

Term Sheet

Management Incentive Plan (MIP)

This Term Sheet is agreed on 28 August 2018 between:

- (1) **Huadong Medicine Aesthetics Investment (HongKong) Limited**, a company registered in Hong Kong under number 2714281 and whose registered office is at Room 1405,14/f., Lucky Centre, 165 Wanchai Road, Wanchai, Hong Kong (the **Bidder**);
 - (2) **Huadong Medicine Co. Ltd.**, a company registered in the People's Republic of China under number 91330000143083157E and whose registered office is at No.866 Moganshan Road, Hangzhou, Zhejiang Province, China (the **Parent**); and
 - (3) **Chris Spooner** and **Alan Olby** each acting on their own behalf and for and on behalf of the other Participants,
- together, the **parties**.

1. Overview

Subject to and conditional upon the offer (the Offer) by the Bidder for Sinclair Pharma Plc (registered number 03816616) (the **Company**) becoming effective or being declared unconditional (referred to below as “**completion of the deal**”), the parties hereby agree that executives (**Participants**) will be entitled to participate in the MIP on the basis of and in accordance with this term sheet (**Term Sheet**) which is designed to deliver a cash bonus after the end of each of the Company's financial years ending in 2018 to 2023 (inclusive), and is also subject to the Company's Net Income (as defined in 2.2 below) meeting target thresholds in the financial years 2019- to 2023 (each a **Performance Period**). The Bidder and the Parent will procure that the Company implements and gives effect to the terms of the MIP on the basis of, and in accordance with, this Term Sheet after the cancellation of the Company's admission to trading on AIM takes effect.

2. Cash Bonus Pool

- 2.1 The Cash Bonus Pool (**Cash Pool**) will be provided by the Company.
- 2.2 The Cash Pool available for distribution will be the sums set out in the table below in respect of each relevant Performance Period:

Performance Period	2018*	2019	2020	2021	2022	2023		
Target Net Income (£million)	≥ -35.0	≥-4.4	≥1.5	≥10.9	≥19.8	<10.5	≥10.5 <11.8	≥11.8
Cash Pool (£million)	3.50	3.00	2.50	2.00	1.50	0	10	12.50

**The £3.5 million Cash Pool will be paid irrespective of Net Income in 2018. The projected full year 2018 Net Income loss is for information purposes only. For the post-deal 2018 Performance Period (i.e. from the cancellation of the Company's admission to trading on AIM takes effect to 31 December 2018), Net Income is expected to be approximately -£4.0 million, including the cost of the 2018 Cash Pool. For the Performance Periods 2019 to 2023, the Cash Pool is payable only on achievement of that year's Target Net Income.*

Target Net Income is the figure stated in the chart above for each Performance Period.

Net Income shall be consolidated profit after tax, as reported in the Company's audited accounts for the relevant period prepared using Company's current applicable accounting policy

(IFRS). Any changes in accounting policy and any other accounting estimates that may impact the Net Income for any Performance Period shall be subject to the prior approval of the board of directors of the Company from time to time (the Board). In particular, any tax fines that relate to any period prior to completion of the deal shall not be treated as tax deductible when determining Net Income for the purposes of the MIP in any Performance Period.

The Company will book all expenses and professional fees associated with the Offer and where possible any costs arising from the change in control in the 2018 financial period prior to the consolidation of its accounts by the Parent. Although the 2018 Cash Pool of £3.5 million will be paid irrespective of 2018 pre- or post-deal net income, Chris Spooner and Alan Olby shall use all reasonable efforts to deliver as favourable a Company performance as possible in the post-deal 2018 financial period.

