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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, 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 together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

**PROPOSED GRANTING OF GENERAL MANDATES TO BUY BACK
SHARES AND TO ISSUE NEW SHARES,
PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS AND
ELECTION OF A DIRECTOR,
PROPOSED GRANTS OF RESTRICTED SHARES TO DIRECTORS
UNDER THE 2020 RS PLAN
AND
NOTICE OF ANNUAL GENERAL MEETING**

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



A notice convening the Annual General Meeting of Innovent Biologics, Inc. to be held on Wednesday, June 22, 2022 at 9:30 a.m. at Yale meeting room, 5F, Administration Building, Innovent Biologics, 168 Dongping Street, Suzhou Industrial Park, China is set out on pages 78 to 85 of this circular. A form of proxy for use at the Annual General Meeting is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://innoventbio.com/>) respectively.

Whether or not you intend to attend the Annual General Meeting, you are required to complete the form of proxy in accordance with the instructions printed thereon and return it 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 but in any event not less than 48 hours before the time appointed for holding the Annual General Meeting (i.e. not later than 9:30 a.m. on Monday, June 20, 2022) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Annual General Meeting if you so wish and in such event the form of proxy shall be deemed to be revoked.

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

June 1, 2022

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following terms or expressions shall have the following meanings:

“2018 RS Plan”	the restricted share plan adopted by the Company on October 15, 2018
“2020 RS Plan”	the restricted share plan adopted by the Company on June 12, 2020
“Annual General Meeting” and “AGM”	the annual general meeting of the Company to be held on Wednesday, June 22, 2022, at 9:30 a.m. at Yale meeting room, 5F, Administration Building, Innovent Biologics, 168 Dongping Street, Suzhou Industrial Park, China to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 78 to 85 of this circular, or any adjournment thereof
“Articles of Association”	the articles of association of the Company currently in force
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company”	Innovent Biologics, Inc., 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, the chairman of the Board, the chief executive officer and a substantial shareholder of the Company
“ED(s)”	executive Director(s)

DEFINITIONS

“EGFR”	epidermal growth factor receptor
“FGFR”	fibroblast growth factor receptor
“Grant Date”	March 30, 2022
“Group”	the Company and its subsidiaries
“HCC”	hepatocellular carcinomas
“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 Grant to Ms. Hsu
“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 Grant to Dr. Chen

DEFINITIONS

“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 Annual General Meeting to approve the Proposed Grants
“Issue Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to allot, issue and/or deal in additional Shares not exceeding 20% of the total number of the issued Shares as at the date of passing of the relevant resolution granting such mandate
“Latest Practicable Date”	May 26, 2022 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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, as amended from time to time
“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
“Mr. Zieziula”	Mr. Gary Zieziula, an independent non-executive Director
“NRDL”	the National Reimbursement Drug List

DEFINITIONS

“NMPA”	China National Medical Products Administration (國家藥品監督管理局), successor to the China Food and Drug Administration (國家食品藥品監督管理總局)
“nsqNSCLC”	non-squamous non-small cell lung cancer
“PD-1”	programmed cell death protein 1
“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
“Proposed Grants”	the Proposed Grants to EDs and the Proposed Grants to INEDs
“Proposed Grant to Dr. Chen”	the proposed grant of 1,931 Restricted Shares to Dr. Chen
“Proposed Grant to Dr. Cooney”	the proposed grant of 4,828 Restricted Shares Dr. Cooney
“Proposed Grant to Dr. Yu”	the proposed grant of up to a total of 2,032,334 Restricted Shares to Dr. Yu
“Proposed Grants to EDs”	the Proposed Grant to Dr. Yu and the Proposed Grant to Mr. Ede
“Proposed Grant to Mr. Ede”	the proposed grant of up to a total of 560,644 Restricted Shares to Mr. Ede
“Proposed Grant to Ms. Hsu”	the proposed grant of 4,828 Restricted Shares to Ms. Hsu
“Proposed Grants to INEDs”	the Proposed Grant to Dr. Cooney, the Proposed Grant to Ms. Hsu and the Proposed Grant to Dr. Chen
“Prospectus”	the prospectus of the Company dated October 18, 2018
“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
“r/r cHL”	relapsed or refractory classic Hodgkin’s lymphoma
“RS Plan”	the restricted share plan adopted by the Company on October 15, 2018, which was terminated in its entirety on June 12, 2021 and succeeded by the 2020 RS Plan

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of nominal or par value of US\$0.00001 each in the issued share capital of the Company 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
“Share Buy-back Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to buy back Shares not exceeding 10% of the total number of the issued Shares as at the date of passing of the relevant resolution granting such mandate
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it by the Listing Rules
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-Backs issued by the Securities and Futures Commission in Hong Kong, as amended from time to time
“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 of the Board and
Chief Executive Officer)*

Mr. Ronald Hao Xi Ede

Independent non-executive Directors:

Dr. Charles Leland Cooney
Ms. Joyce I-yin Hsu
Dr. Kaixian Chen
Mr. Gary Zieziula

Registered office:

PO Box 309, Umland 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

June 1, 2022

To the Shareholders

Dear Sir/Madam,

**PROPOSED GRANTING OF GENERAL MANDATES TO BUY BACK
SHARES AND TO ISSUE NEW SHARES,
PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS AND
ELECTION OF A DIRECTOR,
PROPOSED GRANTS OF RESTRICTED SHARES TO DIRECTORS
UNDER THE 2020 RS PLAN
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide Shareholders with the notice of Annual General Meeting and further information in relation to, amongst others, the resolutions to be proposed at the Annual General Meeting relating to the granting of the Share Buy-back Mandate and the Issue Mandate to the Directors, the Proposed Grants, set out the recommendations of the Independent Board Committees in relation to the Proposed Grants, set out the recommendation of the Independent Financial Adviser in relation to the Proposed Grants, and to seek your approval of the relevant resolutions relating to these matters at the AGM.

LETTER FROM THE BOARD

PROPOSED GRANTING OF GENERAL MANDATE TO BUY BACK SHARES

At the annual general meeting of the Company held on June 24, 2021, an ordinary resolution was passed by the Shareholders to grant a general mandate to the Directors to exercise the powers of the Company to buy back Shares. Such mandate will lapse at the conclusion of the forthcoming Annual General Meeting. In order to give the Company the flexibility to buy back Shares if and when appropriate, an ordinary resolution will be proposed at the Annual General Meeting to approve the granting of a general mandate to the Directors to exercise all powers of the Company to buy back Shares not exceeding 10% of the total number of issued Shares as at the date of passing of the relevant resolution.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,466,755,201 Shares. Assuming that the total number of issued shares remains unchanged as at the date of Annual General Meeting, the maximum number of Shares which may be bought back pursuant to the Share Buy-Back Mandate will be 146,675,520 Shares.

With reference to the Share Buy-back Mandate, the Directors wish to state that they have no immediate plan to buy back any Shares pursuant thereto.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed Share Buy-back Mandate is set out in Appendix I to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution proposed at the Annual General Meeting.

PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES

At the annual general meeting of the Company held on June 24, 2021, an ordinary resolution was passed by the Shareholders to grant a general mandate to the Directors to exercise the powers of the Company to allot, issue and deal with additional Shares. Such mandate will lapse at the conclusion of the forthcoming Annual General Meeting. In order to ensure flexibility and give discretion to the Directors in the event that it becomes desirable for the Company to issue any new Shares, an ordinary resolution will be proposed at the Annual General Meeting to approve the granting of a general mandate to the Directors to exercise all powers of the Company to allot, issue and deal with additional Shares not exceeding 20% of the total number of the issued Shares as at the date of passing of the relevant resolution.

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,466,755,201 Shares. Assuming that the total number of issued shares remains unchanged as at the date of Annual General Meeting, the maximum number of additional Shares which may be issued pursuant to the Issue Mandate will be 293,351,040 Shares.

In addition, an ordinary resolution to extend the Issue Mandate by adding the number of Shares bought back by the Company pursuant to the Share Buy-back Mandate will also be proposed at the Annual General Meeting.

LETTER FROM THE BOARD

With reference to the Issue Mandate, the Directors wish to state that they have no immediate plans to issue any new Shares pursuant thereto.

The Share Buy-back Mandate and the Issue Mandate, if approved at the Annual General Meeting, will remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting of the Company is required to be held pursuant to the applicable laws or the Articles of Association; or (iii) the date on which such an authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

PROPOSED RE-ELECTION OF RETIRING DIRECTORS AND ELECTION OF A DIRECTOR

Pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

Accordingly, the following Directors, namely, Dr. De-Chao Michael Yu and Ms. Joyce I-Yin Hsu shall retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for re-election.

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Accordingly, Mr. Gary Zieziula (“**Mr. Zieziula**”) has been recommended to the Shareholders as a candidate to be appointed as an independent non-executive Director at the Annual General Meeting for a term of three years upon the expiry of which shall be eligible for re-election, subject to the approval of Shareholders at the Annual General Meeting.

Recommendation of the Nomination Committee

The nomination committee of the Company (the “**Nomination Committee**”) has evaluated the performance of each of the retiring Directors and found their performance satisfactory. Also, the Nomination Committee has assessed and received an annual independence confirmation pursuant to Rule 3.13 of the Listing Rules from Ms. Hsu, the retiring independent non-executive Director, and confirmed that she remains independent. In addition, the Nomination Committee has reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the retiring Directors and the new Director with reference to the nomination principles and criteria set out in the Company’s board diversity policy and director nomination policy including but not limited to his/her reputation for integrity, accomplishment and experience in the pharmaceutical and biologics markets, and the Company’s corporate strategy, and the independence of all independent non-executive Directors.

LETTER FROM THE BOARD

Therefore, the Nomination Committee has recommended to the Board on re-election of all the retiring Directors, including the aforesaid independent non-executive Director, who is due to retire at the Annual General Meeting and also the appointment of the new Director. On this basis, the Board considers that Ms. Hsu, the retiring independent non-executive Director, and Mr. Zieziula, the new independent non-executive Director, are independent in accordance with the independence guidelines set out in the Listing Rules and will continue to and will bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity. Accordingly, upon the recommendation of the Nomination Committee, the Board has proposed the re-election of all the retiring Directors and the appointment of the new Director at the forthcoming Annual General Meeting.

Details of the above retiring Directors who are standing for re-election at the Annual General Meeting and of Mr. Zieziula who is recommended for election at the Annual General Meeting are set out in Appendix II to this circular in accordance with the relevant requirements of the Listing Rules.

PROPOSED GRANTS OF RESTRICTED SHARES TO DIRECTORS UNDER THE 2020 RS PLAN

Reference is made to the announcement of the Company dated March 30, 2022 in relation to the Proposed Grants (the “**Announcement**”).

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

- up to a total of 2,032,334 Restricted Shares to Dr. Yu, entitling Dr. Yu to receive a maximum of 2,032,334 Shares upon full vesting, representing approximately 0.14% of the total number of issued Shares as at the Latest Practicable Date;
- up to a total of 560,644 Restricted Shares to Mr. Ede, entitling Mr. Ede to receive a maximum of 560,644 Shares upon full vesting, representing approximately 0.04% of the total number of issued Shares as at the Latest Practicable Date;
- 4,828 Restricted Shares to Dr. Cooney, entitling Dr. Cooney to receive a maximum of 4,828 Shares upon full vesting, representing approximately 0.00% of the total number of issued Shares as at the Latest Practicable Date;
- 4,828 Restricted Shares to Ms. Hsu, entitling Ms. Hsu to receive a maximum of 4,828 Shares upon full vesting, representing approximately 0.00% of the total number of issued Shares as at the Latest Practicable Date; and
- 1,931 Restricted Shares to Dr. Chen, entitling Dr. Chen to receive a maximum of 1,931 Shares upon full vesting, representing approximately 0.00% of the total number of issued Shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

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;
- the Restricted Shares shall vest in Dr. Yu and Mr. Ede as follows:
 - o 75% shall vest on March 30, 2025; and
 - o 25% shall vest on March 30, 2026; 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 commercialized products, progress of the Group's portfolio 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 the overall performance of the Company, and achievement of targets in areas of finance, investor relations, information technology, and channel management of the Group.

Based on the closing price of HK\$30.60 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\$62.19 million, and the market value of the Restricted Shares under the Proposed Grant to Mr. Ede amounts to approximately HK\$17.16 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 it vests;

LETTER FROM THE BOARD

- the Restricted Shares shall vest as follows:
 - o 33.33% shall vest on March 30, 2023;
 - o 33.33% shall vest on March 30, 2024; and
 - o 33.33% shall vest on March 30, 2025.

