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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 a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Innovent Biologics, Inc.**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**GRANT OF OPTIONS TO A DIRECTOR
UNDER THE POST-IPO ESOP,
GRANT OF RESTRICTED SHARES TO A DIRECTOR
UNDER THE RS PLAN
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



SOMERLEY CAPITAL LIMITED

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

A letter from the Board is set out on pages 5 to 14 of this circular. A letter from the Independent Board Committee containing its recommendations to the Independent Shareholders regarding the Proposed RS Grant is set out on page 15 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice regarding the Proposed RS Grant is set out on pages 16 to 27 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Friday, June 14, 2019 at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong is set out on pages 33 to 35 of this circular. A form of proxy for the EGM is enclosed. Whether or not you intend to attend and vote at the EGM or any adjourned meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. on Wednesday, June 12, 2019) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish; in such event the form of proxy shall be deemed to be revoked.

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

May 24, 2019

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Company currently in force
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company”	Innovent Biologics, Inc. 信達生物製藥, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange (stock code: 1801)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Date of Option Grant”	March 15, 2019, being the date of the meeting of the Board approving the Proposed Option Grant subject to Independent Shareholders’ approval
“Date of RS Grant”	May 2, 2019, being the date of the meeting of the Board approving the Proposed RS Grant subject to Independent Shareholders’ approval
“Director(s)”	the director(s) of the Company
“Director Options”	the Options to be granted pursuant to the Proposed Option Grant
“Dr. Yu”	Dr. De-Chao Michael Yu, an executive Director, Chairman of the Board, President, Chief Executive Officer and a substantial shareholder of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Proposed Option Grant and Proposed RS Grant

DEFINITIONS

“Exercise Price”	the subscription price for Shares upon exercise of the Director Options
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the non-exempt connected transaction(s) relating to the Proposed RS Grant
“Independent Financial Adviser” or “Somerley Capital Limited”	Somerley Capital Limited, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on whether the Independent Shareholders should vote in favor of the non-exempt connected transaction(s) relating to the Proposed RS Grant
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the Proposed Option Grant and Proposed RS Grant
“Latest Practicable Date”	May 20, 2019, being the latest practicable date for ascertaining certain information referred to in this circular prior to the bulk printing of this circular
“Listing”	the listing of the Shares on the main board of the Stock Exchange
“Listing Date”	October 31, 2018, being the date on which the Shares are first listed and from which dealings thereof are permitted to commence on the main board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Option(s)”	option(s) to subscribe for or acquire Shares which is/are granted under the Post-IPO ESOP

DEFINITIONS

“Option Grant Date”	March 15, 2019
“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, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Grants”	the Proposed Option Grant and the Proposed RS Grant
“Proposed Option Grant”	the proposed grant of 4,142,857 Options to Dr. Yu under the Post-IPO ESOP
“Proposed RS Grant”	the proposed grant of 6,901,796 Restricted Shares to Dr. Yu under the RS Plan
“Restricted Share(s)”	restricted share(s), being a contingent right to receive Shares which is awarded under the RS Plan
“RMB”	Renminbi, the lawful currency of China
“RS Grant Date”	May 2, 2019
“RS Plan”	the restricted share plan adopted by the Company on October 15, 2018
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“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
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it by the Listing Rules
“substantial shareholder”	has the meaning ascribed to it by the Listing Rules

DEFINITIONS

“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 and Chief Executive Officer)

Mr. Ronald Hao Xi Ede

Registered office:

PO Box 309, Ugland House

Grand Cayman, KY1-1104

Cayman Islands

Non-executive Director:

Mr. Shuyun Chen

Principal place of business in Hong Kong:

Room 1901, 19/F, Lee Garden One

33 Hysan Avenue, Causeway Bay

Hong Kong

Independent non-executive Directors:

Dr. Charles Leland Cooney

Ms. Joyce I-Yin Hsu

Dr. Kaixian Chen

May 24, 2019

To the Shareholders

Dear Sir or Madam,

**GRANT OF OPTIONS TO A DIRECTOR
UNDER THE POST-IPO ESOP,
GRANT OF RESTRICTED SHARES TO A DIRECTOR
UNDER THE RS PLAN
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated March 15, 2019 and May 2, 2019 in relation to the Proposed Option Grant and Proposed RS Grant, respectively.

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

LETTER FROM THE BOARD

THE PROPOSED OPTION GRANT

The Company announced on March 15, 2019 that it has resolved to grant 17,260,038 Options to certain directors, senior management and employees of the Company under the Post-IPO ESOP. Among the Options granted, 4,142,857 Options entitling Dr. Yu to subscribe for 4,142,857 Shares, representing approximately 0.36% of the Shares in issue as at the Latest Practicable Date were granted to Dr. Yu, subject to approval of the Independent Shareholders. The Exercise Price for the Options relating to the Proposed Option Grant is HK\$28.30 per Share, which was determined on March 15, 2019, the date of the grant.

The Company has selected the Binomial Model and the Option Grant Date as the benchmark date to determine the fair value of the Director Options. Based on the preliminary calculation by the Company on the Option Grant Date, the fair value of each Director Option is HK\$18.1396, and the aggregate value of the 4,142,857 Director Options is HK\$75,149,769. The following sets out details of the reference factors:

Market price of the Shares:	HK\$28.30, being the closing price of the Shares as traded on the Stock Exchange on the Option Grant Date
Exercise price of the Director Options:	HK\$28.30
Risk-free yield:	1.80%
Expected volatility:	62.64%
Expected rate of dividend:	0.00%

The calculation results of the value of the Director Options are subject to a number of assumptions of the parameters used herein and the limitation of the model adopted. Therefore, the estimated value of the Director Options may be subjective and uncertain.

Further details regarding the Proposed Option Grant are set out in Appendix I to this circular.

