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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, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), you should at once hand this circular, together with the enclosed 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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WUXI APPTec CO., LTD.* 無錫藥明康德新藥開發股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2359)

- (1) PROPOSED ADOPTION OF THE 2019 A SHARE INCENTIVE PLAN AND GRANT OF RESTRICTED A SHARES TO INCENTIVE PARTICIPANTS INCLUDING CONNECTED PARTICIPANTS (CONNECTED TRANSACTIONS);**
- (2) PROPOSED ADOPTION OF THE 2019 SHARE APPRECIATION SCHEME;**
- (3) PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM OF THE 2019 SHARE INCENTIVE SCHEMES;**
- (4) PROPOSED AUTHORIZATION TO THE BOARD TO HANDLE MATTERS PERTAINING TO 2019 SHARE INCENTIVE SCHEMES;**
- (5) PROPOSED CHANGE OF REGISTERED CAPITAL;**
- (6) PROPOSED AMENDMENTS TO THE BUSINESS SCOPE;**
- (7) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND**
- (8) NOTICES OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2019 AND THE SECOND H SHARE CLASS MEETING OF 2019**

The notice convening the EGM and the notice convening the H Share Class Meeting of WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司) to be held at 2:00 p.m. on Friday, September 20, 2019 at Crowne Plaza Shanghai Pudong, 1000 Yanggao Road (N), Pilot Free Trade Zone, Shanghai, China are set out in this circular.

For H Shareholders, if you intend to attend the EGM and/or the H Share Class Meeting, please complete and return the enclosed reply slip in accordance with the instructions printed thereon as soon as possible and in any event on or before Saturday, August 31, 2019.

Whether or not you are able to attend the EGM and/or the H Share Class Meeting, please complete and sign the enclosed forms of proxy for use at the EGM and/or the H Share Class Meeting in accordance with the instructions printed thereon and return it to the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 24 hours before the time appointed for the EGM and/or the H Share Class Meeting (i.e. not later than 2:00 p.m. on Thursday, September 19, 2019 (Hong Kong time)) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM and/or the H Share Class Meeting if they so wish.

This circular together with the forms of proxy are also published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.wuxiapptec.com.cn).

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

* For identification purposes only

August 5, 2019

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DEFINITIONS

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

“2019 A Share Incentive Plan”	Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company
“2019 Share Appreciation Scheme”	Share Appreciation Incentive Scheme of 2019 of the Company
“2019 Share Incentive Schemes”	the 2019 A Share Incentive Plan and the 2019 Share Appreciation Scheme of the Company
“A Share(s)”	ordinary share(s) of the Company with nominal value of RMB1.00 each listed on the Shanghai Stock Exchange
“A Share Class Meeting”	the A Share class meeting of the Company to be held on Friday, September 20, 2019
“Announcement”	the announcement of the Company dated July 19, 2019 in relation to, amongst other things, the proposed adoption of the 2019 A Share Incentive Plan, the proposed Initial Grant of Restricted A Shares to the Connected Participants and matters related to the Proposed Grant
“Articles of Association”	the articles of association of the Company currently in force
“Board” or “Board of Directors”	the board of Directors of the Company
“Company”	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC
“Connected Participant(s)”	Participant(s), who as at the Latest Practicable Date is either, a director, supervisor or the chief executive of the Company and/or its subsidiaries or their respective associate (i.e. a connected person of the Company)
“connected person”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 2:00 p.m. on Friday, September 20, 2019 at Crowne Plaza Shanghai Pudong, 1000 Yanggao Road (N), Pilot Free Trade Zone, Shanghai, China, to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 179 to 182 of this circular, or any adjournment thereof
“Exercise Price”	the exercise price of each Share Option granted to the Incentive Participants
“Grant Price”	the price of each Restricted A Share granted to the Incentive Participants
“Group”	the Company and its subsidiaries
“H Shareholder(s)”	holder(s) of H Shares
“H Share(s)”	overseas-listed foreign share(s) in the share capital of the Company, with nominal value of RMB1.00 each, listed on the Main Board of the Hong Kong Stock Exchange
“H Share Class Meeting”	the second H Share class meeting of the Company of 2019 to be held on Friday, September 20, 2019
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Incentive Participants”	the persons to be granted Restricted A Share(s), Share Option(s) or Share Appreciation Right(s) under the 2019 Share Incentive Schemes, including the Company’s Directors, senior management, mid-level management, backbone members of technicians, basic-level management and other technicians
“Independent Board Committee”	the independent board committee of the Company comprising Dr. Jiangnan Cai, Ms. Yan Liu, Mr. Dai Feng, Dr. Hetong Lou and Mr. Xiaotong Zhang, being all the independent non-executive Directors, established for the purpose of advising the Independent Shareholders in respect of the proposed Initial Grant of Restricted A Shares to Connected Participants pursuant to the 2019 A Share Incentive Plan
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Participant(s)”	Incentive Participant(s), who is independent of the Company and its connected person(s)
“Independent Shareholder(s)”	Shareholders who are independent of the Connected Participants and its associates and are not required to abstain from voting on the relevant resolution at the general meeting of the Company
“Initial Grant”	the initial grant of 13,657,803 Restricted A Shares and 5,292,174 Share Options upon adoption of the 2019 A Share Incentive Plan
“Latest Practicable Date”	August 2, 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange as amended from time to time
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Grant” or “Grant”	the proposed grant of the Restricted A Shares or Share Options or Share Appreciation Rights to the Participants (including Connected Participants) pursuant to the 2019 Share Incentive Schemes
“Reserved Grant”	any Proposed Grant of the Reserved Interests subsequent to the Initial Grant under the 2019 A Share Incentive Plan
“Reserved Interests”	reserved interests of 2,105,553 units, representing 10% of the total interests to be granted under the 2019 A Share Incentive Plan, which may be granted as Restricted A Shares or Share Options for further distribution
“Restricted A Shares”	the restricted A Shares granted by the Company under the 2019 A Share Incentive Plan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of the Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including both A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Share Appreciation Rights”	rights granted to the Incentive Participants under the 2019 Share Appreciation Scheme
“Share Options”	share options granted under the 2019 A Share Incentive Plan

DEFINITIONS

“Special Grant”	124,443 Restricted A Shares under the Initial Grant which will be subject to different conditions and restrictions than the other Incentive Participants under the 2019 A Share Incentive Plan
“STA”	Shanghai SynTheAll Pharmaceutical Co., Ltd.* (上海合全藥業股份有限公司) (formerly known as Shanghai Hequan Precise Chemical Engineering Co., Ltd.* (上海合全精細化工有限公司), a company incorporated in the PRC on January 23, 2003, an indirect majority owned subsidiary of the Company
“STA Share(s)”	domestic shares of STA
“%”	per cent

* *For identification purposes only*

LETTER FROM THE BOARD



WUXI APPTEC CO., LTD.*
無錫藥明康德新藥開發股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2359)

Executive Directors:

Dr. Ge Li (Chairman)
Mr. Edward Hu
Mr. Xiaozhong Liu
Mr. Zhaohui Zhang
Dr. Ning Zhao

Non-executive Directors:

Mr. Xiaomeng Tong
Dr. Yibing Wu

Independent Non-executive Directors:

Dr. Jiangnan Cai
Ms. Yan Liu
Mr. Dai Feng
Dr. Hetong Lou
Mr. Xiaotong Zhang

Registered Office:

Mashan No. 5 Bridge
Binhu District, WuXi
Jiangsu Province
PRC

*Headquarters and Principal Place of
Business in the PRC:*

288 Fute Zhong Road
Waigaoqiao Free Trade Zone
Shanghai
PRC

*Principal Place of Business
in Hong Kong:*

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

August 5, 2019

To the Shareholders

Dear Sir/Madam,

- (1) PROPOSED ADOPTION OF THE 2019 A SHARE INCENTIVE PLAN AND GRANT OF RESTRICTED A SHARES TO INCENTIVE PARTICIPANTS INCLUDING CONNECTED PARTICIPANTS (CONNECTED TRANSACTIONS);**
- (2) PROPOSED ADOPTION OF THE 2019 SHARE APPRECIATION SCHEME;**
- (3) PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM OF THE 2019 SHARE INCENTIVE SCHEMES;**
- (4) PROPOSED AUTHORISATION TO THE BOARD TO HANDLE MATTERS PERTAINING TO 2019 SHARE INCENTIVE SCHEMES;**
- (5) PROPOSED CHANGE OF REGISTERED CAPITAL;**
- (6) PROPOSED AMENDMENTS TO THE BUSINESS SCOPE;**
- (7) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION; AND**
- (8) NOTICES OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2019 AND THE SECOND H SHARE CLASS MEETING OF 2019**

1. INTRODUCTION

Reference is made to the announcement of the Company dated July 19, 2019 in relation to, amongst other things, the proposed adoption of the 2019 A Share Incentive Plan, the proposed Initial Grant of Restricted A Shares to the Connected Participants and matters related to the Proposed Grant.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with information in respect of certain resolutions to be proposed at the EGM and the H Share Class Meeting to be held on Friday, September 20, 2019, to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM and the H Share Class Meeting. For the details of the proposed resolutions at the EGM and the H Share Class Meeting, please also refer to the notices of the EGM and the H Share Class Meeting enclosed with this circular.

2. PROPOSED ADOPTION OF THE 2019 A SHARE INCENTIVE PLAN AND GRANT OF RESTRICTED A SHARES TO INCENTIVE PARTICIPANTS INCLUDING CONNECTED PARTICIPANTS (CONNECTED TRANSACTION)

Special resolutions will be proposed at the EGM, the A Share Class Meeting and the H Share Class Meeting to consider and approve the proposed adoption of the 2019 A Share Incentive Plan and the proposed Initial Grant of Restricted A Shares to the Incentive Participants, including the Connected Participants. The 2019 A Share Incentive Plan shall be effective upon the approval by the Shareholders at the EGM, A Share Class Meeting and the H Share Class Meeting.

The full text of the 2019 A Shares Incentive Plan is set out in Appendix I to this circular.

Information on the Group

The Group provides comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. The Group also provides development and manufacturing services for cell and gene therapies as well as testing services for medical devices.

Purpose of the 2019 A Share Incentive Plan

To establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core personnel of the Company and effectively integrate the interests of the shareholders, the Company and core team members so that the parties will make joint efforts for the sustainable development of the Company, the 2019 A Share Incentive Plan has been made on the premise of fully safeguarding the interests of Shareholders, in line with the principle of benefits being in proportion to contributions and in compliance with the PRC Company Law, the PRC Securities Law, the Administrative Measures on Share Option Incentive of Listed Companies and other relevant laws and regulations as well as the Articles of Association.

The Directors believe that the performance targets as conditions for unlocking the Restricted A Shares and vesting the Share Options will serve to achieve the purpose stated above. In addition, the lock-up period requirement for the Restricted A Shares and the withholding period requirement for the Share Options will serve as an incentive for the respective grantees for their continuing commitment and contribution to the growth of the Group in the future.

LETTER FROM THE BOARD

Source of Underlying Shares of the 2019 A Share Incentive Plan

The underlying shares of the 2019 A Shares Incentive Plan comprise the Company's A Shares to be issued to the Incentive Participants by the Company. The A Shares to be issued upon exercise of the Share 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 A Shares in issue and accordingly will entitle the holders to voting, dividend, transfer and other rights, including those arising from liquidation of the Company.

Number of Underlying Shares of the 2019 A Share Incentive Plan

As at the date of this circular, the Company had a total issued share capital of 1,638,043,314 Shares (comprising 1,467,529,754 A Shares and 170,513,560 H Shares). An aggregate of 21,055,530 units are proposed to be granted to the Incentive Participants under the 2019 A Share Incentive Plan, representing 1.2854% of the total share capital of the Company as at the Latest Practicable Date. Specifically, the Initial Grant of 13,657,803 Restricted A Shares and 5,292,174 Share Options shall be granted initially, representing 1.1569% of the total share capital of the Company as at the Latest Practicable Date and 90% of the total interests to be granted under the 2019 A Share Incentive Plan. Reserved Interests (which may be granted as Restricted A Shares or Share Options) for further distribution amount to 2,105,553 units, representing 0.1285% of the total share capital of the Company as at the Latest Practicable Date and 10% of the total interests to be granted under the 2019 A Share Incentive Plan.

Scope of Incentive Participants

The total number of participants under the 2019 A Share Incentive Plan is 2,534, including directors, senior management, middle management and other technical and management key personnel of the Company.

The Incentive Participants under the 2019 A Share Incentive Plan do not include independent directors, supervisors and shareholders of the Company who holds 5% or above of the shares of the Company individually or jointly or de-facto controllers or their spouses or parents or children.

Among the Incentive Participants, Directors shall be elected by the general meeting of the Company and approved by the independent Directors while senior management shall be appointed by the Board. All Incentive Participants shall have employment or labor service relationships with the Company or its branches or subsidiaries within the appraisal period under the 2019 A Share Incentive Plan when the Restricted A Shares or Share Options are granted.

LETTER FROM THE BOARD

Details of the scope of the Incentive Participants are set out in the paragraph headed “Chapter 4 Basis for Determining the Incentive Participants and the Scope of Incentive Participants.” of Appendix I to this circular.

Allocation of Restricted A Shares and Share Options granted to the Incentive Participants

(1) Initial Grant

13,657,803 Restricted A Shares and 5,292,174 Share Options are proposed to be granted initially, representing 0.8338% and 0.3231% of the total share capital of the Company as at the Latest Practicable Date, respectively. Among the Initial Grant of Restricted A Shares:

- (i) 311,200 Restricted A Shares will be granted to 5 Connected Participants; and
- (ii) 13,346,603 Restricted A Shares will be granted to 2,043 Independent Participants.

The Initial Grant of 5,292,174 Share Options will be granted to 487 participants, all of which are Independent Participants.

The Company shall internally publish a list of Incentive Participants under the Initial Grant of the 2019 A Share Incentive Plan with the names and the positions of the Incentive Participants for a period of no less than 10 days. The supervisory committee of the Company shall verify the list of the Incentive Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the supervisory committee on the verification and the public opinions in relation to the list of the Incentive Participants under the Initial Grant of the 2019 A Share Incentive Plan 5 days before the 2019 A Share Incentive Plan is considered at the EGM, the A Share Class Meeting and the H Share Class Meeting.

The aforesaid list of Incentive Participants is subject to approval by the Shareholders and a special resolution will be proposed at the EGM, the A Share Class Meeting and the H Share Class Meeting to consider and approve the list of grantees.

(2) Reserved Grant

The Reserved Interests amount to 2,105,553 units, representing 0.1285% of the total share capital of the Company as at the Latest Practicable Date and 10% of the total interests to be granted under the 2019 A Share Incentive Plan, will be reserved for further distribution.

LETTER FROM THE BOARD

Incentive Participants for the Reserved Grant shall be determined and granted the Reserved Grant by the Board within 12 months from the date on which the 2019 A Share Incentive Plan is considered and passed at the EGM, the A Share Class Meeting and the H Share Class Meeting. The Reserved Interests shall become invalid where the Incentive Participants for the Reserved Grant are not determined and granted the Reserved Grant by the Board after 12 months from the aforesaid date. The Company will make prompt announcements when the proposed Incentive Participants for the Reserved Grant have been identified and determined by the Board.