Based on the closing price of HK\$30.60 per Share as quoted on the Stock Exchange on the Grant Date, the market value of the Restricted Shares under the Proposed Grants to INEDs amounts to approximately HK\$354,562.20.

LISTING RULES IMPLICATIONS

Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen are the 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 AGM 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 122,853,209 Shares or underlying Shares (and 371,747 short position Shares), representing approximately 8.38% (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 AGM on the resolutions approving the Proposed Grant to Dr. Yu and transactions contemplated therein.

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.

LETTER FROM THE BOARD

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 AGM 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 7,160,975 Shares or underlying Shares, representing approximately 0.46% 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 AGM 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 AGM 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 87,248 Shares or underlying Shares, representing approximately 0.01% 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 AGM 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.

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 AGM to approve the Proposed Grant to Ms. Hsu and transactions contemplated therein. To the best of the Directors' knowledge, information and belief: (i) each of Ms. Hsu and her associates is not interested in any Shares or underlying Shares except Ms. Hsu's interest in a total of 48,158 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

LETTER FROM THE BOARD

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 Ms. Hsu and transactions contemplated therein. Accordingly, save for Ms. Hsu, no Shareholders are required under the Listing Rules to abstain from voting at the AGM 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 AGM to approve the Proposed Grant to Dr. Chen and transactions contemplated therein. To the best of the Directors' knowledge, information and belief: (i) each of Dr. Chen and his associates is not interested in any Shares or underlying Shares except Dr. Chen's interest in a total of 22,084 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. Chen and transactions contemplated therein. Accordingly, save for Dr. Chen, no Shareholders are required under the Listing Rules to abstain from voting at the AGM 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 2020 RS Plan and the Proposed Grants

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. For further details of the 2020 RS Plan, please refer to the section headed "Adoption of the 2020 RS Plan and the 2020 RS Plan Specific Mandate" in the circular of the Company dated May 28, 2020.

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 aims 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 aims 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.

Pursuant to the 2020 RS Plan, the number of Restricted Shares which may be granted pursuant to the 2020 RS Plan during the 12 months following the adoption date of the 2020 RS Plan, being June 12, 2020 (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. The Proposed Grants to EDs and the Proposed Grants to INEDs in aggregate are subject to this 2% annual limit.

LETTER FROM THE BOARD

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, his unparalleled contributions to the growth of the Group and the continued development of the Group since the Listing.

Dr. Yu is the founder, an executive Director, the chairman of the Board, the 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 received his doctoral degree in molecular genetics from the Chinese Academy of Sciences (Shanghai, China) and completed his postdoctoral training at the University of California San Francisco (San Francisco, USA). Prior to founding the Company, Dr. Yu was the president, chief executive officer and a member of the board of directors of Chengdu Kanghong Biotech Co. Ltd. from 2006 to 2010. Previously, 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 mainly responsible for a significant part of the company's early research and development.

Dr. Yu has always aspired to develop and commercialize high-quality biopharmaceuticals that are affordable for ordinary people. He has at present been engaged in innovative research on biopharmaceuticals for more than 20 years, has invented three Class I new drugs and been key to their success. 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 Langmu[®] (Conbercept eye injection), and TYVYT[®] (sintilimab injection), an innovative PD-1 inhibitor for relapsed or refractory classical Hodgkin's lymphoma (r/r cHL), 1L nsq NSCLC, 1L sq NSCLC and 1L HCC.

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. Dr. Yu has been an independent non-executive director of Cheerwin Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 6601) since February 2021, an independent non-executive director of BabyTree Group (a company listed on Main Board of the Stock Exchange with stock code: 1761) since June 2018 and served as an independent director at PharmaBlock Sciences (Nanjing), Inc. (a company listed on the Shenzhen Stock Exchange with stock code: 300725) from December 2015 to May 2018.

LETTER FROM THE BOARD

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 biopharmaceutical company that develops, manufactures 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 2021 annual report of the Company.

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 strategy development, financial matters and investor relations etc., and his background and experience as chief financial officer of companies in the biotechnology and biopharmaceutical industry.

Mr. Ede is an executive Director, the chief financial officer and a member of the strategy committee of the Company. Mr. Ede joined the Group on June 5, 2017 and is responsible for finance, investor relations, information technology and channel management of our 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:

- 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; and 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; and
- Dawnrays Pharmaceutical (Holding) Ltd. (a company listed on the 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. For further details in relation to Mr. Ede's background, please refer to the section headed "Directors and Senior Management" in the 2021 annual report of the Company.

LETTER FROM THE BOARD

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. Our leading PD-1 brand TYVYT[®] (sintilimab injection) has maintained eye-catching growth in both revenue and volume, with successful approval and inclusion in NRDL for three additional first-line indications in lung cancer and liver cancer. By now, TYVYT[®] (sintilimab injection) is the only PD-1 inhibitor with positive Phase 3 data in the first-line treatment for five major types of cancer including lung, liver, gastric and esophagus cancers, etc. In the year ended December 31, 2021, the Group expanded the commercial portfolio to six products, with two more approved to market, including NAILIKE[®] (Olverembatinib) approved by the NMPA for the treatment of TKI-resistant chronic phase chronic myeloid leukemia (CML-CP) or accelerated-phase CML (CML-AP) harboring the T315I mutation, and Pemazyre[®] (pemigatinib) approved in Taiwan market for the treatment of adults with previously treated, unresectable locally advanced or metastatic cholangiocarcinoma with a FGFR2 fusion or rearrangement. TYVYT[®] (sintilimab injection) was approved for three additional indications including 1L non-squamous NSCLC, 1L squamous NSCLC and 1L HCC. The three new indications were successfully included in the updated NRDL, effective from January 1, 2022, on top of TYVYT[®] (sintilimab injection)'s first reimbursed indication of r/r cHL. Moreover, three additional Phase 3 clinical studies for TYVYT[®] (sintilimab injection) have met the primary endpoint, including the ORIENT-15 for the first-line treatment of G/GEJ, the ORIENT-16 for the 1L treatment of esophageal squamous cell carcinoma, and the ORIENT-31 for EGFR mutated non-squamous NSCLC who progressed after EGFR-TKI therapy. The NMPA has accepted three supplemental new drug application of TYVYT[®] (sintilimab injection) for the corresponding indications. The clinical achievements during the year ended December 31, 2021 have made TYVYT[®] (sintilimab injection) become the only PD-1 inhibitor with positive Phase 3 data in the first-line treatment of five major types of cancer.

These approvals illustrate the rapid growth of the Group and demonstrate the quality research and development efforts that fuel our mission. Our enhanced product offerings are evidence of our groundbreaking progress this year. During the year ended December 31, 2021, we kept advancing the development progress for multiple assets in registration or pivotal clinical trials which supports at least three potential NDA submissions in the year of 2022, as well as having made significant progress on other clinical stage assets with exceptional clinical and commercial potential both in China and overseas. We've also continued to make progress in our robust pipeline which consist of 32 valuable assets, including 7 commercialized products, and 25 assets in various clinical stages.

In 2022, the Company anticipates to expand its commercial portfolio into 8 products. The Company remains confident to drive a robust product revenue growth given well-positioned commercial presence and an agile and efficient team of marketing and sales people. The Company is committed to delivering more innovative medicines for more complex patient populations.

LETTER FROM THE BOARD

Leveraging the Company's fully integrated multi-functional platform which includes R&D, CMC (Chemistry, Manufacturing, and Controls), clinical development and commercialization capabilities, the Company has built a robust pipeline of 32 valuable assets in the fields of cancer, metabolic, autoimmune disease and other major therapeutic areas, with 7 products approved for marketing in China – TYVYT[®] (sintilimab injection), BYVASDA[®] (bevacizumab biosimilar injection), SULINNO[®] (adalimumab biosimilar injection), HALPRYZA[®] (rituximab biosimilar injection), Pemazyre[®] (pemigatinib oral inhibitor) and olverembatinib (BCR-ABL TKI) and Cynamza[®] (ramucirumab), 1 asset under NMPA NDA review, 5 assets in Phase 3 or pivotal clinical trials, and an additional 19 molecules in clinical studies.

For the year ended 31 December 2021, the company's total revenue was RMB4,260.9 million, representing an increase of 74.1% from RMB2,446.7 million for the year ended 31 December 2020. Product revenue increased by 69.0% to RMB4,001.1 million for the year ended 31 December 2021, compared to RMB2,367.5 million in the prior year. The leading product TYVYT[®] (sintilimab injection) has maintained strong growth in both sales revenue and volume as the leading brand in the programmed cell death protein-1 ("PD-1") market. Meanwhile, the fast ramp-up of other products and expansion of commercial portfolio have significantly contributed to the strong growth of product revenue, accounting for about 30% of total product revenue for the year ended 31 December 2021.

In the year ended December 31, 2021, the Company successfully expanded its production capacity from 24,000L to 60,000L, to provide sufficient capacity to commensurate with the growing and maturing drug pipeline and to support its continued business expansions. The Company's manufacturing capacity consisted of eighteen 3,000L stainless steel bioreactors and six 1,000L disposable bioreactors. In particular, the large scale stainless steel bioreactors have provided market competitive cost advantage for the production of TYVYT[®] (sintilimab injection) and other products manufactured on the facilities, increasing the product gross profit margin of product sales to 88.6% in 2021 as compared to 84.9% in 2020.

The Group has also continued to draw strong financial backing and raised approximately HK\$4,670.6 million through placing of new shares in January 2021. The placing was met with overwhelming subscription from well-known international and local investors.

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. 2022 is the first year of the second decade of the Company's development. As one of the few leading biopharmaceutical company with an established platform foundation, sustained strong execution, and favorable financial position, the Company will strategically focus on the growth strategy of global innovation, improving R&D capability, expanding global R&D team, pursuing global development of novel molecules, and at the same time, expanding the commercial portfolio and enhancing business performance. The Company are fully committed and determined to develop the Company into a global biopharmaceutical company, and to deliver sustainable value to patients, employees, shareholders and the society.

LETTER FROM THE BOARD

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 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. 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, and the guidance and supervise on the Company's development strategy making and implementation.

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. Dr. Cooney is also a consultant to multiple biotech and pharmaceutical companies.

LETTER FROM THE BOARD

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. Dr. Chen holds professional memberships and qualifications in different capacities in numerous organizations in the PRC in the field of biotechnology and biopharmaceuticals.

Ms. Hsu has extensive experience in finance and investment fields, being a partner of Cornell Capital and has been involved in since its founding in 2013 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 International Limited, 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 2021 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 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 value of stocks granted to independent non-executive directors of other companies in the industry with comparable size.

LETTER FROM THE BOARD

The historical grants of Restricted Shares under the 2018 RS Plan and the 2020 RS Plan to each of Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen

Details of the movements of the Restricted Shares granted under the 2018 RS Plan (which was terminated in its entirety on June 12, 2020, the adoption date of the 2020 RS Plan) to each of Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen are as follows:

Name of the Director	Date of grant	Held at 1 January 2021	Vested during the year ended 31 December 2021		Vesting Period
			up to the Latest Practicable Date	Held as at Latest Practicable Date	
Dr. Yu	2 May 2019	5,523,216	1,380,359	4,142,857	5 years from the date of grant
	15 April 2020	1,450,000	–	1,450,000	4 years from the date of grant
Mr. Ede	15 April 2020	320,000	–	320,000	4 years from the date of grant
Dr. Cooney	15 April 2020	3,891 (<i>Note</i>)	2,857	–	1 January 2021
Ms. Hsu	15 April 2020	3,891 (<i>Note</i>)	2,857	–	1 January 2021
Dr. Chen	15 April 2020	3,891 (<i>Note</i>)	2,857	–	1 January 2021

Note: The grant was vested on 1 January 2021 and the final number of granted and vested shares is 2,857, calculated by dividing the value of the grant (being RMB120,000) 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 2 January 2020 up to and including the trading day immediately preceding the vesting date of the restricted Shares granted to Dr. Cooney, Ms. Hsu and Dr. Chen (i.e., 31 December 2020).

Details of the movements of the Restricted Shares granted under the 2020 RS Plan to each of Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen are as follows:

Name of the Director	Date of grant	Granted during the year ended 31 December 2021	Vested during the year ended 31 December 2021		Vesting Period
			up to the Latest Practicable Date	Held as at Latest Practicable Date	
Dr. Yu	30 March 2021	725,000	–	725,000	4 years from the date of grant
Mr. Ede	30 March 2021	160,000	–	160,000	4 years from the date of grant
Dr. Cooney	30 March 2021	1,817 (<i>Note</i>)	1,845	–	1 January 2022
Ms. Hsu	30 March 2021	1,817 (<i>Note</i>)	1,845	–	1 January 2022
Dr. Chen	30 March 2021	1,817 (<i>Note</i>)	1,845	–	1 January 2022

LETTER FROM THE BOARD

Note: The grant was vested on January 1, 2022 and the final number of granted and vested shares is 1,845, calculated by dividing the value of the grant (being RMB120,000) 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 2021 from January 4, 2021 up to and including the trading day immediately preceding the INED RS Vesting Date (i.e., December 31, 2021).