Listing Rules Implications

Dr. Yu is a substantial shareholder of the Company, and the Proposed Option Grant, if approved, would result in the Shares to be issued upon exercise of the Proposed Option Grant in the 12-month period up to and including the Date of Option Grant representing in aggregate over 0.1% of the total number of issued Shares and having an aggregate value (based on the closing price of the Shares at the Date of Proposed Option Grant) in excess of HK\$5 million. The Proposed Option Grant is therefore subject to approval by the Independent Shareholders. Besides, the Proposed Option Grant had been approved by the independent non-executive Directors. Save for Dr. Yu, Gloria Bingqinzi Yu (as trustee of the Yu Tong Family Irrevocable Trust) and Great Biono Fortune LP, no Shareholders are required to abstain from voting at the EGM on the resolutions approving the Proposed Option Grant and transactions contemplated therein.

LETTER FROM THE BOARD

THE PROPOSED RS GRANT

The Company announced on May 2, 2019 that it has resolved to grant Restricted Shares under the RS Plan, including a grant of 6,901,796 Restricted Shares entitling Dr. Yu to receive 6,901,796 Shares upon full vesting, representing approximately 0.60% of the Shares in issue as at the Latest Practicable Date, were granted to Dr. Yu, subject to approval of the Independent Shareholders. The Restricted Shares will be granted under the following terms:

- each of the Restricted Shares will be granted for nil consideration;
- each of the Restricted Shares to be granted to Dr. Yu represents the right to receive a Share on the date it vests (any such date, a “Vesting Date”);
- the Restricted Shares shall vest in equal instalments over five years of the grant; and
- each batch of the vested Restricted Shares shall be subject to a one-year lock-up period upon vesting on the respective Vesting Date.

The vesting of the Proposed RS Grant is conditional upon Dr. Yu having been an employee of the Group on a continuous and uninterrupted basis throughout the vesting periods of the Proposed RS Grant.

Based on the closing price of HK\$25.15 per Share as quoted on the Stock Exchange on the RS Grant Date, the market value of the restricted shares under the Proposed RS Grant amounts to approximately HK\$173.58 million.

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

Listing Rules Implications

As Dr. Yu is an executive Director, and therefore is a connected person of the Company, the Proposed RS Grant 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.

Pursuant to Chapter 14A of the Listing Rules, each of Dr. Yu and his associates is required to abstain from voting on the resolutions at the EGM to approve the Proposed RS Grant 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 145,728,230 Shares, representing approximately 12.63% of the total issued share capital of the Company, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and excluding any shares to be issued pursuant to the Proposed Grants; and (ii) there are no other Shareholders having any material interest in the Proposed RS Grant and transactions contemplated therein. Accordingly, save for Dr. Yu, Gloria

LETTER FROM THE BOARD

Bingqinzi Yu (as trustee of the Yu Tong Family Irrevocable Trust) and Great Biono Fortune LP, no Shareholders are required to abstain from voting at the EGM on the resolutions approving the Proposed RS Grant and transactions contemplated therein.

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

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 excluding any shares to be issued pursuant to the Proposed Grants, Dr. Yu was interested in 145,728,230 Shares representing approximately 12.63% of the issued share capital of the Company. Dr. Yu did not hold any Options under the Post-IPO ESOP as at the Latest Practicable Date and no option has been granted to Dr. Yu within 12 months from the Date of Proposed Option Grant.

REASONS AND RATIONALE FOR THE PROPOSED GRANTS

Purpose of the Post-IPO ESOP, the RS Plan and the Proposed Grants

The purpose of the Post-IPO ESOP is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. It provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants. The purpose of the RS Plan is to enable the Directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

The Proposed Grants are part of Company's remuneration system and the purpose of the Proposed Grants is to recognize Dr. Yu's significant contribution to the success, growth and development of the Group, as the founder and leader of the Group. It also aims to provide sufficient incentive to retain and motivate Dr. Yu to participate in the formulation of the Group's strategy and strive for the long-term growth and development of the Group.

Rationale of the Proposed Grants

The Board proposed to remunerate Dr. Yu with the Proposed Grants after considering Dr. Yu's integral role as founder of the Group and his extensive background and experience in the biopharmaceutical industry. In assessing Dr. Yu's remuneration, the Board took into consideration a variety of factors, including Dr. Yu's past contribution to the growth and development of the Group, the effectiveness of the Proposed Grants as an incentive for the retention and motivation of Dr. Yu, and the remuneration of senior management of other biopharmaceutical companies.

LETTER FROM THE BOARD

Background and contribution of Dr. Yu

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

Dr. Yu has engaged in innovative research on biopharmaceuticals for more than 20 years, who has invented three Class I new drugs and has led the development of Conbercept and sintilimab. Dr. Yu invented the world's first commercialized oncolytic virus-based immunotherapeutic product, Oncorine[®] (recombinant human type-5 adenovirus injection), creating a precedent for the use of viruses to treat tumors. Dr. Yu co-invented and led the development of China's first monoclonal antibody-like new drug with global intellectual property rights, Langmu[®] (Conbercept eye injection) which has changed the history of zero domestically developed medicine for Chinese patients with blindness caused by fundus diseases. Dr. Yu also co-invented and led the development of Tyvyt[®] (sintilimab injection) which is domestically-developed innovative PD-1 inhibitor with international quality and has been approved for marketing in China for relapsed or refractory classical Hodgkin's lymphoma (r/r cHL) on December 24, 2018.

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

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

LETTER FROM THE BOARD

Listing and future development

The success of the Listing marked a monumental step in the continued growth and success of the Group. Since the Listing, the Company has made significant progress with respect to its drug pipeline and business operations, including receiving marketing approval from the National Medical Products Administration of the People's Republic of China for Tyvyt® (sintilimab), our PD-1 monoclonal antibody co-developed with Eli Lilly and Company, comparing IBI-305 to branded bevacizumab, IBI-305 (bevacizumab biosimilar) has met pre-defined primary endpoints in a phase III clinical trial in patients with advanced non-squamous non-small cell lung cancer and a pharmacokinetic study in healthy subjects, NDAs for IBI-305 (bevacizumab biosimilar) and IBI-303 (adalimumab biosimilar) were submitted to and accepted by the NMPA, and entering into collaboration arrangements with prominent companies including Hutchison China MediTech Limited and Incyte Corporation. The Group will also strengthen its fully-integrated platform, with a deliberate focus on the expansion of the manufacturing and commercialization capabilities, in order to suit and support the continued growth, maturation and fruition of the Group's pipeline. Among other things, the Group expect that the validation of the second stage production facilities including the six 3,000L stainless steel bioreactors will be completed later this year. The strong performance of the Company's shares on the Stock Exchange also reflects the progress that the Group has made in this regard. The Group plans to continue to meet and exceed its Shareholders' expectations by continuing to expand its research platform and improving its pipeline of drug assets and business operations.