The Reserved Interests will be granted during the period permitted by the stock exchange where the Company's share are listed. In particular, the following restrictions shall apply:-

- (i) no Share Option may be granted after inside information has come to the Company's knowledge until the Company has announced the information, pursuant to Chapter 17 of the Listing Rules;
- (ii) the Company may not grant any Share Option during the period commencing from one month immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period; and (b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period and ending on the date of the results announcement, pursuant to Chapter 17 of the Listing Rules;
- (iii) no Share Option may be granted by the Company during any period of delay in publishing the results announcement, pursuant to Chapter 17 of the Listing Rules; and
- (iv) no Restricted A Share shall be dealt by, and no Share Option shall be granted to any Director during the black-out period as stipulated under Appendix 10 of the Listing Rules.

Reference is also made to "Chapter 5 Details of the Stock Incentive Plan — III. Details of reserved interest — (III) Validity period, granting date, Lock-up/Withholding Period, Exercisable Date, unlocking/exercise arrangement and Black-out Period of reserved interest" in Appendix I to this circular for other restrictions on granting. Where the restrictions on granting of interests stipulated by the 2019 A Share Incentive Plan, CSRC or the Shanghai Stock Exchange differ from those under the Listing Rules, the Company will abide by the more stringent restrictions to ensure compliance with all applicable laws and regulations.

For details of arrangements in relation to the Reserved Interests, please refer to the paragraph headed "19. Arrangement in relation to the Reserved Interests" in the Announcement.

LETTER FROM THE BOARD

RESTRICTED A SHARES

Allocation of Restricted A Shares to be granted to the Incentive Participants under the Initial Grant and Connected Transactions

The allocation of Restricted A Shares among the Incentive Participants under the Initial Grant are as follow:

(1) Connected Participants

The Company proposed to grant 311,200 Restricted A Shares to the Connected Participants as follows:

Name	Position	Number of Restricted A Shares to be granted (Shares)	Percentage to the total amount of interest to be granted under the 2019 A Share Incentive Plan	Percentage to the total share capital of the Company as at the Latest Practicable Date
Mr. Edward Hu	Director and Co-Chief Executive Officer	125,000	0.5937%	0.0076%
Ms. Wendy J. Hu*	Senior Director of Human Resources	19,500	0.0926%	0.0012%
Mr. Minzhang Chen	Director of a principal subsidiary of the Company	115,000	0.5462%	0.0070%
Ms. Cuiping Hu	Supervisor of a principal subsidiary of the Company	4,700	0.0223%	0.0003%
Ms. Hui Xu	Supervisor of a principal subsidiary of the Company	47,000	0.2232%	0.0029%
Total: 5 persons		<u>311,200</u>	<u>1.4780%</u>	<u>0.0190%</u>

LETTER FROM THE BOARD

Notes:

1. The total number of shares of the Company to be granted under all effective incentive plans to any one of the abovementioned participants will not exceed 1% of the total share capital of the Company.
2. The participants under the 2019 A Share Incentive Plan do not include any shareholder or de-facto controller who hold 5% or above of the shares of the Company individually or jointly or their spouses, parents or children.

* Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

One of the Connected Participants, Mr. Edward Hu, being an executive Director, has declared his interests in the 2019 A Share Incentive Plan and abstained from voting on the relevant board resolutions in relation to the 2019 A Share Incentive Plan. Save for Mr. Edward Hu, there is no other Director who is required to abstain from voting on the board resolutions in relation to the 2019 A Share Incentive Plan.

Further, Mr. Edward Hu, being a Director and Co-Chief Executive Officer, and Ms. Wendy J. Hu, being the spouse of Mr. Edward Hu, shall not deal in any securities of the Company, including the Restricted A Shares, for the black-out period as stipulated under Appendix 10 of the Listing Rules.

(2) Independent Participants

The Company proposed to grant 13,346,603 Restricted A Shares to 2,043 Independent Participants which constitutes 63.3876% of the total amount of interest to be granted under the 2019 A Share Incentive Plan and 0.8148% of the total share capital of the Company as at the Latest Practicable Date. The Independent Participants are the Company's key employees, including senior management team members, mid-level management, technical backbones, basic-level management and other technicians of the Company.

Amongst the Restricted A Shares under the Initial Grant, 124,443 Restricted A Shares are Special Grant which will be subject to different conditions and restrictions than the other Independent Participants. Please refer to "Chapter 5 Details of the Stock Option Incentive Plan — I. Details of the Restricted A Shares under the initial grant — (IV) Validity Period, grant date, Lock-up Period, unlocking arrangements and Black-out Period and other lock-up arrangements of the Restricted A Shares granted under the initial grant" in Appendix I to this circular for details.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Participants are third parties independent of the Company and its connected persons.

LETTER FROM THE BOARD

Implications of the Listing Rules

As each of the Connected Participants as at the Latest Practicable Date is either a director, supervisor or the chief executive of the Company and/or its subsidiaries or their respective associate, each of the Connected Participants is a connected person of the Company pursuant Chapter 14A of the Listing Rules, and the Initial Grant of Restricted A Shares to the Connected Participants will constitute connected transactions of the Company and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has established the Independent Board Committee comprising all independent non-executive Directors (none of the independent non-executive Director is interested in the Initial Grant of Restricted A Shares to the Connected Participants) to provide its recommendation on the Initial Grant of Restricted A Shares to the Connected Participants to the Independent Shareholders, and the Company has engaged Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regards. The letters from the Independent Board Committee and Gram Capital, respectively, are enclosed in this circular.

Reasons for and benefits of the proposed Initial Grant of Restricted A Shares to the Connected Participants

Please refer the section headed "2. Proposed Adoption Of The 2019 A Share Incentive Plan And Grant Of Restricted A Shares To Incentive Participants Including Connected Participants (Connected Transaction)- Purpose of the 2019 A Share Incentive Plan" in this circular. In view of the contribution of the Connected Participants to the Company and the aforesaid goals, the Board is of the view that the proposed Initial Grant of Restricted A Shares to the Connected Participants is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Validity Period, Date of Grant, Lock-up Period, Unlocking Period and Black-out Period of the Restricted A Shares

(1) Validity Period

The Initial Grant of the interests is valid from the date on which the registration of the Restricted A Shares granted under the Initial Grant is completed (the “**Registration Date**”) to the date on which all the Restricted A Shares granted to the participants under the Initial Grant have been unlocked or repurchased and cancelled, but in any event shall not be more than 66 months.

(2) Date of Grant

The exact date of grant (the “**Date of Grant**”) shall be determined by the Board after the 2019 A Share Incentive Plan is considered and passed at the general meeting of the Company, and must be a trading day falling within a period in compliance with the applicable listing rules, laws and regulations. The Company shall grant the Restricted A Shares and complete the announcement and registration procedures within 60 days (excluding the number of days where the listed issuer is prohibited from granting pursuant to the relevant Administrative Measures, laws and regulations) from the date on which the 2019 A Share Incentive Plan is considered and passed at the general meeting.

(3) Lock-up Period and Unlocking Period

Each tranche of the Restricted A Shares granted (other than the Special Grant portion) under the Initial Grant will be locked up for 12, 24 and 36 months (each a “**Lock-up Period**”) from the Registration Date, respectively. Each tranche of the Restricted A Shares granted under the Special Grant will be locked up from the Registration Date to February 28, 2021, February 28, 2022, February 28, 2023, February 29, 2024, respectively. During the Lock-up Period, the Restricted A Shares granted to the participants pursuant to the 2019 A Share Incentive Plan shall not be transferred, pledged for guarantees or used for repayment of debt.