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 2,604,565 Shares, or approximately 0.18% 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 0.18% of the total number of issued Shares upon completion of issue.

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:

	As at the Latest Practicable Date ⁽¹⁾		As at the Latest Practicable Date and excluding the Proposed Grants		Assuming full vesting and issuance of the Proposed Grants	
	No. of Shares	%	No. of Shares and underlying Shares as notified pursuant to the SFO ⁽²⁾	%	No. of Shares and underlying Shares as notified pursuant to the SFO ⁽³⁾	%
Dr. Yu	105,899,908 ⁽⁶⁾	7.22%	120,820,875	8.24%	122,853,209	8.36%
Mr. Ede	3,815,616 ⁽⁷⁾	0.26%	6,600,331	0.45%	7,160,975	0.49%
Dr. Cooney	43,792 ⁽⁸⁾	0.00%	82,420	0.01%	87,248	0.01%
Ms. Hsu	4,702 ⁽⁹⁾	0.00%	43,330	0.00%	48,158	0.00%
Dr. Chen	4,702 ⁽¹⁰⁾	0.00%	20,153	0.00%	22,084	0.00%
Other Shareholders	1,356,986,481	92.52%	1,356,986,481	92.52%	1,356,986,481	92.35%
Total	1,466,755,201	100.00%	1,466,755,201 ⁽⁴⁾	100.00%	1,469,359,766 ⁽⁵⁾	100.00%

Notes:

- Assuming that no Shares are issued pursuant to any of the Proposed Grants to EDs or Proposed Grants to INEDs and excluding (i) any options granted pursuant to the Post-IPO ESOP and (ii) other Restricted Shares previously granted pursuant to the RS Plan and the 2020 RS Plan.
- As notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, which would include holding in Shares and underlying Shares of (i) any options granted to the Directors pursuant to the Post-IPO ESOP and (ii) other Restricted Shares previously granted to the Directors pursuant to the RS Plan and the 2020 RS Plan and assuming full vesting of these grants. This column excludes the underlying Shares of the Proposed Grants.
- As notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, which would include holding in Shares and underlying Shares of (i) any options granted to the Directors pursuant to the Post-IPO ESOP and (ii) other Restricted Shares previously granted to the Directors pursuant to the RS Plan and the 2020 RS Plan, and assuming full vesting of these grants. This column includes the underlying Shares of the Proposed Grants.

LETTER FROM THE BOARD

4. This figure is calculated based on the total number of issued Shares of the Company as at the Latest Practicable Date, being 1,466,755,201 Shares, and is not the arithmetic total of the figures in this column.
5. This figure is based on the total number of issued Shares as at the Latest Practicable Date and assuming full issuance of all Shares underlying the Restricted Shares granted under the Proposed Grants, and without taking into account Shares which may be repurchased or issued by the Company (except for the Proposed Grants). It is not the arithmetic total of the figures in this column.
6. Includes (i) 84,477,313 Shares held directly by Dr. Yu, (ii) 9,000,000 Shares held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust, of which Dr. Yu and his spouse are the grantors, and (iii) 12,422,595 Shares held by The Bryn Mawr Trust Company of Delaware as trustee of (x) Madrone Grove Dynasty Trust, and (y) Jenelope Dynasty Trust, of which Dr. Yu and his spouse are the grantors.
7. These Shares are held directly by Mr. Ede.
8. These Shares are held directly by Dr. Cooney.
9. These Shares are directly held by Ms. Hsu.
10. These Shares are directly held by Dr. Chen.

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.

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.

LETTER FROM THE BOARD

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 2020 RS Plan on July 21, 2020. The Proposed Grant will be issued and allotted from the Shares held on trust.

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.

ANNUAL GENERAL MEETING

Approval from the Independent Shareholders will be sought at the AGM for the Proposed Grants. The notice of the Annual General Meeting is set out on pages 78 to 85 of this circular.

For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, June 17, 2022 to Wednesday, June 22, 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of Shares are required to lodge all transfer documents accompanied by the relevant share certificates and properly completed transfer forms 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 for registration not later than 4:30 p.m. on Thursday, June 16, 2022.

PROXY ARRANGEMENT

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://innoventbio.com/>). Whether or not you intend to attend the Annual General Meeting, you are required to complete and sign the form of proxy in accordance with the instructions printed thereon and return it 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 not less than 48

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hours before the time fixed for the holding of the Annual General Meeting (i.e. not later than 9:30 a.m. on Monday, June 20, 2022) or any adjournment thereof. Completion and delivery of the form of proxy shall not preclude you from attending and voting in person at the Annual General Meeting if you so wish and in such event the form of proxy shall be deemed to be revoked.

VOTING BY WAY OF 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 Annual 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. An announcement on the poll results will be published by the Company after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors consider that the proposed resolutions including the granting of the Share Buy-back Mandate, the granting/extension of the Issue Mandate, the re-election of retiring Directors and the election of a Director are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting.

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.

LETTER FROM THE BOARD

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.

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 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 in relation to the Proposed Grants to be proposed at the AGM.

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 herein or this circular misleading.

Yours faithfully,

By order of the Board

Innovent Biologics, Inc.

Dr. De-Chao Michael Yu

Chairman of the Board and Executive Director

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

June 1, 2022

To the Independent Shareholders

Dear Sir or 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 June 1, 2022 (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, 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 in the ordinary and usual course of the Group’s business, and are in the interests of the Company and its shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the AGM 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

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INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

June 1, 2022

To the Independent Shareholders

Dear Sir or 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 June 1, 2022 (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, 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 in the ordinary and usual course of the Group’s business, and is in the interests of the Company and its shareholders.

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

Yours faithfully,

Joyce I-Yin Hsu

Independent non-executive Director

Kaixian Chen

Independent non-executive Director

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INNOVENT BIOLOGICS, INC.
(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 1801)

June 1, 2022

To the Independent Shareholders

Dear Sir or 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 June 1, 2022 (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, 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 in the ordinary and usual course of the Group’s business, and is in the interests of the Company and its shareholders.

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

Yours faithfully,

Charles Leland Cooney
Independent non-executive Director

Kaixian Chen
Independent non-executive Director

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(Stock Code: 1801)

June 1, 2022

To the Independent Shareholders

Dear Sir or 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 June 1, 2022 (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, 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 in the ordinary and usual course of the Group’s business, and is in the interests of the Company and its shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the AGM 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 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

June 1, 2022

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

Dear Sirs,

PROPOSED GRANTS OF RESTRICTED SHARES TO DIRECTORS UNDER THE 2020 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 circular of the Company to the Shareholders dated June 1, 2022 (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 discussed in the letter from the Board contained in the Circular, on March 30, 2022, the Company has resolved to grant up to a total of 2,032,334 Restricted Shares to Dr. Yu and up to a total of 560,644 Restricted Shares to Mr. Ede under the 2020 RS Plan on the Grant Date, representing approximately 0.14% and 0.04% of the total number of issued Shares as at the Latest Practicable Date respectively, subject to acceptance and the Independent Shareholders' approval at the AGM.

On the same date, the Company has also resolved to grant 4,828 Restricted Shares, 4,828 Restricted Shares and 1,931 Restricted Shares to Dr. Cooney, Ms. Hsu and Dr. Chen respectively under the 2020 RS Plan on the Grant Date, each representing less than 0.01% of the total number of issued Shares as at the Latest Practicable Date respectively, subject to acceptance and the Independent Shareholders' approval at the AGM.

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; (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, have been formed to make recommendations to the Independent Shareholders on the terms of the Proposed Grants to INEDs. 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 grants of restricted shares to Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen under the RS Plan (as disclosed in the circular of the Company dated May 28, 2020), the Company's application for a waiver of certain Listing Rules and the proposed grants of restricted shares to Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen under the 2020 RS Plan (as disclosed in the circular of the Company dated June 8, 2021). The past engagements were limited to providing independent advisory services to the Company pursuant or relating to the Listing Rules, for which we received normal professional fees relevant to this type of engagement. Accordingly, we do not consider the past engagements 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, 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 2020 RS Plan, the annual report of the Company for the year ended December 31, 2021 (the "**2021 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 (the “**Management**”) 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 global biopharma company established in 2011, committed to developing, manufacturing and marketing innovative drugs for the treatment of cancer and other major diseases.

The Shares have been listed on the Main Board of the Stock Exchange since October 31, 2018 in accordance with Chapter 18A of the Listing Rules. In June 2020, the Stock Exchange approved the dis-application of Rules 18A.09 to 18A.11 of the Listing Rules to the Company given the Company had satisfied the market capitalisation/revenue test under Rule 8.05(3) of the Listing Rules.

As set out in the 2021 Annual Report, the Group has recorded a continuous growth in revenue since 2019. The revenue of the Group for the year ended December 31, 2021 was approximately RMB4,269.7 million, representing a year-on-year increase of approximately 11.1%. The increase in revenue was mainly attributable to (i) the strong growth of leading product TYVYT[®] (sintilimab injection) coupled with the expansion of commercial portfolio and ramp-up of other products. Despite the increase in revenue, the loss attributable to the Shareholders increased by approximately 214.3% to approximately RMB3,138.1 million for the year ended December 31, 2021 as compared to that of approximately RMB998.4 million for the year ended December 31, 2020. The increase was primarily due to (i) continuous investment in research and development; (ii) increased share-based compensation expenses; and (iii) license fee income recognised at a point in time decreased by RMB1,388.2 million from RMB1,397.1 million for the year ended 31 December 2020 to RMB8.9 million for the year ended 31 December 2021.

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 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.

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. 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.

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 size.

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 the purpose and benefits of the Proposed Grants to EDs.

LETTER FROM SOMERLEY

3. Principal terms of the Proposed Grants to EDs

On March 30, 2022, the Company has resolved to grant up to a total of 2,032,334 Restricted Shares to Dr. Yu and up to a total of 560,644 Restricted Shares to Mr. Ede on the Grant Date, subject to acceptance and approval of the Independent Shareholders. Upon full vesting, the aforesaid Restricted Shares to be granted to Dr. Yu and Mr. Ede represented approximately 0.14% and 0.04% 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;
- the Restricted Shares shall vest in Dr. Yu and Mr. Ede as follows:
 - 75% shall vest on March 30, 2025; and
 - 25% shall vest on March 30, 2026;
- 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 portfolio development plans and achievement of the business plans of the Group; and
- for the Proposed Grant to Mr. Ede, these performance result requirements relate to and include the overall performance of the Company, and achievement of targets in areas of finance, investor relations, information technology and channel management of the Group.

Based on the closing price of HK\$30.60 (equivalent to approximately RMB24.85) 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\$62.2 million (equivalent to approximately RMB50.5 million) and HK\$17.2 million (equivalent to approximately RMB14.0 million) respectively.

For further details of the 2020 RS Plan, please refer to the section headed “Letter from the Board – Adoption of the 2020 RS Plan and the 2020 RS Plan Specific Mandate” in the circular of the Company dated May 28, 2020.

LETTER FROM SOMERLEY

4. Information on Dr. Yu

As set out in the letter from the Board contained in the Circular, Dr. Yu is the founder, an executive Director, the chairman of the Board and the 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 always aspired to develop and commercialise high-quality biopharmaceuticals that are affordable for ordinary people. He has at present been engaged in innovative research on biopharmaceuticals for more than 20 years and has invented three Class I new drugs and been key to their success. 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 Langmu[®] (Conbercept eye injection), and TYVYT[®] (sintilimab injection), an innovative PD-1 inhibitor for relapsed or refractory classical Hodgkin's lymphoma (r/r cHL), 1L nsq NSCLC, 1L sq NSCLC and 1L HCC.

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 has been an independent non-executive director of two other companies listed on Main Board of the Stock Exchange since June 2018 and February 2021.