Retention and recognition of Dr. Yu

The Board considered that the retention and motivation of Dr. Yu as an indispensable part of the senior management of the Group 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 Board proposed to remunerate Dr. Yu with the Proposed Grants after considering the respective benefits of granting Options and Restricted Shares and the complementary effect of the Proposed Grants as a remuneration package. The grant of Options can effectively incentivize Dr. Yu by enabling him to enjoy potential unlimited upside when the share price goes up, providing motivation to continue the trend of the significant increase of the price of the Company's Shares since the Listing. The grant of Restricted Shares will provide Dr. Yu with certainty of monetary benefits regardless of the share price performance. Such grant that can be realized and is readily available at the end of the vesting period is akin to payment of a deferred bonus and hence an effective incentive. In addition, the Proposed Grants will further align the interests of Dr. Yu 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.

LETTER FROM THE BOARD

The number of Restricted Shares to be granted to Dr. Yu was determined by the Company and Dr. Yu 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.

Dilution effect

Assuming Dr. Yu becomes fully entitled to all Shares underlying the Options and the Restricted Shares after the vesting period, the number of such underlying Shares would amount to 11,044,653, or approximately 0.96% of the total issued share capital of the Company as at the Latest Practicable Date. Assuming such underlying Shares will be newly issued, such Shares will represent 0.95% of the total issued share capital of the Company upon completion of issue of such Shares. The Directors believe that this is acceptable in view of the potential benefits that can be brought to the Group as outlined above.

The shareholding structures of the Company before and after Dr. Yu becomes fully entitled to all Shares underlying the Options and the Restricted Shares are summarised as follows (calculated based on the number of Shares in issue on the Latest Practicable Date):

	As at the Latest Practicable Date (note 1)		Assuming full exercise and vesting of the of the Proposed Grants	
	No. of shares	%	No. of shares	%
Dr. Yu (note 2)	145,728,230	12.63%	156,772,883	13.46%
Other Shareholders	1,007,874,480	87.37%	1,007,874,480	86.54%
Total	<u>1,153,602,710</u>	<u>100.00%</u>	<u>1,164,647,363</u>	<u>100.00%</u>

Notes:

1. Assuming that no shares are issued pursuant to the Proposed Grants.
2. The interest of Dr. Yu is comprised of 45,628,190 Shares held by Dr. Yu, 90,100,040 Shares held by Great Biono Fortune LP and 10,000,000 Shares held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust.

Directors' Views

Given that the Directors believe that the Proposed Grants will retain, motivate and incentivize Dr. Yu and will benefit the long term development of the Group, the Directors (including independent non-executive Directors but excluding Dr. Yu) consider that the terms of the Proposed Grants are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

Independent Board Committee and Independent Financial Adviser

The Independent Board Committee, comprising Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu and Dr. Kaixian Chen, all being the independent non-executive Directors, has been formed to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Proposed RS Grant. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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 exercise of Options which may be granted pursuant to the Post-IPO ESOP on October 30, 2018 and the vesting of Restricted Shares which may be granted pursuant to the RS Plan on November 14, 2018.

Information about the Company

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

EGM AND PROXY ARRANGEMENT

Approval from the Independent Shareholders will be sought at the EGM for the Proposed Option Grant and the Proposed RS Grant.

Pursuant to Rule 17.04(1) of the Listing Rules, Dr. Yu, his associates and all other core connected persons of the Company will abstain from voting in favour of the resolution to approve the Proposed Option Grant at the EGM. Accordingly, Dr. Yu, Gloria Bingqinzi Yu (as trustee of the Yu Tong Family Irrevocable Trust) and Great Biono Fortune LP will abstain from voting in favour of the resolution to approve the Proposed Option Grant at the EGM.

The Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the Proposed RS Grant.

Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed RS Grant.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete the endorsed 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 and in any

LETTER FROM THE BOARD

event not less than 48 hours before the time fixed for holding the EGM (i.e. not later than 10:00 a.m. on Wednesday, June 12, 2019) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so desire; in such event the form of proxy shall be deemed to be revoked.

VOTING BY POLL

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

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

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

RECOMMENDATION

Somerley Capital Limited has been appointed as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the Proposed RS Grant and consider that the Proposed RS Grant is 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 containing its recommendation and the principal factors and reasons it has taken into account in arriving at its recommendation are set out in this circular.

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

The Proposed Option Grant and the Proposed RS Grant have been approved by all independent non-executive Directors. The Directors are of the opinion these grants 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 favour of the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from Tuesday, June 11, 2019 to Friday, June 14, 2019, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the meeting, all unregistered transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, June 10, 2019.

RESPONSIBILITY STATEMENT

This document, 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 document 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 document misleading.

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

Innovent

信達生物製藥

INNOVENT BIOLOGICS, INC.

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1801)

May 24, 2019

To the Independent Shareholders

Dear Sir/Madam,

We have been appointed as the Independent Board Committee of the Company to advise Independent Shareholders in connection with the Proposed RS Grant, details of which are set out in the circular of the Company to the Shareholders dated May 24, 2019 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

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

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

Yours faithfully,

Charles Leland Cooney

*Independent
non-executive Director*

Joyce I-Yin Hsu

*Independent
non-executive Director*

Kaixian Chen

*Independent
non-executive Director*

LETTER FROM SOMERLEY

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



SOMERLEY CAPITAL LIMITED

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

May 24, 2019

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

Dear Sirs,

**GRANT OF RESTRICTED SHARES TO A DIRECTOR
UNDER THE RS PLAN**

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed RS Grant. Details of the Proposed RS Grant are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated May 24, 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the letter from the Board in the Circular, the Company announced on May 2, 2019 that it has resolved to grant Restricted Shares under the RS Plan, including a grant of 6,901,796 Restricted Shares entitling Dr. Yu to receive 6,901,796 Shares upon full vesting, representing approximately 0.60% of the Shares in issue as at the Latest Practicable Date, were granted to Dr. Yu, subject to approval of the Independent Shareholders at the EGM.

