
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a 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 **Innovent Biologics, Inc.**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

Innovent
信達生物製藥
INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

**PROPOSED GRANTS OF RESTRICTED SHARES TO DIRECTORS
UNDER THE RS PLAN,
ADOPTION OF THE 2020 RS PLAN AND THE
2020 RS PLAN SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committees and the Independent Shareholders**



SOMERLEY CAPITAL LIMITED

Unless the context otherwise requires, all capitalized terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 27 of this circular. Letters from the Independent Board Committees containing their recommendations to the Independent Shareholders regarding the Proposed Grants are set out on pages 28 to 31 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, to the Independent Board Committees and the Independent Shareholders containing its advice regarding the Proposed Grants is set out on pages 32 to 53 of this circular.

A notice convening the EGM to be held at 10:00 a.m. (or immediately after the conclusion of the annual general meeting of the Company held on the same day) on Friday, June 12, 2020 at Yale meeting room, 5F, Administration Building, Innovent Biologics, 168 Dongping Street, Suzhou Industrial Park, China is set out on pages 58 to 61 of this circular. A form of proxy for the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar 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 (i.e. not later than 10:00 a.m. on Wednesday, June 10, 2020) 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 such event the form of proxy shall be deemed to be revoked.

References to dates and time in this circular are to Hong Kong dates and time.

May 28, 2020

CONTENTS

	<i>Pages</i>
DEFINITIONS	1 to 5
LETTER FROM THE BOARD	6 to 27
Introduction	6
The Proposed Grants	7
Reasons and Rationale for the Proposed Grants	11
Adoption of the 2020 RS Plan and the 2020 RS Plan Specific Mandate	19
EGM and Proxy Arrangement	25
Voting by Poll	26
Recommendation	26
Closure of Register of Members	27
LETTERS FROM THE INDEPENDENT BOARD COMMITTEES	28 to 31
LETTER FROM SOMERLEY	32 to 53
APPENDIX – GENERAL INFORMATION	54 to 57
NOTICE OF EXTRAORDINARY GENERAL MEETING	58 to 61

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the meanings set out below:

“2020 RS Plan”	the 2020 Restricted Share Plan approved by the Board and taking effect on the Adoption Date subject to the approval of the Shareholders
“2020 RS Plan Specific Mandate”	the specific mandate proposed to be sought from the Independent Shareholders at the EGM for the allotment and issue shares underlying Restricted Shares granted pursuant to the 2020 RS Plan
“Adoption Date”	the date of the EGM
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Award”	any award of Restricted Shares granted pursuant to the 2020 RS Plan
“Award Agreement”	any agreement relating to the Awards signed pursuant to the 2020 RS Plan
“Board”	the board of Directors of the Company
“Company”	Innovent Biologics, Inc. 信達生物製藥, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1801)
“Connected Grantees”	Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Chen”	Dr. Kaixian Chen, an independent non-executive Director
“Dr. Cooney”	Dr. Charles Leland Cooney, an independent non-executive Director
“Dr. Yu”	Dr. De-Chao Michael Yu, an executive Director, Chairman of the Board, President, Chief Executive Officer and a substantial shareholder of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among others, the Proposed Grants and the adoption of the 2020 RS Plan
“Eligible Person”	any Person who is a full-or part-time executive officer, senior vice president, department head, vice president or other key contributor and employee of the Company or any subsidiary of the Company from time to time
“Grant Date”	April 15, 2020
“Grantee”	any Person who has received an Award under the 2020 RS Plan
“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 PRC
“Independent Board Committees”	Independent Board Committee A, Independent Board Committee B, Independent Board Committee C and Independent Board Committee D
“Independent Board Committee A”	an independent committee of the Board comprising Dr. Cooney, Ms. Hsu and Dr. Chen, established to advise the Independent Shareholders in respect of the non-exempt connected transaction(s) relating to the Proposed Grants to EDs
“Independent Board Committee B”	an independent committee of the Board comprising Ms. Hsu and Dr. Chen, established to advise the Independent Shareholders in respect of the non-exempt connected transaction(s) relating to the Proposed Grant to Dr. Cooney
“Independent Board Committee C”	an independent committee of the Board comprising Dr. Cooney and Dr. Chen, established to advise the Independent Shareholders in respect of the non-exempt connected transaction(s) relating to the Proposed Grants to Ms. Hsu

DEFINITIONS

“Independent Board Committee D”	an independent committee of the Board comprising Dr. Cooney and Ms. Hsu, established to advise the Independent Shareholders in respect of the non-exempt connected transaction(s) relating to the Proposed Grants to Dr. Chen
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, the independent financial adviser appointed to advise the Independent Board Committees and the Independent Shareholders on the terms of the non-exempt connected transaction(s) relating to the Proposed Grants
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the Proposed Grants
“Latest Practicable Date”	May 25, 2020, being the latest practicable date for ascertaining certain information referred to in this circular prior to the printing of this circular
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	October 31, 2018, being the date on which the Shares are first listed and from which dealings thereof are permitted to commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“Mr. Ede”	Mr. Ronald Hao Xi Ede, an executive Director and the Chief Financial Officer of the Company
“Ms. Hsu”	Ms. Joyce I-Yin Hsu, an independent non-executive Director
“Person”	any individual, corporation, partnership (limited or general), limited liability company, limited liability partnership, association, trust, joint venture, unincorporated organization or any similar entity

DEFINITIONS

“Post-IPO ESOP”	the post-IPO share option scheme adopted by the Company on June 12, 2018
“PRC” or “China”	the People’s Republic of China excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Grants”	the Proposed Grants to EDs and the Proposed Grants to INEDs
“Proposed Grant to Dr. Chen”	the proposed grant of Restricted Shares in the amount equivalent in value to RMB120,000.00 to Dr. Chen
“Proposed Grant to Dr. Cooney”	the proposed grant of Restricted Shares in the amount equivalent in value to RMB120,000.00 to Dr. Cooney
“Proposed Grant to Dr. Yu”	the proposed grant of up to a total of 1,450,000 Restricted Shares to Dr. Yu
“Proposed Grants to EDs”	the Proposed Grant to Dr. Yu and the Proposed Grant to Mr. Ede
“Proposed Grants to INEDs”	the Proposed Grant to Dr. Cooney, the Proposed Grant to Ms. Hsu and the Proposed Grant to Dr. Chen
“Proposed Grant to Mr. Ede”	the proposed grant of up to a total of 320,000 Restricted Shares to Mr. Ede
“Proposed Grant to Ms. Hsu”	the proposed grant of Restricted Shares in the amount equivalent in value to RMB120,000.00 to Ms. Hsu
“Restricted Share(s)”	restricted share(s), each representing a contingent right to receive one Shares, which is awarded under the RS Plan or the 2020 RS Plan, as the case may be
“RMB”	Renminbi, the lawful currency of China
“RS Plan”	the restricted share plan adopted by the Company on October 15, 2018
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) in the issued share capital of the Company with a nominal value of US\$0.00001 each or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it by the Listing Rules
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD

Innovent
信達生物製藥
INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

Executive Directors:

Dr. De-Chao Michael Yu
(Chairman and Chief Executive Officer)
Mr. Ronald Hao Xi Ede

Registered office:

PO Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Non-executive Director:

Mr. Shuyun Chen

Principal place of business in

Hong Kong:
Room 1901, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

Independent non-executive Directors:

Dr. Charles Leland Cooney
Ms. Joyce I-Yin Hsu
Dr. Kaixian Chen

May 28, 2020

To the Shareholders

Dear Sir or Madam,

**PROPOSED GRANTS OF RESTRICTED SHARES TO DIRECTORS
UNDER THE RS PLAN,
ADOPTION OF THE 2020 RS PLAN AND THE
2020 RS PLAN SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated April 15, 2020 in relation to the Proposed Grants (the “**Announcement**”).

The purpose of this circular is to (i) provide you with notice of the EGM at which ordinary resolutions will be proposed to consider and, if thought fit, approve, among others, the Proposed Grants and adoption of the 2020 RS Plan; (ii) provide you with further information in relation to the Proposed Grants and the 2020 RS Plan; (iii) set out the recommendations of the Independent Board Committees in relation to the Proposed Grants; and (iv) set out the recommendation of the Independent Financial Adviser in relation to the Proposed Grants.

LETTER FROM THE BOARD

THE PROPOSED GRANTS

As disclosed in the Announcement, subject to acceptance and the Independent Shareholders' approval, the Company resolved to grant:

- up to a total of 1,450,000 Restricted Shares to Dr. Yu, entitling Dr. Yu to receive a maximum of 1,450,000 Shares upon full vesting, representing approximately 0.11% of the total number of issued Shares as at the Latest Practicable Date;
- up to a total of 320,000 Restricted Shares to Mr. Ede, entitling Mr. Ede to receive a maximum of 320,000 Shares upon full vesting, representing approximately 0.02% of the total number of issued Shares as at the Latest Practicable Date; and
- Restricted Shares equivalent in value to RMB120,000.00 to each of Dr. Cooney, Ms. Hsu and Dr. Chen, entitling each of Dr. Cooney, Ms. Hsu and Dr. Chen to receive a maximum of 3,891 Shares (the “**indicative number of INED RS**”) upon full vesting, representing approximately 0.00% of the total number of issued Shares as at the Latest Practicable Date. The indicative number of INED RS is calculated for indicative purposes using (i) the exchange rate published by the State Administration of Foreign Exchange on the Grant Date (i.e. RMB90.819 to HKD100.00) and (ii) the closing price of the Shares on the Stock Exchange as stated in the daily quotation sheets issued by the Stock Exchange for the Grant Date.

The Proposed Grants to EDs

The Proposed Grants to EDs will be made under the following terms:

- each of the Restricted Shares is granted for nil consideration;
- each of the Restricted Shares granted to Dr. Yu and Mr. Ede represents the right to receive one Share on the date it vests (any such date, an “**ED Vesting Date**”);
- the Restricted Shares shall vest in Dr. Yu and Mr. Ede within four years of the Proposed Grants to EDs as follows:
 - o 75% shall vest on April 15, 2023; and
 - o 25% shall vest on April 15, 2024; and
- the Proposed Grants to EDs are subject to individual performance result requirements set out in the award agreement to be entered into between the Company and each of Dr. Yu and Mr. Ede.

LETTER FROM THE BOARD

For the Proposed Grant to Dr. Yu, these performance result requirements relate to and include the overall performance of the Company, marketing and sales of commercialized products, progress of the Group's clinical development plans and achievement of the business plans of the Group.

For the Proposed Grant to Mr. Ede, these performance result requirements relate to and include achievement of targets in areas of finance, investor relations and information technology of the Group.

Based on the closing price of HK\$33.95 per Share as quoted on the Stock Exchange on the Grant Date, the market value of the Restricted Shares under the Proposed Grant to Dr. Yu amounts to approximately HK\$49.23 million, and the market value of the Restricted Shares under the Proposed Grant to Mr. Ede amounts to approximately HK\$10.86 million.

The Proposed Grants to INEDs

The Proposed Grants to INEDs will be made under the following terms:

- each of the Restricted Shares is granted for nil consideration;
- each of the Restricted Shares granted to Dr. Cooney, Ms. Hsu and Dr. Chen represents the right to receive one Share on the date in vests;
- the Restricted Shares shall vest on January 1, 2021 (the “**INED Vesting Date**”);
- the number of Restricted Shares to be vested on the INED Vesting Date shall be calculated on the trading day immediately preceding the INED Vesting Date in accordance with the below, and shall represent the underlying Shares of the Company equivalent in value to RMB120,000.00 (the “**Grant Value**”);
- the number of Restricted Shares to be vested on the INED Vesting Date shall be calculated by dividing the Grant Value (after converting the Grant Value to Hong Kong dollars using the arithmetic average of the exchange rates as published in by the State Administration of Foreign Exchange for all trading days in the year 2020 from January 2, 2020 up to and including the trading day immediately preceding the INED Vesting Date (i.e. December 31, 2020)) by the average closing price of the Shares of the Company on the Stock Exchange, as stated in the daily quotation sheets issued by the Stock Exchange, for all trading days in the year 2020 from January 2, 2020 up to and including the trading day immediately preceding the INED Vesting Date (i.e. December 31, 2020);
- notwithstanding the above, the number of Restricted Shares to be vested on the INED Vesting Date shall not cause the total number of Shares held legally or beneficially by each of Dr. Cooney, Ms. Hsu and Dr. Chen, together with the total number of Shares which may be issued to each of them or their nominee upon the

LETTER FROM THE BOARD

exercise of any outstanding Share options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of Shares, to exceed 1% of the total number of issued Shares as at the INED Vesting Date after their vesting and issuance (the “**1% threshold**”); and

- if the number of Restricted Shares to be vested calculated in accordance with the above would cause the total number of Shares held legally or beneficially by each of Dr. Cooney, Ms. Hsu or Dr. Chen, together with the total number of Shares which may be issued to each of them or their nominee upon the exercise of any outstanding Share options, convertible securities and other rights (whether contractual or otherwise) to call for the issue of Shares, to exceed the 1% threshold, the final number of Restricted Shares to be vested on the INED Vesting Date shall be the maximum number of Shares that may be issued to the relevant grantee while keeping their respective shareholding below the 1% threshold.

Based on the indicative number of INED RS and the closing price of HK\$33.95 per Share as quoted on the Stock Exchange on the Grant Date, for indicative purposes, the market value of the Restricted Shares under each of the Proposed Grants to INEDs amounts to approximately HK\$132,099.00.

LISTING RULES IMPLICATIONS

Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen are Directors. Therefore, they are connected persons of the Company, and each of the Proposed Grants and transactions contemplated therein constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the Independent Shareholders’ approval requirements.

Dr. Yu

Pursuant to Chapter 14A of the Listing Rules, each of Dr. Yu and his associates is required to abstain from voting on the resolutions at the EGM to approve the Proposed Grant to Dr. Yu and transactions contemplated therein. To the best of the Directors’ knowledge, information and belief: (i) each of Dr. Yu and his associates is not interested in any Shares except Dr. Yu’s interest in a total of 126,183,843 Shares or underlying Shares (and 371,747 short position Shares), representing approximately 9.40% (and 0.03% short position) of total number of issued Shares as at the Latest Practicable Date, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; and (ii) there are no other Shareholders having any material interest in the Proposed Grant to Dr. Yu and transactions contemplated therein. Accordingly, save for Dr. Yu and Gloria Bingqinzi Yu (as trustee of the Yu Tong Family Irrevocable Trust), no Shareholders are required under the Listing Rules to abstain from voting at the EGM on the resolutions approving the Proposed Grant to Dr. Yu and transactions contemplated therein.