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 biopharmaceutical company that develops and manufacturing 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 2021 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, 2021 provided by the Company:

	Salaries and other allowances (RMB'000)	Performance related bonus (RMB'000)	Share- based payment expenses (RMB'000)	Total (RMB'000)	Notes
Cash	2,879	13,112	–	15,991	
Options					
– granted prior to 2019	–	10,230	–	10,230	1
– granted in 2019	–	–	16,200	16,200	2 and 5
– granted in 2020	–	–	10,100	10,100	3 and 5
– granted in 2021	–	–	10,800	10,800	4 and 5
Restricted shares					
– granted in 2019	–	–	30,000	30,000	2 and 5
– granted in 2020	–	–	11,200	11,200	3 and 5
– granted in 2021	–	–	12,000	12,000	4 and 5
	2,879	23,342	90,300	116,521	

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 the Restricted Shares and the Options (as defined below) 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, 2021 was approximately RMB46.2 million, comprising (i) 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 (ii) 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 were set out in the letter from Somerley contained in the circular of the Company dated May 24, 2019.
- The Company announced grants of the Restricted Shares and the Options to Dr. Yu on April 15, 2020. The total economic value of these grants to Dr. Yu for the year ended December 31, 2021 was approximately RMB21.3 million, comprising (i) the Restricted Shares of approximately RMB11.2 million (calculated based on the total economic value of the aforesaid Restricted Shares of approximately RMB44.7 million divided by the vesting period of up to 4 years); and (ii) the Options of approximately RMB10.1 million (calculated based on the total economic value of the aforesaid Options of approximately RMB40.4 million divided by the vesting period of up to 4 years). Details of the above computations were set out in the letter from Somerley contained in the circular of the Company dated May 28, 2020.
- The Company announced grants of the Restricted Shares and the Options to Dr. Yu on March 30, 2021. The total economic value of these grants to Dr. Yu for the year ended December 31, 2021 was approximately RMB22.8 million, comprising (i) the Restricted Shares of approximately RMB12.0 million (calculated based on the total economic value of the aforesaid Restricted Shares of approximately RMB47.9 million divided by the vesting period of up to 4 years); and (ii) the Options of approximately RMB10.8 million (calculated based on the total economic value of the aforesaid Options of approximately RMB43.3 million divided by the vesting period of up to 4 years). Details of the above computations were set out in the letter from Somerley contained in the circular of the Company dated June 8, 2021.
- The economic values as mentioned in notes 2, 3 and 4 to the table above are different from the reported share-based payment expenses as shown in the financial statements of the Company in the annual reports for the years ended 31 December 2019, 2020 and 2021. Given the remuneration of Dr. Yu in relation to the share-based payment expenses was determined at the time when the Restricted Shares and the 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 the Options, but not the value as shown in the financial statements, are more appropriate.

LETTER FROM SOMERLEY

As shown in the table above, the total remuneration of Dr. Yu for the year ended December 31, 2021 was approximately RMB116.5 million.

Based on the maximum 2,032,334 Restricted Shares proposed to be granted to Dr. Yu and the closing price of the Shares of HK\$30.60 (equivalent to approximately RMB24.85) per Share as at the Grant Date, the maximum total value of the Proposed Grant to Dr. Yu will be approximately RMB50.5 million. With a vesting period of the Restricted Shares of up to 4 years, the economic value of the Proposed Grant to Dr. Yu will be up to approximately RMB12.6 million per year.

In addition to the above, on March 30, 2022, the Company granted 1,354,889 options of the Company (the “**Options**”) to Dr. Yu with an exercise price of HK\$30.60 (equivalent to approximately RMB24.85) per Share. 75% of the Options shall vest on March 30, 2025 and 25% of the Options shall vest on March 30, 2026. The vesting of 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 RMB22.4 million. We have obtained the Options Valuation Report and noted that the independent professional valuer adopted binominal tree valuation approach in the valuation of the Options granted to Dr. Yu with the parameters such as closing price, risk-free interest 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 RMB5.6 million per annum over the four-year vesting period.

Based on (i) the current remuneration of Dr. Yu of approximately RMB116.5 million for the year ended December 31, 2021; (ii) the economic value of the Restricted Shares under the Proposed Grant to Dr. Yu of up to approximately RMB12.6 million per annum; and (iii) the economic value of the Options granted to Dr. Yu on March 30, 2022 of up to approximately RMB5.6 million per annum, the annual total remuneration of Dr. Yu will increase to up to approximately RMB134.7 million.

6. Assessment of the Proposed Grant to Dr. Yu

The Company is a biopharmaceutical company and was listed on the Main Board of the Stock Exchange in accordance with Chapter 18A of the Listing Rules in 2018. 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 currently or previously 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, fair and representative based on the selection criteria as set out above.

LETTER FROM SOMERLEY

Set out below is a summary of the remuneration packages of the Chief Executives and the revenue for the most recent financial year based on the latest annual reports or the prospectuses of the CE Comparable Companies.

		Remuneration package for the most recent financial year								
Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Fees, salaries, other allowances and contributions			Share-based payment expense	Total	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year
				(RMB million)	(RMB million)	(RMB million)				
1	Dr. Xu Yao-Chang	Co-founder, executive director, chairman of the board and chief executive officer	2256	5.5	–	17.6	23.1	76.2%	22.7	
2	Ms. Jing Li	Executive director, chairperson of the board and chief executive officer	6669	2.8	1.9	–	4.7	0.0%	303.8	
3	Dr. Xia Yu	Key founder, executive director, chairwoman of the board, president and chief executive officer	9926	3.7	3.4	–	7.1	0.0%	225.6	
4	Dr. Xu Ting	Founder, executive director, chairman of the board and chief executive officer	9966	5.4	1.3	–	6.7	0.0%	146.0	

LETTER FROM SOMERLEY

Remuneration package for the most recent financial year

Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Fees, salaries, other allowances and contributions (RMB million)			Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total (RMB million)	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year (RMB million)
				5.6	5.1	6.1					
5	Dr. Jay Mei Founder, executive director, chairman of the board and chief executive officer	Antengene Corporation Limited	6996	5.6	5.1	5.1	6.1	16.8	36.3%	28.8	
6	Dr. Yang Dajun Co-founder, executive director, chairman of the board and chief executive officer	Ascentage Pharma Group International	6855	4.8	-	-	-	4.8	0.0%	27.9	
7	Dr. Jinzi Jason Wu Founder, executive director, chairman of the board and chief executive officer	Ascletris Pharma Inc.	1672	19.9	-	-	-	19.9	0.0%	76.9	
8	Mr. John V. Oyler Co-founder, executive director, chairman of the board and chief executive officer	BeiGene, Ltd.	6160	5.4	5.8	5.8	98.9	110.1	89.8%	7,477.2	
9	Mr. Zhang Dalei Founder, executive director, chairman of the board and chief executive officer	Beijing Airdoc Technology Co., Ltd.	2251	0.5	-	-	-	0.5	0.0%	115.2	
10	Dr. Zhi Hong Executive director, chairman of the board and chief executive officer	Brii Biosciences Limited	2137	36.9	1.8	1.8	26.6	65.3	40.7%	-	

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Remuneration package for the most recent financial year

Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Fees, salaries, other allowances and contributions (RMB million)			Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total (RMB million)	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year (RMB million)
				1.0	4.5	2.1					
11 Mr. Guowei Zhan	Executive director, chief executive officer and general manager	Broncus Holding Corporation	2216	1.0	–	–	–	1.0	0.0%	69.2	
12 Dr. James Qun Xue	Executive director, chairman of the board and chief executive officer	CANbridge Pharmaceuticals Inc.	1228	4.5	–	–	5.7	10.2	55.9%	31.2	
13 Dr. Xuefeng Yu	Co-founder, executive director, chairman of the board, chief executive officer and general manager	CanSino Biologics Inc.	6185	2.1	2.4	–	–	4.5	0.0%	4,299.7	
14 Dr. Li Zonghai	Co-founder, executive director, chairman of the board, chief executive officer and chief scientific officer	CARsgen Therapeutics Holdings Limited	2171	1.1	0.5	–	–	1.6	0.0%	25.8	
15 Mr. Liang Joshua G	Executive director, chief executive officer and controlling shareholder	Clover Biopharmaceuticals, Ltd.	2197	7.7	–	–	6.9	14.6	47.3%	–	

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Remuneration package for the most recent financial year

Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Fees, salaries, other allowances and contributions (RMB million)			Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total (RMB million)	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year (RMB million)
				3.1	1.7	24.6					
21	Dr. Jisong Cui	Co-founder, executive director, chairperson of the board and chief executive officer	9969	3.1	1.7	24.6	29.4	83.7%	1,043.0		
22	Dr. Yinxiang Wang	Founder, executive director, chairman of the board and chief executive officer	1167	2.1	0.5	1.9	4.5	42.2%	152.8		
23	Dr. Liu Yong	Founder, executive director, chairman of the board, general manager and chief executive officer	2179	1.3	1.7	73.7	76.7	96.1%	-		
24	Dr. Yiping James Li	Executive director, chairman of the board and chief executive officer	2126	1.8	2.5	36.6	40.9	89.5%	30.8		
25	Dr. Bo Chen	Executive director, chairman of the board and chief executive officer	2162	3.6	-	-	3.6	0.0%	110.3		

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Remuneration package for the most recent financial year

Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Fees, salaries, other allowances and contributions (RMB million)			Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total (RMB million)	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year (RMB million)
				4.7	1.2	–					
26	Dr. Youzhi Tong Co-founder, executive director, chairman of the board and chief executive officer	Kintor Pharmaceutical Limited	9939	4.7	1.2	–	5.9	5.9	0.0%	34.2	
27	Dr. Sui Ziyue Executive director and chief executive officer	Lepu Biopharma Co., Ltd.	2157	2.1	0.7	9.5	12.3	12.3	77.2%	–	
28	Dr. Wang Hao Executive director, chief scientist and chief executive officer	Mabpharm Limited	2181	1.1	–	4.1	5.2	5.2	78.8%	82.9	
29	Dr. Zheng Pan Founder, executive director, chairman of the board and chief executive officer	MicroTech Medical (Hangzhou) Co., Ltd.	2235	1.1	–	–	1.1	1.1	0.0%	151.4	
30	Mr. Yeqing Zhu Co-founder, executive director and chief executive officer	New Horizon Health Limited	6606	3.3	0.7	10.3	14.3	14.3	72.0%	212.8	
31	Mr. Ye Liu Executive director and chief executive officer	Ocumenion Therapeutics	1477	3.5	1.4	–	4.9	4.9	0.0%	56.1	

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Remuneration package for the most recent financial year

Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Fees, salaries, other allowances and contributions (RMB million)			Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total (RMB million)	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year (RMB million)
				1.4	0.7	2.1					
32 Dr. Yi Zhang	One of the founders, executive director, chairman of the board and chief executive officer	Peijia Medical Limited	9996	1.4	–	–	0.7	2.1	33.3%	136.5	
33 Dr. Fang Jianmin	Co-founder, executive director, chief executive officer and chief scientific officer	RemeGen Co., Ltd.	9995	3.7	4.0	–	–	7.7	0.0%	1,423.9	
34 Mr. Philip Li Wang	Founder, executive director, chairperson of the board, chief executive officer and general manager	Shanghai Bio-heart Biological Technology Co., Ltd.	2185	0.7	–	–	191.3	192.0	99.6%	–	
35 Mr. Wang Guohui	One of the founders, executive director, chairman of the board and chief executive officer	Shanghai HeartCare Medical Technology Corp. Ltd.	6609	1.2	–	–	19.8	21.0	94.3%	90.1	
36 Mr. Wenjie Zhang	Executive director, chairman of the board and chief executive officer	Shanghai Henlius Biotech, Inc.	2696	6.1	1.0	–	21.0	28.1	74.7%	1,682.5	

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Remuneration package for the most recent financial year

Name of the Chief Executive	Title of the Chief Executive	Name of the CE Comparable Companies	Stock code	Fees, salaries, other allowances and contributions (RMB million)			Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total (RMB million)	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year (RMB million)
37 Dr. Li Ning	Executive director, chief executive officer and general manager	Shanghai Junshi Biosciences Co., Ltd.	1877	7.3	18.7	12.3	38.3	32.1%	4,024.8		
38 Dr. He Chao	Executive director, president and chief executive officer	Shanghai MicroPort MedBot (Group) Co., Ltd.	2252	0.5	1.3	30.6	32.4	94.4%	2.2		
39 Dr. Shui On Leung	Founder, executive director, chairman of the board and chief executive officer	SinoMab BioScience Limited	3681	4.4	-	-	4.4	0.0%	25.9		
40 Dr. Yang Lu	Founder, executive director, chairman of the board, president and chief executive officer	Sirnaomics Ltd.	2257	2.5	0.9	23.5	26.9	87.4%	-		
41 Dr. Liu, Jun	Executive director, chief executive officer and chief scientific officer	TOT BIOPHARM International Company Limited	1875	2.2	0.1	1.2	3.5	34.3%	76.3		
42 Dr. Xueming Qian	Executive director and chief executive officer	Transcenta Holding Limited	6628	2.2	1.9	1.1	5.2	21.2%	50.2		

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Notes:

1. For illustration purpose and where applicable, conversions of the United States dollars into the RMB in the table above are based on the approximate exchange rate of US\$1 to RMB6.3566 for conversion of the amounts reported in the annual reports and the prospectuses for the most recent financial year.
2. The share-based payment to Dr. Yu of approximately RMB108.5 million includes: (i) the share-based payment expense of approximately RMB90.3 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 of up to approximately RMB12.6 million per annum; and (iii) the economic value of the Options granted to Dr. Yu of up to approximately RMB5.6 million per annum.
3. We have identified CStone Pharmaceuticals (“**CStone**”) (stock code: 2616) which has satisfied the selection criteria of the CE Comparable Companies. However, publication of the annual results announcement of CStone for the year ended December 31, 2021 is delayed and trading in the shares of CStone has been suspended since April 1, 2022, which is considered not comparable for the analysis and therefore is excluded from the CE Comparable Companies analysis above.