As Dr. Yu is a Director and therefore a connected person of the Company under the Listing Rules, the Proposed RS Grant constitute a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

LETTER FROM SOMERLEY

The Independent Board Committee, comprising all of the Company's independent non-executive Directors, namely Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu and Dr. Kaixian Chen, has been formed to make a recommendation to the Independent Shareholders on the terms of the Proposed RS Grant. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, Dr. Yu 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 RS Grant. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Dr. Yu or their respective close associates, associates or core connected persons.

In formulating our opinion and the recommendation, we have reviewed, amongst other documents, the RS Plan, the annual report of the Company for the year ended December 31, 2018 (the **"2018 Annual Report"**) and the information contained in the Circular.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group

The Company is a China-based pre-revenue biopharmaceutical company, the Company's mission is to create a world-class China-based biopharmaceutical company that develops and commercialises high quality drugs that are affordable to ordinary people and are committed to innovation in drug development and have complied with global quality standards for every aspect of the Company's business and operations. The Shares were listed on the Main Board of the Stock Exchange on October 31, 2018 in accordance with Chapter 18A of the Listing Rules. To capitalise on the tremendous market opportunity both in China and beyond, the Group have developed a fully-integrated platform consisting of advanced research, discovery,

LETTER FROM SOMERLEY

development, manufacturing and commercialisation capabilities. These capabilities have enabled the Group to build a robust pipeline of innovative and commercially promising monoclonal antibodies and other drug assets in the fields of oncology, ophthalmology, and autoimmune and metabolic diseases.

2. Information on Dr. Yu

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

Dr. Yu has engaged in innovative research on biopharmaceuticals for more than 20 years, who has invented three Class I new drugs and has led the development of Conbercept and sintilimab. Dr. Yu invented the world's first commercialised oncolytic virus-based immunotherapeutic product, Oncorine[®] (recombinant human type-5 adenovirus injection), creating a precedent for the use of viruses to treat tumors. Dr. Yu co-invented and led the development of China's first monoclonal antibody-like new drug with global intellectual property rights, Langmu[®] (Conbercept eye injection) which has changed the history of zero domestically developed medicine for Chinese patients with blindness caused by fundus diseases. Dr. Yu also co-invented and led the development of Tyvyt[®] (sintilimab injection) which is domestically-developed innovative PD-1 inhibitor with international quality and has been approved for marketing in China for relapsed or refractory classical Hodgkin's lymphoma (r/r cHL) on December 24, 2018. Dr. Yu is an inventor of over 60 issued patents and patent applications, and has published more than 50 SCI scientific articles and book chapters. He was recognised as "Top Ten Persons in Innovation in China" in 2014, "The E&Y Entrepreneur of the Year in China" in 2015 and "Distinguished Entrepreneur of Jiangsu Province" in 2016. In 2017, Dr. Yu was selected as "Person of the Year in Innovation for Science and Technology in 2016", "2017 China Person of the Year in Pharmaceutical Economics" and "The Most Influential Person of the Year in Life Science in China in 2017". In 2018, Dr. Yu was awarded as the First Prize of "The Seventh National Overseas Returnee Contributions Awards".

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

LETTER FROM SOMERLEY

Furthermore according to the management of the Group, Dr. Yu is vital to the Company's drug development, in particular, the pipeline of 20 antibody drug candidates including primarily IBI-308, Tyvyt[®] (sintilimab), novel PD-1 antibody; IBI-305, the bevacizumab (Avastin) biosimilar; IBI-301, rituximab (MabThera/Rituxan) biosimilar; and IBI-303, adalimumab (Humira) biosimilar.

Further details of the biographical information of Dr. Yu are set out in the 2018 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 the performance of the Group.

3. Reasons for the Proposed RS Grant

As set out in the letter from the Board contained in the Circular, the purpose of the Post-IPO ESOP is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. It provides the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants. The purpose of the RS Plan is to enable the Directors, officers, and other key contributors and employees of the Group to share the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Group's behalf.

In addition, the Board considered that the retention and motivation of Dr. Yu as an indispensable part of the senior management of the Group 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.

In assessing Dr. Yu's remuneration, the Board took into consideration a variety of factors, including Dr. Yu's past contribution to the growth and development of the Group, the effectiveness of the Proposed Grants as an incentive for the retention and motivation of Dr. Yu, and the remuneration of senior management of other biopharmaceutical companies.

The Board proposed to remunerate Dr. Yu with the Proposed RS Grant after considering the respective benefits of granting of the Options and the Restricted Shares and the complementary effect of the Proposed RS Grant as a remuneration package. The grant of Options can effectively incentivise Dr. Yu by enabling him to enjoy potential unlimited upside when the Share price goes up, providing motivation to continue the trend of the significant increase in the price of the Shares since the Listing. The grant of Restricted Shares will provide Dr. Yu with certainty of monetary benefits regardless of the share price performance. Such grant that can be realised and is readily available at the end of the vesting period is akin to

LETTER FROM SOMERLEY

payment of a deferred bonus and hence an effective incentive. In addition, the Proposed Grants will further align the interests of Dr. Yu 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 Restricted Shares to be granted to Dr. Yu was determined by the Company and Dr. Yu 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, among other things, (i) the purposes and characteristics of the Post-IPO ESOP and the RS Plan as mentioned above; (ii) Dr. Yu's current remuneration as set out in section headed "4. Dr. Yu's current remuneration" below; and (iii) the terms of the Proposed Option Grant, we concur with the management of the Group that the terms of the Proposed RS Grant are fair and reasonable.