LETTER FROM THE BOARD

Save for Dr. Yu, no other Director is considered to have a material interest in the Proposed Grant to Dr. Yu and therefore none of them other than Dr. Yu abstained from voting on the relevant Board resolution.

Mr. Ede

Pursuant to Chapter 14A of the Listing Rules, each of Mr. Ede and his associates is required to abstain from voting on the resolutions at the EGM to approve the Proposed Grant to Mr. Ede and transactions contemplated therein. To the best of the Directors' knowledge, information and belief: (i) each of Mr. Ede and his associates is not interested in any Shares except Mr. Ede's interest in a total of 10,491,421 Shares or underlying Shares, representing approximately 0.78% of the total number of issued Shares as at the Latest Practicable Date, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; and (ii) there are no other Shareholders having any material interest in the Proposed Grant to Mr. Ede and transactions contemplated therein. Accordingly, save for Mr. Ede, no Shareholders are required under the Listing Rules to abstain from voting at the EGM on the resolutions approving the Proposed Grant to Mr. Ede and transactions contemplated therein.

Save for Mr. Ede, no other Director is considered to have a material interest in the Proposed Grant to Mr. Ede and therefore none of them other than Mr. Ede abstained from voting on the relevant Board resolution.

Dr. Cooney

Pursuant to Chapter 14A of the Listing Rules, each of Dr. Cooney and his associates is required to abstain from voting on the resolutions at the EGM to approve the Proposed Grant to Dr. Cooney and transactions contemplated therein. To the best of the Directors' knowledge, information and belief: (i) each of Dr. Cooney and his associates is not interested in any Shares except Dr. Cooney's interest in a total of 39,090 Shares or underlying Shares, representing approximately 0.00% of the total number of issued Shares as at the Latest Practicable Date, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; and (ii) there are no other Shareholders having any material interest in the Proposed Grant to Dr. Cooney and transactions contemplated therein. Accordingly, save for Dr. Cooney, no Shareholders are required under the Listing Rules to abstain from voting at the EGM on the resolutions approving the Proposed Grant to Dr. Cooney and transactions contemplated therein.

Save for Dr. Cooney, no other Director is considered to have a material interest in the Proposed Grant to Dr. Cooney and therefore none of them other than Dr. Cooney abstained from voting on the relevant Board resolution.

LETTER FROM THE BOARD

Ms. Hsu

Pursuant to Chapter 14A of the Listing Rules, any shareholder who has a material interest in the Proposed Grant to Ms. Hsu is required to abstain from voting on the resolutions at the EGM to approve the Proposed Grant to Ms. Hsu and transactions contemplated therein. To the best of the Directors' knowledge, information and belief: (i) none of Ms. Hsu and her associates is interested in any Shares or underlying Shares; and (ii) there are no other Shareholders having any material interest in the Proposed Grant to Ms. Hsu and transactions contemplated therein. Accordingly, no Shareholders are required under the Listing Rules to abstain from voting at the EGM on the resolutions approving the Proposed Grant to Ms. Hsu and transactions contemplated therein.

Save for Ms. Hsu, no other Director is considered to have a material interest in the Proposed Grant to Ms. Hsu and therefore none of them other than Ms. Hsu abstained from voting on the relevant Board resolution.

Dr. Chen

Pursuant to Chapter 14A of the Listing Rules, any shareholder who has a material interest in the Proposed Grant to Dr. Chen is required to abstain from voting on the resolutions at the EGM to approve the Proposed Grant to Dr. Chen and transactions contemplated therein. To the best of the Directors' knowledge, information and belief: (i) none of Dr. Chen and his associates is interested in any Shares or underlying Shares; and (ii) there are no other Shareholders having any material interest in the Proposed Grant to Dr. Chen and transactions contemplated therein. Accordingly, no Shareholders are required under the Listing Rules to abstain from voting at the EGM on the resolutions approving the Proposed Grant to Dr. Chen and transactions contemplated therein.

Save for Dr. Chen, no other Director is considered to have a material interest in the Proposed Grant to Dr. Chen and therefore none of them other than Dr. Chen abstained from voting on the relevant Board resolution.

REASONS AND RATIONALE FOR THE PROPOSED GRANTS

Purpose of the RS Plan and the Proposed Grants

The purpose of the RS Plan is to enable the Directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf. For further details of the RS Plan, please refer to the section headed "Statutory and General Information – D. Equity Plans – 3. RS Plan" in the prospectus of the Company dated October 18, 2018.

LETTER FROM THE BOARD

The Proposed Grants to EDs are part of the Company's remuneration policy. The purpose of such grants is to closely align the interests and benefits of the Company and its employees in order to maximize the motivation of the executive Directors. The Proposed Grants to EDs aim to provide sufficient incentive to retain and motivate Dr. Yu and Mr. Ede to participate in the formulation of strategy and long-term development of the Company and to recognize their contribution to the growth of the Company.

In this regard, the Directors (including independent non-executive Directors but excluding Dr. Yu) and the remuneration committee of the Company consider that the terms of the Proposed Grant to Dr. Yu are fair and reasonable and in the best interests of the Company and the Shareholders as a whole, and the Directors (including independent non-executive Directors but excluding Mr. Ede) and the remuneration committee of the Company consider that the terms of the Proposed Grant to Mr. Ede are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The Proposed Grants to INEDs form part of the remuneration to the independent non-executive Directors and has been approved by the remuneration committee of the Company. The Proposed Grants to INEDs are granted in light of the continued progress and performance of the Company and aim to retain and motivate the independent non-executive Directors to continue to provide their independent opinion and judgment to the Board in building the strategy and long-term development of the Company.

In this regard, (i) the Directors (including independent non-executive Directors but excluding Dr. Cooney) consider that the terms of the Proposed Grant to Dr. Cooney are fair and reasonable and in the best interests of the Company and the Shareholders as a whole; (ii) the Directors (including independent non-executive Directors but excluding Ms. Hsu) consider that the terms of the Proposed Grant to Ms. Hsu are fair and reasonable and in the best interests of the Company and the Shareholders as a whole; and (iii) the Directors (including independent non-executive Directors but excluding Dr. Chen) consider that the terms of the Proposed Grant to Dr. Chen are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Rationale of the Proposed Grants

The Proposed Grants to EDs

Background and contribution of Dr. Yu

The Board proposed to remunerate Dr. Yu with the Proposed Grant to Dr. Yu after considering Dr. Yu's integral role as founder and Chief Executive Officer of the Group, his extensive background and experience in the biopharmaceutical industry, and dedication and unparalleled contributions to the rapid growth of the Group.

LETTER FROM THE BOARD

Dr. Yu is an executive Director, the Chairman of the Board, President and Chief Executive Officer of the Company, the Chairman of each of the Nomination Committee and Strategy Committee and a member of the Remuneration Committee. He founded the Group on April 28, 2011 and is responsible for the overall strategic planning and business direction of our Group and management of the Company. Dr. Yu was a director, president and chief executive officer of Chengdu Kanghong Biotech Co. Ltd. from 2006 to 2010. Dr. Yu was the vice president of research and development at Applied Genetic Technology Corporation (a company subsequently listed on the NASDAQ with ticker symbol: AGTC) in 2005. Between 1997 and 2001, Dr. Yu was the vice president of Calydon, Inc. which was later acquired by Cell Genesys, Inc. (a company subsequently listed on the NASDAQ with ticker symbol: CEGE), and worked there till 2005 following the acquisition as a principal scientist and a senior director. Dr. Yu received his doctor of philosophy degree in genetics from the Chinese Academy of Sciences in May 1993 and completed his post-doctoral training at the University of California San Francisco. He has been a Professor and Ph.D. Supervisor at Sichuan University since 2008 and an adjunct research professor at Shanghai Institute of Pharmaceutical Research of Chinese Academy of Sciences since 2019.

Dr. Yu has engaged in discovery and development in the biopharmaceutical industry for more than 20 years, who has invented three Class 1 innovative medicines. Dr. Yu invented the world's first commercialized oncolytic virus-based immunotherapeutic product, Oncorine[®] (recombinant human type-5 adenovirus injection), creating a precedent for the use of viruses to treat tumors. Dr. Yu co-invented and led the development of China's first monoclonal antibody-like new drug with global intellectual property rights, Langmu[®] (Conbercept eye injection) which has changed the history of zero domestically developed medicine for Chinese patients with blindness caused by fundus diseases. Dr. Yu also co-invented and led the development of Tyvyt[®] (sintilimab injection), which has been approved for marketing in China for r/r cHL in 2018 and included in the National Reimbursement Drug List ("NRDL") as the first and only PD-1 inhibitor in 2019.

Dr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. He was recognized as "Top Ten Persons in Innovation in China" in 2014, "The E&Y Entrepreneur of the Year in China" in 2015 and "Distinguished Entrepreneur of Jiangsu Province" in 2016. In 2017, Dr. Yu was selected as "Person of the Year in Innovation for Science and Technology in 2016", "2017 China Person of the Year in Pharmaceutical Economics" and "The Most Influential Person of the Year in Life Science in China in 2017". In 2018, Dr. Yu was awarded as the First Prize of "The Seventh National Overseas Returnee Contributions Awards". In 2019, Dr. Yu was selected as "The Most Influential Leader in Drug R&D," etc.

In addition to Dr. Yu's numerous achievements, he has also been indispensable to the growth of the Group. A highly accomplished scientist, innovator and entrepreneur, Dr. Yu has spearheaded the Group's mission to create a world-class China-based biopharmaceutical company that develops and commercializes high quality drugs that are affordable to ordinary people. The Group's success in the past years serve as testament to Dr. Yu's contribution and leadership. For further details in relation to Dr. Yu's background, please refer to the section headed "Directors and Senior Management" in the 2019 annual report of the Company.

LETTER FROM THE BOARD

Background and contribution of Mr. Ede

The Board proposed to remunerate Mr. Ede with the Proposed Grant to Mr. Ede after considering Mr. Ede's contribution to the Group in terms of financial matters and investor relations, and his background and experience as chief financial officer of companies in the biotechnology and biopharmaceutical industry.

Mr. Ede is an executive Director, Chief Financial Officer and a member of the Strategy Committee of the Company. Mr. Ede joined the Group on January 1, 2018 and is responsible for finance, investor relations and information technology of the Group. Prior to joining the Group, between 2011 and 2016, Mr. Ede was the chief financial officer of Biosensors International Ltd. Between 2009 and 2011, Mr. Ede was the chief financial officer of Mindray Medical International Limited. Mr. Ede is a fellow member of the Institute of Singapore Chartered Accountants and an A-Share independent director certified by the Shenzhen Stock Exchange.

Mr. Ede received his bachelor of business administration degree from the University of Hawaii in December 1984 and a master of business administration degree from the University of Washington in December 1988. Mr. Ede has held directorships in the following listed companies outside of the Group during the past three years:

- Mindray Medical International Limited (a company previously listed on the New York Stock Exchange (the "NYSE") and is currently listed on the Shenzhen Stock Exchange with stock code: 300760) as an independent non-executive director since 2006. He resigned as an independent non-executive director in 2016 after the company was privatized from the NYSE. In 2017, he rejoined the board as an independent non-executive director for Mindray till now; and
- Dawnrays Pharmaceutical (Holding) Ltd. (a company listed on the Hong Kong Stock Exchange with stock code: 2348) as a non-executive director since 2015. In 2017, Mr. Ede was re-designated as an independent non-executive director.

Mr. Ede has been instrumental to the Group's development and success in his role as chief financial officer, bringing his extensive experience to managing the overall financial matters and investor relations of the Group,

Listing and future development

Since the Listing, the Company has made significant progress with respect to its drug pipeline and business operations, the most significant of which is the commencement of marketing and sales of Tyvyt[®] (sintilimab injection), our anti-PD-1 monoclonal antibody co-developed with Eli Lilly and Company, in March 2019. Tyvyt[®] generated RMB1,015.9 million in revenue for the ten months ended December 31, 2019 since its launch. Furthermore, in November 2019, Tyvyt[®] became the first and the only PD-1 inhibitor to be included in the NRDL of China. With the solid foundation laid out during 2019, the Company is well

LETTER FROM THE BOARD

positioned for its sales growth in 2020 and beyond. In addition to the first approved indication (r/r cHL), the Company continues to execute a broad clinical development program for Tyvyt® (sintilimab injection) including more than 10 advanced registrational or pivotal trials in some of the largest indications in China (such as lung cancer and liver cancer), which are expected to support 5 additional new drug application (“NDA”) filings for Tyvyt® (sintilimab injection) in 2020 or early 2021.

Leveraging the Company’s fully-integrated multi-functional platform and strategic partnerships and collaborations, the Group has developed a robust pipeline of 22 valuable assets in staggered development status, including 3 assets under NDA reviews with priority review status (IBI-303 (adalimumab biosimilar), IBI-305 (bevacizumab biosimilar) and IBI-301 (rituximab biosimilar)), 5 assets in Phase 3 or pivotal clinical trials, and a total of 17 assets in more than 50 ongoing clinical trials. The Group’s pipeline assets cover a variety of novel and validated therapeutic targets and drug modalities (including monoclonal antibodies, bispecific antibodies, fusion proteins, CAR-T and small molecules), span multiple major therapeutic areas including oncology, metabolic, immunology and ophthalmology diseases, and promise tremendous clinical and commercial potential as monotherapies or combination therapies to address unmet medical needs.

In anticipation of increasing production needs from commercial launches and clinical trials, the Group has also completed Good Manufacturing Practice (“GMP”) commissioning and process validation of the second phase of the manufacturing facility, which houses six 3,000L stainless steel bioreactors. It has now already commenced GMP production. This facility expansion increased the total manufacturing capacity to 23,000L, which stands as one of the largest among China’s biopharmaceutical companies.