As shown in the table above, the share-based payments to the Chief Executives of the CE Comparable Companies are ranged from nil to approximately RMB191.3 million and have an average of approximately RMB19.6 million. Assuming the Proposed Grant to Dr. Yu and the Options granted to Dr. Yu are vested in full, the share-based payment to Dr. Yu will increase to up to approximately RMB108.5 million. Although the share-based payment to 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 second among the 46 biotech companies (i.e. the 45 CE Comparable Companies and the Company). In addition, the percentages of share-based payment to the total remuneration package of the Chief Executives of the CE Comparable Companies are ranged from 0.0% to approximately 99.6% and have an average of approximately 44.4%. Although the percentage of share-based payment to the total remuneration package of Dr. Yu of approximately 80.5% will be higher than the average of those of the Chief Executives of the CE Comparable Companies, it is within the range and ranks twelfth among the 46 biotech companies (i.e. the 45 CE Comparable Companies and the Company).

In assessing the fairness and reasonableness of the Proposed Grant to Dr. Yu, we consider that the analysis should not be only focused on the share-based payment but, more importantly, also the total remuneration. As shown in the table above, the annual remunerations of the Chief Executives of the CE Comparable Companies are ranged from approximately RMB0.5 million to approximately RMB192.0 million and have an average of approximately RMB27.9 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 RMB134.7 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 second among the 46 biotech companies (i.e. the 45 CE Comparable Companies and the Company). More importantly, it should be noted that (i) the Group has continued its successful commercial operation with the third highest revenue of approximately RMB4,269.7 million among the 46 biotech companies and the revenue of the Group was over 7 times of the average of those of the CE Comparable Companies, which was attributable to the strong growth of the core product TYVYT[®] (sintilimab injection) coupled with continued expansion of commercial portfolio and

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ramp-up of new products, while the majority of CE Comparable Companies (being 29 out of 45 CE Comparable Companies) have yet to record meaningful revenue (not less than RMB100.0 million); and (ii) the share price performance of the Company has been outstanding, ranked fourth among the CE Comparable Companies and recorded a growth of approximately 56% since the Listing, while the share price of 38 out of the 45 CE Comparable Companies were trading below their initial public offer price as at the Latest Practicable Date (further details are set out in the section headed “10. Historical Share price performance” in this letter).

As set out in the letter from the Board contained in the Circular, 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 Grant to Dr. Yu aims to provide sufficient incentive to retain and motivate Dr. Yu to participate in the formulation of strategy and long-term development of the Company and to recognise his contribution to the growth of the Company. Furthermore, based on our discussion with the Management, the Proposed Grant to Dr. Yu will preserve the cash resources for the Group’s operations, after considering the loss-making performance and negative cash flow from operating activities of the Group since the Listing.

7. Information on Mr. Ede

As set out in the letter from the Board contained in the Circular, Mr. Ede is an executive Director, the chief financial officer of the Company and a member of the strategy committee of the Company. Mr. Ede joined the Group on June 5, 2017 and is responsible for finance, investor relations, information technology and channel management of the Group. Prior to joining the Group, between 2011 and 2016, Mr. Ede was the chief financial officer of Biosensors International Limited. Between 2009 and 2011, Mr. Ede was the chief financial officer of Mindray Medical International Limited (“**Mindray Medical**”). In addition, Mr. Ede has held directorship in companies engaging in medical and pharmaceutical companies listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange.

In addition, 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.

Further details of the biographical information of Mr. Ede are set out in the 2021 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.

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8. The remuneration of Mr. Ede

Set out below is a breakdown of the remuneration of Mr. Ede for the year ended December 31, 2021 provided by the Company:

	Salaries and other allowances	Performance related bonus	Share-based payment expenses	Total	<i>Notes</i>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
Cash	2,240	1,100	–	3,340	
Options					
– granted prior to 2019	–	2,058	–	2,058	<i>1</i>
– granted in 2019	–	–	3,900	3,900	<i>2 and 5</i>
– granted in 2020	–	–	3,100	3,100	<i>3 and 5</i>
– granted in 2021	–	–	3,600	3,600	<i>4 and 5</i>
Restricted shares					
– granted in 2020	–	–	2,500	2,500	<i>3 and 5</i>
– granted in 2021	–	–	2,600	2,600	<i>4 and 5</i>
	2,240	3,158	15,700	21,098	

Notes:

- As advised by the Management, the performance related bonus granted to Mr. Ede in the form of the 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 a 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, 2021 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 Company announced grants of the Restricted Shares and the Options to Mr. Ede on April 15, 2020. The total economic value of these grants to Mr. Ede for the year ended December 31, 2021 was approximately RMB5.6 million, comprising (i) the Restricted Shares of approximately RMB2.5 million (calculated based on the total economic value of the aforesaid Restricted Shares of approximately RMB9.9 million divided by the vesting period of up to 4 years); and (ii) the Options of approximately RMB3.1 million (calculated based on the total economic value of the aforesaid Options of approximately RMB12.3 million divided by the vesting period of up to 4 years). Details of the above computations were set out in the letter from Somerley contained in the circular of the Company dated May 28, 2020.
- The Company announced grants of the Restricted Shares and the Options to Mr. Ede on March 30, 2021. The total economic value of these grants to Mr. Ede for the year ended December 31, 2021 was approximately RMB6.2 million, comprising (i) the Restricted Shares of approximately RMB2.6 million (calculated based on the total economic value of the aforesaid Restricted Shares of approximately RMB10.6 million divided by the vesting period of 4 years); and (ii) the Options of approximately RMB3.6 million (calculated based on the total economic value of the aforesaid Options of approximately RMB14.3 million divided by the vesting period of up to 4 years). Details of the above computations were set out in the letter from Somerley contained in the circular of the Company dated June 8, 2021.

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5. The economic values as mentioned in notes 2, 3 and 4 in the table above are different from the reported share-based payment expenses as shown in the financial statements of the Company in the annual reports for the years ended December 31, 2019, 2020 and 2021. Given that the remuneration of Mr. Ede in relation to the share-based payment expenses was determined at the time when the Restricted Shares and the Options were granted and, for the purpose of assessing the current remuneration of Mr. Ede, we are of the view that the economic values as at the date of granting of the Restricted Shares and the Options, but not the value as shown in the financial statements, are more appropriate.

As shown in the table above, the total remuneration received by Mr. Ede for the year ended December 31, 2021 was approximately RMB21.1 million.

Based on the maximum 560,644 Restricted Shares proposed to be granted to Mr. Ede and the closing price of the Shares of HK\$30.60 (equivalent to approximately RMB24.85) per Share as at the Grant Date, the maximum total value of the Proposed Grant to Mr. Ede will be approximately RMB13.9 million. With a vesting period of the Restricted Shares of up to 4 years, the economic value of the Proposed Grant to Mr. Ede will be up to approximately RMB3.5 million per annum.

In addition to the above, on March 30, 2022, the Company granted 373,763 Options to Mr. Ede with an exercise price of HK\$30.60 (equivalent to approximately RMB24.85) per Share. 75% of the Options shall vest on March 30, 2025 and 25% of the Options shall vest on March 30, 2026. The vesting of 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 RMB6.1 million. Assuming the Options granted to Mr. Ede under the proposed grant are fully vested, the economic value of these Options will be approximately RMB1.5 million per annum over the four-year vesting period.

Based on (i) the current remuneration of Mr. Ede of approximately RMB21.1 million for the year ended December 31, 2021; (ii) the economic value of the Restricted Shares under the Proposed Grant to Mr. Ede of up to approximately RMB3.5 million per annum; and (iii) the economic value of the Options granted to Mr. Ede on March 30, 2022 of up to approximately RMB1.5 million per annum, the annual total remuneration of Mr. Ede will increase to up to approximately RMB26.1 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 currently or previously listed on the Main Board of the Stock Exchange for the year ended December 31, 2021 in accordance with Chapter 18A of the Listing Rules (the “CFO Comparable Companies”). We consider that the list of the CFO Comparable Companies below to be exhaustive, fair and representative based on the selection criteria as set out above.

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Set out below is a summary of the remuneration packages of the CFO and the revenue for the most recent financial year based on the latest annual reports of the CFO Comparable Companies.

		<u>Remuneration package for the most recent financial year</u>							
Name of the CFO	Title of the CFO	Name of the CFO Comparable Companies	Stock code	Fees, salaries, other allowances and contributions (RMB million)	Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total remuneration (RMB million)	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year (RMB million)
1	Mr. Yeh Richard	Executive director, chief financial officer and head of strategic operations	2256	5.3	–	8.7	14.0	62.1%	22.7
2	Mr. Donald Andrew Lung	Executive director and chief financial officer	6996	1.3	0.7	0.1	2.1	4.8%	28.8
3	Mr. Yungqing Wang	Executive director, chief financial officer and board secretary	2185	1.1	0.2	26.1	27.4	95.3%	–
4	Mr. Ian Ying Woo	Executive director and chief financial officer	1952	4.8	6.0	7.5	18.3	41.0%	0.1
5	Mr. George Chien Cheng Lin	Executive director, executive vice president and chief financial officer	2552	3.4	1.6	2.1	7.1	29.6%	–

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Remuneration package for the most recent financial year

Name of the CFO	Title of the CFO	Name of the CFO Comparable Companies	Stock code	Fees, salaries, other allowances and contributions (RMB million)	Performance related bonus (RMB million)	Share-based payment expense (RMB million)	Total remuneration (RMB million)	Percentage of the share-based payment expense to the total remuneration (%)	Revenue for the most recent financial year (RMB million)
6 Mr. Li Yunfeng	Executive director, chief financial officer and joint company secretary	Mabpharm Limited	2181	0.9	–	0.5	1.4	35.7%	82.9
7 Mr. Billy Cho	Chief financial officer	Zai Lab Limited	9688	3.0	1.6	22.4	27.0	83.0%	917.3
			Average	2.8	1.4	9.6	13.9	50.2%	150.3
			Maximum	5.3	6.0	26.1	27.4	95.3%	917.3
			Minimum	0.9	–	0.1	1.4	4.8%	–
Mr. Ede				2.2	3.2	20.7 (Note 2)	26.1	79.3%	4,269.7

Source: Annual report of the respective CFO Comparable Companies

Notes:

- For illustration purpose and where applicable, conversions of the United States dollars into the RMB in the table above are based on the approximate exchange rate of US\$1 to RMB6.3566 for conversion of the amounts reported in the annual reports for the most recent financial year.
- The share-based payment to Mr. Ede of approximately RMB20.7 million includes: (i) the share-based payment expense of approximately RMB15.7 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 of up to approximately RMB3.5 million per annum; and (iii) the economic value of the Options granted to Mr. Ede of up to approximately RMB1.5 million per annum.

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As shown in the table above, the share-based payments to the CFO of the CFO Comparable Companies are ranged from approximately RMB0.1 million to approximately RMB26.1 million and have an average of approximately RMB9.6 million. Assuming the Proposed Grant to Mr. Ede and the Options granted to Mr. Ede are vested in full, the share-based payment to Mr. Ede will increase to up to approximately RMB20.7 million. Although the share-based payment to 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 third among the 8 biotech companies (i.e. the 7 CFO Comparable Companies and the Company). In addition, the percentages of share-based payment to the total remuneration package of the CFO of the CFO Comparable Companies are ranged from approximately 4.8% to approximately 95.3% and have an average of approximately 50.2%. Although the percentage of share-based payment to the total remuneration package 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 third among the 8 biotech companies (i.e. the 7 CFO Comparable Companies and the Company).

