyuan	China	Chief Financial Officer	3.38	0.85%	0.0056%
4	Li Weihua	China	Core Technician	3.68	0.92%	0.0061%
5	Yin Shuo	China	Core Technician	3.68	0.92%	0.0061%
6	Yin Guizhen	China	Core Technician	3.48	0.87%	0.0057%
7	Ren Yongzhi	China	Core Technician	0.60	0.15%	0.0010%
8	KIM DONG HOAN	Repu blic of Korea	Deputy General Manager of Operation Center	2.625	0.66%	0.0043%
9	KANG HEE SAM	Repu blic of Korea	Expert	1.43	0.36%	0.0024%
Other personnel deemed necessary to be incentivized by the Board of Directors (894 persons)				372.8485	93.35%	0.6156%
Total				399.3835	100.00%	0.6594%

Note: (1) The shares of the Company granted to any one of the above incentive targets through all effective share incentive plans shall not exceed 1.00% of the total share capital of the Company. The total number of underlying shares involved in all effective incentive plans of the Company shall not exceed 20.00% of the total share capital of the Company when this plan is announced.

(2) If there is any discrepancy in the mantissa between the total number and the sum of each item value in the above table, it is all caused by rounding.

(3) The reserved incentive targets shall be determined within 12 months after the plan is reviewed and approved by the General Meeting of Shareholders. After the Board of Directors proposes, independent directors and the Board of Supervisors express clear opinions, lawyers issue professional opinions and legal opinions, the Company shall timely and accurately disclose the relevant information of the current incentive targets on the designated website as required.

5. Validity period of the incentive plan and arrangement on the lock-up period:

The validity period of this incentive plan shall not exceed 60 months from the date when the registration of first granting for restricted shares is completed to the date when the restricted shares are released from the lock-up requirements, or when the restricted shares are repurchased and canceled.

The lock-up periods of some restricted shares granted under the plan shall be 12 months, 24 months and 36 months from the date of completion of the registration of the restricted shares. The restricted shares granted to the incentive targets under the plan shall not be transferred, used as security or for repayment of debts prior to the release from the lock-up requirements. The restricted shares granted to incentive objects shall not be sold in the secondary market or otherwise transferred due to capitalization of capital reserves, bonus issue and subdivision, and shall subject to the same release periods as the restricted shares under the plan.

Upon the expiry of the lock-up period, the Company shall proceed with the releasing of the lock-up requirements imposed on such incentive targets who satisfy the release conditions, and the restricted shares held by those incentive targets who do not satisfy the release conditions shall be repurchased and canceled by the Company.

Some restricted shares first granted shall be released from the lock-up requirements in three tranches after 12 months from the date of completion of registration of first granting. The specific arrangement is shown in the following table:

Release Arrangement	Release Period	Release Proportion
The first release period of restricted shares first granted	Commencing on the first trading day after the expiry of the 12-month period from the date of completion of the registration of the restricted shares first granted, and ending on the last trading day of the 24-month period from the date of completion of the registration of the restricted shares first granted	30%
The second release period of restricted shares first granted	Commencing on the first trading day after the expiry of the 24-month period from the date of completion of the registration of the restricted shares first granted, and ending on the last trading day of the 36-month period from the date of completion of the registration of the restricted shares first granted	30%
The third release period of restricted shares first granted	Commencing on the first trading day after the expiry of the 36-month period from the date of completion of the registration of the restricted shares first granted	40%

	granted, and ending on the last trading day of the 48-month period from the date of completion of the registration of the restricted shares first granted	
--	---	--

For restricted shares that have not applied for releasing within the above-mentioned agreed period or cannot apply for releasing due to failure to meet the conditions required for releasing, the Company shall repurchase and cancel the corresponding restricted shares of the incentive targets that have not been released according to the principles stipulated in the plan.

The restricted shares granted to incentive objects shall not be sold in the secondary market or otherwise transferred due to capitalization of capital reserves, bonus issue and subdivision, and shall subject to the same release periods as the restricted shares under the plan.