In support of the solid business and commercial operations, the Group has drawn strong financial backing and raised approximately HK\$2.4 billion and HK\$2.3 billion respectively through two new share placements in October 2019 and February 2020. Both placements were met with overwhelming subscription from well-known international and local investors. By the end of 2019, the Company’s share price has almost doubled since the Listing in October 2018. The Company’s stock was also included in both the Morgan Stanley Capital International (“MSCI”) China Index and the Hang Seng Hong Kong-Listed Biotech Index, which reflects market confidence in the Company’s past and future performance.

The Group plans to continue to meet and exceed its Shareholders’ expectations by continuing to expand its research platform and improving its pipeline of drug assets and business operations.

Retention and recognition of Dr. Yu and Mr. Ede

The Board considered that the retention and motivation of Dr. Yu and Mr. Ede as an indispensable part of the senior management of the Group and in light of the Group’s progress since the Listing is highly beneficial for the Group’s development and expansion, and can avoid any potential disruption to the existing operation of the Group resulting from the lack of

LETTER FROM THE BOARD

continuity of leadership. The Proposed Grants to EDs aim to provide sufficient incentive to retain and motivate Dr. Yu and Mr. Ede to participate in the formulation of strategy and long-term development of the Company and to recognize their contribution to the growth of the Company.

The Board proposed to remunerate Dr. Yu and Mr. Ede with the Proposed Grants to EDs after considering the benefits of granting Restricted Shares. The grant of the Restricted Shares will provide Dr. Yu and Mr. Ede with certainty of monetary benefits regardless of the share price performance. Such grant that can be realized and is readily available at the end of the vesting period is akin to payment of a deferred bonus and hence an effective incentive. In addition, the Proposed Grants to EDs will further align the interests of Dr. Yu and Mr. Ede and the long-term interests of the Shareholders, ensuring a better linkage between the Company's long-term strategic and financial goals and executive compensation.

The numbers of the Restricted Shares to be granted to Dr. Yu and Mr. Ede were determined by the Company and each of Dr. Yu and Mr. Ede upon arm's length negotiations with each of them taking into account all of the aforementioned factors and the average monetary values of the Restricted Shares granted to directors and/or senior management of other companies in the industry with comparable size.

The Proposed Grants to INEDs

Background and contribution of Dr. Cooney, Ms. Hsu and Dr. Chen

The Board proposed to remunerate the independent non-executive Directors with the Proposed Grants to INEDs in light of the continued progress of the Company and after considering each of Dr. Cooney's, Ms. Hsu's and Dr. Chen's contribution to the Group via providing their independent opinion and judgment to the Board, as well as the background and experience of each of the independent non-executive Directors.

Both Dr. Cooney and Dr. Chen are highly esteemed in their respective fields. Dr. Cooney joined the faculty of the Massachusetts Institute of Technology as an assistant professor in 1970, becoming full professor in 1982. His teaching focuses on the bioprocess development and manufacturing and technological innovation, and his research interests include biochemical engineering and pharmaceutical manufacturing. From 2002 to 2014, Dr. Cooney was the founding Faculty Director of the Deshpande Center for Technological Innovation. He is also a consultant to multiple biotech and pharmaceutical companies.

Dr. Chen has been a professor of the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, since 1990, served as its director between 1996 and 2004, and has served as director of its degree committee between 2014 and May 2019. Dr. Chen has also been a professor of the Shanghai University of Traditional Chinese Medicine since 2005, served as its president from 2005 to 2014, and has served as chairman of its academic committee since 2014. He also holds multiple professional memberships and qualifications in different capacities in numerous organizations in the PRC in the field of biotechnology and biopharmaceuticals.

LETTER FROM THE BOARD

Ms. Hsu has extensive experience in finance and investment fields, being a partner of Cornell Capital and has been involved since 2017 towards the sourcing, evaluation, execution and ownership of investments, including strategies for cross-border expansion. Ms. Hsu was a partner at Zoyi Capital from 2013 to 2015, being mainly responsible for investments and portfolio company monitoring. Prior to this, Ms. Hsu served as chief financial officer and director at Mindray between 2006 and 2009, leading Mindray through its NYSE IPO in 2006 and subsequently two overseas acquisitions in 2008 and 2013. She subsequently acted as the sole adviser of Mindray on its delisting and private placement in 2016. Before that, Ms. Hsu was an executive director at Goldman Sachs Asia between 1998 and 2006, where she led the investment efforts in a number of successful deals in China including Focus Media Holding Limited, China Yurun Food Group Limited, and Mindray Medical, she was also heavily involved in the investments of C&M Communications in Korea and Japan Telecom in Japan.

For further details in relation to the biography and background of the independent non-executive Directors, please refer to the section headed “Directors and Senior Management” in the 2019 annual report of the Company.

Rationale of the Proposed Grants to INEDs

The Proposed Grants to INEDs form part of the remuneration to the independent non-executive Directors and has been approved by the remuneration committee of the Company. The Proposed Grants to INEDs are granted in light of the continued progress and performance of the Company and aim to retain and motivate the independent non-executive Directors to continue to provide their independent opinion and judgment to the Board in building the strategy and long-term development of the Company.

The Board proposed to remunerate the independent non-executive Directors with the Proposed Grants to INEDs after considering the benefits of granting the Restricted Shares. The Grant Value of the Proposed Grants to INEDs was determined by the Company and each of Dr. Cooney, Ms. Hsu and Dr. Chen upon arm’s length negotiations with each of them taking into account all of the aforementioned factors and the average monetary values of the Restricted Shares granted to independent non-executive directors of other companies in the industry with comparable size.

Dilution effect

Assuming each of the Connected Grantees becomes fully entitled to all Shares underlying the Restricted Shares, the total number of such underlying Shares would amount to 1,781,673 Shares, or approximately 0.1327% of the total number of issued Shares as at the Latest Practicable Date. Assuming such underlying Shares will be newly issued, such Shares will represent 0.1325% of the total number of issued Shares upon completion of issue.

LETTER FROM THE BOARD

The shareholding structure of the Company before and after each of the Connected Grantees becomes fully entitled to all Shares underlying the Restricted Shares granted under the Proposed Grants is summarized as follows (calculated based on the total number of issued Shares as at the Latest Practicable Date and excluding (i) any options granted pursuant to the Post-IPO ESOP and (ii) other Restricted Shares previously granted pursuant to the RS Plan):

	As at the Latest Practicable Date ⁽¹⁾		Assuming full vesting of the Proposed Grants ⁽²⁾	
	No. of Shares	%	No. of Shares	%
Dr. Yu	115,139,190 ⁽³⁾	8.57%	116,589,190	8.67%
Mr. Ede	9,539,040 ⁽⁴⁾	0.71%	9,859,040	0.73%
Dr. Cooney	39,090 ⁽⁵⁾	0.00%	42,981	0.00%
Ms. Hsu	0	0.00%	3,891	0.00%
Dr. Chen	0	0.00%	3,891	0.00%
Other Shareholders	1,218,223,390	90.71%	1,218,223,390	90.59%
Total	1,342,940,710	100.00%	1,344,722,383	100.00%

Notes:

- (1) Assuming that no Shares are issued pursuant to any of the Proposed Grants to EDs or Proposed Grants to INEDs.
- (2) Without taking into account Shares which may be repurchased or issued by the Company (except for the Proposed Grants).
- (3) Includes (i) 105,139,190 Shares held directly by Dr. Yu, and (ii) 10,000,000 Shares held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust, of which Dr. Yu and his spouse are the grantors.
- (4) These Shares are held directly by Mr. Ede.
- (5) These Shares are held directly by Dr. Cooney.

For further details on the interests and short positions of the Connected Grantees in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, please refer to the Appendix to this circular.

Directors' views

Given that the Directors believe that the Proposed Grants will retain, motivate and incentivize the Connected Grantees and will benefit the long term development of the Group, the Directors consider that the terms of the Proposed Grants are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

Independent Board Committees and Independent Financial Adviser

Independent Board Committee A, comprising Dr. Cooney, Ms. Hsu and Dr. Chen, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed Grants to EDs.

Independent Board Committee B, comprising Ms. Hsu and Dr. Chen, both being independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed Grant to Dr. Cooney.

Independent Board Committee C, comprising Dr. Cooney and Dr. Chen, both being independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed Grant to Ms. Hsu.

Independent Board Committee D, comprising Dr. Cooney and Ms. Hsu, both being independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed Grant to Dr. Chen.

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committees and the Independent Shareholders in relation to the above.

Listing Approval

The Stock Exchange has previously granted its approval of the listing of, and permission to deal in, new Shares which may be issued pursuant to the vesting of Restricted Shares which may be granted pursuant to the RS Plan on November 14, 2018.

Information about the Company

The Company is a China-based biopharmaceutical company that develops and commercializes high quality drugs, making use of a fully-integrated platform of advanced research, discovery, development, manufacturing and commercialization capabilities.

ADOPTION OF THE 2020 RS PLAN AND THE 2020 RS PLAN SPECIFIC MANDATE

The following is a summary of the principal terms of the 2020 RS Plan which has been approved by the Board to be adopted on the Adoption Date, subject to Shareholders' approval. As of the date of this circular, the Company has not identified any Grantee under the 2020 RS Plan.

LETTER FROM THE BOARD

Purpose

The purpose of the 2020 RS Plan is to enable the Directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

Restricted Shares

An Award represents a grant of Restricted Shares to the Grantees. Each Restricted Share shall represent the right to receive one Share (subject to any adjustment in accordance with the terms of the 2020 RS Plan due to changes of share capital of our Company) upon vesting. The number of Shares that are subject to outstanding awards of Restricted Shares granted under the 2020 RS Plan at any time shall not exceed the aggregate number of Restricted Shares that then remain available for distribution under the 2020 RS Plan. The grant of an Award to a Grantee shall be documented by and subject to an award agreement, in which the terms and conditions of the Award determined by the Committee (as defined below) shall be set out.

Administration

The term of the 2020 RS Plan shall be five (5) years from the Adoption Date. The 2020 RS Plan shall be administered by a committee as designated by the Board from time to time (the "**Committee**"). Any decisions of the Committee shall be approved by the majority of the members of the Committee.

Subject to compliance with any applicable legal requirements relating to the administration of the 2020 RS Plan and the grant of any Award, the Committee shall have the power and authority to grant Awards in accordance with the terms of the 2020 RS Plan, including the power and authority:

- (a) to select any Eligible Person at the time of the grant to whom Awards may from time to time be granted;
- (b) to determine the time or times of grant, and the extent, if any, of Awards granted to any one or more Grantees;
- (c) to determine the number of Restricted Shares granted under any Award, subject to adjustment;
- (d) to determine and modify the terms and conditions of any Award, and to approve the form of written instruments evidencing the Awards;
- (e) to amend, with the consent of the Grantee, the terms of any outstanding Award at any time; to amend, without the consent of the Grantee, such terms where the amendment (i) does not materially and adversely affect the rights of the Grantee, or

LETTER FROM THE BOARD

- (ii) is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any applicable law, or (iii) pertains to the 2020 RS Plan or Award that specifically permits such amendment without consent;
- (f) to accelerate at any time the vesting of all or any portion of any Award;
- (g) to impose any limitations on Awards granted under the 2020 RS Plan;
- (h) to appoint such agents as the Committee may deem in its absolute discretion appropriate to administer the 2020 RS Plan;
- (i) to adopt, alter and repeal such rules, guidelines and practices for administration of the 2020 RS Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the 2020 RS Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the 2020 RS Plan; to decide all disputes arising in connection with the 2020 RS Plan; and
- (j) to take any other action that the Committee deems necessary or desirable for the administration of the 2020 RS Plan.

All decisions of the Committee shall be binding on all persons, including the Company and the Grantees.

Neither the Board nor the Committee, nor any member of either or any delegatee thereof, shall be liable for any act or omission made in good faith in connection with the 2020 RS Plan.

Grant of Restricted Shares and the 2020 RS Plan Specific Mandate

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,342,940,710 Shares. Assuming the total number of issued Shares remains unchanged as at the Adoption Date, the maximum number of Restricted Shares issued, reserved and available for distribution under the 2020 RS Plan is 67,147,035 Shares, representing 5% of the total number of the issued share capital of the Company as at the Adoption Date. These Shares will be allotted and issued pursuant to the 2020 RS Plan Specific Mandate and, when allotted and issued, will rank *pari passu* in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Shares issued pursuant to the 2020 RS Plan Specific Mandate. The Company will comply with the relevant Listing Rules when making grants under the 2020 RS Plan to connected persons of the Company.

In addition, the number of Restricted Shares which may be granted pursuant to the 2020 RS Plan during the 12 months following the Adoption Date shall not exceed 2% of the total number of issued Shares as of the Adoption Date, and the number of Restricted Shares which may be granted during the 12 months following each anniversary date after the Adoption Date shall not exceed 2% of the total number of issued Shares as of such corresponding anniversary date.

LETTER FROM THE BOARD

At the time of grant, the Committee shall specify the date or dates and/or any vesting or any other terms and conditions (which may include continuing employment or other service relationship, achievement of pre-established performance goals and objectives and/or such other conditions that the Committee deems appropriate in its sole and absolute discretion) on which Restricted Shares under an Award shall become vested.

To receive Shares underlying their Restricted Shares, Grantees must: (i) have been an employee of any member of the Group on a continuous and uninterrupted basis throughout the vesting periods of their Grant, and (ii) comply with any other additional obligations determined by the Committee (the “**Continued Employment Condition**”). If the Grantee ceases to meet the Continued Employment Condition at any time during any of the vesting periods of their Grant, he or she will automatically and without prior notice or consideration forfeit his or her Restricted Shares.

For the avoidance of doubt, such forfeiture applies to any one of the events listed below (subject in any event to the absolute discretion of the Committee:

Death. In the event of a Grantee’s death, any unvested Restricted Shares will automatically be forfeited.

Disability. In the event of a Grantee’s disability that results in (i) the Grantee being absolutely unable to exercise any profession whatsoever or (ii) the Grantee, being in his or her absolute inability to exercise a profession, also requires the assistance of a third party individual in order to complete ordinary acts of life, with such disability resulting in the Grantee ceasing to meet the Continued Employment Condition, any unvested Restricted Shares will automatically be forfeited.