4. Dr. Yu's current remuneration

Set out below is a breakdown of the remuneration of Dr. Yu for the year ended December 31, 2018 provided by the Company:

	Salaries and other allowances and contributions (RMB'000)	Performance related bonus (RMB'000)	Share- based payment expenses (RMB'000)	Total (RMB'000)	Note
Recurring:					
– Cash	2,896	1,362	–	4,258	
– Share options	–	10,230	–	10,230	(1)
– Restricted shares	–	–	331	331	
	2,896	11,592	331	14,819	
Non-recurring:					
– Share options	–	4,054	16,665	20,719	(2)
– Restricted shares	–	71,618	–	71,618	(2)
	–	75,672	16,665	92,337	
Total	2,896	87,264	16,996	107,156	

LETTER FROM SOMERLEY

Notes:

1. 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 will 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 will stay in the Company for 10 years commencing from January 1, 2018. Therefore, the grant is considered to be recurring in nature.
2. As advised by the Remuneration Committee of the Company, the performance related bonus and share-based payment granted to Dr. Yu were for the fulfillment of several key performance indicators before August 4, 2019 which have been fulfilled in 2018, including completing the initial public offering of the Shares on the Stock Exchange, obtaining approval for PD-1 commercialisation and obtaining another new drug application. The purpose of such grant is for compensating Dr. Yu's contribution in the past and during 2018, due to completion of three significant milestones. Therefore, the grants are considered one-off in nature.

As shown in the table above, the total remuneration received by Dr. Yu for the year ended December 31, 2018 was approximately RMB107.2 million, of which approximately 86.2% or RMB92.3 million of the total remuneration is considered non-recurring in nature on the basis that such remuneration was granted to recognise Dr. Yu's achievement in certain historical milestones such as the successful listing of the Shares on the Main Board of the Stock Exchange, obtaining approval for PD-1 commercialisation and obtaining another new drug application. The recurring portion of Dr. Yu's current remuneration is approximately RMB14.8 million.

In addition to the above, on March 15, 2019, the Company granted 4,142,857 Options to Dr. Yu with an exercise price HK\$28.3 per Share. 75% of the Options shall vest on March 15, 2022 and 25% of the Options shall vest on March 15, 2023 (i.e. the Proposed Option Grant). According to a valuation report on the aforesaid Options prepared by an independent professional valuer, the fair value of the Options granted to Dr. Yu as at the date of grant was approximately RMB64.9 million. Assuming the Options granted to Dr. Yu under the Proposed Option Grant are fully vested, the economic value of these Options will be approximately RMB16.2 million per annum over the four years. Independent Shareholders should note that the actual fair value of the Options to be recognised by the Group may deviate from the estimation above and will be based on, among other things, the date of approval of the grant of the Options to Dr. Yu by the Independent Shareholders.

5. Principal terms of the RS Plan and the Proposed RS Grant

The Company announced on May 2, 2019 that it has resolved to grant the Restricted Shares under the RS Plan, including a grant of 6,901,796 Restricted Shares entitling Dr. Yu to receive 6,901,796 Shares upon full vesting, representing approximately 0.60% of the Shares in issue as at the Latest Practicable Date, were granted to Dr. Yu, subject to approval of the Independent Shareholders. The Restricted Shares will be granted under the following terms:

- (a) each of the Restricted Shares will be granted for nil consideration;
- (b) each of the Restricted Shares to be granted to Dr. Yu represents the right to receive a Share on the date it vests (any such date, a "Vesting Date");

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- (c) the Restricted Shares shall vest in equal instalments over five years of the grant; and
- (d) each batch of the vested Restricted Shares shall be subject to a one-year lock-up period upon vesting on the respective Vesting Date.

The vesting of the Proposed RS Grant is conditional upon Dr. Yu having been an employee of the Group on a continuous and uninterrupted basis throughout the vesting periods of the Proposed RS Grant.

Based on the closing price of HK\$25.15 per Share as quoted on the Stock Exchange on the RS Grant Date, the market value of the restricted shares under the Proposed RS Grant amounts to approximately HK\$173.58 million (equivalent to approximately RMB150.0 million).

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

6. Remuneration package of Dr. Yu

Based on 6,901,796 Restricted Shares proposed to be granted to Dr. Yu and the closing price of the Shares of HK\$25.15 (equivalent to approximately RMB21.73) per Share as at the Date of RS Grant, the total value of the Proposed RS Grant would be approximately RMB150.0 million. With a vesting period of the Restricted Shares of 5 years, the economic value of the Proposal RS Grant will be RMB30.0 million per year. Based on the current recurring remuneration of Dr. Yu of approximately RMB14.8 million for the year ended December 31, 2018, the economic value of the Options under the Proposed Option Grant of approximately RMB16.2 million, together with the economic value of the Restricted Shares under the Proposed RS Grant of approximately RMB30.0 million, the total remuneration of Dr. Yu will increase to approximately RMB61.0 million per year.

7. Assessment of fairness and reasonableness of the Proposed RS Grant

The Company is a pre-revenue biotech company and was listed on the Main Board of the Stock Exchange in accordance with Chapter 18A of the Listing Rules. In assessing the fairness and reasonableness of the Proposed RS Grant, we have compared the remuneration package of founder, chairman, executive director and/or chief executive (the “**Chief Executive(s)**”) of pre-revenue biotech companies listed on the Main Board of the Stock Exchange (the “**Comparable Companies**”) for the year ended December 31, 2018.

LETTER FROM SOMERLEY

Set out below is a summary of remuneration packages of the Chief Executives of the Comparable Companies for the year ended December 31, 2018 and the equity interest held in the Comparable Companies by the relevant Chief Executive as at the Latest Practicable Date:

Name of Chief Executive	Title of Chief Executive	Name of Comparable Companies	Stock code	Remuneration package		Share-based payment expense (RMB million)	Percentage of equity interest held by the Chief Executive (Note 1)
				Fees, salaries, other allowances and contributions (RMB million)	Performance related bonus (RMB million)		
Dr. Frank Ningjun Jiang	Executive director, chairman and chief executive officer	CStone Pharmaceuticals – B (“CStone”)	2616	3.2	3.7	134.4	141.3
Mr. John V. Oyler	Executive director, chairman and chief executive officer	Beigene, Ltd – B (“Beigene”)	6160	4.9 (Note 2)	3.9 (Note 2)	53.8 (Note 2)	62.6 (Note 2)
Dr. Jinzi Jason Wu (“Dr. Jason Wu”)	Chairman, executive director and chief executive officer	Ascletis Pharma Inc.-B (“Ascletis”)	1672	12.3 (Notes 3 and 4)	–	–	12.3
Dr. Li Chen	Founder, executive director, chief executive officer and chief scientific officer	Hua Medicine. – B (“Hua Medicine”)	2552	2.4	3.0	6.3	11.7
Mr. Xiong Jun	Executive director and chairman and legal representative	Shanghai Junshi Biosciences Co., Ltd – B (“Shanghai Junshi”)	1877	1.6	0.4	–	2.0
Dr. Xuefeng Yu	Co-Founder, executive director, chairman, chief executive officer and general manager	Cansino Biologics Inc. – B (“Cansino”)	6185	0.9	0.5	–	1.4
						Average	38.6
						Maximum	141.3
						Minimum	1.4
Dr. Yu				2.9	11.6	46.5 (Note 5)	61.0
							12.6%

Source: Annual report, prospectus and monthly return of the respective Comparable Companies and disclosure of interests filed by the Chief Executives of the Comparable Companies.