In assessing the fairness and reasonableness of the Proposed Grant to Mr. Ede, we consider that the analysis should not be only focused on the share-based payment but, more importantly, also the total remuneration. As shown in the table above, the annual remunerations of the CFO of the CFO Comparable Companies are ranged from approximately RMB1.4 million to approximately RMB27.4 million and have an average of approximately RMB13.9 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 RMB26.1 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 third among the 8 biotech companies (i.e. the 7 CFO Comparable Companies and the Company). More importantly, it should be noted that the Group has continued its successful commercial operation with the highest revenue of approximately RMB4,269.7 million among the 8 biotech companies, which was attributable to the strong growth of the core product TYVYT[®] (sintilimab injection) coupled with continued expansion of commercial portfolio and ramp-up of new products, while majority of CFO Comparable Companies (being 6 out of the 7 CFO Comparable Companies) have yet to record meaningful revenue (not less than RMB100.0 million). Moreover, it should be noted that the share price performance of the Company has been outstanding and recorded a growth of approximately 56% as at the Latest Practicable Date (further details are set out in the section headed “10. Historical Share price performance” in this letter) since the Listing.

10. Historical Share price performance

Share price is an indication of the value of the Shares held by the Shareholders. The higher the Share price, the higher the likelihood for the Shareholders to benefit from investing in the Shares as compared to the shares of peer companies. Therefore, in order to assess the performance and the remuneration package of the executive Directors (including the fairness and reasonableness of the Proposed Grants to EDs), Share price performance is a parameter that should be examined.

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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. March 30, 2022, the closing price of the Shares were ranged from HK\$16.56 (equivalent to approximately RMB13.45) to HK\$103.60 (equivalent to approximately RMB84.14) and had an average and a median of approximately HK\$47.58 (equivalent to approximately RMB38.64) and approximately HK\$39.60 (equivalent to approximately RMB32.16) respectively. Out of a total of 843 trading days during the Review Period, there were 325 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\$30.60 (equivalent to approximately RMB24.85).

Furthermore, the Company has achieved a satisfactory Share price performance since the Listing. Based on the offer price of HK\$13.98 (equivalent to approximately RMB11.35) per Share in the Listing in October 2018 and closing price of HK\$21.85 (equivalent to approximately RMB17.75) per Share as at the Latest Practicable Date, the Share price recorded a growth of approximately 56%, while the share price of 38 out of the 45 CE Comparable Companies were trading below their initial public offer price as at the Latest Practicable Date. Such Share price performance was also outstanding among the CE Comparable Companies as the Company ranked fourth among the CE Comparable Companies for the share price performance from the Listing Date to the Latest Practicable Date.

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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 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 values of the stocks granted to independent non-executive directors of other companies in the industry with comparable size.

12. Principal terms of the Proposed Grants to INEDs

On March 30, 2022, the Company has resolved to grant 4,828 Restricted Shares, 4,828 Restricted Shares and 1,931 Restricted Shares to Dr. Cooney, Ms. Hsu and Dr. Chen respectively on the Grant Date, all subject to acceptance and the Independent Shareholders' approval. Upon full vesting, the aforesaid Restricted Shares to be granted to each of the independent non-executive Director represented less than 0.01% respectively of the total number of issued Shares as at the Latest Practicable Date. 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 proposed to be granted to Dr. Cooney, Ms. Hsu and Dr. Chen shall vest as follows:
 - 33.33% shall vest on March 30, 2023;
 - 33.33% shall vest on March 30, 2024; and
 - 33.33% shall vest on March 30, 2025.

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Based on the closing price of HK\$30.60 (equivalent to approximately RMB24.85) per Share as quoted on the Stock Exchange on March 30, 2022, the market value of the Restricted Shares under the Proposed Grant to Dr. Cooney, the Proposed Grant to Ms. Hsu, and Proposed Grant to Dr. Chen amounts to approximately HK\$147,737 (equivalent to approximately RMB119,992), HK\$147,737 (equivalent to approximately RMB119,992) and HK\$59,089 (equivalent to approximately RMB47,992) respectively.

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. Dr. Chen holds professional memberships and qualifications in different capacities in numerous organisations in the PRC in the field of biotechnology and biopharmaceuticals.

Ms. Hsu has extensive experience in finance and investment fields, being a partner of Cornell Capital and has been involved since its founding in 2013 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 2021 Annual Report and the letter from the Board contained in the Circular.

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14. The remuneration of the independent non-executive Directors

As disclosed in the 2021 Annual Report, the remunerations of Dr. Cooney, Ms. Hsu and Dr. Chen for the year ended December 31, 2021 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.

Based on the 4,828 Restricted Shares, 4,828 Restricted Shares and 1,931 Restricted Shares proposed to be granted to Dr. Cooney, Ms. Hsu and Dr. Chen respectively and the closing price of the Shares of HK\$30.60 (equivalent to approximately RMB24.85) per Share as at the Grant Date, the maximum total value of (i) the Proposed Grant to Dr. Cooney; (ii) the Proposed Grant to Ms. Hsu; and (iii) the Proposed Grant to Dr. Chen will be approximately RMB120,000, RMB120,000 and RMB48,000 respectively. With a vesting period of the Restricted Shares of 3 years, the economic value of (i) the Proposed Grant to Dr. Cooney; (ii) the Proposed Grant to Ms. Hsu; and (iii) the Proposed Grant to Dr. Chen will be approximately RMB40,000, RMB40,000 and RMB16,000 respectively per year.

In addition to the above, on March 30, 2022, the Company granted 38,628 Options, 38,628 Options and 15,451 Options to Dr. Cooney, Ms. Hsu and Dr. Chen respectively with an exercise price of HK\$30.60 (equivalent to approximately RMB24.85) per Share. 33.33% of the Options shall vest on each year from March 30, 2023 for three years. According to the Options Valuation Report, the fair value of the Options granted to Dr. Cooney, Ms. Hsu and Dr. Chen as at the Grant Date were approximately RMB616,000, RMB616,000 and RMB246,000 respectively. Assuming the Options granted to Dr. Cooney, Ms. Hsu and Dr. Chen under the proposed grant are fully vested, the economic value of these Options will be approximately RMB205,000, RMB205,000 and RMB82,000 respectively per annum over the three-year vesting period.

Based on (i) the current remuneration of Dr. Cooney, Ms. Hsu and Dr. Chen of approximately RMB360,000, RMB402,000 and RMB360,000 respectively for the year ended December 31, 2021; (ii) the economic value of the Restricted Shares under the Proposed Grant to Dr. Cooney, Ms. Hsu and Dr. Chen of approximately RMB40,000, RMB40,000 and RMB16,000 respectively per annum; and (iii) the economic value of the Options granted to Dr. Cooney, Ms. Hsu and Dr. Chen on March 30, 2022 of approximately RMB205,000, RMB205,000 and RMB82,000 respectively per annum, the annual total remuneration of Dr. Cooney, Ms. Hsu and Dr. Chen will increase to up to approximately RMB605,000, RMB647,000 and RMB458,000 respectively.

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15. Assessment of the Proposed Grants to INEDs

In assessing the remunerations of Dr. Cooney, Ms. Hsu and Dr. Chen, we compared the remuneration packages of the independent non-executive Directors with that of the independent non-executive directors of biotech companies currently or previously listed on the Main Board of the Stock Exchange in accordance with Chapter 18A of the Listing Rules and listed before January 1, 2021 (the “**INED Comparable Companies**”), which include a total of 88 independent non-executive directors of 26 biotech companies (excluding the Company). We are of the view that the INED Comparable Companies are exhaustive, fair and representative based on the selection criteria as set out above. For the independent non-executive directors of the INED Comparable Companies which resigned or appointed during the most recent financial year and biotech companies listed on the Main Board of the Stock Exchange in accordance with Chapter 18A of the Listing Rules after December 31, 2020, their remunerations were not reflecting a full year amount, which are considered not comparable to that of the Company and therefore are excluded from the INED Comparable Companies analysis above.

Set out below is a summary of the remunerations of the independent non-executive directors for the most recent financial year based on the latest annual reports of the INED Comparable Companies.

Name of the INED Comparable Companies	Stock code	Number of independent non-executive directors	Remuneration package for the most recent financial year				Total (RMB)
			Fees, salaries, other allowances and contributions (RMB)	Performance related bonus (RMB)	Share-based payment expense (RMB)		
1 Akeso, Inc	9926	3	869,000	-	-	869,000	
2 Alphamab Oncology	9966	2	580,000	-	154,000	734,000	
3 Antengene Corporation Limited	6996	3	1,291,000	-	568,000	1,859,000	
4 Ascentage Pharma Group International	6855	3	1,129,000	-	294,000	1,423,000	
5 Ascletris Pharma Inc.	1672	3	1,107,000	-	-	1,107,000	
6 BeiGene, Ltd.	6160	8	4,017,371	-	17,830,263	21,847,634	
7 CanSino Biologics Inc.	6185	4	1,200,000	-	-	1,200,000	
8 Everest Medicines Limited	1952	3	966,000	-	1,155,000	2,121,000	
9 Genor Biopharma Holdings Limited	6998	3	1,260,000	-	-	1,260,000	
10 HBM Holdings Limited	2142	2	635,660	-	1,926,050	2,561,710	
11 Hua Medicine	2552	4	1,980,000	-	-	1,980,000	
12 Immunotech Biopharm Ltd	6978	3	753,000	-	-	753,000	
13 Innocare Pharma Limited	9969	3	720,000	-	-	720,000	

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Name of the INED Comparable Companies	Stock code	Number of independent non-executive directors	Remuneration package for the most recent financial year				Total (RMB)
			Fees, salaries, other allowances and contributions (RMB)	Performance related bonus (RMB)	Share-based payment expense (RMB)		
14 Jacobio Pharmaceuticals Group Co., Ltd.	1167	4	800,000	-	-	800,000	
15 JW (Cayman) Therapeutics Co. Ltd	2126	3	637,000	-	-	637,000	
16 Kintor Pharmaceutical Limited	9939	3	735,000	-	-	735,000	
17 Mabpharm Limited	2181	3	294,000	-	-	294,000	
18 Ocumension Therapeutics	1477	3	747,000	-	-	747,000	
19 Pejia Medical Limited	9996	3	1,580,000	-	949,000	2,529,000	
20 RemeGen Co., Ltd.	9995	2	600,000	-	-	600,000	
21 Shanghai Henlius Biotech, Inc.	2696	4	996,000	-	-	996,000	
22 Shanghai Junshi Biosciences Co., Ltd.	1877	4	7,495,000	-	-	7,495,000	
23 SinoMab BioScience Limited	3681	3	747,000	-	-	747,000	
24 TOT BIOPHARM International Company Limited	1875	3	579,000	-	-	579,000	
25 Venus Medtech (Hangzhou) Inc.	2500	3	1,185,000	-	-	1,185,000	
26 Zai Lab Limited	9688	6	2,121,039	-	15,888,735	18,009,774	
	Total	88	35,024,070	-	38,765,048	73,789,118	
	Average		398,001	-	440,512	838,513	
	Maximum		5,160,000	-	3,177,747	5,160,000	
	<i>(Note 2)</i>						
	Minimum		Nil	Nil	Nil	Nil	
	<i>(Note 2)</i>						

Source: Annual report of the respective INED Comparable Companies

Notes:

- For illustration purpose and where applicable, conversions of the United States dollars into the RMB in the table above are based on the approximate exchange rate of US\$1 to RMB6.3566 for conversion of the amounts reported in the annual reports for the most recent financial year.

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2. The maximum and minimum of the remuneration package for the most recent financial year are based on individual remuneration package of each of the independent non-executive director of the INED Comparable Companies.
3. We have identified CStone (stock code: 2616) which has satisfied the selection criteria of the INED Comparable Companies. However, publication of the annual results announcement of CStone for the year ended December 31, 2021 is delayed and trading in the shares of CStone has been suspended since April 1, 2022, which is considered not comparable for the analysis and therefore is excluded from the INED Comparable Companies analysis above.

The share-based payments to the independent non-executive directors of the INED Comparable Companies are ranged from nil to approximately RMB3.2 million and have an average of approximately RMB441,000. Assuming the Proposed Grant to INEDs and the Options granted to Dr. Cooney, Ms. Hsu and Dr. Chen are vested in full, the share-based payment to Dr. Cooney, Ms. Hsu and Dr. Chen will be approximately RMB245,000, RMB245,000 and RMB98,000 respectively, and the percentages of share-based payment to the total remuneration package of Dr. Cooney, Ms. Hsu and Dr. Chen will be approximately 40.5%, 37.9% and 21.4% respectively. The share-based payment to Dr. Cooney, Ms. Hsu and Dr. Chen will be within the range and below the average of that of the INED Comparable Companies. In addition, the percentages of share-based payment to the total remuneration package of the independent non-executive directors of the INED Comparable Companies are ranged from 0.0% to approximately 90.8% and have an average of approximately 18.1%. Although the percentages of share-based payment to the total remuneration packages to Dr. Cooney, Ms. Hsu and Dr. Chen will be higher than the average of those of the independent non-executive directors of the INED Comparable Companies, they are within the range and rank 21st, 22nd and 24th respectively among the 91 independent non-executive directors (i.e. the 88 independent non-executive directors of the INED Comparable Companies and 3 independent non-executive directors of the Company).