Voluntary resignation. In the event of a Grantee’s expiration of term of his/her employment agreement or any voluntary resignation (except where such resignation is to be succeeded by such Grantee commencing (i) employment with any business which, in the sole opinion of the Committee, competes with the Company or (ii) any other competitive relationship with the Company as considered and determined in the sole opinion of the Committee), any unvested Restricted Shares will automatically be forfeited.

Dismissal due to negligence. In the event of a Grantee’s employment being terminated due to individual dereliction of duty as determined by the Committee, any unvested Restricted Shares will automatically be forfeited. Such forfeiture of Restricted Shares shall occur on the date of reception (or presentation) of the dismissal letter or the resignation letter, notwithstanding any notice period (regardless of whether it has been completed) or on the date of the termination of the employment agreement for other circumstances. If the Grantee is a corporate officer, the forfeiture of Restricted Shares shall occur on the date of the expiration of term of his or her office, or on the date of his or her dismissal or of the notification of such dismissal. For corporate officers who are also employees with an employment agreement, the termination of the office does not lead to the forfeiture of the Restricted Shares so long as the employment agreement is maintained.

LETTER FROM THE BOARD

Notwithstanding the above and subject to the absolute discretion and determination of the Committee, the Grantee shall not forfeit his or her Restricted Shares in the event of (i) the Grantee's retirement or early retirement, (ii) termination of his or her employment without cause, or (iii) any other event determined in the sole opinion of the Committee to be an exception to the Continued Employment Condition.

If any Restricted Share is forfeited prior to vesting in accordance with the terms and conditions of the Award Agreement, then such Restricted Share shall be forfeited with immediate effect and of no further force or effect, and no payment shall be made to the Grantee in respect thereof.

Changes in Shares

Subject to the terms of the Restricted Shares, if the outstanding Shares are increased or decreased or are exchanged for a different number or kind of Shares or other securities of the Company, or additional Shares or new or different Shares or other securities of the Company or other non-cash assets are distributed with respect to such Shares or other securities, the Committee shall make an appropriate or proportionate adjustment in order to prevent dilution or enlargement of rights of the Grantees under the 2020 RS Plan.

Merger or demerger. In the event of a merger or a demerger of the Company, all provisions in the 2020 RS Plan, for the period remaining as from the exchange date, shall continue to apply to the rights received as a result of the exchange. If the Board determines that such Restricted Share shall vest, the Company shall as soon as possible prior to the date of the proposed Shareholders' meeting, deliver the Shares underlying the Restricted Shares to the Grantees, either directly or indirectly under the name of any person or entity designed by the Grantees.

Winding Up. In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any Restricted Share, the Board shall determine at its discretion whether and the period when such Restricted Share shall vest. If the Board determines that such Restricted Share shall vest, the Company shall as soon as possible prior to the date of the proposed Shareholders' meeting, deliver the Shares underlying the Restricted Shares to the Grantees, either directly or indirectly under the name of any person or entity designed by the Grantees.

Takeover. If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to all of 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, the Company shall forthwith give notice to the Grantees and the Grantees shall be entitled to receive the Shares in respect of the vested Restricted Shares within any period specified in the notification.

LETTER FROM THE BOARD

Scheme of arrangement. If a general offer by way of scheme arrangement is made to all of the Shareholders of the Company and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith give notice to the Grantees and the Grantees shall be entitled to receive the Shares in respect of the vested and unvested Restricted Shares within any period specified in the notification.

Compromise or arrangement. In the event of a compromise or arrangement between the Company and its Shareholders and/or creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all Grantees on the same day as it first gives notice of the meeting to its Shareholders and/or creditors summoning the meeting to consider such a scheme or arrangement. The Grantee shall be entitled to receive the Shares in respect of the vested and unvested Restricted Shares within any period specified in the notification. In any event, the Company shall procure the Shares to be delivered to the Grantees no later than three days prior to the proposed meeting.

Non-transferability of the Awards and Shares

Unless otherwise determined by the Committee and so provided in the applicable Award Agreement, no Restricted Shares shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or pursuant to a domestic relations order. Failure to comply shall result in the Restricted Shares being forfeited.

Rights of the Grantees

Voting Rights. Where the Shares are delivered to and held by a nominee, trustee, or custodian appointed by the Company for the purpose of implementation of the Restricted Shares, regardless of whether the corresponding Restricted Shares have vested or not, such nominee, trustee or custodian shall, as provided in the applicable trust deed or other similar custodian documents entered into with the Company, exercise the Shareholders' rights attached to the Shares, in particular, the right to vote at the Company's shareholders' meetings on behalf of the Grantees.

Dividends. No Grantee shall receive any payment with respect to the outstanding Restricted Shares under the Awards in the event the Company pays any dividend on the underlying Shares until such Restricted Shares become fully vested (provided always that the Grantees shall not be entitled to receive any dividend declared and distributed with respect to the Restricted Shares prior to the vesting of the same), unless otherwise provided in the Award Agreement. The Company may in its discretion implement mechanisms intended to reduce the costs associated with the dividend distributions.

LETTER FROM THE BOARD

Death. Each Grantee to whom an Award has been made under the 2020 RS Plan may designate a Grantee or beneficiaries to receive any vested Award or any payment under any Award payable on or after the Grantee's death. Such designation shall not be effective until received by the Committee.

Creditors' rights. With respect to any Award and any payments in cash, Shares or other consideration not received by a Grantee, a Grantee shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards.

Tax withholding

Each Grantee shall, no later than the date as of which the value of an Award or other amounts received thereunder first becomes includable in the gross income of the Grantee for income tax purposes, pay to the Company or other applicable employer, or make arrangements satisfactory to the Committee regarding payment of, any national, federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its subsidiaries shall, to the extent permitted by law, have the right to (i) deduct any such taxes from any payment of any kind otherwise due to the Grantee or (ii) procure the sale of all or part of the Shares to satisfy the Grantee's obligations.

THE 2018 RS PLAN

The Board has further resolved that, on the condition that the adoption of the 2020 RS Plan is approved by the Shareholders, the 2018 RS Plan shall be terminated in its entirety on the Adoption Date. Nonetheless, the rights and obligations of the grantees and the Company with respect to the Restricted Shares that have been granted or earmarked pursuant to the 2018 RS Plan on or before the Adoption Date as provided (or will be provided) in the relevant award agreements shall survive termination of the 2018 RS Plan and remain in full force and effect except otherwise provided for in such award agreements.

EGM AND PROXY ARRANGEMENT

Approval from the Independent Shareholders will be sought at the EGM for the Proposed Grants, the adoption of the 2020 RS Plan, the 2020 RS Plan Specific Mandate and the future grants to connected persons and INEDs in accordance with the 2020 RS Plan.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar 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 (i.e. not later than 10:00 a.m. on Wednesday, June 10, 2020) 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 such event the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any resolution put to the vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice of the EGM will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative, shall have one vote for every fully paid share of which he/she/it is the holder. A Shareholder entitled to more than one vote need not use all his/her/its votes or cast all his/her/its votes in the same way.

After the conclusion of the EGM, the poll results will be published on the respective websites of the Stock Exchange and the Company under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

Somerley Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committees and the Independent Shareholders with regard to the Proposed Grants and consider that each of the Proposed Grants are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Your attention is drawn to the letter of advice from Somerley Capital Limited included in this circular containing its recommendation and the principal factors it has taken into account.

Independent Board Committee A, having taken the advice of the Independent Financial Adviser into account, considers the terms of the Proposed Grants to EDs fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, Independent Board Committee A recommends the Independent Shareholders to vote in favor of the resolution relating to the Proposed Grants to EDs. The full text of the letter from Independent Board Committee A is set out in this circular.

Independent Board Committee B, having taken the advice of the Independent Financial Adviser into account, considers the terms of the Proposed Grant to Dr. Cooney fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, Independent Board Committee B recommends the Independent Shareholders to vote in favor of the resolution relating to the Proposed Grants to Dr. Cooney. The full text of the letter from Independent Board Committee B is set out in this circular.

Independent Board Committee C, having taken the advice of the Independent Financial Adviser into account, considers the terms of the Proposed Grant to Ms. Hsu fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, Independent Board Committee C recommends the Independent Shareholders to vote in favor of the resolution relating to the Proposed Grant to Ms. Hsu. The full text of the letter from Independent Board Committee C is set out in this circular.

LETTER FROM THE BOARD

Independent Board Committee D, having taken the advice of the Independent Financial Adviser into account, considers the terms of the Proposed Grant to Dr. Chen fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, Independent Board Committee D recommends the Independent Shareholders to vote in favor of the resolution relating to the Proposed Grants to Dr. Chen. The full text of the letter from Independent Board Committee D is set out in this circular.

The Directors are of the opinion that the Proposed Grants, the adoption of the 2020 RS Plan, the 2020 RS Plan Specific Mandate and the future grants to connected persons and INEDs in accordance with the 2020 RS Plan are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend that all Shareholders should vote in favor of the relevant resolutions to be proposed at the EGM.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Tuesday, June 9, 2020 to Friday, June 12, 2020, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the meeting, all unregistered transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, June 8, 2020.

Yours faithfully,
On behalf of the Board
Dr. De-Chao Michael Yu
Chairman and Executive Director

Innovent
信達生物製藥
INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

May 28, 2020

To the Independent Shareholders

Dear Sir/Madam,

We have been appointed as an independent board committee of the Company to advise Independent Shareholders in connection with the Proposed Grants to EDs, details of which are set out in the circular of the Company to the Shareholders dated May 28, 2020 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of Somerley Capital Limited, the independent financial adviser of the Company, in relation thereto as set out in the Circular, Dr. Yu and Mr. Ede’s respective contributions to the Group and the terms of the Proposed Grants to EDs, we are of the view that the terms of the Proposed Grants to EDs are fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that that the Proposed Grants to EDs are made on normal commercial terms and during the ordinary and usual course of the Group’s business, and are in the interest of the Company and its shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Proposed Grants to EDs.

Yours faithfully,

Charles Leland Cooney
*Independent non-executive
Director*

Joyce I-Yin Hsu
*Independent non-executive
Director*

Kaixian Chen
*Independent non-executive
Director*

Innovent
信達生物製藥
INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

May 28, 2020

To the Independent Shareholders

Dear Sir/Madam,

We have been appointed as an independent board committee of the Company to advise Independent Shareholders in connection with the Proposed Grant to Dr. Cooney, details of which are set out in the circular of the Company to the Shareholders dated May 28, 2020 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of Somerley Capital Limited, the independent financial adviser of the Company, in relation thereto as set out in the Circular, Dr. Cooney’s contributions to the Group and the terms of the Proposed Grant to Dr. Cooney, we are of the view that the terms of the Proposed Grant to Dr. Cooney are fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that that the Proposed Grant to Dr. Cooney is made on normal commercial terms and during the ordinary and usual course of the Group’s business, and is in the interest of the Company and its shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Proposed Grant to Dr. Cooney.

Yours faithfully,

Joyce I-Yin Hsu
Independent non-executive Director

Kaixian Chen
Independent non-executive Director

Innovent
信達生物製藥
INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

May 28, 2020

To the Independent Shareholders

Dear Sir/Madam,

We have been appointed as an independent board committee of the Company to advise Independent Shareholders in connection with the Proposed Grant to Ms. Hsu, details of which are set out in the circular of the Company to the Shareholders dated May 28, 2020 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of Somerley Capital Limited, the independent financial adviser of the Company, in relation thereto as set out in the Circular, Ms. Hsu’s contributions to the Group and the terms of the Proposed Grant to Ms. Hsu, we are of the view that the terms of the Proposed Grant to Ms. Hsu are fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that that the Proposed Grant to Ms. Hsu is made on normal commercial terms and during the ordinary and usual course of the Group’s business, and is in the interest of the Company and its shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Proposed Grant to Ms. Hsu.

Yours faithfully,

Charles Leland Cooney
Independent non-executive Director

Kaixian Chen
Independent non-executive Director

Innovent
信達生物製藥
INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

May 28, 2020

To the Independent Shareholders

Dear Sir/Madam,

We have been appointed as an independent board committee of the Company to advise Independent Shareholders in connection with the Proposed Grant to Dr. Chen, details of which are set out in the circular of the Company to the Shareholders dated May 28, 2020 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of Somerley Capital Limited, the independent financial adviser of the Company, in relation thereto as set out in the Circular, Dr. Chen’s contributions to the Group and the terms of the Proposed Grant to Dr. Chen, we are of the view that the terms of the Proposed Grant to Dr. Chen are fair and reasonable so far as the Independent Shareholders are concerned. We are of the view that that the Proposed Grant to Dr. Chen is made on normal commercial terms and during the ordinary and usual course of the Group’s business, and is in the interest of the Company and its shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Proposed Grant to Dr. Chen.

Yours faithfully,

Charles Leland Cooney
Independent non-executive Director

Joyce I-Yin Hsu
Independent non-executive Director

LETTER FROM SOMERLEY

Set out below is the text of the letter of advice from Somerley Capital Limited to the Independent Board Committees and the Independent Shareholders in relation to the Proposed Grants for inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

May 28, 2020

To: the Independent Board Committees and the Independent Shareholders of Innovent Biologics, Inc.

Dear Sirs,

**PROPOSED GRANTS OF RESTRICTED SHARES TO DIRECTORS
UNDER THE RS PLAN**

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committees and the Independent Shareholders in connection with the Proposed Grants. Details of the Proposed Grants are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated May 28, 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the letter from the Board contained in the Circular, the Company announced on April 15, 2020 that it has resolved to grant up to a total of 1,450,000 Restricted Shares to Dr. Yu and up to a total of 320,000 Restricted Shares to Mr. Ede under the RS Plan on the Grant Date, representing approximately 0.11% and 0.02% of the Shares in issue as at the Latest Practicable Date respectively, subject to acceptance and the Independent Shareholders' approval at the EGM.

On the same date, the Company further announced that it has resolved to grant Restricted Shares equivalent in value to RMB120,000 to each of the independent non-executive Directors, namely Dr. Cooney, Ms. Hsu and Dr. Chen, under the RS Plan on the Grant Date, subject to acceptance and the Independent Shareholders' approval at the EGM. Assuming the Restricted Shares were granted to Dr. Cooney, Ms. Hsu and Dr. Chen at the closing price of the Shares of HK\$33.95 (equivalent to approximately RMB30.83) as at the Grant Date, 3,891 Restricted Shares would be granted to each of Dr. Cooney, Ms. Hsu and Dr. Chen respectively, representing less than 0.01% of the Shares in issue as at the Latest Practicable Date respectively.