There will also be standard “earn out” style protections for the Participants such that the Bidder, the Parent and their groups shall not be permitted to take any actions or make any omissions that would have the effect of diminishing the Company’s Net Income or prejudicing or frustrating the Company’s or the Participants’ ability to reach the Net Income targets for any Performance Period, subject to the Participants complying with their duties and obligations under applicable laws in their position as directors and/or employees and this MIP. For example, the Participants shall be allowed to conduct the business and have operational control of the Company in accordance with the Company’s business plan approved by the Board (the **Business Plan**) and its forecasts in order to seek to reach Target Net Income without interference or obstruction by the Bidder’s or Parent’s groups. The Board shall include Chris Spooner and Alan Olby, at least throughout the period of the MIP, save that neither of them shall be entitled to be on the Board were he to resign or be dismissed by the Company from his employment. No reorganisation or removal of assets from the Company’s group shall take place without the Board’s consent. The Bidder and Parent will inject £20 million into the Company for repayment of the Hayfin loan and working capital funding. Any incremental expenses (including the funding of interest) in excess of such £20 million should be included in the Net Income calculation. Parent may, at its sole discretion, provide support (e.g. provide a guarantee) to the Company’s additional funding, provided that interest rate of such funding shall be charged at a market level.. Should there be any changes required to the capital structure, the Company shall be responsible for the costs of any such changes and not charge such costs to the Bidder and Parent. The costs of any changes required to capital structure arising from mergers and acquisitions (**M&A**) shall be referred to the Board to decide the responsible party.

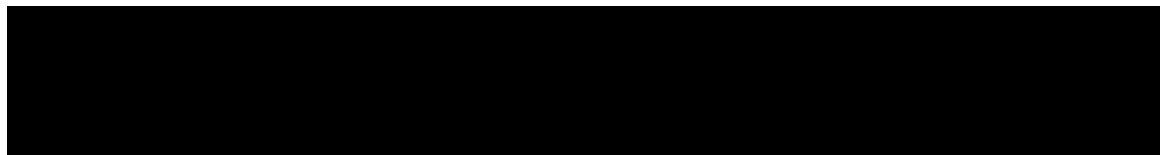
If any such breaches of the above protections for the Participants occur, or if any action, omission, interference, frustration or obstruction occurs which is prohibited in accordance with the above principles (**Default Events**), the Parent’s group shall be required to reverse and/or ignore the effect of such Default Events on the operation of the MIP or the calculation of targets or awards under the MIP.

Professional fees for any material M&A activities in a Performance Period shall be discussed in good faith by the parties at the relevant time with a view to agreeing a reasonable reduction at such time to that Performance Period’s Net Income, provided that such activities are approved by the Board in advance. Expenses arising from approved M&A activities shall be charged to the Company. The source of funding for approved M&A activities shall be approved by the Board.

If the Target Net Income is not achieved in any Performance Period, the Cash Pool for that period will be nil, subject to a look back mechanism (**Look Back**), whereby if Target Net Income is exceeded in a Performance Period, the excess can be rolled backwards and count towards Target Net Income in the immediately preceding Performance Period (and any further amounts payable from that prior Performance Period’s Cash Pool pursuant to Look Back shall be paid at the earliest Vesting Date (as defined in 2.3 below) available once the Participants have confirmed that the excess should be applied to such prior Performance Period). However, Look Back shall not apply to Target Net Income for the 2019 Performance Period and shall only apply to the 2020 Performance Period onwards.

- 2.3 The Cash Pool for the relevant Performance Period will be distributed at the latest on the date falling 30 days following publication of the Company’s audited accounts for the accounting period ending on or before the end of that Performance Period (the **Vesting Date**), subject to the application of excess provisions pursuant to the Look Back mechanism in 2.2 above.

- 2.4 The parties shall discuss in good faith the Parent becoming the China distributor for Company products subject to transfer prices being agreed on arm's length commercial terms, which do not prejudice the ability of the Company to reach Target Net Income. Any net income in excess of the China forecast net income in any Performance Period [REDACTED] will be excluded from the Net Income.