In assessing the fairness and reasonableness of the Proposed Grants to INEDs, we consider that the analysis should not be only focused on the share-based payment but, more importantly, also the total remuneration. The remunerations of the independent non-executive directors of the INED Comparable Companies are ranged from nil to approximately RMB5.2 million and have an average of approximately RMB839,000. Assuming the Proposed Grant to INEDs and the Options granted to Dr. Cooney, Ms. Hsu and Dr. Chen are vested in full, the annual remunerations of Dr. Cooney, Ms. Hsu and Dr. Chen will increase to up to approximately RMB605,000, RMB647,000 and RMB458,000 respectively. The remunerations of Dr. Cooney, Ms. Hsu and Dr. Chen will be within the range and below the average of that of the INED Comparable Companies. More importantly, it should be noted that the Group has continued its successful commercial operation with revenue over RMB4.2 billion for the latest financial year and an outstanding share price performance since the Listing (further details are set out in the sections headed “1. Information on the Group” and “10. Historical Share price performance” in this letter).

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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 22, 2022).

Due to the graded vesting of such Restricted Shares proposed to be granted to Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen, 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. March 30, 2022); and (ii) the Restricted Shares proposed to be granted to Dr. Yu, Mr. Ede, Dr. Cooney, Ms. Hsu and Dr. Chen will be 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'000)</i>	For the year ended December 31,				
	2022	2023	2024	2025	2026
Dr. Yu	11,838	14,469	14,469	8,155	1,578
Mr. Ede	3,266	3,991	3,991	2,250	435
Dr. Cooney	55	41	19	5	-
Ms. Hsu	55	41	19	5	-
Dr. Chen	22	16	8	2	22
Total	<u>15,236</u>	<u>18,558</u>	<u>18,506</u>	<u>10,417</u>	<u>2,035</u>

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 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 under the Proposed Grants. Based on: (i) the equity attributable to the Shareholders as at December 31, 2021 of approximately RMB10,330.4 million; (ii) approximately 1,466.8 million issued Shares as at the Latest Practicable Date; and (iii) approximately 2.6 million Shares to be issued upon vesting of the Restricted Shares under the Proposed Grants in full, it is expected that the Proposed Grants will result in the dilution in the NAV per Share of less than 0.2%.

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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 are 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	
	<i>Number of Shares</i>	<i>% (Note)</i>	<i>Number of Shares</i>	<i>% (Note)</i>
Dr. Yu	105,899,908	7.22%	107,932,242	7.35%
Mr. Ede	3,815,616	0.26%	4,376,260	0.30%
Dr. Cooney	43,792	Less than 0.01%	48,620	Less than 0.01%
Ms. Hsu	4,702	Less than 0.01%	9,530	Less than 0.01%
Dr. Chen	4,702	Less than 0.01%	6,633	Less than 0.01%
Other Shareholders	<u>1,356,986,481</u>	<u>92.52%</u>	<u>1,356,986,481</u>	<u>92.35%</u>
Total	<u>1,466,755,201</u>	<u>100.00%</u>	<u>1,469,359,766</u>	<u>100.00%</u>

Note: Percentages may not add up to 100% due to rounding.

As shown in the table above, the shareholding of the other Shareholders of the Company will decrease from approximately 92.52% to approximately 92.35% 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.

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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 Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the AGM 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.

The following is an explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting in relation to the granting of the Share Buy-back Mandate.

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 1,466,755,201 Shares.

Subject to the passing of the resolution granting the Share Buy-back Mandate and on the basis that no further Shares are issued or bought back before the Annual General Meeting, the Directors would be authorised under the Share Buy-back Mandate to buy back, during the period in which the Share Buy-back Mandate remains in force and is exercised in full, up to 146,675,520 Shares which represent 10% of the total number of Shares in issue as at the date of the Annual General Meeting.

2. REASONS FOR SHARE BUY-BACK

The Directors believe that it is in the best interests of the Company and Shareholders for the Directors to have general authority from the Shareholders to buy back the Shares in the market. Such buy-back may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such buy-back will benefit the Company and Shareholders.

3. FUNDING OF SHARE BUY-BACK

Buy-back of Shares must be funded legally available for such purpose in accordance with the Memorandum of Association of the Company, Articles of Association, the Companies Act and any applicable laws and regulations, being profits of the Company or out of the proceeds of a fresh issue of the Shares made for the purpose of the buy-back, or, if authorised by the Articles of Association and subject to the Companies Act, out of capital of the Company, and, in the case of any premium payable on the buy-back, out of the profits of the Company or out of sums standing to the credit of the share premium account of the Company before or at the time the Shares are bought back in the manner provided for in the Companies Act.

4. IMPACT OF SHARE REPURCHASE

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated financial statements contained in the annual report of the Company for the year ended December 31, 2021) in the event that the Share Buy-back Mandate was to be carried out in full at any time during the proposed buy-back period. However, the Directors do not intend to exercise the Share Buy-back Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

5. EFFECT OF TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If as a result of a buy-back of Shares pursuant to the Share Buy-back Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, if a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company, it will become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

To the best knowledge of the Company, the Directors are not aware of any consequences which may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code as a result of an exercise of the proposed Share Buy-back Mandate.

The Directors do not propose to exercise the Share Buy-back Mandate to such an extent as would, in the circumstances, give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and/or result in the aggregate number of Shares held by the public shareholders falling below the prescribed minimum percentage required by the Stock Exchange.

6. GENERAL

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise their power to buy back any Shares pursuant to the Share Buy-back Mandate in accordance with the Listing Rules, the Memorandum of Association of the Company, Articles of Association and applicable laws of the Cayman Islands in force from time to time.

To the best of their knowledge and having made all reasonable enquiries, none of the Directors or any of their respective close associates (as defined in the Listing Rules) currently intends to sell any Shares to the Company, if the Share Buy-back Mandate is approved by the Shareholders.

As at the Latest Practicable Date, no core connected person (as defined in the Listing Rules) of the Company has notified the Company that he/she/it has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the proposed Share Buy-back Mandate is approved by the Shareholders.

7. SHARE BUY-BACK MADE BY THE COMPANY

During the 6 months prior to the Latest Practicable Date, the Company had not bought back any of the Shares (whether on the Stock Exchange or otherwise).

8. SHARE PRICES

The highest and lowest prices per Share at which Shares have traded on the Stock Exchange during each of the 12 months prior to the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
2021		
April	91.70	72.30
May	95.20	76.30
June	95.75	83.10
July	92.60	66.95
August	83.60	57.65
September	77.25	60.35
October	79.55	67.25
November	82.00	66.35
December	70.45	45.00
2022		
January	49.50	29.50
February	35.60	28.60
March	37.95	21.35
April	30.45	22.45
May (<i>up to the Latest Practicable Date</i>)	24.90	18.06

DIRECTORS STANDING FOR RE-ELECTION

The following are details of the Directors (as required by the Listing Rules) who will retire and, being eligible, offer themselves for re-election at the Annual General Meeting.

(1) Dr. De-Chao Michael Yu, aged 58, executive Director*Position and Experience*

Dr. De-Chao Michael Yu (“**Dr. Yu**”), aged 58, is an executive Director, the chairman of the Board, President, Chief Executive Officer of the Company, the chairman of each of the nomination committee of the Company and strategy committee of the Company and a member of the remuneration committee of the Company. 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 received his doctoral degree in Molecular Genetics from the Chinese Academy of Sciences (Shanghai, China) and completed his postdoctoral training at the University of California San Francisco (San Francisco, USA). Prior to founding the Company, Dr. Yu was the president, chief executive officer and a member of the board of directors of Chengdu Kanghong Biotech Co. Ltd. from 2006 to 2010. Previously, 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 mainly responsible for a significant part of the company’s early R&D.

Dr. Yu has always aspired to develop and commercialize high-quality biopharmaceuticals that are affordable for ordinary people. He has at present been engaged in innovative research on biopharmaceuticals for more than 20 years, has invented three Class I new drugs and been key to their success. 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 Langmu[®] (Conbercept eye injection), and TYVYT[®] (sintilimab injection), an innovative PD-1 inhibitor for relapsed or refractory classical Hodgkin’s lymphoma (r/r cHL), 1L Nsq NSCLC, 1L sq NSCLC, 1L HCC.

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. Dr. Yu has been an independent non-executive director of Cheerwin Group Limited (a company listed on the Main Board of the Stock Exchange with stock code: 6601) since February 2021, an independent non-executive director of BabyTree Group (a company listed on Main Board of the Stock Exchange with stock code: 1761) since June 2018 and served as an independent director at PharmaBlock Sciences (Nanjing), Inc. (a company listed on the Shenzhen Stock Exchange with stock code: 300725) from December 2015 to May 2018.

Saved as disclosed above, Dr. Yu does not hold any directorship in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position within the Company.

Length of service and emoluments

Dr. Yu had entered into a service agreement with the Company on October 16, 2021. The initial term of the service agreement shall commence from the date of appointment and continue for a period of three years after or until the third annual general meeting of the Company since the date of listing of shares on the Main Board of the Stock Exchange, whichever is earlier (subject always to re-election as and when required under the articles of association of the Company), subject to renewal after the expiry of the then current term and until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice in writing.

Pursuant to the service agreement entered into with the Company, Dr. Yu is not entitled to receive any remuneration in his capacity as executive Director..

Relationships

Dr. Yu does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Interest in Shares

As at the Latest Practicable Date, Dr. Yu was interested or deemed to be interested in 122,853,209 shares (long position) and 371,747 shares (short position), representing approximately 8.38% and 0.03% respectively of the issued share capital of the Company pursuant to Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

Saved as disclosed above, there are no other matters concerning Dr. Yu that need to be brought to the attention of the Shareholders and there is no other information relating to Dr. Yu that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

(2) Ms. Joyce I-Yin Hsu, aged 47, an independent non-executive Director*Position and Experience*

Ms. Joyce I-Yin Hsu (“**Ms. Hsu**”), aged 47, is an independent non-executive Director, the chairman of the each of the audit committee of the Company and remuneration committee of the Company. Ms. Hsu was appointed to the Board of the Company on October 18, 2018 and is responsible for providing independent opinion and judgment to the Board. She currently acts as a partner of Cornell Capital and has been involved in 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 between 2013 and 2015, being mainly responsible for investments and portfolio company monitoring. Prior to this, Ms. Hsu served as chief financial officer and director at Mindray Medical International Limited (“**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 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.

Ms. Hsu has held directorships in the following listed and private companies outside of the Group during the past three years:

- Corelle Brands as a non-executive director;
- ACEA Bioscience as a non-executive director; and
- Weconex as a non-executive director.

Ms. Hsu received her bachelor of science in business administration degree from the University of California at Berkeley in May 1998.

Saved as disclosed above, Ms. Hsu does not hold any directorship in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position within the Company.

Length of service and emoluments

Ms. Hsu has entered into an appointment letter with the Company on October 17, 2021. The term for her appointment shall be three years from the date of her letter of appointment or until the third annual general meeting of the Company since the commencement date of her appointment letter, whichever is sooner, (subject always to re-election as and when required under the articles of association of the Company) subject to renewal after the expiry of the then current term and until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under the appointment letter, Ms. Hsu is entitled to receive an annual fee for her services as an independent non-executive Director, the chairman of audit committee and remuneration committee of the Company of RMB400,000, in aggregate.

Relationships

Ms. Hsu does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Interest in Shares

As at the Latest Practicable Date, Ms. Hsu was interested or deemed to be interested in 48,158 shares, representing approximately 0.00% of the issued share capital of the Company pursuant to Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

Saved as disclosed above, there are no other matters concerning Ms. Hsu that need to be brought to the attention of the Shareholders and there is no other information relating to Ms. Hsu that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

DIRECTOR PROPOSED TO BE ELECTED**Mr. Gary Zieziula, aged 67, an independent non-executive Director***Position and Experience*

Mr. Gary Zieziula (“**Mr. Zieziula**”), has over 40 years of sales and operations experience in the pharmaceutical industry and had worked for industry leaders across Europe and North America. He is currently the president and region head of Kyowa Kirin, North America, a subsidiary of a pharmaceutical company listed on the Tokyo Stock Exchange (stock code 4151), and has been in the position since April 2020, and Mr. Zieziula has served as non-executive director on the Kyowa Kirin North America BOD from June 2019 to April 2020. Mr. Zieziula had worked for EMD Serono, a North American pharmaceutical company and subsidiary of Merck KGaA, as the chief commercial officer from January 2014 to January

2016, and the president and managing director from January 2016 to January 2019. He has been an independent provider of executive advisory services to pharmaceutical and biotech companies from December 2012 to January 2014. Mr. Zieziula served as the chief commercial officer and the executive vice president of AMAG Pharmaceuticals, Inc., a pharmaceutical company specializing in the development of iron deficiency products listed on NASDAQ, from April 2010 to December 2012. Prior to that, he worked for Roche Laboratories Inc., a leading global pharmaceutical and biotechnology company. In October 2001 Mr. Zieziula started his career at Roche as the vice president of primary care sales. In July of 2002 Mr. Zieziula was promoted to vice president of sales and marketing services, and joined the North American Operating Committee. In July of 2003 through June of 2008 Mr. Zieziula served as Head of Commercial Operations for Specialty Care Products. In June of 2008 Mr. Zieziula gained international experience as Managing Director of Roche Hellas in Greece. From June 1998 to October 2001, he served as the vice president in managed healthcare sales and marketing for Bristol Myers Squibb, a pharmaceutical manufacturer listed on the New York Stock Exchange. Prior to that Mr. Zieziula spent 16 years at Merck & Co. where he had positions of increasing responsibility in sales and marketing.