LETTER FROM SOMERLEY

As Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen are Directors and therefore connected persons of the Company under the Listing Rules, each of the Proposed Grants and the transactions contemplated therein constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee A, comprising all of the independent non-executive Directors, namely Dr. Cooney, Ms. Hsu and Dr. Chen, has been formed to make a recommendation to the Independent Shareholders on the terms of the Proposed Grants to EDs. The independent board committees for the Proposed Grants to INEDs, including: (i) the Independent Board Committee B comprising Ms. Hsu and Dr. Chen, established to advise the Independent Shareholders in respect of the non-exempt connected transaction relating to the Proposed Grant to Dr. Cooney; (ii) the Independent Board Committee C comprising Dr. Cooney and Dr. Chen, established to advise the Independent Shareholders in respect of the non-exempt connected transaction relating to the Proposed Grant to Ms. Hsu; and (iii) the Independent Board Committee D comprising Dr. Cooney and Ms. Hsu, established to advise the Independent Shareholders in respect of the non-exempt connected transaction relating to the Proposed Grant to Dr. Chen. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in the same regard.

During the past two years, we have acted as the independent financial adviser to the Company in relation to the proposed grant of restricted shares to Dr. Yu under the RS Plan (as disclosed in the circular of the Company dated May 24, 2019). The past engagement was limited to providing independent advisory services to the Company pursuant to the Listing Rules, for which we received normal professional fee relevant to this type of engagement. Accordingly, we do not consider the past engagement would affect our independence to act as the independent financial adviser to the Company under the current engagement.

We are not associated with the Company, Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen or their respective close associates, associates or core connected persons (all as defined under the Listing Rules) and accordingly we are considered eligible to give independent advice on the Proposed Grants. Apart from normal professional fees payable to us in connection with this or similar appointments (i.e. the independent financial adviser to the Company in relation to the aforesaid transaction as disclosed in the circular of the Company dated May 24, 2019), no arrangement exists whereby we will receive any fees or benefits from the Company, Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen or their respective close associates, associates or core connected persons.

In formulating our opinion and the recommendation, we have reviewed, amongst other documents, the RS Plan, the annual report of the Company for the year ended December 31, 2019 (the **"2019 Annual Report"**) and the information contained in the Circular.

LETTER FROM SOMERLEY

We have relied on the information and facts supplied, and the opinions expressed to us, by the Directors and the management of the Group which we have assumed to be true, accurate, complete and not misleading in all material aspects at the relevant time they were supplied or expressed. We have also sought and received confirmation from the Company that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and our recommendation with regard to the Proposed Grants, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Company is a China-based biopharmaceutical company, the Company's mission is to create a world-class China-based biopharmaceutical company that develops and commercialises high quality drugs that are affordable to ordinary people and are committed to innovation in drug development and have complied with global quality standards for every aspect of the Company's business and operations. The Shares were listed on the Main Board of the Stock Exchange on October 31, 2018 in accordance with Chapter 18A of the Listing Rules. To capitalise on the tremendous market opportunity both in China and beyond, the Group have developed a fully-integrated multi-functional platform consisting of advanced research, discovery, development, manufacturing and commercialisation capabilities. These capabilities have enabled the Group to build a robust pipeline of innovative and commercially promising monoclonal antibodies and other drug assets in the fields of oncology, ophthalmology, autoimmune and metabolic diseases.

As set out in the 2019 Annual Report, the Group achieved a significant growth in revenue for the year ended December 31, 2019. The revenue of the Group for the year ended December 31, 2019 was approximately RMB1,047.5 million, which was substantially above that for the year ended December 31, 2018 of approximately RMB9.5 million. The significant increase in revenue was mainly attributable to the launch of Tyvyt[®] (sintilimab injection) in March 2019. Although having accomplished a significant growth in revenue, the Group was still in a loss-making position and recorded a loss attributable to the Shareholders of approximately RMB1,720.0 million for the year ended December 31, 2019, which was lower than that of approximately RMB5,771.5 million for the year ended December 31, 2018. The decrease in the loss attributable to the Shareholders was mainly due to: (i) the increase in revenue as mentioned above; and (ii) the absence of one-off loss from changes in fair value of approximately RMB4,338.0 million in 2018 for the cancellation of share purchase options previously granted to certain onshore PRC investors.

LETTER FROM SOMERLEY

2. Reasons for and benefits of the Proposed Grants to EDs

As set out in the letter from the Board contained in the Circular, the purpose of the RS Plan is to enable the Directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

The Proposed Grants to EDs are part of the Company's remuneration policy. The purpose of such grants is to closely align the interests and benefits of the Company and its employees in order to maximise the motivation of the executive Directors. The Proposed Grants to EDs aim to provide sufficient incentive to retain and motivate Dr. Yu and Mr. Ede to participate in the formulation of strategy and long-term development of the Company and to recognise their contribution to the growth of the Company.

In addition, the Board considered that the retention and motivation of Dr. Yu and Mr. Ede as an indispensable part of the senior management of the Group and in light of the Group's progress since the Listing is highly beneficial for the Group's development and expansion, and can avoid any potential disruption to the existing operation of the Group resulting from the lack of continuity of leadership. The Proposed Grants to EDs aim to provide sufficient incentive to retain and motivate Dr. Yu and Mr. Ede to participate in the formulation of strategy and long-term development of the Company and to recognise their contribution to the growth of the Company.

The Board proposed to remunerate Dr. Yu and Mr. Ede with the Proposed Grants to EDs after considering the benefits of granting the Restricted Shares. The grant of the Restricted Shares will provide Dr. Yu and Mr. Ede with certainty of monetary benefits regardless of the share price performance. Such grant that can be realised and is readily available at the end of the vesting period is akin to payment of a deferred bonus and hence an effective incentive. In addition, the Proposed Grants to EDs will further align the interests of Dr. Yu and Mr. Ede and the long-term interests of the Shareholders, ensuring a better linkage between the Company's long-term strategic and financial goals and executive compensation.

As advised by the management of the Group, the number of the Restricted Shares to be granted to Dr. Yu and Mr. Ede were determined by the Company and each of Dr. Yu and Mr. Ede upon arm's length negotiations with each of them taking into account all of the aforementioned factors and the average monetary values of the Restricted Shares granted to directors and/or senior management of other companies in the industry with comparable size¹.

Having considered the above, the principal terms of the Proposed Grants to EDs and the information on Dr. Yu and Mr. Ede as discussed below, we concur with the management of the Group the purpose and benefits of the Proposed Grants to EDs.

¹ As advised by the management of the Group, the other companies in the industry with comparable size are: (1) BeiGene, Ltd; (2) Hutchison China MediTech Ltd; (3) China Pharma Holdings Inc.; (4) China Biologic Products Holdings Inc.; (5) Concord Medical Services Holdings Ltd; (6) Zai Lab Ltd; (7) Exact Sciences Corporation; (8) Ligand Pharmaceuticals Inc.; (9) Acorda Therapeutics Inc.; (10) Agios Pharmaceuticals Inc.; (11) Exelixis Inc.; (12) Ironwood Pharmaceuticals Inc.; (13) Seattle Genetics, Inc.; and (14) United Therapeutics Corporation.

LETTER FROM SOMERLEY

3. Principal terms of the Proposed Grants to EDs

The Company announced on April 15, 2020 that it has resolved to grant up to a total of 1,450,000 Restricted Shares to Dr. Yu and up to a total of 320,000 Restricted Shares to Mr. Ede on the Grant Date, subject to acceptance and approval of the Independent Shareholders. Upon full vesting, the Restricted Shares granted to Dr. Yu and Mr. Ede represented approximately 0.11% and 0.02% respectively of the total number of issued Shares as at the Latest Practicable Date. The Proposed Grants to EDs will be made under the following terms:

- each of the Restricted Shares is granted for nil consideration;
- each of the Restricted Shares granted to Dr. Yu and Mr. Ede represents the right to receive one Share on the date it vests (any such date, an “ED Vesting Date”);
- the Restricted Shares shall vest in Dr. Yu and Mr. Ede within four years of the Proposed Grants to EDs as follows:
 - 75% shall vest on April 15, 2023; and
 - 25% shall vest on April 15, 2024; and
- the Proposed Grants to EDs are subject to individual performance result requirements set out in the award agreement to be entered into between the Company and each of Dr. Yu and Mr. Ede.

For the Proposed Grant to Dr. Yu, these performance result requirements relate to and include the overall performance of the Company, marketing and sales of commercialised products, progress of the Group’s clinical development plans and achievement of the business plans of the Group.

For the Proposed Grant to Mr. Ede, these performance result requirements relate to and include achievement of targets in areas of finance, investor relations and information technology of the Group.

Based on the closing price of HK\$33.95 (equivalent to approximately RMB30.83) per Share as quoted on the Stock Exchange on the Grant Date, the market values of the Restricted Shares under the Proposed Grant to Dr. Yu and the Proposed Grant to Mr. Ede amount to approximately HK\$49.2 million (equivalent to approximately RMB44.7 million) and HK\$10.9 million (equivalent to approximately RMB9.9 million) respectively.

For further details of the RS Plan, please refer to the section headed “Statutory and General Information – D. Equity Plans – 3. RS Plan” in the prospectus of the Company dated October 18, 2018.

4. Information on Dr. Yu

As set out in the letter from the Board contained in the Circular, Dr. Yu is an executive Director, the Chairman of the Board, President and Chief Executive Officer of the Company. He founded the Group in 2011 and is responsible for the overall strategic planning and business direction of the Group and management of the Company.

Dr. Yu has engaged in discovery and development in the biopharmaceutical industry for more than 20 years, who has invented three Class 1 innovative medicines. Dr. Yu invented the world's first commercialised oncolytic virus-based immunotherapeutic product, Oncorine[®] (recombinant human type-5 adenovirus injection), creating a precedent for the use of viruses to treat tumors. Dr. Yu co-invented and led the development of China's first monoclonal antibody-like new drug with global intellectual property rights, Langmu[®] (Conbercept eye injection) which has changed the history of zero domestically developed medicine for Chinese patients with blindness caused by fundus diseases. Dr. Yu also co-invented and led the development of Tyvyt[®] (sintilimab injection), which has been approved for marketing in China for r/r cHL in 2018 and included in the NRDL as the first and only PD-1 inhibitor in 2019.

Dr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. He was recognised as and awarded for key person in the relevant area in China in last few years.

In addition to Dr. Yu's numerous achievements, he has also been indispensable to the growth of the Group. A highly accomplished scientist, innovator and entrepreneur, Dr. Yu has spearheaded the Group's mission to create a world-class China-based biopharmaceutical company that develops and commercialises high quality drugs that are affordable to ordinary people. The Group's success in the past years serve as testament to Dr. Yu's contribution and leadership.

Further details of the biographical information of Dr. Yu are set out in the 2019 Annual Report and the letter from the Board contained in the Circular. Based on our review, we concur with the management's view that Dr. Yu is capable of having a significant influence on and contribution to the performance of the Group.

LETTER FROM SOMERLEY

5. The remuneration of Dr. Yu

Set out below is a breakdown of the remuneration of Dr. Yu for the year ended December 31, 2019 provided by the Company:

	Salaries and other allowances and contributions (RMB'000)	Performance related bonus (RMB'000)	Share-based payment expenses (RMB'000)	Total (RMB'000)	Notes
– Cash	2,912	1,890	–	4,802	
– Share options	–	10,230	–	10,230	1
– Restricted shares	–	–	46,200	46,200	2
	<u>2,912</u>	<u>12,120</u>	<u>46,200</u>	<u>61,232</u>	

Notes:

- As advised by the Remuneration Committee of the Company, the performance related bonus granted to Dr. Yu in a total value of RMB102.3 million would be vested on a pro-rata basis over a 10-year period on each anniversary of the grant date on the condition that Dr. Yu would stay in the Company for 10 years commencing from January 1, 2018. Therefore, the grant is considered to be recurring in nature.
- The Company announced grants of restricted shares and options of the Company to Dr. Yu on May 2, 2019 and March 15, 2019 respectively. The total economic value of these grants to Dr. Yu for the year ended December 31, 2019 was approximately RMB46.2 million, comprising that of the restricted shares of approximately RMB30.0 million (calculated based on the total economic value of the aforesaid restricted shares of approximately RMB150.0 million divided by the vesting period of 5 years) and that of the options of approximately RMB16.2 million (calculated based on the total economic value of the aforesaid options of approximately RMB64.9 million divided by the vesting period of up to 4 years). Details of the above computation are set out in the letter from Somerley contained in the circular of the Company dated May 24, 2019. The aforesaid economic values were different from the reported share-based payment expenses as shown in the financial statements of the Company in the 2019 Annual Report. Given the remuneration of Dr. Yu in relation to the share-based payment expenses was determined at the time when the restricted shares and options were granted and, for the purpose of assessing the remuneration of Dr. Yu, we are of the view that the economic values as at the date of granting of the restricted shares and options, but not the value as shown in the financial statements, are more appropriate.

As shown in the table above, the total remuneration of Dr. Yu for the year ended December 31, 2019 was approximately RMB61.2 million.

LETTER FROM SOMERLEY

Based on the maximum 1,450,000 Restricted Shares proposed to be granted to Dr. Yu and the closing price of the Shares of HK\$33.95 (equivalent to approximately RMB30.83) per Share as at the Grant Date, the maximum total value of the Proposed Grant to Dr. Yu is approximately RMB44.7 million. With a vesting period of the Restricted Shares of up to 4 years, the economic value of the Proposal Grant to Dr. Yu will be up to approximately RMB11.2 million per year.