LETTER FROM THE BOARD

The unlocking periods (each an “**Unlocking Period**”) in relation to the Restricted A Shares granted (other than the Special Grant portion) under the Initial Grant are as follows:

	Unlocking Period	Proportion of unlocking
First Unlocking Period	From the first trading day after 12 months from the Registration Date to the last trading day within 24 months from the Registration Date	40%
Second Unlocking Period	From the first trading day after 24 months from the Registration Date to the last trading day within 36 months from the Registration Date	30%
Third Unlocking Period	From the first trading day after 36 months from the Registration Date to the last trading day within 48 months from the Registration Date	30%

The Unlocking Period in relation to the Restricted A Shares granted under the Special Grant are as follows:

	Unlocking Period	Proportion of unlocking
First Unlocking Period	From March 1, 2021 to February 28, 2022	20%
Second Unlocking Period	From March 1, 2022 to February 28, 2023	20%
Third Unlocking Period	From March 1, 2023 to February 29, 2024	20%
Fourth Unlocking Period	From March 1, 2024 to February 28, 2025	40%

If (i) the participants did not apply for the unlocking, or (ii) the unlocking conditions are not fulfilled during the respective Unlocking Period, the Company shall repurchase the Restricted A Shares held by the participants at the grant price under the principles of the 2019 A Share Incentive Plan.

LETTER FROM THE BOARD

(4) Black-out Period

The black-out period (the “**Black-out Period**”) for the holders of the Restricted A Shares (including Shareholders who acquired through non-transaction transfer, except for the Special Grant portion) granted under the Initial Grant shall follow applicable PRC laws and regulations and the Articles of Association. The key provisions are set out as follows:

- (i) Any holder of the Restricted A Shares (including Shareholders who acquired through non-transaction transfer, except for the Special Grant portion) shall not transfer the Restricted A Shares which fulfill the unlocking conditions to any third party in any form within the 6 months from the expiration of each Lock-up Period.
- (ii) In respect of the holders of the Restricted A Shares (including Shareholders who acquired through non-transaction transfer, except for the Special Grant portion), after the expiration of the Lock-up Period, the Company shall uniformly process the unlocking of the Restricted A Shares that satisfy the conditions for unlocking.
- (iii) For the avoidance of doubt, the resignation of any participants that meet the conditions for unlocking shall not affect the unlocking of the Restricted A Shares after the expiration of the Lock-up Period.

Under the Listing Rules, no Restricted A Share shall be dealt by any Director during the black-out period as stipulated under Appendix 10 of the Listing Rules.

Please also refer to the section headed “Chapter 5 Details of the Stock Option Incentive Plan — I. Details of the Restricted A Shares under the initial grant — (IV) Validity period, grant date, Lock-up Period, unlocking arrangements and Black-out Period and other lock-up arrangements of the Reserved A Shares granted under the initial grant” in Appendix I to this circular for further details.

LETTER FROM THE BOARD

Conditions of the Initial Grant of the Restricted A Shares and Unlocking of the Restricted A Shares

The following conditions must be fulfilled before the Company can grant the Restricted A Shares under the Initial Grant, or the Restricted A Shares granted under the Initial Grant of the Restricted A Shares can be unlocked:

- (1) None of the following circumstances has occurred to the Company (or in the case of unlocking the granted Restricted A Shares, before each Unlocking Period):
 - (i) issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
 - (ii) issue of the Company's financial internal control report for the most recent accounting year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
 - (iii) the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings within the most recent 36 months after listing;
 - (iv) the implementation of the share incentive scheme is prohibited by the laws and regulations; and
 - (v) other circumstances as determined by the CSRC.
- (2) None of the following circumstances has occurred to the participant (or in the case of unlocking the granted Restricted A Shares, before each Unlocking Period):
 - (i) such participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
 - (ii) such participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
 - (iii) such participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its agency authorities due to material non-compliance of laws and regulations in the most recent 12 months;

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- (iv) occurrence of circumstances under which such participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the PRC Company Law;
- (v) such participant is prohibited by law from participating in share incentive scheme of listed companies; and
- (vi) other circumstances as determined by the CSRC.

In addition, the following performance indicators shall be fulfilled for unlocking of the Restricted A Shares pursuant to the Initial Grant (other than the Special Grant portion):

Unlocking period	Performance indicators
First Unlocking Period	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018
Second Unlocking Period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Third Unlocking Period	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

Note:

The “operating revenue” represents the operating revenue as shown in the consolidated financial statement of the Company.

The following performance indicators shall be fulfilled for unlocking of the Restricted A Shares in respect of the Special Grant:

Unlocking period	Performance indicators
First Unlocking Period	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018
Second Unlocking Period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Third Unlocking Period	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

Note:

The “operating revenue” represents the operating revenue as shown in the consolidated financial statement of the Company. There are no performance indicators for the fourth Unlocking Period for the Special Grant.

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The assessment of the participants at individual level shall be conducted according to the Company's current requirements for remuneration and assessment which may affect the actual unlocking amount for the respective year for such participant.

Grant Price of the Restricted A Shares and the Basis of Determination

(1) Grant Price of the Restricted A Shares under the Initial Grant

The Grant Price of the Restricted A Shares under the Initial Grant is RMB32.44 per share.

Under the 2019 A Share Incentive Plan, the Grant Price of the Restricted A Shares under the Initial Grant shall not be lower than the nominal value of the A Shares, and shall be not lower than the higher of the following:

- (i) 50% of the average trading price of the A shares on the trading day preceding July 19, 2019, the date of announcement of the 2019 A Share Incentive Plan;
- (ii) 50% of any one of the average trading prices of the A shares for the last 20 trading days preceding the date of announcement of the 2019 A Share Incentive Plan.

(2) Restricted A Shares under the Reserved Grant

The Grant Price of the Restricted A Shares under the Reserved Grant shall not be lower than the nominal value of the A shares, and shall not be lower than the higher of the following:

- (i) 50% of the average trading price of the A Shares on the trading day preceding the date of announcement of the board resolution on the grant of the 2019 A Share Incentive Plan under the Reserved Grant;
- (ii) 50% of the average price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the grant of the 2019 A Share Incentive Plan under the Reserved Grant.

The Company will publish further announcements disclosing the details of the subsequent grant of the Restricted A Shares under the Reserved Grant, including among others, the number of Restricted A Shares granted and the Grant Price in accordance with the Listing Rules.

LETTER FROM THE BOARD

Accounting Treatment on the Restricted A Shares

Details of the accounting treatment on the Restricted A Shares are set out in the paragraph headed “Chapter 5 Details of the Stock Incentive Plan — I. Details of the Restricted A Shares under the initial grant — (VIII) Accounting of the Restricted A Shares” in Appendix I to this circular.

The calculation results of the value of the Restricted A Shares are subject to a number of assumptions of the parameters and the limitation of the valuation model adopted and therefore, the estimated value of the Restricted A Shares may be subjective and uncertain.

SHARE OPTIONS

Allocation of Share Options to be granted to the Incentive Participants under the Initial Grant

The Company proposed for the Initial Grant of 5,292,174 Share Options to 487 participants, all of which are senior management, mid-level managers and backbone members of the technicians and basic-level managers and other technicians of the Company. The Share Options initially granted constitutes 25.1344% of the total interests to be granted under the 2019 A Share Incentive Plan and 0.3231% of the total share capital of the Company as at the Latest Practicable Date. The maximum number of A Shares in respect of which Share Options may be granted under the 2019 A Share Incentive Plan, when aggregated with the maximum number of A Shares in respect of any options to be granted under other incentive plans, shall not in aggregate exceed 10% of the outstanding A Shares of the Company in issue on the date of approval of the 2019 A Share Incentive Plan at the EGM.