LETTER FROM SOMERLEY

Notes:

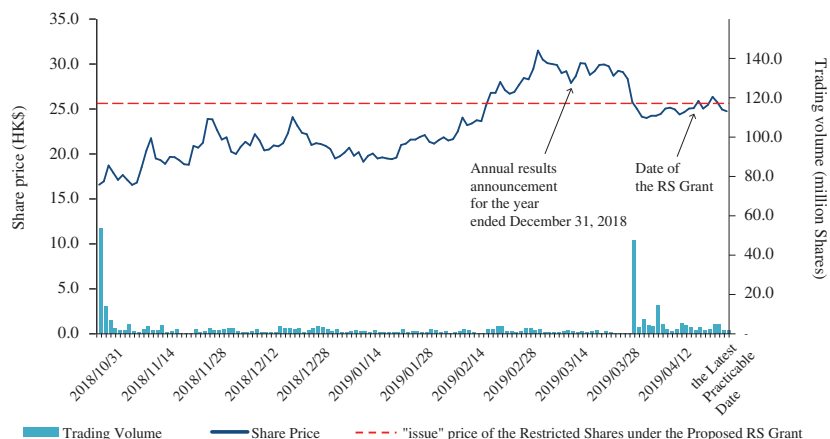
1. The percentage of equity interest held by the Chief Executive is calculated based on the total equity interest held by the Chief Executives in the respective Comparable Companies divided by the total issued ordinary shares of the Comparable Companies as at the Latest Practicable Date.
2. For illustration purpose, conversions of United States dollars into RMB are based on the approximate exchange rate of US\$1 to RMB6.9 for conversion of the amounts reported in the annual report of Beigene for the year ended December 31, 2018 in the table above.
3. This amount comprises salaries, bonuses, allowances and benefits in kind paid by Ascletis and its subsidiaries to Dr. Jason Wu. Performance related bonus, if any, is not separately disclosed in the annual report of Ascletis for the year ended December 31, 2018.
4. As set out in the annual report of Ascletis for the year ended December 31, 2018, Ascletis paid a one-time special bonus of approximately RMB12.8 million to Dr. Jason Wu, in recognition of his contributions to Ascletis during 2018. We considered this one-time special bonus of approximately RMB12.8 million is non-recurring and therefore excluded it from the remuneration package of Dr. Jason Wu in the table above.
5. The share-based payment expense of approximately RMB46.5 million to be recognised by the Company includes: (i) the recurring share-based payment expense of approximately RMB0.3 million as set out in the section headed “4. Dr. Yu’s current remuneration” above; (ii) the economic value of approximately RMB16.2 million in respect of the Options under the Proposed Option Grant per year; and (iii) the economic value of the Restricted Shares under the Proposed RS Grant to be vested of approximately RMB30.0 million per year.

As shown in the table above, the remunerations of the Chief Executives of the Comparable Companies ranged from approximately RMB1.4 million to approximately RMB141.3 million with an average of approximately RMB38.6 million. Assuming the Proposed RS Grant and the Proposed Option Grant are vested in full, the remuneration to be received by Dr. Yu per year will increase to approximately RMB61.0 million. Although the remuneration of Dr. Yu will be higher than the average of those of the Chief Executives of the Comparable Companies, it is within the range and ranks third among the seven pre-revenue biotech companies (i.e. the six Comparable Companies and the Company).

Moreover, as shown in the table above, the Chief Executives of the Comparable Companies who have a higher equity interest in the relevant Comparable Companies generally have a lower remuneration and vice versa. The Chief Executives of Ascletis, Shanghai Junshi and Cansino, whose equity interest in the relevant Comparable Companies ranging from approximately 23.3% to 53.3%, have a remuneration package ranging from approximately RMB1.4 million to approximately RMB12.3 million. On the other hand, the Chief Executives of CStone, Beigene and Hua Medicine, whose equity interest in the relevant Comparable Companies ranging from approximately 5.8% to 10.5%, have a remuneration package ranging from approximately RMB11.7 million to approximately RMB141.3 million. The proposed total remuneration of Dr. Yu, who has an equity interest of approximately 12.6% in the Company, of approximately RMB61.0 million as calculated in the table above, is considered generally in line with the patterns found in the Comparable Companies.

8. Historical share price movement of the Company

Set out below is the price performance of the Shares from October 31, 2018, being the date of listing of Shares on the Stock Exchange, to the Latest Practicable Date.



During the period from October 31, 2018 to the date of the Proposed RS Grant, i.e. May 2, 2019 (the “**Review Period**”), the closing price of the Shares ranged from HK\$16.56 to HK\$31.50 with an average and a median of approximately HK\$23.00 and approximately HK\$21.63 respectively. Out of a total of 122 trading days during the Review Period, there were 90 trading days when the price of the Shares closed lower than or equal to the “issue” price of the Restricted Shares under the Proposed RS Grant of HK\$25.15 (equivalent to approximately RMB21.73).