In addition to the above, on April 15, 2020, the Company granted 2,071,429 options of the Company (the “**Options**”) to Dr. Yu with an exercise price of HK\$33.95 (equivalent to approximately RMB30.83) per Share. 75% of the Options shall vest on April 15, 2023 and 25% of the Options shall vest on April 15, 2024. The Options are subject to individual performance result requirements as set out in the grant letter entered into between Dr. Yu and the Company. According to a valuation report on the aforesaid Options (the “**Options Valuation Report**”) prepared by an independent professional valuer, the fair value of the Options granted to Dr. Yu as at the Grant Date was approximately RMB40.4 million. We have obtained the Options Valuation Report and noted that the independent professional valuer adopted Black-Scholes model in the valuation of the Options granted to Dr. Yu with the parameters such as closing price, expected volatility, risk-free rate and dividend yield of the Company. Assuming the Options granted to Dr. Yu are fully vested, the economic value of these Options will be approximately RMB10.1 million per annum over the four-year vesting period.

Based on (i) the current remuneration of Dr. Yu of approximately RMB61.2 million for the year ended December 31, 2019; (ii) the economic value of the Restricted Shares under the Proposed Grant to Dr. Yu of up to approximately RMB11.2 million per annum; and (iii) the economic value of the Options granted to Dr. Yu on April 15, 2020 of approximately RMB10.1 million per annum, the annual total remuneration of Dr. Yu will increase to up to approximately RMB82.5 million.

6. Assessment of the Proposed Grant to Dr. Yu

The Company is a biotech company and was listed on the Main Board of the Stock Exchange in accordance with Chapter 18A of the Listing Rules. In assessing the fairness and reasonableness of the Proposed Grant to Dr. Yu, we compared the remuneration package of Dr. Yu with that of founder, chairman, executive director and/or chief executive (the “**Chief Executive(s)**”) of biotech companies listed on the Main Board of the Stock Exchange in accordance with Chapter 18A of the Listing Rules (the “**CE Comparable Companies**”). We are of the view that the list of the CE Comparable Companies below to be exhaustive based on the selection criteria as set out above.

LETTER FROM SOMERLEY

Set out below is a summary of most recent remuneration packages of the Chief Executives and the revenue for the year ended December 31, 2019 of the CE Comparable Companies.

	Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Remuneration package			Total (RMB million)	Revenue for the year ended December 31, 2019 (RMB million)
					Fees, salaries, other allowances and contributions (RMB million)	Performance related bonus (RMB million)	Share-based payment expense (RMB million)		
1.	Dr. Xia Yu	Key founder, executive director, chairwoman of the board, president and chief executive officer	Akeso, Inc.	9926	1.2	1.1	–	2.3	70.9
2.	Dr. Xu Ting	Founder, executive director, chairman of the board and chief executive officer	Alphamab Oncology	9966	3.2	2.0	43.0	48.2	–
3.	Dr. Yang Dachun	Co-founder, executive director, chairman of the board and chief executive officer	Ascentage Pharma Group International	6855	3.5	–	–	3.5	14.5
4.	Dr. Jinzi Jason Wu (“Dr. Wu”)	Founder, executive director, chairman of the board and chief executive officer	Ascleitis Pharma Inc. (“Ascleitis Pharma”)	1672	10.9 (Note 1)	–	–	10.9	173.4
5.	Mr. John V. Oyler	Executive director, chairman and chief executive officer	BeiGene, Ltd. (“BeiGene”)	6160	7.2	3.8	86.3	97.3 (Note 2)	2,997.5
6.	Dr. Xuefeng Yu	Co-founder, executive director, chairman of the board, chief executive officer and general manager	Cansino Biologics Inc.	6185	1.1	0.6	–	1.7	–
7.	Dr. Frank Ningjun Jiang (“Dr. Jiang”)	Executive director, chairman of the board and chief executive officer	CStone Pharmaceuticals (“CStone”)	2616	3.7	2.3	85.2 (Note 3)	91.2	–
8.	Dr. Li Chen	Founder, executive director, chief executive officer and chief scientific officer	Hua Medicine (“Hua Medicine”)	2552	4.2	2.2	21.7	28.1	–
9.	Dr. Jisong Cui	Executive director, chairperson of the board and chief executive officer	Innocrine Pharma Ltd	9969	2.7	–	14.1	16.8	1.2
10.	Dr. Youzhi Tong	Executive director, chairman of the board and chief executive officer	Kintor Pharmaceutical Ltd	9939	1.9	0.4	–	2.3	–
11.	Dr. Qian Weizhu	Executive director and chief executive officer	Mabpharm Ltd (“Mabpharm”)	2181	0.8	–	5.1	5.9	–

LETTER FROM SOMERLEY

Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Remuneration package				Revenue for the year ended December 31, 2019 (RMB million)
				Fees, salaries, other allowances and contributions (RMB million)	Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total (RMB million)	
12. Dr. Yi Zhang	Executive director, chairman of the board, chief executive officer and chief technology officer	Peijia Medical Limited	9996	0.6	–	2.7	3.3	18.7
13. Mr. Scott Shi-Kau Liu	Co-founder, executive director, president and chief executive officer	Shanghai Henlius Biotech, Inc.	2696	2.5	1.4	–	3.9	90.9
14. Dr. Li Ning	Executive director, chief executive officer and general manager	Shanghai Junshi Biosciences Co., Ltd	1877	6.8	0.7	–	7.5	775.1
15. Dr. Shui On Leung	Executive director, chairman of the board and chief executive officer	SinoMab Bioscience Ltd	3681	3.0	–	–	3.0	–
16. Ms. Yeh-Huang Chun-Ying	Executive director and general manager	TOT BIOPHARM International Co., Ltd	1875	1.6	0.1	3.0	4.7	45.3
17. Mr. Zhenjun Zi	Executive director and general manager	Venus Medtech (Hangzhou) Inc.	2500	0.8	–	22.5	23.3	233.3
						Average	20.8	260.0
						Maximum	97.3	2,997.5
						Minimum	1.7	–
Dr. Yu				2.9	12.1	67.5 (Note 4)	82.5	1,047.5

Source: Annual report, prospectus and circular of the respective CE Comparable Companies.

Notes:

- The remuneration of Dr. Wu was not separated between (i) fees, salaries, other allowances and contribution; and (ii) performance related bonus in the financial statements of Ascleptis Pharma. Accordingly, for the purpose of presentation in the table above, the entire remuneration of Dr. Wu is included in the category of “Fees, salaries, other allowances and contributions”.
- For illustration purpose, conversions of United States dollars into RMB in the table above are based on the approximate exchange rate of US\$1 to RMB7.0 for conversion of the amounts reported in the annual report for the year ended December 31, 2019.
- The share-based payment expense of Dr. Jiang comprised: (i) the annualised value of a pre-listing share-based payments of approximately RMB63.7 million for the remaining vesting period from 2019; and (ii) the annualised value for approximately 9.1 million restricted shares of CStone of approximately RMB21.5 million to be issued to Dr. Jiang granted on August 15, 2019.
- The share-based payment expense of Dr. Yu of approximately RMB67.5 million includes: (i) the share-based payment expense of approximately RMB46.2 million as set out in the section headed “5. The remuneration of Dr. Yu” above; (ii) the economic value of the Restricted Shares under the Proposed Grant to Dr. Yu to be vested of approximately RMB11.2 million per year; and (iii) the economic value of the Options granted to Dr. Yu of approximately RMB10.1 million per year.

LETTER FROM SOMERLEY

As shown in the table above, the remunerations of the Chief Executives of the CE Comparable Companies are ranged from approximately RMB1.7 million to approximately RMB91.2 million and have an average of approximately RMB17.0 million. Assuming the Proposed Grant to Dr. Yu and the Options granted to Dr. Yu are vested in full, the annual remuneration of Dr. Yu will increase to up to approximately RMB82.5 million. Although the remuneration of Dr. Yu will be higher than the average of those of the Chief Executives of the CE Comparable Companies, it is within the range and ranks third among the 18 biotech companies (i.e. the 17 CE Comparable Companies and the Company). More importantly, it should be noted that (i) the Group has already achieved revenue of more than RMB1.0 billion as a result of the launch of Tyvyt[®] since last year while 7 out of the 17 CE Comparable Companies have not yet recorded revenue and only one CE Comparable Company (i.e. BeiGene) recorded higher revenue than that of the Company; and (ii) the share price performance of the Company has been outstanding and ranked second among the CE Comparable Companies (further details are set out in the section headed “10. Historical Share price performance” in this letter) since the listing of the Shares on the Stock Exchange in late 2018.

7. Information on Mr. Ede

As set out in the letter from the Board contained in the Circular, Mr. Ede is an executive Director, Chief Financial Officer and a member of the Strategy Committee of the Company. Mr. Ede joined the Group in January 2018 and became an executive Director in June 2018 and is responsible for finance, investor relations and information technology of the Group. Prior to joining the Group, between 2011 and 2016, Mr. Ede was the chief financial officer of Biosensors International Ltd. Between 2009 and 2011, Mr. Ede was the chief financial officer of Mindray Medical International Limited. In addition, Mr. Ede has held directorship in companies engaging in medical and pharmaceutical companies listed in New York and Hong Kong.

In addition, as set out in the letter from the Board contained in the Circular, Mr. Ede has been instrumental to the Group's development and success in his role as chief financial officer, bringing his extensive experience to managing the overall financial matters and investor relations to the Group.

Further details of the biographical information of Mr. Ede are set out in the 2019 Annual Report and the letter from the Board contained in the Circular. Based on our review, we concur with the management's view that Mr. Ede is capable of having a significant influence on and contribution to the performance of the Group.

LETTER FROM SOMERLEY

8. The remuneration of Mr. Ede

Set out below is a breakdown of the remuneration of Mr. Ede for the year ended December 31, 2019 provided by the Company:

	Salaries and other allowances and contributions (RMB'000)	Performance related bonus (RMB'000)	Share-based payment expenses (RMB'000)	Total (RMB'000)	Note
– Cash	2,494	1,362	–	3,856	
– Share options	–	2,058	3,900	5,958	1, 2
	<u>2,494</u>	<u>3,420</u>	<u>3,900</u>	<u>9,814</u>	

Notes:

- As advised by the management of the Group, the performance related bonus granted to Mr. Ede in the form of share options of approximately RMB20.6 million would be vested on a pro-rata basis over a 10-year period on each anniversary of the grant date on the condition that Mr. Ede would stay in the Company for 10 years commencing from January 1, 2018.
- The Company announced grant of the Options to Mr. Ede on March 15, 2019. The total economic value of the grant of the Options to Mr. Ede for the year ended December 31, 2019 was approximately RMB3.9 million (calculated based on the total economic value of the aforesaid Options of approximately RMB15.7 million divided by the vesting period of up to 4 years). The aforesaid economic value was different from the reported share-based payment expenses as shown in the financial statements of the Company in the 2019 Annual Report. Given that the remuneration of Mr. Ede in relation to the share-based payment expenses was determined at the time when the Options were granted and, for the purpose of assessing the current remuneration of Mr. Ede, we are of the view that the economic value as at the date of granting of the Options, but not the value as shown in the financial statements, is more appropriate.

As shown in the table above, the total remuneration received by Mr. Ede for the year ended December 31, 2019 was approximately RMB9.8 million.

Based on the maximum 320,000 Restricted Shares proposed to be granted to Mr. Ede and the closing price of the Shares of HK\$33.95 (equivalent to approximately RMB30.83) per Share as at the Grant Date, the maximum total value of the Proposed Grant to Mr. Ede is approximately RMB9.9 million. With a vesting period of the Restricted Shares of up to 4 years, the economic value of the Proposal Grant to Mr. Ede will be up to approximately RMB2.5 million per year.

LETTER FROM SOMERLEY

In addition to the above, on April 15, 2020, the Company granted 635,714 Options to Mr. Ede with an exercise price of HK\$33.95 (equivalent to approximately RMB30.83) per Share. 75% of the Options shall vest on April 15, 2023 and 25% of the Options shall vest on April 15, 2024. The Options are subject to individual performance result requirements as set out in the grant letter entered into between Mr. Ede and the Company. According to the Options Valuation Report, the fair value of the Options granted to Mr. Ede as at the Grant Date was approximately RMB12.3 million. The valuation basis and methodology of the Options granted to Mr. Ede was the same as that of Dr. Yu. Assuming the Options granted to Mr. Ede under the Proposed Option Grant are fully vested, the economic value of these Options will be approximately RMB3.1 million per annum over the four-year vesting period.

Based on (i) the current remuneration of Mr. Ede of approximately RMB9.8 million for the year ended December 31, 2019; (ii) the economic value of the Restricted Shares under the Proposed Grant to Mr. Ede of approximately RMB2.5 million per annum; and (iii) the economic value of the Options granted to Mr. Ede on April 15, 2020 of approximately RMB3.1 million per annum, the annual total remuneration of Mr. Ede will increase to up to approximately RMB15.4 million.

9. Assessment of the Proposed Grant to Mr. Ede

To assess the remuneration of Mr. Ede, similar to that of Dr. Yu, we compared the remuneration package of chief financial officers (or executives with roles similar to chief financial officer) (“**CFO**”) of biotech companies listed on the Main Board of the Stock Exchange for the year ended December 31, 2019. However, we noted that there are only two CFOs of the biotech companies, namely Hua Medicine and Mabpharm, whose remuneration packages are disclosed in the annual report of the respective biotech companies. In view of the limited number of comparables, we expanded our review to the remuneration package of CFO of pharmaceutical companies (together with the biotech companies, the “**CFO Comparable Companies**”) listed on the Main Board of the Stock Exchange. We consider that the list of the CFO Comparable Companies below to be exhaustive based on the selection criteria as set out above.

LETTER FROM SOMERLEY

Set out below is a summary of most recent remuneration packages of the CFO of the CFO Comparable Companies.