Further, under the Listing Rules, unless otherwise approved by the Shareholders, no Incentive Participant shall be granted Share Option if the total number of A Shares issued and to be issued upon exercise of the Share Options (including exercised, cancelled and outstanding Share Options) granted and to be granted to such Incentive Participant in any 12-month period up to the date of the latest grant would exceed 1% of the outstanding A Shares of the Company in issue from time to time.

The limit on the number of A Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the 2019 A Share Incentive Plan will not exceed 30% of A Shares of the Company in issue from time to time.

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The Incentive Participants under the 2019 A Share Incentive Plan do not include any shareholders or de-facto controllers who hold 5% or above of the shares of the Company individually or jointly or their spouses, parents or children, or any independent non-executive Directors or supervisors of the Company. An offer of the grant of a Share Option to a Director (excluding any independent non-executive Directors) or chief executive of the Company or any of their respective associates shall be approved by the independent non-executive Directors.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the aforesaid Incentive Participants are third parties independent of the Company and its connected persons.

Validity Period, Date of Grant, Date of Exercise, Withholding Period, Vesting Period and Black-out Period of the Share Options granted under the Initial Grant

(1) Validity Period

The Initial Grant of the interests is valid from the date on which the Share Options is granted under the Initial Grant to the date on which all the options granted to the participants under the Initial Grant have been vested or cancelled, but in any event shall not be more than 54 months.

(2) Date of Grant and Date of Exercise

The Date of Grant shall be determined by the Board after the 2019 A Share Incentive Plan is considered and passed at the general meeting of the Company, and must be in compliance with the applicable listing rules, laws and regulations. In particular, under the Listing Rules, the following restrictions shall apply:-

- (i) no Share Option may be granted after inside information has come to the Company's knowledge until the Company has announced the information, pursuant to Chapter 17 of the Listing Rules;
- (ii) the Company may not grant any Share Option during the period commencing from one month immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period; and (b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement, pursuant to Chapter 17 of the Listing Rules;
- (iii) no Share Option may be granted by the Company during any period of delay in publishing the results announcement, pursuant to Chapter 17 of the Listing Rules; and

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(iv) no Share Option shall be granted to any Director during the black-out period as stipulated under Appendix 10 of the Listing Rules.

The Company shall grant the Share Options and complete the announcement and registration procedures within 60 days (excluding the number of days where the listed issuer is prohibited from granting pursuant to the Administrative Measures, applicable laws and regulations) from the date on which the 2019 A Share Incentive Plan is considered and passed at the general meeting.

The date of exercise of the Share Options shall be a trading day falling within a period in compliance with the applicable listing rules, laws and regulations.

(3) *Withholding Period and Vesting Arrangement*

The withholding period of each tranche of the Share Options granted under the Initial Grant shall be 18, 30 and 42 months from the date of the Initial Grant, respectively.

The vesting periods (each a “**Vesting Period**”) and arrangements of each tranche of the Share Options granted under the Initial Grant are as follows:

	Vesting Period	Proportion of Vesting
First Vesting Period	From the first trading day after 18 months from the date of the Initial Grant to the last trading day within 30 months from the date of the Initial Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the Initial Grant to the last trading day within 42 months from the date of the Initial Grant	30%
Third Vesting Period	From the first trading day after 42 months from the date of the Initial Grant to the last trading day within 54 months from the date of the Initial Grant	30%

Such options shall only be exercised by the participants within the Vesting Period. If the conditions of vesting are not fulfilled, relevant tranche of options shall not be vested and shall be cancelled by the Company. If the conditions of vesting are fulfilled but the options are not vested within the vesting period, such options shall be cancelled by the Company.

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(4) Black-out Period

The Black-out Period of the Share Options granted under the Initial Grant shall follow applicable PRC laws and regulations and the Articles of Association. The key provisions are set out as follows:

- (i) Where the participant is a director or member of the senior management, the number of Shares which may be transferred by the participant per year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her. He/she shall not transfer any of his/her shares within 6 months after his/her departure.
- (ii) Where the participant is a director or member of the senior management, all gains from the sale of shares within 6 months of purchase or from the purchase of Shares within 6 months of sale by the participant shall belong to the Company and to be collected by the Board.
- (iii) During the validity period of the 2019 A Share Incentive Plan, if there is any change to the provisions regarding the transfer of shares held by a director or member of the senior management of the Company under the PRC Company Law, PRC Securities Law or any other applicable laws, regulations, regulatory documents or the Articles of Association, the transfer of shares of the Company held by a participant under this section shall comply with the requirement under the revised PRC Company Law, PRC Securities Law or any other applicable laws, regulations, regulatory documents or the Articles of Association at the time of transfer.

Conditions of the Grant and Vesting of the Share Options

The following conditions must be fulfilled before the Company can grant the Share Options under the Initial Grant or before the Share Options granted to the participants can be vested:

- (I)** None of the following circumstances has occurred to the Company (or in the case of Share Options granted to the participants, before the vesting of such Share Options):
 - (i) issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;
 - (ii) issue of the Company's financial internal control report for the most recent accounting year in which a certified public accountant gives an adverse opinion or indicates the inability to give an opinion;

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- (iii) the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings within the most recent 36 months after listing;
 - (iv) the implementation of the share incentive scheme is prohibited by the laws and regulations; and
 - (v) other circumstances as determined by the CSRC.
- (2) None of the following circumstances has occurred to any of the participants (or in the case of Share Options granted to the participants, before the vesting of such Share Options):
- (i) such participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
 - (ii) such participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
 - (iii) such participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its agency authorities due to material non-compliance of laws and regulations in the most recent 12 months;
 - (iv) occurrence of circumstances under which such participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the PRC Company Law;
 - (v) such participant is prohibited by the law from participating in share incentive scheme of listed companies; and
 - (vi) other circumstances as determined by the CSRC.

LETTER FROM THE BOARD

In addition, the following performance indicators shall be fulfilled for Share Options under the Initial Grant:

Vesting period	Performance indicators
First Vesting Period	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018
Second Vesting Period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Third Vesting Period	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

Note:

The “operating revenue” above is calculated based on the operating revenue of the consolidated statement of the Company.

The assessment of the participants at individual level shall be conducted according to the Company’s current requirements for remuneration and assessment which may affect the actual exercise amount for the respective year for such participant.

Exercise Price of the Share Options, the Basis of Determination and Other Particulars

(1) Initial Grant of the Share Options

The Exercise Price of the Share Options under the Initial Grant is RMB64.88. The Exercise Price shall not be lower than the nominal value of the A Shares, and shall not be lower than the higher of the following:

- (i) the average trading price of the A shares on the trading day preceding July 19, 2019, the date of announcement of the 2019 A Share Incentive Plan;
- (ii) any one of the average trading prices of the A shares for the last 20 trading days preceding the date of announcement of the 2019 A Share Incentive Plan.

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By determining the exercise price based on the average trading price of the A Shares prior to the grant date, the Directors are of the view that this would offer a long-term incentive mechanism to align the interests of the employees, shareholders and the Company by inducing Incentive Participants to contribute to the development at the Company in a longer run and allowing them to benefit from the growth of the Company between the grant date and the Vesting Period.

(2) Share Options under the Reserved Grant

The exercise price of the Share Options under the Reserved Grant shall not be lower than the nominal value of the A shares, and shall not be lower than the higher of the following:

- (i) the average trading price of the A Shares on the trading day preceding the date of announcement of the board resolution on the grant of the 2019 A Share Incentive Plan under the Reserved Grant;
- (ii) The average price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the grant of the 2019 A Share Incentive Plan under the Reserved Grant.

The Company will publish further announcements disclosing the details of the subsequent grant of the Share Options under the Reserved Grant, including among others, the number of Share Options granted and the Exercise Price in accordance with the Listing Rules.