Mr. Zieziula holds a bachelor of science degree from the State University of New York at Buffalo in the United States in 1976 and a master of business administration degree from Canisius College in the United States in 1983.

Saved as disclosed above, Mr. Zieziula does not hold any directorship in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years or any other position within the Company.

Length of service and emoluments

Mr. Zieziula has entered into an appointment letter with the Company on June 1, 2022. The term for his appointment shall be three years from the date of his letter of appointment or until the third annual general meeting of the Company since the commencement date of his letter of appointment, whichever is earlier (subject always to re-election as and when required under the articles of association of the Company), subject to renewal after the expiry of the then current term and until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice in writing. Under the appointment letter, Mr. Zieziula is entitled to receive an annual fee for his services as an independent non-executive Director, and a member of each of the audit committee and the strategy committee of the Company of RMB400,000,

Relationships

Mr. Zieziula does not have any relationship with any directors or senior management or substantial shareholders or controlling shareholders of the Company.

Interest in Shares

As at the Latest Practicable Date, Mr. Zieziula was not interested or deemed to be interested in any Shares, underlying shares of debentures of the Company or its associated corporation pursuant to Part XV of the SFO.

Matters that need to be brought to the attention of the Shareholders

Saved as disclosed above, there are no other matters concerning Mr. Zieziula that need to be brought to the attention of the Shareholders and there is no other information relating to Mr. Zieziula that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

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	101,430,614 ⁽²⁾	6.92%	Long position
		371,747 ⁽³⁾	0.03%	Short position
	Grantor of a trust	9,000,000 ⁽⁴⁾	0.61%	Long position
	Founder of a discretionary trust who can influence how the trustee exercises his discretion	12,422,595 ⁽⁵⁾	0.85%	Long position
Mr. Ronald Hao Xi Ede	Beneficial owner	7,160,975 ⁽⁶⁾	0.49%	Long position
Dr. Charles Leland Cooney	Beneficial owner	87,248 ⁽⁷⁾	0.01%	Long position
Ms. Joyce I-Yin Hsu	Beneficial owner	48,158 ⁽⁸⁾	0.00%	Long position
Dr. Kaixian Chen	Beneficial owner	22,084 ⁽⁹⁾	0.00%	Long position

Notes:

1. The calculation is based on the total number of 1,466,755,201 Shares in issue as at the Latest Practicable Date.
2. Includes (i) 84,477,313 Shares held directly by Dr. Yu, (ii) Dr. Yu's entitlement to receive up to 8,604,889 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; (iii) Dr. Yu's entitlement to 6,316,078 Shares underlying Restricted Shares granted to him, subject to the conditions of these Restricted Shares; and (iv) the 2,032,334 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. Such date of transfer shall be extended to a date as agreed by the parties.
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. These Shares are held by The Bryn Mawr Trust Company of Delaware as trustee of (i) Madrone Grove Dynasty Trust; and (ii) Jenelope Dynasty Trust, of which Dr. Yu and his spouse are the grantors. Under the SFO, Dr. Yu is deemed to be interested in these Shares.
6. Includes (i) 3,815,616 Shares held directly by Mr. Ede, (ii) Mr. Ede's entitlement to receive up to 2,304,715 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; (iii) Mr. Ede's entitlement to 480,000 Shares underlying Restricted Shares granted to him, subject to the conditions of these Restricted Shares and (iv) the 560,644 Shares underlying the Proposed Grant to Mr. Ede.
7. Includes (i) 43,792 Shares held directly by Dr. Cooney; (ii) Dr. Cooney's entitlement to receive up to 38,628 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) the 4,828 Shares underlying the Proposed Grant to Dr. Cooney.
8. Includes (i) 4,702 shares held directly by Ms. Hsu; (ii) Ms. Hsu's entitlement to receive up to 38,628 Shares pursuant to the exercise of options granted to her, subject to the conditions of these options; and (iii) the 4,828 Shares underlying the Proposed Grant to Ms. Hsu.
9. Includes (i) 4,702 shares held directly by Dr. Chen; (ii) Dr. Chen's entitlement to receive up to 15,451 Shares pursuant to the exercise of options granted to him, subject to the conditions of these options; and (iii) the 1,931 Shares underlying the Proposed Grant to Dr. Chen.

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, 2021, 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	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley 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 dated June 1, 2022 on pages 31 to 64 was provided for incorporation herein.

As at the Latest Practicable Date, Somerley 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, 2021, 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, 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS ON DISPLAY

Copies of the below document will be published for 14 days up to and including the date of the AGM on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://innoventbio.com>):

- (a) the 2020 RS Plan;
- (b) the letters from the Independent Board Committees set out on pages 27 to 30 of this circular;
- (c) the letter from Somerley set out on pages 31 to 64 of this circular; and
- (d) the letter from Somerley 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 ANNUAL GENERAL MEETING

Innovent

信達生物製藥

INNOVENT BIOLOGICS, INC.

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1801)

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**Annual General Meeting**”) of Innovent Biologics, Inc. (the “**Company**”) will be held on Wednesday, June 22, 2022 at 9:30 a.m. at Yale meeting room, 5F, Administration Building, Innovent Biologics, 168 Dongping Street, Suzhou Industrial Park, China for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and receive the audited consolidated financial statements of the Company and the reports of directors and the auditor of the Company for the year ended December 31, 2021.
2. To re-elect the following directors of the Company (the “**Directors**”), each as a separate resolution:
 - (i) To re-elect Dr. De-Chao Michael Yu as an executive Director; and
 - (ii) To re-elect Ms. Joyce I-Yin Hsu as an independent non-executive Director;
3. To consider and approve the appointment of Mr. Gary Zieziula as an independent non-executive Director.
4. To authorise the board of directors of the Company (the “**Board**”) to fix the remuneration of the Directors;
5. To re-appoint Deloitte Touche Tohmatsu Certified Public Accountants LLP as auditor of the Company and authorise the Board to fix their remuneration.
6. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“THAT:

- (i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to buy back shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and recognised for this purpose by the

NOTICE OF ANNUAL GENERAL MEETING

Securities and Futures Commission of Hong Kong and the Stock Exchange in accordance with all applicable laws including The Codes on Takeovers and Mergers and Share Buy-Backs and The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), be and is hereby generally and unconditionally approved;

- (ii) the aggregate number of shares, which may be bought back pursuant to the approval in paragraph (i) above during the Relevant Period shall not exceed 10% of the total number of the issued Shares as at the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (iii) for the purpose of this Resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
 - (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”
7. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“**THAT:**

- (i) subject to paragraph (iii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with additional Shares in the capital of the Company, or options, warrants or similar rights to subscribe for Shares or other securities convertible into Shares and to make or grant offers, agreements and/or options (including bonds, warrants and debentures exchangeable for or convertible into Shares) and rights of exchange or conversion which may require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and/or options (including bonds, warrants and debentures exchangeable or convertible into Shares) and rights of exchange or conversion which may require the exercise of such power after the end of the Relevant Period;

- (iii) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors during the Relevant Period pursuant to paragraph (i) or (ii) of this resolution above, otherwise than pursuant to:
 - (a) a Rights Issue (as hereinafter defined);

 - (b) the grant or exercise of any option under any share option scheme of the Company (if applicable) or any other option, scheme or similar arrangements for the time being adopted for the grant or issue to the directors of the Company, officers and/or employees of the Company and/or any of its subsidiaries and/or other eligible participants specified thereunder of options to subscribe for Shares or rights to acquire Shares;

 - (c) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company;
or

 - (d) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares,

shall not exceed 20% of the total number of the issued Shares as at the date of passing this resolution and the approval shall be limited accordingly; and

- (iv) for the purpose of this resolution:
 - (a) “**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:
 - (1) the conclusion of the next annual general meeting of the Company;

 - (2) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or

NOTICE OF ANNUAL GENERAL MEETING

- (3) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“**Rights Issue**” means an offer of Shares, or an offer or issue of warrants, options or other securities which carry a right to subscribe for Shares, open for a period fixed by the Directors to holders of Shares whose names appear on the register of members on a fixed record date in proportion to their holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognised regulatory body or any stock exchange applicable to the Company).”

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

“**THAT** conditional upon the passing of the resolutions 5 and 6, the general mandate referred to in the resolution 6 be and is hereby extended by the addition to the aggregate number of Shares which may be allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with by the Directors pursuant to such general mandate of an amount representing the aggregate number of Shares bought back or otherwise acquired by the Company pursuant to the general mandate pursuant to resolution 5, provided that such extended amount shall not exceed 10% of the total number of the issued Shares as at the date of passing this resolution.”

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

“**THAT:**

- (i) 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 June 12, 2020 (the “**2020 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;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) 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 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 June 20, 2020 in accordance with the terms of the 2020 RS Plan (the “**2020 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 paragraph (i) above;
10. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“**THAT:**

- (i) the conditional grant of restricted shares to Mr. Ronald Hao Xi Ede (“**Mr. Ede**”) in accordance with the terms of 2020 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;
 - (ii) 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 2020 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 paragraph (i) above;
11. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“**THAT:**

- (i) the conditional grant of restricted shares to Dr. Charles Leland Cooney (“**Dr. Cooney**”) in accordance with the terms of 2020 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;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) 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 2020 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 paragraph (i) above;
12. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“THAT:

- (i) the conditional grant of restricted shares to Ms. Joyce I-Yin Hsu (“**Ms. Hsu**”) in accordance with the terms of 2020 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;
 - (ii) 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 2020 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 paragraph (i) above;
13. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“THAT:

- (i) the conditional grant of restricted shares to Dr. Kaixian Chen (“**Dr. Chen**”) in accordance with the terms of 2020 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;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) 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 2020 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 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 paragraph (i) above.”

By order of the Board

Innovent Biologics, Inc.

Dr. De-Chao Michael Yu

Chairman of the Board and Executive Director

Hong Kong, June 1, 2022

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (i) All resolutions at the Annual General Meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (ii) Any shareholder entitled to attend and vote at the above Annual General Meeting is entitled to appoint one or more (if he/she/it holds more than one Share) proxies to attend and vote instead of him/her/it. A proxy need not be a shareholder.
- (iii) In the case of joint holders of any Share, any one of such persons may vote at the above Annual General Meeting, either personally or by proxy, in respect of such Share as if he/she was solely entitled thereto. However, if more than one of such joint holders be present at the above Annual General Meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iv) In order to be valid, a form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, shall be delivered 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 not less than 48 hours before the time appointed for the holding of the Annual General Meeting (i.e. not later than 9:30 a.m. on Monday, June 20, 2022) or any adjournment thereof. The completion and delivery of the form of proxy shall not preclude the shareholders from attending and voting in person at the Annual General Meeting (or any adjourned meeting thereof) if they so wish and in such event, the form of proxy shall be deemed to be revoked.
- (v) For determining the eligibility to attend and vote at the above Annual General Meeting, the register of members of the Company will be closed from Friday, June 17, 2022 to Wednesday, June 22, 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, unregistered holders of Shares are required to lodge all transfer documents accompanied by the relevant share certificates and properly completed transfer forms 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 for registration not later than 4:30 p.m. on Thursday, June 16, 2022.
- (vi) Shareholders or their proxies attending Annual General Meeting shall bear their own travelling and accommodation expenses.
- (vii) In respect of the ordinary resolutions 6, 7 and 8, the Directors wish to state that they have no immediate plans to buy back any existing Shares or issue any new Shares.
- (viii) References to dates and time in this notice are to Hong Kong dates and time.
- (ix) The English text of this notice shall prevail over the Chinese text for the purpose of interpretation.