Name of the CFO	Title of the CFO	Name of the CFO Comparable Companies	Stock code	Remuneration package			
				Fees, salaries, other allowances and contributions (RMB million)	Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total (RMB million)
1. Mr. Tan Bo	Executive director and chief financial officer	3SBio Inc.	1530	2.8	–	0.4	3.2
2. Ms. Chen Yanling	Executive director, chief financial officer and vice president	China Medical System Holdings Ltd	867	2.6	–	–	2.6
3. Mr. Meng Jiange	Executive director	Genscript Biotech Corporation	1548	1.2	0.2	0.1	1.5
4. Mr. George Chien Cheng Lin	Executive director, executive vice president and chief financial officer	Hua Medicine	2552	3.6	8.1	14.8	26.5
5. Mr. Li Yunfeng	Executive director and chief financial officer	Mabpharm	2181	0.9	–	0.6	1.5
6. Mr. Tang Minjie (“Mr. Tang”)	Executive director and chief financial officer	Shanghai Haohai Biological Technology Co., Ltd	6826	0.7	0.6	–	1.3
7. Mr. Choi Yiau Chong (“Mr. Choi”)	Executive director, chief financial officer and joint company secretary	Sihuan Pharmaceutical Holdings Group Ltd	460	3.2	–	–	3.2
8. Mr. Hua Fengmao	Executive director and chief financial officer	VIVA Biotech Holdings	1873	1.0	–	1.4	2.4
						Average	5.3
						Maximum	26.5
						Minimum	1.3
Mr. Ede				2.5	3.4	9.5 (Note)	15.4

Source: Annual report of the respective CFO Comparable Companies.

Note: The share-based payment expense of approximately RMB9.5 million includes: (i) the share-based payment expense of approximately RMB3.9 million as set out in the section headed “8. The remuneration of Mr. Ede” above; (ii) the economic value of the Restricted Shares under the Proposed Grant to Mr. Ede to be vested of approximately RMB2.5 million per year; and (iii) the economic value of the Options granted to Mr. Ede of approximately RMB3.1 million per year.

LETTER FROM SOMERLEY

As shown in the table above, the remunerations of the CFO of the CFO Comparable Companies are ranged from approximately RMB1.3 million to approximately RMB26.5 million and have an average of approximately RMB5.3 million. Assuming the Proposed Grant to Mr. Ede and the Options granted to Mr. Ede are vested in full, the annual remuneration of Mr. Ede will increase to up to approximately RMB15.4 million. Although the remuneration of Mr. Ede will be higher than the average of those of the CFO of the CFO Comparable Companies, it is within the range and ranks second among the nine companies (i.e. the eight CFO Comparable Companies and the Company). Moreover, it should be noted that the share price performance of the Company has been outstanding and surged by over two times (further details are set out in the section headed “10. Historical Share price performance” in this letter) since the listing of the Shares on the Stock Exchange in late 2018.

10. Historical Share price performance

Set out below is the price performance of the Shares from October 31, 2018, being the Listing Date, to the Latest Practicable Date.



During the period from the Listing Date to the Grant Date (the “**Review Period**”), i.e. April 15, 2020, the closing price of the Shares were ranged from HK\$16.56 (equivalent to approximately RMB15.04) to HK\$37.30 (equivalent to approximately RMB33.88) and had an average and a median of approximately HK\$25.77 (equivalent to approximately RMB23.40) and approximately HK\$25.10 (equivalent to approximately RMB22.80) respectively. Out of a total of 359 trading days during the Review Period, there were 343 trading days when the price of the Shares closed lower than or equal to the “issue” price of the Restricted Shares under the Proposed Grants to EDs of HK\$33.95 (equivalent to approximately RMB30.83).

LETTER FROM SOMERLEY

Furthermore, the Company has achieved an impressive Share price performance since the Listing. Based on the offer price of HK\$13.98 (equivalent to approximately RMB12.70) per Share in the Listing in October 2019 and closing price of HK\$40.65 (equivalent to approximately RMB36.92) per Share as at the Latest Practicable Date, the Share price recorded a growth of almost two times during the Review Period. Such Share price performance was also outstanding among the CE Comparable Companies as the Company ranked second among the 18 bio-tech companies (comprising the Company and the 17 CE Comparable Companies) for the share price performance from the Listing Date to the Latest Practicable Date.

11. Reasons for and benefits of the Proposed Grants to INEDs

As set out in the letter from the Board contained in the Circular, the Proposed Grants to INEDs form part of the remuneration to the independent non-executive Directors and has been approved by the remuneration committee of the Company. The Proposed Grants to INEDs are granted in light of the continued progress and performance of the Company and aim to retain and motivate the independent non-executive Directors to continue to provide their independent opinion and judgment to the Board in building the strategy and long-term development of the Company.

The Board proposed to remunerate the independent non-executive Directors with the Proposed Grants to INEDs after considering the benefits of granting the Restricted Shares. The Grant Value of the Proposed Grants to INEDs was determined by the Company and each of the independent non-executive Directors upon arm's length negotiations with each of them taking into account all of the aforementioned factors and the average monetary values of the Restricted Shares granted to independent non-executive directors of other companies in the industry with comparable size.

12. Principal terms of the Proposed Grants to INEDs

The Proposed Grants to INEDs will be made under the following terms:

- (a) each of the Restricted Shares is granted for nil consideration;
- (b) each of the Restricted Shares granted to Dr. Cooney, Ms. Hsu and Dr. Chen represents the right to receive one Share on the date it vests;
- (c) the Restricted Shares shall vest on January 1, 2021 (the **"INED Vesting Date"**);
- (d) the number of Restricted Shares to be vested on the INED Vesting Date shall represent the underlying Shares of the Company equivalent in value to RMB120,000 (the **"Grant Value"**);

LETTER FROM SOMERLEY

- (e) the number of Restricted Shares to be vested on the INED Vesting Date shall be calculated by dividing the Grant Value by the average closing price of the Shares of the Company on the Stock Exchange for all trading days in the year 2020 from January 2, 2020 up to and including the trading day immediately preceding the INED Vesting Date (i.e. December 31, 2020);
- (f) notwithstanding the above, the number of Restricted Shares to be vested on the INED Vesting Date shall not cause the total number of Shares held legally or beneficially by each of Dr. Cooney, Ms. Hsu and Dr. Chen to exceed 1% of the total number of issued Shares as at the INED Vesting Date after their vesting and issuance (the “**1% threshold**”); and
- (g) if the number of Restricted Shares to be vested calculated in accordance with above would cause the total number of Shares held legally or beneficially by each of Dr. Cooney, Ms. Hsu or Dr. Chen to exceed the 1% threshold, the final number of Restricted Shares to be vested on the INED Vesting Date shall be the maximum number of Shares that may be issued to the relevant grantee while keeping their respective shareholding below the 1% threshold.

Details of the principal terms of the Proposed Grants to INEDs are set out in the letter from the Board contained in the Circular.

13. Information on Dr. Cooney, Ms. Hsu and Dr. Chen

Both Dr. Cooney and Dr. Chen are highly esteemed in their respective fields. Dr. Cooney joined the faculty of the Massachusetts Institute of Technology as an assistant professor in 1970, becoming full professor in 1982. His teaching focuses on the bioprocess development and manufacturing and technological innovation, and his research interests include biochemical engineering and pharmaceutical manufacturing. From 2002 to 2014, Dr. Cooney was the founding Faculty Director of the Deshpande Center for Technological Innovation. He is also a consultant to multiple biotech and pharmaceutical companies.

Dr. Chen has been a professor of the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, since 1990, served as its director between 1996 and 2004, and has served as director of its degree committee between 2014 and May 2019. Dr. Chen has also been a professor of the Shanghai University of Traditional Chinese Medicine since 2005, served as its president from 2005 to 2014, and has served as chairman of its academic committee since 2014. He also holds multiple professional memberships and qualifications in different capacities in numerous organisations in the PRC in the field of biotechnology and biopharmaceuticals.

LETTER FROM SOMERLEY

Ms. Hsu has extensive experience in finance and investment fields, being a partner of Cornell Capital and has been involved since 2017 towards the sourcing, evaluation, execution and ownership of investments, including strategies for cross-border expansion. Ms. Hsu was a partner at Zoyi Capital from 2013 to 2015, being mainly responsible for investments and portfolio company monitoring. Prior to this, Ms. Hsu served as chief financial officer and director at Mindray between 2006 and 2009, leading Mindray through its NYSE IPO in 2006 and subsequently two overseas acquisitions in 2008 and 2013. She subsequently acted as the sole adviser of Mindray on its delisting and private placement in 2016. Before that, Ms. Hsu was an executive director at Goldman Sachs Asia between 1998 and 2006, where she led the investment efforts in a number of successful deals in China including Focus Media Holding Limited, China Yurun Food Group Limited, and Mindray Medical, she was also heavily involved in the investments of C&M Communications in Korea and Japan Telecom in Japan.

Further details of the biographical information and background of Dr. Cooney, Ms. Hsu and Dr. Chen are set out in the 2019 Annual Report and the letter from the Board contained in the Circular.

14. The remuneration of the independent non-executive Directors

As set out in the 2019 Annual Report, the remunerations of Dr. Cooney, Ms. Hsu and Dr. Chen for the year ended December 31, 2019 were RMB360,000, RMB402,000 and RMB360,000 respectively. The higher remuneration of Ms. Hsu was mainly due to her roles as the chairperson of both the audit committee and remuneration committee of the Company.

Upon the granting of the Restricted Shares equivalent in value to RMB120,000 to each of Dr. Cooney, Ms. Hsu and Dr. Chen becoming effective, the annual remunerations of Dr. Cooney, Ms. Hsu and Dr. Chen will increase to RMB480,000, RMB522,000 and RMB480,000 respectively.

15. Assessment of the Proposed Grants to INEDs

(a) Amounts of the Proposed Grants to INEDs

In assessing the Grant Value of RMB120,000 proposed to be granted to the independent non-executive Directors, the Company has engaged Willis Towers Watson (“WTW”), an independent compensation expert, to propose the level of fee to the independent non-executive Directors. WTW is one of the leading global human resources advisory, broking and solution companies. WTW designs and delivers solutions that manage risk, optimise benefits, cultivate talent and expand the power of capital to protect and strengthen institutions and individuals.

In assessing the fees proposed to be granted to the independent non-executive Directors, WTW has gathered two peer groups comprising 16 companies similar to the Company in terms of company scale, principal business and talent source listed in Hong Kong (the “**HK Peers**”) or the United States (the “**US Peers**”). We have obtained and

LETTER FROM SOMERLEY

reviewed the report issued by WTW and noted that the HK Peers and the US Peers were classified as pharmacy, biotechnology or life science companies according to Wind Industry Classification system, one of the leading financial information service providers in China.

WTW noted that the current fees of the independent non-executive Directors ranked between 71st and 89th among the HK Peers but below 25th percentile of the US Peers. In general, the compensations to the independent non-executive directors of the US Peers were much higher than that of their counterparts of the HK Peers. Furthermore, the composition of the compensation package also differed considerably between the HK Peers and the US Peers. A significant majority of the HK Peers only paid cash compensation to their independent non-executive directors, while many of the US Peers adopted a combination of cash and equity in the compensation packages for their independent non-executive directors. Having considered the prevailing market rates and the payment compositions of both the HK Peers and the US Peers, WTW proposed a number of fee proposals to the Company including an annual fee of RMB500,000 in cash, which was benchmarked to 50th percentile of the remuneration of the US Peers. WTW considered such fee level was highly competitive in the HK Peers and attractive for talents with international background while the structure was remained consistent with Hong Kong market practices.

Having considered the proposals made by WTW, the Company proposed to adjust the remunerations of Dr. Cooney, Ms. Hsu and Dr. Chen to RMB480,000, RMB502,000 and RMB480,000 per annum, each representing a RMB120,000 increment from their current respective remuneration for the year ended December 31, 2019. The slightly higher remuneration of Ms. Hsu for compensating her additional responsibilities as the chairperson of both the audit committee and remuneration committee of the Company has also been endorsed in the report of WTW after comparing the practices adopted by both the HK Peers and the US Peers.

Having considered the report issued by WTW, in particular, the prevailing market rates and the payment composition of the independent non-executive directors of both the HK Peers and the US Peers, we are of the view that the amount of the proposed adjustment to the remunerations of Dr. Cooney, Ms. Hsu and Dr. Chen to be fair and reasonable.

(b) “Issue” price of the Proposed Grants to INEDs

As set out in the letter from the Board contained in the Circular, the number of Restricted Shares to be vested on the INED Vesting Date shall be calculated by dividing the Grant Value (i.e. RMB120,000) by the average closing price of the Shares of the Company from January 2, 2020 up to and including the trading day immediately preceding December 31, 2020. Given the “issue” price of the Restricted Shares will be the average market price of the Shares in 2020, we are of the view that the “issue” price of the Restricted Shares to be granted to the independent non-executive Director to be acceptable.

LETTER FROM SOMERLEY

16. Financial effects of the Proposed Grants

In accordance with the International Financial Reporting Standards adopted by the Company for its financial statements, the grant of the Restricted Shares will be accounted for as share-based payment transactions in the financial statements of the Company. Equity-settled share-based payments to Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen will be measured at the fair value of such equity instruments at the date of shareholders' approval (i.e. currently expected to be June 12, 2020).

Due to the graded vesting of such Restricted Shares proposed to be granted to Dr. Yu and Mr. Ede, the Company is required to treat each installment as a separate grant because each installment has a different vesting period. As such, the Company will allocate and recognise the compensation expense over the vesting period.

Based on the above accounting policy and assuming: (i) the Restricted Shares were granted on the Grant Date (i.e. April 15, 2020); and (ii) the Restricted Shares proposed to be granted to Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen are fully vested, set out below is the breakdown of the share-based payment in respect of the Restricted Shares proposed to be granted to Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen to be charged to the financial statements of the Company:

<i>(in RMB million)</i>	For the year ended December 31,				
	2020	2021	2022	2023	2024
Dr. Yu	8.7	14.0	14.0	7.0	1.0
Mr. Ede	1.6	2.5	2.5	2.6	0.7
Dr. Cooney	0.1	–	–	–	–
Ms. Hsu	0.1	–	–	–	–
Dr. Chen	0.1	–	–	–	–
Total	10.6	16.5	16.5	9.6	1.7

Independent Shareholders should note that the actual fair value of the Restricted Shares to be granted to Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen to be recognised by the Company in the financial statements of the Company may deviate from the estimation above and will be based on, among other things, all relevant non-market vesting conditions.

In terms of impact on net asset value (“NAV”) of the Group, it is anticipated that there will be a dilution in the NAV per Share upon the issue of new Shares as a result of the vesting of the Restricted Shares. Based on: (i) the equity attributable to owners of the Company as at December 31, 2019 of approximately RMB4,756.1 million; (ii) approximately 1,342.9 million issued Shares as at the Latest Practicable Date; and (iii) approximately 1.8 million Shares to be issued upon vesting of the Restricted Shares under the Proposed Grants (assuming the Restricted Shares proposed to be granted to the independent non-executive Directors will be issued at the price of HK\$33.95 (equivalent to approximately RMB30.83), being the closing Share price on the Grant Date) in full, it is expected that the Proposed Grants will result in the dilution in the NAV per Share of up to approximately 0.1%.