3. Participants

- 3.1 The initial Participants and their proposed share of the Cash Pool will be as set out below:

	Participant	Title	Share of Cash Pool	
			Paid for 2018	Paid for 2019+
1	Chris Spooner	CEO	41.0%	40.0%
2	Alan Olby	CFO	12.5%	12.0%
[REDACTED]				
	Total		100.0%	100.0%

Future MIP awards may be made to existing Participants or to new recruits, including the reallocation of MIP awards that have lapsed. For the avoidance of doubt, the entire amount of the Cash Pool shall remain available in aggregate, irrespective of the number of Participants from time to time. Should a Participant no longer be eligible for his or her percentage share of the Cash Pool, this percentage share will be redistributed amongst other Participants (though please note there is no intention to reduce the number of Participants at this stage). Subject to 3.2 below, Chris Spooner and Alan Olby shall have the authority to vary the annual percentage shares above as between Participants and to decide upon new Participants at their discretion. In the absence of agreement between Chris Spooner and Alan Olby about annual percentage shares of the Cash Pool or new Participants, Chris Spooner shall have sole authority to decide. However, in no event shall Chris Spooner hold more than 41% and Alan Olby more than 15% of the Cash Pool for the purposes of potential distributions.

- 3.2 Should both Chris Spooner and Alan Olby cease to be employed by the Company and its group for any reason whatsoever, the authorities they each hold in 3.1 above to share the Cash Pool and nominate new Participants shall be exercised by the Board.
- 3.3 Chris Spooner and Alan Olby jointly undertake that they will voluntarily resign their positions on the Board and as employees if Target Net Income in 2.2 above is not met for two consecutive financial years (**Failed Performance**).

- 3.4 Under the circumstance of Failed Performance, the Board shall have the right to decide either (a) to terminate this MIP and cease to pay any Cash Awards without any compensation to Participants; or (b) to accept Chris Spooner's and Alan Olby's voluntary resignations from their positions on the Board and as employees.

4. Cash Awards

- 4.1 MIP awards will be made in the form of an award of units entitling each Participant to a share of the Cash Pool (**Cash Awards**) on the date of determination of the Net Income, subject to Participants having remained in continuous employment up to the end of the relevant Performance Period being tested (subject to 5 and 6 below).

The Board shall as soon as reasonably practicable after completion of the deal, consider in good faith the replacement of the Cash Awards with a more tax efficient share incentive arrangement for Participants provided that the cost and all expenses related to the creation of any such alternative arrangement shall be charged to the Company. The Board shall not unreasonably withhold or delay its consent to proposals from the Participants in this regard, but the Board shall have regard to the views of the Parent and the Bidder as to the effect of any such arrangement on structure of the Parent's group.

- 4.2 Certain restrictions will attach to Cash Awards as set out in 5 and 6 below.

5. Good/Bad Leavers

- 5.1 Good Leavers are Participants who leave employment by reason of injury, ill-health, death, disability, redundancy, retirement, wrongful dismissal, being dismissed on grounds which do not justify summary dismissal, sale of a business or other circumstances at the discretion of the board of directors (acting reasonably) of the Company. Good Leavers will be entitled to retain the benefit of a Cash Award in respect of the Performance Period in which the Participant becomes a Good Leaver, and any payment will be made on the Vesting Date for that Performance Period. Good Leavers will have a further entitlement to a share of the Cash Pool in respect of any future Performance Periods, such percentage share to be at the discretion of Chris Spooner and Alan Olby (or in the absence of agreement between Chris Spooner and Alan Olby, in Chris Spooner's sole discretion), which, for the avoidance of doubt, shall not be more than the Good Leaver's percentage share prior to or at the time he or she becomes a Good Leaver. Should both Chris Spooner and Alan Olby cease to be employed by the Company and its group for any reason whatsoever, the authorities they each hold in this 5.1 above shall be exercised by the Board.

- 5.2 Bad Leavers are Participants who resign voluntarily (unless a court rules it to be constructive dismissal), are summarily dismissed, or are not otherwise a Good Leaver as determined by the board of directors of the Company (acting reasonably).

The Cash Awards of Bad Leavers will lapse immediately upon cessation of employment and they will have no further entitlement to any share of the Cash Pool for that Performance Period in which their employment ceases or any other Performance Period which has not been paid to them.