The grant of Share Options under the Reserved Grant will be subject to, amongst others, the Listing Rules, whereby no Share Option may be granted:

- (i) after inside information has come to the Company's knowledge until the Company has announced the information, pursuant to Chapter 17 of the Listing Rules;
- (ii) during the period commencing from one month immediately before the earlier of: (a) the date of the Board meeting for approving the Company's results for any year, half-year, quarterly or any other interim period; and (b) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period, and ending on the date of the results announcement, pursuant to Chapter 17 of the Listing Rules;
- (iii) during any period of delay in publishing the results announcement, pursuant to Chapter 17 of the Listing Rules; and

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(iv) no Share Option shall be granted to any Director during the black-out period as stipulated under Appendix 10 of the Listing Rules.

All restrictions under Rules 17.03(3), 17.03(4) and 17.04 of the Listing Rules will also apply to the grant of Share Options pursuant to the Reserved Grant under the 2019 A Share Incentive Plan.

Accounting Treatment on the Share Options

Details of the accounting treatment on the Share Options are set out in the paragraph headed “Chapter 5 Details of the Stock Incentive Plan — II. Details of the Share Options under the initial grant — (VIII) Accounting of the Share Options” in Appendix I to this circular.

The calculation results of the value of the Share Options are subject to a number of assumptions of the parameters and the limitation of the valuation model adopted and therefore, the estimated value of the Share Options may be subjective and uncertain.

Amendment or Termination of the 2019 A Share Incentive Plan

Any amendment or termination of the 2019 A Share Incentive Plan shall be approved by the Board as authorized by the subsequent shareholders’ general meeting, unless otherwise stipulated under the relevant PRC laws and regulations.

Implications of the Listing Rules and Waiver from Strict Compliance with the Hong Kong Listing Rules to Note 1 of 17.09(3)

Although the grant of Restricted A Shares under the 2019 A Share Incentive Plan is not subject to the regulations of Chapter 17 of the Listing Rules, the grant of Share Options under the 2019 A Share Incentive Plan shall be governed under Chapter 17 of the Listing Rules. According to Note (1) to Rule 17.03(9) of the Listing Rules, the exercise price of the relevant options must be at least the higher of (i) the closing price of the securities as stated in the Hong Kong Stock Exchange’s daily quotations sheet on the date of grant; and (ii) the average closing price of the securities as stated in the Hong Kong Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant. As the Company may adopt similar share incentive schemes involving A Shares from time to time and determine the exercise price of the options to be issued thereunder in accordance with the relevant PRC laws and regulations, the Company has obtained a waiver from strict compliance with Note (1) to Rule 17.03(9) of the Listing Rules in respect of the exercise price of the share options granted such share incentive schemes such as the 2019 A Share Incentive Plan. Details of the waiver are set out in the paragraph of “Waivers from Strict Compliance with the Hong Kong Listing Rules” in the prospectus of the Company dated December 3, 2018.

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The Directors confirm that material terms of the 2019 A Share Incentive Plan such as individual performance indicators, grant and unlocking conditions and the adjustment of the number and Grant Price of Restricted A Shares and exercise price of Share Options are similar to those of the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company.

The 2019 A Share Incentive Plan and the Proposed Grant contemplated thereunder may or may not be approved by the Shareholders at the EGM and the class meetings. Even if the 2019 A Share Incentive Plan and the Proposed Grant contemplated thereunder are approved, the numbers of Incentive Participants and Restricted A Shares and Share Options to be granted as set out herein are the maximum limit under the 2019 A Share Incentive Plan, the actual units to be granted may be less than the proposed number. The Company will further announce the details of the actual grant of the Restricted A Shares and Share Options to the Participants. Shareholders and investors of the Company are advised to exercise caution when dealing in the securities of the Company.

3. PROPOSED ADOPTION OF 2019 SHARE APPRECIATION SCHEME

Reference is made to the announcement of the Company dated July 19, 2019 in relation to the proposed adoption of the 2019 Share Appreciation Scheme to provide long term incentive to senior management, mid-level management, backbone members of the technicians, basic-level management and other technicians of the Company who have employment or labour service relationships with the Company or its subsidiaries overseas. The 2019 Share Appreciation Scheme has to be approved by the Shareholders at the EGM.

The major terms of the 2019 Share Appreciation Scheme are set out below.

Effective date of the 2019 Share Appreciation Scheme:	The date on which the 2019 Share Appreciation Scheme is approved by the Shareholders at the EGM
Validity Period of the 2019 Share Appreciation Scheme 2019:	From the date of grant of Share Appreciation Rights to the date of completion of all share appreciation rights, which shall not be longer than 48 months

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Incentive Participants:	Not more than 234 members of the senior-level management, mid-level managers and backbone members of the technicians, basic-level managers and other technicians who have employment or labor service relationships with the Company or its subsidiaries overseas. The above participants do not include any shareholders or de-facto controllers of the Company who hold 5% or above of the shares of the Company individually or jointly and their spouses, parents or children. The number of Shares to be granted to any participant under all effective incentive plans will not exceed 1% of the total share capital of the Company at the time of submission of the 2019 Share Appreciation Scheme for consideration at the EGM.
Limit of Share Appreciation Rights to be granted:	2,901,172 Share Appreciation Rights, amounting to 0.1771% of the total share capital of the Company as at the Latest Practicable Date
Exercise price:	HK\$72.00 per unit. In accordance with the 2019 Share Appreciation Scheme, the exercise price shall not be lower than the higher of the following: <ul style="list-style-type: none">(i) the average trading price of the H Shares on the trading day preceding the date of announcement of the grant of the 2019 Share Appreciation Scheme; or(ii) any one of the average trading prices of the H Shares for the last 120 trading days preceding the date of announcement of the grant of the 2019 Share Appreciation Scheme.
Official date of grant:	To be determined by the Board
Source of fund:	The incentive shall be payable by the Company and its subsidiaries directly in cash

LETTER FROM THE BOARD

Exercise arrangements:	Vesting	Exercisable period	Exercise Percentage
	Schedule		
First batch of exercise	May 31, 2020	From June 1, 2020 to May 31, 2021	40%
Second batch of exercise	May 31, 2021	From June 1, 2021 to May 31, 2022	30%
Third batch of exercise	May 31, 2022	From June 1, 2021 to May 31, 2022	30%

Details of the 2019 Share Appreciation Scheme, including the conditions for the grant and exercise of the Share Appreciation Rights, are set out in Appendix II to this circular.

Reasons for Adopting the 2019 Share Appreciation Scheme

The purposes of the 2019 Share Appreciation Scheme are to further establish and improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully motivate the employees of the Company and effectively integrate the interests of shareholders and the Company and individual interests of the core team members so that all parties will make joint efforts for the long-term development of the Company.

Incentive Participants under the 2019 Share Appreciation Scheme

The Board proposes to grant 2,901,172 Share Appreciation Rights to not more than 234 Incentive Participants (“**Grant of Rights**”), subject to the approval of the Shareholders at the EGM. The Board intends to determine the exact date of grant after the approval of the 2019 Share Appreciation Scheme at the EGM.

Implications of the Listing Rules

Pursuant to the 2019 Share Appreciation Scheme, the Incentive Participants will be granted certain Share Appreciation Rights, with each of them being notionally linked to one H Share, and will be conferred the right to gain specified amount of benefits in cash from the increase in market price of the relevant H Shares. However, no H Shares will actually be issued to any Incentive Participants. The 2019 Share Appreciation Scheme does not involve the grant of options over new Shares or other new securities issuable by the Company (or any of its subsidiaries) and therefore, it does not fall within the ambit of, and is not subject to, the regulations of Chapter 17 of the Listing Rules.