LETTER FROM SOMERLEY

17. Shareholding effects of the Proposed Grants

The table below sets out the shareholding in the Company assuming (i) the Restricted Shares under the Proposed Grants were vested in full; (ii) no other Shares are issued or repurchased by the Company; and (iii) there are no other changes to the issued share capital of the Company:

	As of the Latest Practicable Date		Upon vesting of the Restricted Shares under the Proposed Grants in full	
	No. of Shares	%	No. of Shares	%
		(Note 1)		(Note 1)
Dr. Yu	115,139,190	8.58%	116,589,190	8.67%
Mr. Ede	9,539,040	0.71%	9,859,040	0.73%
Dr. Cooney	39,090	Less than 0.01%	42,981 (Note 3)	Less than 0.01%
Ms. Hsu	–	0.00%	3,891 (Note 3)	Less than 0.01%
Dr. Chen	–	0.00%	3,891 (Note 3)	Less than 0.01%
Other Shareholders	<u>1,218,223,390</u>	<u>90.71%</u>	<u>1,218,223,390</u>	<u>90.59%</u>
Total	<u>1,342,940,710</u>	<u>100.00%</u>	<u>1,344,722,383</u>	<u>100.00%</u>

Notes:

- Percentages may not add up to 100% due to rounding.
- For illustration purpose in the table above, the closing price of the Shares on the Grant Date were adopted in calculating the number of Restricted Shares to be granted to Dr. Cooney, Ms. Hsu and Dr. Chen. The actual number of the Restricted Shares to be issued to Dr. Cooney, Ms. Hsu and Dr. Chen shall be determined based on the average closing price of the Shares for all the trading days from January 2, 2020 up to and including the trading day immediately preceding December 31, 2020.

As shown in the table above, the shareholding of the other Shareholders in the Company will decrease from approximately 90.71% to approximately 90.59% assuming all the Restricted Shares under the Proposed Grants are vested in full. Although the shareholding interest of the Independent Shareholders will be diluted, taking into account the reasons for and benefits of the Proposed Grants and terms and conditions of the Proposed Grants as discussed above, the dilution to the Independent Shareholders upon the issuance of the Restricted Shares under the Proposed Grants is considered acceptable.

LETTER FROM SOMERLEY

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the Proposed Grants are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Proposed Grants are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM in relation to the Proposed Grants.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors 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 Company. 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 in this circular or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN EQUITY SECURITIES

As at the Latest Practicable Date, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/Nature of interest	Number of ordinary Shares	Approximate percentage of shareholding ⁽¹⁾	Long position/Short position
Dr. De-Chao Michael Yu	Beneficial owner	119,705,272 ⁽²⁾	8.91%	Long position
		371,747 ⁽³⁾	0.03%	Short position
	Grantor of a trust	10,000,000 ⁽⁴⁾	0.74%	Long position
Mr. Ronald Hao Xi Ede	Beneficial owner	11,447,135 ⁽⁵⁾	0.85%	Long position
Dr. Charles Leland Cooney	Beneficial owner	42,981 ⁽⁶⁾	0.00%	Long position
Ms. Joyce I-Yin Hsu	Beneficial owner	3,891 ⁽⁷⁾	0.00%	Long position
Dr. Kaixian Chen	Beneficial owner	3,891 ⁽⁸⁾	0.00%	Long position

Notes:

- The calculation is based on the total number of 1,342,940,710 Shares in issue as at the Latest Practicable Date.

2. Includes (i) 105,139,190 Shares held directly by Dr. Yu, (ii) Dr. Yu's entitlement to receive up to 6,214,286 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; (iii) Dr. Yu's entitlement to 6,901,796 Shares underlying Restricted Shares granted to him, subject to the conditions of these Restricted Shares; and (iv) the 1,450,000 Shares underlying the Proposed Grant to Dr. Yu.
3. These Shares are in connection with a donation agreement entered into by Dr. Yu, pursuant to which he agreed to sell HK\$10,000,000 worth of his Shares (approximately 371,747 Shares based on the closing price of HK\$26.90 on December 27, 2019, the closest trading day to the date of the agreement) and to transfer the proceeds remaining (after tax and relevant fees) to the beneficiary within two years of the date of the agreement.
4. These Shares are held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust, of which Dr. Yu and his spouse are the grantors. Under the SFO, Dr. Yu is deemed to be interested in these Shares.
5. Includes (i) 9,539,040 Shares held directly by Mr. Ede, (ii) Mr. Ede's entitlement to receive up to 1,588,095 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options and (iii) the 320,000 Shares underlying the Proposed Grant to Mr. Ede.
6. Includes (i) 39,090 Shares held directly by Dr. Cooney and (ii) the 3,891 Shares underlying the Proposed Grant to Dr. Cooney, calculated for indicative purposes using (i) the exchange rate published by the State Administration of Foreign Exchange on the Grant Date (i.e. RMB90.819 to HKD100.00) and (ii) the closing price of the Shares on the Stock Exchange as stated in the daily quotation sheets issued by the Stock Exchange for the Grant Date.
7. These are the 3,891 Shares underlying the Proposed Grant to Ms. Hsu, calculated for indicative purposes using (i) the exchange rate published by the State Administration of Foreign Exchange on the Grant Date (i.e. RMB90.819 to HKD100.00) and (ii) the closing price of the Shares on the Stock Exchange as stated in the daily quotation sheets issued by the Stock Exchange for the Grant Date.
8. These are the 3,891 Shares underlying the Proposed Grant to Dr. Chen, calculated for indicative purposes using (i) the exchange rate published by the State Administration of Foreign Exchange on the Grant Date (i.e. RMB90.819 to HKD100.00) and (ii) the closing price of the Shares on the Stock Exchange as stated in the daily quotation sheets issued by the Stock Exchange for the Grant Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 and Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF THE GROUP

None of the Directors has, or has had, any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2019, the date to which the latest published audited financial statements of the Group were made up, and none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. CONSENT OF EXPERT

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	Qualification
Somerley Capital Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear. The letter from Somerley Capital Limited dated May 28, 2020 on pages 32 to 53 was provided for incorporation herein.

As at the Latest Practicable Date, Somerley Capital Limited did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2019, the date to which the latest published audited financial statements of the Group were made up.

7. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since December 31, 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the RS Plan will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours for 14 days up to and including the date of the EGM:

- (a) the RS Plan;
- (b) the 2020 RS Plan;
- (c) the letters from the Independent Board Committees set out on pages 28 to 31 of this circular;
- (d) the letter from the Independent Financial Adviser set out on pages 32 to 53 of this circular; and
- (e) the letter from the Independent Financial Adviser consenting to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it appears.

9. LANGUAGE

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Innovent
信達生物製藥
INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Innovent Biologics, Inc. (the “**Company**”) will be held at Yale meeting room, 5F, Administration Building, Innovent Biologics, 168 Dongping Street, Suzhou Industrial Park, China at 10:00 a.m. (or immediately after the conclusion of the annual general meeting of the Company held on the same day) on Friday, June 12, 2020 for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT

- 1(a). the conditional grant of restricted shares to Dr. De-Chao Michael Yu (“**Dr. Yu**”) in accordance with the terms of the restricted share plan adopted by the Company on October 15, 2018 (the “**RS Plan**”), subject to all applicable laws, rules, regulations and the applicable award agreement (the “**Proposed Grant to Dr. Yu**”) be hereby approved and confirmed;
- 1(b). any one or more of the directors of the Company, with the exception of Dr. Yu be authorized to exercise the powers of the Company to allot, issue and deal with the ordinary shares of the Company (the “**Shares**”) pursuant to the Proposed Grant to Dr. Yu under the specific mandate granted to the Directors by the shareholders of the Company (the “**Shareholders**”) at the extraordinary general meeting of the Company held on October 15, 2018 in accordance with the terms of the RS Plan (the “**2018 RS Plan Specific Mandate**”), such that the restricted shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue at the date of the allotment and issuance of the restricted shares, and that he/she/they be and is/are hereby authorized to take such actions, do such things, which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated in 1(a) above;
- 2(a). the conditional grant of restricted shares to Mr. Ronald Hao Xi Ede (“**Mr. Ede**”) in accordance with the terms of RS Plan, subject to all applicable laws, rules, regulations and the applicable award agreement (the “**Proposed Grant to Mr. Ede**”) be hereby approved and confirmed;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- 2(b). any one or more of the directors of the Company, with the exception of Mr. Ede be authorized to exercise the powers of the Company to allot, issue and deal with the Shares pursuant to the Proposed Grant to Mr. Ede under the 2018 RS Plan Specific Mandate, such that the restricted shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue at the date of the allotment and issuance of the restricted shares, and that he/she/they be and is/are hereby authorized to take such actions, do such things, which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated in 2(a) above;
- 3(a). the conditional grant of restricted shares to Dr. Charles Leland Cooney (“**Dr. Cooney**”) in accordance with the terms of RS Plan, subject to all applicable laws, rules, regulations and the applicable award agreement (the “**Proposed Grant to Dr. Cooney**”) be hereby approved and confirmed;
- 3(b). any one or more of the directors of the Company, with the exception of Dr. Cooney be authorized to exercise the powers of the Company to allot, issue and deal with the Shares pursuant to the Proposed Grant to Dr. Cooney under the 2018 RS Plan Specific Mandate, such that the restricted shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue at the date of the allotment and issuance of the restricted shares, and that he/she/they be and is/are hereby authorized to take such actions, do such things, which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated in 3(a) above;
- 4(a). the conditional grant of restricted shares to Ms. Joyce I-Yin Hsu (“**Ms. Hsu**”) in accordance with the terms of RS Plan, subject to all applicable laws, rules, regulations and the applicable award agreement (the “**Proposed Grant to Ms. Hsu**”) be hereby approved and confirmed;
- 4(b). any one or more of the directors of the Company, with the exception of Ms. Hsu be authorized to exercise the powers of the Company to allot, issue and deal with the Shares pursuant to the Proposed Grant to Ms. Hsu under the 2018 RS Plan Specific Mandate, such that the restricted shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue at the date of the allotment and issuance of the restricted shares, and that he/she/they be and is/are hereby authorized to take such actions, do such things, which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated in 4(a) above;
- 5(a). the conditional grant of restricted shares to Dr. Kaixian Chen (“**Dr. Chen**”) in accordance with the terms of RS Plan, subject to all applicable laws, rules, regulations and the applicable award agreement (the “**Proposed Grant to Dr. Chen**”) be hereby approved and confirmed;
- 5(b). any one or more of the directors of the Company, with the exception of Dr. Chen be authorized to exercise the powers of the Company to allot, issue and deal with the Shares pursuant to the Proposed Grant to Dr. Chen under the 2018 RS Plan Specific Mandate, such that the restricted shares shall rank *pari passu* in all respects among themselves and with the existing Shares in issue at the date of the allotment and

NOTICE OF EXTRAORDINARY GENERAL MEETING

issuance of the restricted shares, and that and that he/she/they be and is/are hereby authorized to take such actions, do such things, which in their opinion may be necessary, desirable or expedient for the purpose of giving effect to and/or to implement the transactions contemplated in 5(a) above;

- 6(a). conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the number of shares representing 5% of the total number of the issued share capital of the Company as at June 12, 2020, being the date of adoption of the 2020 RS Plan (as defined below) (the “**2020 RS Plan Limit**”), to be issued pursuant to the vesting of restricted shares granted under the 2020 RS Plan (as defined below) (the “**2020 RS Plan Listing Approval**”), the rules of the new restricted share plan (“**2020 RS Plan**”) of the Company (a copy of which has been submitted to the meeting and signed by the Chairman of the meeting for the purpose of identification) be and are hereby approved and adopted as a restricted share scheme of the Company; and that the directors of the Company be and are hereby authorized, at their absolute discretion, to grant restricted shares thereunder and to allot and issue shares of the Company pursuant to the vesting of restricted shares; and
- 6(b). conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the 2020 RS Plan Listing Approval and the passing of resolution 6(a), the directors of the Company be and are hereby granted the a specific mandate to allot and issue up to such number of Shares represented by the 2020 RS Plan Limit pursuant to the 2020 RS Plan and the articles of association of the Company and for the purpose of distribution of Shares pursuant to the 2020 RS Plan, provided that this specific mandate shall be in addition to, and shall not prejudice or revoke any existing or such other general or special mandates which may from time to time be granted to the directors of the Company prior to the passing of this resolution.”

By Order of the Board
Innovent Biologics, Inc.
Dr. De-Chao Michael Yu
Chairman of the Board

Hong Kong, May 28, 2020

Registered office:

Maples Corporate Services Limited
PO Box 309, Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal place of business in Hong Kong:

Room 1901, 19/F
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The transfer books and register of members of the Company will be closed from Tuesday, June 9, 2020 to Friday, June 12, 2020, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the meeting, all unregistered transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, June 8, 2020.
2. Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the EGM. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder who is an individual or a shareholder which is a corporation shall be entitled to exercise the same powers on behalf of the shareholder which he/she or they represent as such shareholder could exercise.
3. To be valid, a form of proxy must be deposited at the Company's branch share registrar 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 holding the EGM (i.e. not later than 10:00 a.m. on Wednesday, June 10, 2020) or any adjournment thereof.
4. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Votes on the ordinary resolutions set out herein which are to be passed at the EGM will be taken by way of poll.
7. Shareholders and their proxies attending the EGM shall bear their own travelling and accommodation expenses.
8. A circular containing further details concerning the resolutions set out in this notice will be sent to all Shareholders together with this notice.
9. References to dates and time in this notice are to Hong Kong dates and time.
10. As at the date hereof, the Board comprises Dr. De-Chao Michael Yu as Chairman and Executive Director and Mr. Ronald Hao Xi Ede as Executive Director, Mr. Shuyun Chen as Non-executive Director, and Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu and Dr. Kaixian Chen as Independent Non-executive Directors.