9. Financial effects of the Proposed RS Grant

In accordance with the International Financial Reporting Standards adopted by the Group for its financial statements, the grant of the Restricted Shares should be accounted for as share-based payment transactions on the financial statements of the Company. Equity-settled share-based payments to Dr. Yu are measured at the fair value of such equity instruments at the grant date. Due to the graded vesting of such Restricted Shares, the Company are required to treat each instalment as a separate grant because each instalment 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 May 2, 2019; and (ii) the Restricted Shares proposed to be granted to Dr. Yu are fully vested, the share-based payment in respect of these Restricted Shares to be charged to the financial statements of the Company will be RMB45.7 million, RMB48.5 million, RMB28.5 million, RMB16.8 million, RMB8.5 million and RMB2.0 million, totaling RMB150.0 million, in the financial years ending December 31, 2019 through December 31, 2024 respectively. Independent Shareholders should note that the actual fair value of the Restricted Shares to be granted to Dr. Yu to be recognised by the Group may deviate from the estimation above and will be based on, among other things, the date of approval of the Proposed RS Grant by the Independent Shareholders.

LETTER FROM SOMERLEY

In terms of financial impact on net asset value (“NAV”) of the Group, it is anticipated that there will be a dilution in the NAV per Share upon the issue of new Shares as a result of the vesting of the Restricted Shares. Based on: (i) the equity attributable to owners of the Company as at December 31, 2018 of approximately RMB4,194.4 million; (ii) approximately 1,153.6 million issued Shares as at the Latest Practicable Date; and (iii) approximately 6.9 million Shares to be issued upon vesting of the Restricted Shares in full, it is expected that the Proposed RS Grant will result in the dilution in the NAV per Share of up to approximately 0.60%.

10. Shareholding effects of the Proposed RS Grant

The table below sets out the shareholding in the Company assuming (i) the Restricted Shares (excluding the Director Options) granted to Dr. Yu were vested in full; (ii) no other Shares are issued or repurchased by the Company; and (iii) there are no other changes to the issued share capital of the Company:

	As of the		Upon vesting of the	
	Latest Practicable Date		Restricted Shares granted to Dr. Yu in full	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Dr. Yu	145,728,230	12.63%	152,630,026	13.15%
Other Shareholders	<u>1,007,874,480</u>	<u>87.37%</u>	<u>1,007,874,480</u>	<u>86.85%</u>
Total	<u><u>1,153,602,710</u></u>	<u><u>100.00%</u></u>	<u><u>1,160,504,506</u></u>	<u><u>100.00%</u></u>

As shown in the table above, the shareholding of the other Shareholders in the Company will decrease from approximately 87.37% to approximately 86.85% assuming all the Restricted Shares granted to Dr. Yu 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 RS Grant and terms and conditions of the Proposed RS Grant as discussed above, the dilution to the Independent Shareholders upon the issuance of the Restricted Shares to Dr. Yu is considered acceptable.

LETTER FROM SOMERLEY

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the Proposed RS Grant is 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 RS Grant are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the EGM in relation to the Proposed RS Grant.

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

This Appendix provides information as required by the Listing Rules to be provided to Shareholders for their consideration as to whether to vote for or against the resolution to be proposed at the EGM in relation to the Proposed Option Grant, which exceeds the Individual Limit and represent in aggregate over 0.1% of all the Shares in issue and have an aggregate value of over HK\$5 million.

PARTICIPANT AND NUMBER OF OPTIONS TO BE GRANTED

The total number of Shares to be issued upon the exercise of the Options to be granted pursuant to the Proposed Option Grant (the “**Director Options**”) and the percentage of total issued share capital of the Company, calculated based on the number of Shares in issue on the Latest Practicable Date, would be as follows:

Name of Grantee	Capacity	No. of Shares to be issued upon exercise of the Director Options	Percentage of total no. of Shares in issue
Dr. Yu	Chairman, President, Chief Executive Officer and Executive Director	4,142,857	0.36%

As at the Latest Practicable Date, Dr. Yu did not hold any options under the Post-IPO ESOP.

Pursuant to the shareholders’ resolutions of the Company on June 12, 2018, the Post-IPO ESOP was adopted and the Option Scheme Mandate Limit was 111,815,071 Shares. As at the Latest Practicable Date, 13,117,181 options (excluding the Director Options) had been granted since adoption of the Post-IPO ESOP.

The shareholding structures of the Company before and after full exercise of the Director Options are summarised as follows (calculated based on the number of Shares in issue on the Latest Practicable Date):

	As at the Latest Practicable Date		Assuming full exercise of the Director Options (note 1)	
	No. of shares	%	No. of shares	%
Dr. Yu (note 2)	145,728,230	12.63%	149,871,087	12.95%
Other Shareholders	1,007,874,480	87.37%	1,007,874,480	87.05%
Total	<u>1,153,602,710</u>	<u>100.00%</u>	<u>1,157,745,567</u>	<u>100.00%</u>

Notes:

- Assuming that no shares are issued pursuant to the Proposed RS Grant.
- The interest of Dr. Yu is comprised of 45,628,190 Shares held by Dr. Yu, 90,100,040 Shares held by Great Biono Fortune LP and 10,000,000 Shares held by Gloria Bingqinzi Yu as trustee of Yu Tong Family Irrevocable Trust.

TERMS OF THE PROPOSED OPTION GRANT

The terms of the Proposed Option Grant shall follow the terms of the Post-IPO ESOP. Details of the Proposed Option Grant are as follows:

Option Grant Date:	March 15, 2019
Total number of new Shares to be subscribed upon exercise of the Options granted:	4,142,857
Consideration for the Grant:	HK\$1 to be paid by each Dr. Yu upon acceptance of the Options granted, which must be received by the Company within 20 business days of delivery of grant letter
Exercise price of the Options granted:	HK\$28.30 per Share
Validity period of the Options:	The validity period of the Options shall be ten years from the Grant Date and the Options shall lapse at the expiry of the validity period.
Vesting period:	The Options granted to Dr. Yu shall vest as follows: <ul style="list-style-type: none">• 75% shall vest on March 15, 2022; and• 25% shall vest on March 15, 2023.

The Exercise Price, which was determined on the Option Grant Date, is HK\$28.30 per Share. The Exercise Price is the highest of (i) the closing price of HK\$28.30 per Share as stated in the daily quotation sheet issued by the Stock Exchange on the Option Grant Date; (ii) the average closing price of HK\$27.37 per Share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Option Grant Date; and (iii) US\$0.00001, the nominal value of each Share.