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4. PROPOSED ADOPTION OF THE ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM OF THE 2019 SHARE INCENTIVE SCHEMES

The purpose of the appraisal is to further refine the management of share incentive and appraisal system and to ensure satisfactory implementation of 2019 A Share Incentive Plan and 2019 Share Appreciation Scheme. A special resolution will be proposed at the EGM, the A Share Class Meeting and the H Share Class Meeting to consider and approve with respect to the adoption of the administrative measures for appraisal system of the 2019 Share Incentive Schemes. Details of the administrative measures for appraisal system of the 2019 share options incentive scheme are set out in Appendix III to this circular.

5. SHAREHOLDERS' MEETING TO AUTHORIZE THE BOARD TO HANDLE MATTERS PERTAINING TO THE 2019 SHARE INCENTIVE SCHEMES

Special resolution will be proposed at the EGM, the A Share Class Meeting and the H Share Class Meeting to authorize the Board to handle matters pertaining to the 2019 Share Incentive Schemes.

The authorization to be granted by the EGM to the Board includes:

- (i) to authorize the Board to determine the date of grant of Restricted A Shares, Share Options and Share Appreciation Rights;
- (ii) to authorize the Board to adjust the number of Restricted A Shares and the relevant number of shares involved in Share Options and Share Appreciation Rights accordingly in the event of capitalization issue, bonus issue, sub-division or consolidation of the share capital, rights issue or other events in accordance with the manners stipulated under the 2019 A Share Incentive Plan and the 2019 Share Appreciation Scheme;
- (iii) to authorize the Board to adjust the Grant Price/Exercise Price accordingly in the event of capitalization issue, bonus issue, sub-division or consolidation of the share capital, rights issue and dividend payment in accordance with the manners stipulated under the 2019 Share Incentive Schemes;
- (iv) to authorize the Board to grant the Restricted A Shares, Share Options and Share Appreciation Rights to the Incentive Participant(s) who has (have) satisfied the required conditions and to handle all matters relating to the grant of the Restricted A Shares, Share Options and Share Appreciation Rights, including the execution of related agreement(s) with Incentive Participant(s);
- (v) to authorize the Board to review and determine the eligibility and conditions for unlocking and exercising for the Incentive Participants and to authorize the remuneration and assessment committee of the Board to exercise such power;

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- (vi) to authorize the Board to determine whether the Incentive Participant(s) has (have) satisfied the conditions for unlocking and exercising;
- (vii) to authorize the Board to handle all necessary matters relating to the unlocking and exercising, including but not limited to, tendering applications to the stock exchange to unlock/exercise and tendering applications to the depository and clearing corporation to handle the relevant depository and clearing matters;
- (viii) to authorize the Board to handle matters of locking up Restricted A Shares which have not been unlocked and Share Options and Share Appreciation Rights which have not been exercised;
- (ix) to authorize the Board to determine matters relating to the change and termination of Restricted A Shares, Share Options and Share Appreciation Rights under the 2019 Share Incentive Schemes, including but not limited to, disqualifying the eligibility of Incentive Participants from unlocking/exercising, repurchasing unlocked Restricted A Shares of Incentive Participants and cancelling unexercised Share Options of Incentive Participants, handling inheritance matters relating to Restricted A Shares that have not been unlocked and Share Options that have not been exercised held by any deceased Incentive Participant;
- (x) to authorize the Board to manage the Company's 2019 A Share Incentive Plan and the 2019 Share Appreciation Scheme, the management and implementation requirements of the relevant plans are formulated or revised from time to time in accordance with the provisions of the 2019 Share Incentive Schemes. However, if the laws, regulations or relevant regulatory authorities require such amendments to be approved by the shareholders' meeting or/and the relevant regulatory body, the amendments to the board must be approved accordingly;
- (xi) to authorize the Board to execute other matters relating to the 2019 Share Incentive Schemes which are necessary, with exception to the rights exercised by shareholders' general meetings expressly provided by relevant documents; and
- (xii) to authorize the Board, in relation to the 2019 Share Incentive Schemes, to approach the relevant government or regulatory authorities for any approval, registration, filing, authorization and consent; to sign, implement, amend or complete all documents to be submitted to the relevant government, authorities, organizations or persons; and to do all other things that are necessary, fit and proper in relation to the 2019 Share Incentive Schemes.

The authorization given to the Board at the EGM shall be the same as the validity period of the 2019 Share Incentive Schemes.

LETTER FROM THE BOARD

6. PROPOSED CHANGE OF THE REGISTERED CAPITAL OF THE COMPANY

Reference is made to the announcement of the Company dated July 19, 2019, in relation to, amongst others, the proposed change of registered capital of the Company.

A special resolution will be proposed at the EGM to consider and approve the change of the Company's registered capital from RMB1,170,062,286 divided into 1,170,062,286 Shares to RMB1,638,043,314 divided into 1,638,043,314 Shares.

7. PROPOSED AMENDMENTS TO THE BUSINESS SCOPE OF THE COMPANY

Reference is made to the announcement of the Company dated July 19, 2019, in relation to, amongst others, the proposed amendments to the business scope of the Company. The original business scope of the Company includes "the production of PT resin, MG resin; development, research and approval of new drugs; biotechnology research; provision of combinatorial chemistry and related technical advice and services (Projects subject to approval according to law may only commence operation after approval by relevant departments)" (the "**Original Business Scope**").

In light of the current operation activities and principal business of the Company, the Board proposes to change the Original Business Scope to include "development, research and approval of new drugs, and research and development of pharmaceutical intermediates and refined chemical products (excluding hazardous chemicals); technology development, transfer, services and consultation of pharmaceutical technology, biotechnology, combinatorial chemistry, organic chemistry, medical technology, detection technology and computer technology; wholesale of medical devices and drugs of Class I and sales of machinery and spare parts; import and export business of various commodities and technologies of its own and on agency basis (other than commodities and technologies which are restricted for business operation or prohibited for import to or export from the PRC); corporate management consultation, medicine information consultation and health consultation (excluding medical treatment activities or psychological counselling); house leasing; conference and exhibition services; outward investment with own funds. (Projects subject to approval according to law may only commence operation after approval by relevant departments)".

An ordinary resolution will be proposed at the EGM to consider and approve the change of the Company's business scope.

8. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated July 19, 2019, in relation to, amongst others, the proposed amendments to the Company's Articles of Association. A special resolution will be proposed at the EGM to consider and approve the amendments to the Company's Articles of Association, details of which are set out in Appendix IV to this circular.

LETTER FROM THE BOARD

9. EXTRAORDINARY GENERAL MEETING, H SHARE CLASS MEETING AND PROXY ARRANGEMENT

The notices of the EGM and the H Share Class Meeting are set out on pages 179 to 186 of this circular.

Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must 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. An announcement on the poll results will be published by the Company after the EGM and the H Share Class Meeting in the manner prescribed under the Listing Rules.

The Incentive Participants, who are also the Shareholders, and their respective associates shall abstain from voting on the proposed special resolution in respect of (i) the adoption of the 2019 Share Incentive Schemes, (ii) the proposed list of grantees under the Initial Grant of the 2019 A Share Incentive Plan, (iii) the proposed adoption of the administrative measures for appraisal system of the 2019 Share Incentive Schemes and (iv) the proposed authorization to the Board to handle matters pertaining to the 2019 Share Incentive Schemes. The Connected Participants and their associates shall abstain from voting on the proposed special resolution in respect of the Initial Grant of Restricted A Shares to the Connected Participants and its related matters. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, none of the Shareholders is required to abstain from voting on any proposed resolution at the EGM, A Share Class Meeting and H Share Class Meeting. In accordance with relevant provisions of the Administrative Measures on Share Option Incentives of Listed Companies, Mr. Xiaotong Zhang, an independent non-executive director of the Company was appointed by other independent non-executive directors as the soliciting party to solicit voting rights from all shareholders of the Company in connection with abovementioned resolutions to be considered at the EGM, the A Share Class Meeting and the H Share Class Meeting. Should you wish to appoint Mr. Xiaotong Zhang as your proxy to vote for you and on your behalf at the EGM and/or the H Share Class Meeting on the resolutions regarding the 2019 Share Incentive Schemes, please complete, sign and return the independent director's proxy forms to the H Share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for holding of the EGM and/or H Share Class Meeting or any adjournment thereof. Alternatively, if you wish to appoint any person other than Mr. Xiaotong Zhang as your proxy to vote for you and on your behalf at the EGM and/or the H Share Class Meeting on the resolutions regarding the 2019 Share Incentive Schemes and its related matters, you may simply disregard the independent director's proxy forms and complete and return the other proxy forms instead. The report on the public solicitation of voting rights by the independent non-executive Directors prepared by Mr. Xiaotong Zhang has also been published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.wuxiapptec.com.cn) by an announcement of the Company on the same date of this circular.