- 5.3 For the purposes of the this clause 5 "summary dismissal" shall mean dismissal on one or more of the following grounds and "summarily dismissed" shall be construed accordingly:

- (i) fraud;
- (ii) dishonesty which has the effect of seriously damaging the reputation of the Company or any member of the Parent's group;
- (iii) conviction of a criminal offence (other than routine traffic offences which do not result in a custodial sentence) which has the effect of seriously damaging the reputation of the Company or any member of the Parent's group or in the opinion of the Board (acting reasonably) has a material adverse effect on such person's position within the Company;
- (iv) material and/or persistent breach of restrictive covenants in service agreement/employment contract;

- (v) gross misconduct, gross incompetence or negligence;
- (vi) material breach of service agreement/employment contract;
- (vii) material breach of the Company's anti-bribery & corruption policies.

6. Malus and Clawback

6.1 Cash Awards will be subject to malus provisions. The level of any Cash Award to a Participant may be reduced prior to a Vesting Date if there has been:

- (i) a material misstatement in the accounts of the Company which has such a material adverse effect on the Net Income in relation to a specific Performance Period that the Target Net Income in such specific Performance Period would not have been reached had the material misstatement not been made;
- (ii) gross misconduct or fraud by that Participant; or
- (iii) if that Participant has taken action which has had the effect of seriously damaging the reputation of the Company or any member of the Parent's group.

6.2 Cash Awards will be also be subject to clawback provisions. In the period of 24 months after a Vesting Date in relation to a Cash Award, the Company may demand repayment of any sums paid to a Participant under a Cash Award if the Board determines that any of the events outlined in 6.1 above have occurred and such circumstances justify clawback.

7. Taxes

All payments of Cash Awards to Participants will be subject to deduction of applicable taxes and social security contributions as required by law in such Participant's jurisdiction.

8. MIP Rules

Participant's entitlements under the MIP will at all times be subject to the rules of the MIP as finalised by the Board in accordance with, and which will incorporate the content of, this Term Sheet, each acting reasonably and in good faith.

9. Announcements

Following execution of this Term Sheet, and subject to the terms of the Non-Disclosure Agreement between the Bidder and the Company dated 16 July 2018, no party shall make any public announcement about its details without the prior written consent of the other parties.

10. Legal Effect

This Term Sheet is legally binding and will become enforceable by the parties upon execution of this Term Sheet.

11. Third Parties

Each Participant and each person who becomes a Participant from time to time shall have the right to enforce the terms of this Term Sheet in accordance with the provisions of the Contracts (Rights of Third Parties) Act 1999. Except as stated in this paragraph, the parties to this Term Sheet do not intend any of its terms to be enforceable by virtue of the Contracts (Rights of Third Parties) Act 1999 by any person not a party to it.

12. Counterparts

This Term Sheet may be executed in any number of counterparts, but shall not take effect until each party has executed at least one counterpart. Each counterpart shall constitute an original but all the counterparts together shall constitute a single agreement.

13. Governing Law

13.1 This Term Sheet shall be governed by and construed in accordance with English law.

13.2 Each party irrevocably agrees to submit to the exclusive jurisdiction of the courts of England in relation to any claim or matter arising under or in connection with this Term Sheet.

This Term Sheet is executed as a deed and delivered as a deed on the date stated at the beginning of this deed.

EXECUTED as a **DEED** by
Huadong Medicine Aesthetics Investment
(HongKong) Limited, acting by a director
in the presence of:

Witness signature:

Witness name:

Witness Address

杭州平山路866号

EXECUTED as a **DEED** by
Huadong Medicine Co. Ltd., acting by a director
in the presence of:

Witness signature:

Witness name:

Witness Address:

杭州平山路866号

EXECUTED as a **DEED** by
Chris Spooner
in the presence of:

Witness signature:

Witness name:

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EXECUTED as a **DEED** by
Alan Olby
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Huadong Medicine Co. Ltd.,)
acting by a director in the presence of:)

Witness signature:

Witness name:

Witness Address:

EXECUTED as a DEED by)
Chris Spooner)
in the presence of:)

CP Spooner

Witness signature: *Andrew Crane*

Witness name: **ANDREW CRANE**

Witness Address: **33, LANESBOROUGH AVE
LONDON N6 6PS.**

EXECUTED as a DEED by)
Alan Olby)
in the presence of:)

Witness signature:

Witness name:

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Witness name: Angelique Han - Campyng Les 2 Fontaines
Witness Address: Fontaine Vihon
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