6. Release Conditions of the Restricted Shares

The restricted shares granted to incentive targets can be released from trading only when all of the following conditions are satisfied during the release period:

(1) None of the following circumstances has occurred to the Company:

① A certified public accountant has issued an audit report containing an adverse opinion or indicates the inability to give an opinion over the financial and accounting report of the Company for the most recent accounting year;

② A certified public accountant has issued an audit report containing an adverse opinion or indicates the inability to give an opinion in respect of the internal control over the financial reporting for the most recent accounting year;

③ Failure to conduct profit distribution in accordance with laws and regulations, the *Articles of Association* and public undertakings in the past 36 months after listing;

④ Circumstances where the implementation of a share incentive is prohibited by laws and regulations;

⑤ Any other circumstances as determined by the CSRC;

(2) None of the following circumstances has occurred to the incentive targets:

① He/she has been deemed as an inappropriate candidate by the SSE in the past 12 months;

② He/she has been deemed as an inappropriate candidate by the CSRC or any of its local bureaus in the past 12 months;

③ He/she has been imposed with administrative penalties or prohibited from entry into the securities market by the CSRC or any of its local bureaus due to material violations of laws and regulations in the past 12 months;

④ He/she has been prohibited from acting as a director or a member of the senior management of a company under the *Company Law*;

⑤ He/she is not allowed to participate in any share incentive of a listed company under laws and regulations;

⑥ Any other circumstances as determined by the CSRC;

In the case of the occurrence of any of the circumstances as stipulated in article (1) above to the Company, all the restricted shares that have been granted to the incentive targets but not yet released from the lock-up requirements based on the Incentive Plan shall be repurchased and canceled by the Company; If the Company is not allowed to implement the share incentive with the incentive targets being responsible, or in the case of occurrence of any of the circumstances as stipulated in article (2) above to an incentive target not allowed to be granted with restricted shares, the restricted shares held by such incentive targets which still within the lock-up period shall be repurchased and canceled by the Company, with the repurchase price equal to the grant price.

(3) Performance Assessment Requirements at Company Level

The assessment period of restricted shares first granted under the incentive plan is three accounting years (from 2022 to 2024), during which, an assessment will be carried out every year. The annual performance assessment targets and release ratio are shown in the following table:

Release Period	Corresponding Assessment Period	Performance Assessment Targets		Proportion of the Release at Company Level (X)
		Revenue (Am)	Net Profit (Bm)	
The first release period of restricted shares first granted	2022	The revenue reached RMB 26 billion	The net profit reached RMB 1.8 billion	Actual completion value of revenue (A) and net profit (B) in each assessment period: 1. $A \geq Am$ or $B \geq Bm$, $X = 100\%$; 2. $A < Am$ and $B < Bm$, $X = 0\%$.
The second release period of restricted shares first granted	2023	The accumulated revenue in 2022-2023 will reach RMB 62.6 billion	The cumulative net profit in 2022-2023 will reach RMB 4.8 billion	
The third release period of restricted shares first granted	2024	The accumulated revenue in the three years from 2022 to 2024 will reach RMB 113.9 billion	The cumulative net profit in 2022-2024 will reach RMB 9.8 billion	

Note: 1. The above "net profit" refers to the audited net profit attributable to shareholders of listed companies, and is calculated on the basis of excluding the impact of incentive costs arising from the implementation of incentives (share incentive plan and employee stock ownership plan) by the Company during the assessment period of the incentive plan. 2. The above "revenue" shall be subject to the data contained in the audited consolidated statements. 3. The above performance assessment targets do not constitute the Company's performance forecast and substantive commitment to investors.

In the event that the Company fails to meet the above performance assessment targets, all restricted shares held by the incentive targets which could have been released from the lock-up requirements in the corresponding assessment year shall not be released and shall be repurchased

and canceled by the Company. The repurchase price is equal to the sum of the grant price plus the interest as calculated at the benchmark interest rate for deposits of the same period.

(4) Performance Assessment Requirements at Individual Level

The individual-level assessment of incentive targets shall be organized and implemented in accordance with the Company's current relevant regulations on remuneration and assessment. Based on the comprehensive coefficient of individual assessment in the preceding year, the proportion of release at the individual level (Y) shall be determined according to the following table:

Comprehensive Coefficient of Individual Assessment in the Preceding Year	$Y \geq 0.9$	$0.9 > Y \geq 0.8$	$0.8 > Y \geq 0.7$	$0.7 > Y \geq 0.6$	$0.6 > Y$
Proportion of Release (Y)	100%	80%	70%	60%	0%

If the performance assessment at the company level in each year meets the standard, the release limit of the incentive target for the assessment year = such incentive target's planned release limit for the assessment year \times proportion of release at company level (X) \times proportion of release at individual level (Y).

The restricted shares of the incentive target that cannot be released in the assessment year shall be repurchased and canceled by the Company, and the repurchase price is equal to the sum of the grant price plus the interest as calculated at the benchmark interest rate for deposits of the same period.