The Shares to be allotted and issued upon exercise of the Director Options will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* with the fully paid Shares in issue. The Director Options themselves shall not entitle Dr. Yu to any voting rights, or rights to participate in any dividends or other distributions.

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 as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding ⁽¹⁾
Dr. De-Chao Michael Yu	Beneficial owner	56,672,843 ⁽²⁾ (L)	4.91%
	Grantor of a trust	10,000,000 ⁽³⁾ (L)	0.87%
	Interest in a controlled corporation	90,100,040 ⁽⁴⁾ (L)	7.81%
Dr. Charles Leland Cooney	Beneficial owner	39,090 ⁽⁵⁾ (L)	0.00%
Mr. Ronald Hao Xi Ede	Beneficial owner	10,491,421 ⁽⁶⁾ (L)	0.91%

Notes:

- The calculation is based on the total number of 1,153,602,710 Shares in issue as at the Latest Practicable Date.
- These include Shares directly held by Dr. Yu and Shares to be issued pursuant to the Proposed Grants.
- 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.
- These Shares are held by Great Biono Fortune LP, the general partner of which is Great Biono Fortune Limited. Dr. Yu is the sole shareholder of Great Biono Fortune Limited and is therefore deemed to be interested in these Shares for the purposes of the SFO. Of the 90,100,040 Shares held by Great Biono Fortune LP, Dr. Yu is beneficially interested in 59,511,000 Shares.
- These Shares held by Dr. Charles Leland Cooney.
- Includes 9,539,040 Shares are held by Great Biono Fortune Limited LP as nominee for Mr. Ronald Hao Xi Ede.
- (L) – Long position.

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 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, 2018, the date to which the latest published audited financial statements of the Group were made up, and none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. SERVICE CONTRACTS

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

5. COMPETING INTERESTS

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

6. CONSENT OF EXPERT

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

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

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Somerley Capital Limited did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2018, 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, 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the Post-IPO ESOP;
- (b) the RS Plan;
- (c) the letter from the Independent Board Committee set out on page 15 of this circular;
- (d) the letter from the Independent Financial Adviser set out on page 16 of this circular; and
- (e) the letter from the Independent Financial Adviser consenting to the issue of this circular with the inclusion of its letter and/or references to its name in the form and context in which it appears.

9. LANGUAGE

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Innovent

信達生物製藥

INNOVENT BIOLOGICS, INC.

(Incorporated in the Cayman Islands with Limited Liability)

(Stock Code: 1801)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Innovent Biologics, Inc. (the “**Company**”) will be held at Plaza 1-2, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 10:00 a.m. on Friday, June 14, 2019 for the purpose of considering and, if thought fit, passing with or without modifications the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT

- (a) the conditional grant of options (“**Options**”) to Dr. De-Chao Michael Yu (“**Dr. Yu**”) in accordance with the terms of the post-IPO share option scheme adopted by the Company on June 12, 2018 (the “**Post-IPO ESOP**”), subject to all applicable laws, rules, regulations and the applicable grant letter (the “**Proposed Option Grant**”) be hereby approved and confirmed;
- (b) any one or more of the directors of the Company, with the exception of Dr. Yu (the “**Authorised Directors**”), be authorised to exercise the powers of the Company to allot and issue the ordinary shares of the Company pursuant to the Proposed Option Grant (the “**Option Shares**”) under the specific mandate granted to the Directors by the shareholders of the Company pursuant to the unanimous written resolutions of all the shareholders dated June 12, 2018 in accordance with the terms of the Post-IPO ESOP, such that the Option Shares shall rank *pari passu* in all respects among themselves and with the existing ordinary shares in issue at the date of the allotment and issuance of the Option 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 (a) above;
- (c) the conditional grant of restricted shares to Dr. Yu in accordance with the terms of the restricted share plan adopted by the Company on October 15, 2018 (the “**RS Plan**”), subject to all applicable laws, rules, regulations and the applicable award agreement (the “**Proposed RS Grant**”) be hereby approved and confirmed;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) any one or more of the Authorised Directors be authorised to exercise the powers of the Company to allot and issue the ordinary shares of the Company pursuant to the Proposed RS Grant (the “**Restricted Shares**”) under the specific mandate granted to the Directors by the shareholders of the Company at the extraordinary general meeting of the Company held on October 15, 2018 in accordance with the terms of the RS Plan, such that the Restricted Shares shall rank *pari passu* in all respects among themselves and with the existing ordinary 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 (c) above.”

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

Hong Kong, May 24, 2019

Registered office:

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

Principal place of business in Hong Kong:

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. The transfer books and register of members of the Company will be closed from Tuesday, June 11, 2019 to Friday, June 14, 2019, both dates inclusive, for the purpose of determining shareholders' entitlements to attend and vote at the EGM. In order to qualify for the right to attend and vote at the meeting, all unregistered transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, June 10, 2019.
2. Any shareholder entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A shareholder who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the EGM. A proxy need not be a shareholder of the Company. In addition, a proxy or proxies representing either a shareholder who is an individual or a shareholder which is a corporation shall be entitled to exercise the same powers on behalf of the shareholder which he/she or they represent as such shareholder could exercise.
3. To be valid, a form of proxy must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM (i.e. not later than 10:00 a.m. on Wednesday, June 12, 2019) or any adjournment thereof.
4. Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it was solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Votes on the ordinary resolutions set out herein which are to be passed at the EGM will be taken by way of poll.
7. If Typhoon Signal No.8 or above, or a "black" rainstorm warning, is in effect any time after 8:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the website of the Company at www.innoventbio.com and on the Stock Exchange news website of the Stock Exchange at www.hkexnews.hk to notify the shareholders of the date, time and place of the rescheduled meeting.
8. A circular containing further details concerning the resolutions set out in this notice will be sent to all shareholders of the Company together with this notice.
9. References to dates and time in this notice are to Hong Kong dates and time.
10. As at the date hereof, the Board comprises Dr. De-Chao Michael Yu as Chairman and Executive Director and Mr. Ronald Hao Xi Ede as Executive Director, Mr. Shuyun Chen as Non-executive Director, and Dr. Charles Leland Cooney, Ms. Joyce I-Yin Hsu and Dr. Kaixian Chen as Independent Non-executive Director.