III. Explanation on the Consistency between Restricted Shares Granted to Incentive Targets and Publicity of the Company

In view of the fact that 73 incentive targets identified in the Company's *2022 Restricted Share Incentive Plan (Draft)* voluntarily waived all 128,676 restricted shares to be granted by the Company for personal reasons; 26 incentive targets voluntarily and partially waived subscribing 25,671 restricted shares to be granted by the Company for personal reasons. Based on the authorization of the Company's 1st Extraordinary General Meeting of Shareholders in 2022, the Board of Directors has adjusted the list of incentive targets and the number of restricted shares granted in this Incentive Plan. After adjustment, the number of incentive targets first granted was changed from 1,113 to 1,040, and the number of restricted shares first granted was changed from 4,840,000 shares to 4,685,653 shares.

In the process of capital payment and share registration after the grant date of the Incentive Plan, 137 incentive targets voluntarily waived all 403,848 restricted shares to be granted by the Company due to personal reasons such as insufficient fundraising, and 123 incentive targets voluntarily and partially waived subscribing 287,970 restricted shares to be granted by the Company due to personal reasons such as insufficient fundraising. In view of the above circumstances, the number of registered incentive targets first granted with incentive shares in this incentive plan was 903, and the number of registered shares first granted was 3,993,835 shares.

In addition, the incentive targets granted this time and the number of restricted shares granted are consistent with those announced by the Company and approved at the 1st Extraordinary General Meeting of Shareholders in 2022.

IV. Capital Verification of the Subscription Funds for Restricted Shares

Baker Tilly China Certified Public Accountants (Special General Partnership) issued the capital verification report (TZYZ [2022] No. 29088) on April 28, 2022. As of April 26, 2022, the Company has received an additional capital contribution of RMB 255,485,624.95 from the incentive targets of restricted shares, of which RMB 3,993,835 was invested as newly registered capital (paid-in capital), and the remaining RMB 251,491,789.95 was used as capital reserve. The incentive targets of restricted shares shall all contribute in currency.

The registered capital of the Company before this capital increase was RMB 605,673,053, and the paid-in capital was RMB 605,673,053, of which the registered capital (RMB 605,673,053) has been verified by Baker Tilly China Certified Public Accountants (Special General Partnership) and a capital verification report (TZYZ [2021] No. 43546) was issued on November 17, 2021. As of April 26, 2022, the accumulative registered capital after the change was RMB 609,666,888 and the paid-in capital was RMB 609,666,888.

V. Listing Date of Restricted Shares Granted This Time

The grant date of restricted shares first granted in the Incentive Plan is April 13, 2022, and the listing date is May 18, 2022.

VI. Statements of Changes in Share Capital Structure

After the first grant of restricted shares under the Incentive Plan, the Company's share capital structure has changed as follows:

Nature of Shares	Before the Change		Increase and Decrease of the Change (“+/-”)	After the Change	
	Qty (share)	Percentage (%)		Qty (share)	Percentage (%)
I. Circulating shares/non-circulating shares with lock-up requirements	453,584,553	74.89		457,578,388	75.05
Executive lockup shares					
Share incentive restricted shares			3,993,835	3,993,835	0.66
II. Circulating shares without lock-up requirements	152,088,500	25.11		152,088,500	24.95
III. Total share capital	605,673,053	100.00		609,666,888	100.00

After the grant of restricted shares, the Company's equity distribution still met the listing conditions.

The share capital structure after the registration of restricted shares first granted shall be subject to the final handling results of the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

VII. Changes in Equity Proportion of the Company's Controlling Shareholder and Actual Controller

After the grant of restricted shares, the total share capital of the Company increased from 605,673,053 shares to 609,666,888 shares, resulting in changes in the proportion of shares of the original shareholders. The actual controllers of the Company, Deng Weiming and Wu Xiaoge, hold 377,301,587 shares in total, accounting for 62.29% and 61.89% of the total share capital of the Company before and after the first grant. The grant of restricted shares will not lead to changes in the controlling shareholders and actual controllers of the Company.

VIII. Dilution of Earnings

After the grant of restricted shares, the earnings per share of the Company in 2021 was RMB 1.54 based on the diluted calculation of the latest total capital stock of 609,666,888 shares and the audited net profit attributable to shareholders of the listed company.

IX. Explanation on the Trading of Company's Shares by Directors, Senior Executives and Shareholders Holding More Than 5% of the Shares 6 Months Before the Date of Grant Registration

Through self-examination of the Company, directors, senior executives and shareholders holding more than 5% of the shares participating in the Incentive Plan have not bought or sold the Company's shares 6 months before the date of grant registration.

X. Purpose of Funds Raised by Restricted Shares

The funds raised by the restricted shares granted to incentive targets this time will be used to supplement the Company's working capital.

It is hereby announced.

CNGR Advanced Material Co., Ltd.

Board of Directors

May 14, 2022