LETTER FROM THE BOARD

The register of members of H Shares of the Company will be closed from Wednesday, August 21, 2019 to Friday, September 20, 2019 (both days inclusive), during which no transfer of H shares will be effected for determining the entitlements of Shareholders to attend and vote at the EGM and the H Share Class Meeting. In order to qualify as Shareholders to attend and vote at the EGM and H Share Class Meeting, holders of H Shares who are not registered must lodge all transfers of shares accompanied by the relevant share certificates with the Company's H Share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, August 20, 2019.

10. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from Gram Capital, respectively, which set out their recommendations in respect of the Initial Grant of Restricted A Shares to the Connected Participants and the principal factors considered by them in arriving at their recommendations.

The Board (including all the independent non-executive Directors) considers that the terms of the Initial Grant of Restricted A Shares to Connected Participants are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, the Initial Grant of Restricted A Shares to Connected Participants is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including all the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the general meetings (including EGM, A Share Class Meeting and H Share Class Meeting).

The Directors consider that all of the resolutions in relation to the (1) proposed adoption of the 2019 A Share Incentive Plan and grant of Restricted A Shares to Incentive Participants including Connected Participants (Connected Transactions); (2) proposed adoption of 2019 Share Appreciation Scheme; (3) proposed adoption of the administrative measures for appraisal system of the 2019 Share Incentive Schemes; (4) proposed authorization to the Board to handle matters pertaining to 2019 Share Incentive Schemes; (5) proposed increase of registered capital; (6) proposed amendments to the business scope of the Company; and (7) proposed amendments to the Articles of Association are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM and the H Share Class Meeting.

11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Dr. Ge Li
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



WUXI APPTEC CO., LTD.*
無錫藥明康德新藥開發股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2359)

August 5, 2019

To the independent Shareholders,

PROPOSED ADOPTION OF RESTRICTED A SHARES AND STOCK OPTION INCENTIVE PLAN OF 2019 AND GRANT OF RESTRICTED A SHARES TO CONNECTED PARTICIPANTS (CONNECTED TRANSACTIONS)

Dear Sir or Madam,

We refer to the circular of the Company dated August 5, 2019 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalized terms used in this letter will have the same meanings as defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise you in relation to the Initial Grant of Restricted A Shares to Connected Participants pursuant to the 2019 A Share Incentive Plan.

We wish to draw your attention to the letter from Gram Capital set out on pages 38 to 49 of the Circular and the letter from the Board set out on pages 6 to 35 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by Gram Capital, the Independent Financial Adviser, regarding the Initial Grant of Restricted A Shares to Connected Participants pursuant to the 2019 A Share Incentive Plan and its conclusion and advice, we concur with the view of Gram Capital and consider that the Initial Grant of Restricted A Shares to Connected Participants are in the ordinary and usual course of business of the Company and the terms thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Initial Grant of Restricted A Shares to Connected Participants is in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the general meetings (including EGM, A Share Class Meeting and H Share Class Meeting).

Yours faithfully,

Dr. Jiangnan Cai

Ms. Yan Liu

Mr. Dai Feng

Dr. Hetong Lou

Mr. Xiaotong Zhang

Independent Board Committee

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Connected Grant for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

5 August 2019

*To: The independent board committee and the independent shareholders
of WuXi AppTec Co., Ltd.**

Dear Sir/Madam,

CONNECTED TRANSACTION IN RELATION TO PROPOSED GRANT OF RESTRICTED A SHARE TO CONNECTED PARTICIPANTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed Initial Grant of Restricted A Shares to the Connected Participants (the “**Connected Grant**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 5 August 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Company announced on 19 July 2019 (the “**Announcement Date**”) that the Board has resolved on 19 July 2019 to adopt the 2019 A Share Incentive Plan. The 2019 A Share Incentive Plan is subject to the consideration and approval at the general meeting of the Company. An aggregate of 21,055,530 units are proposed to be granted to the Incentive Participants under the 2019 A Share Incentive Plan, among which, 13,657,803 A Shares and 5,292,174 Share Options shall be granted initially (i.e. the Initial Grant), representing 90% of the total interests to be granted under the 2019 A Share Incentive Plan. The remaining 2,105,553 units, representing 10% of the total interests to be granted under the 2019 A Share Incentive Plan, will be reserved for further distribution.

LETTER FROM GRAM CAPITAL

Among the Initial Grant of 13,657,803 Restricted A Shares: (i) 311,200 Restricted A Shares will be granted to 5 Connected Participants (i.e. the Connected Grant); and (ii) 13,346,603 Restricted A Shares will be granted to 2,043 Independent Participants.

With reference to the Board Letter, the Connected Grant constitutes connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Dr. Jiangnan Cai, Ms. Yan Liu, Mr. Dai Feng, Dr. Hetong Lou and Mr. Xiaotong Zhang (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Connected Grant are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Connected Grant is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Connected Grant at the general meetings. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Supplemental Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Connected Grant. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The 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 the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and the Connected Participants or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Connected Grant. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

Principal factors and reasons considered

In arriving at our opinion in respect of the Connected Grant, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Connected Grant

Information on the Company

With reference to the Board Letter, the Group provides comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. The Group also provides development and manufacturing services for cell and gene therapies as well as testing services for medical devices.

LETTER FROM GRAM CAPITAL

Set out below is a summary of the key audited consolidated financial information of the Group for the four years ended 31 December 2018 (“**FY2018**”) as extracted from the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”):

	For the year ended 31 December 2015	For the year ended 31 December 2016	For the year ended 31 December 2017	For the year ended 31 December 2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4,883,349	6,116,131	7,765,260	9,613,684
Gross profit	1,678,631	2,482,491	3,239,920	3,776,919
Operating profit	858,867	1,441,018	1,689,807	2,596,400
Profit for the year	683,779	1,120,973	1,296,720	2,333,681

As depicted by the above table, the Group’s revenue, gross profit, operating profit and profit for the year had been growing from the year ended 31 December 2015 (“**FY2015**”) to FY2018. For FY2018, the Group’s revenue increased by approximately 23.80% and the Group’s profit for the year increased by approximately 79.97% as compared to those for the year ended 31 December 2017 (“**FY2017**”). With reference to the 2018 Annual Report and as confirmed by the Directors, the aforesaid improvements were mainly due to: (i) growth of the Group’s business enabled the Group to achieve greater economies of scale; (ii) increased utilization rate of the Group’s capacity; and (iii) increase in fair value of the Group’s invested companies.

With reference to the 2018 Annual Report, the Company will continue to strengthen its global leading open-access drug research and development and production services platform to enable more global customers and expand its reach within the healthcare ecosystem. The Company aims to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacity and capital, and are committed to embracing demands of new and existing customers, thereby attracting new participants to join the evolving healthcare ecosystem. Through this lowering of entry barriers, the Company believes that they are able to catalyze and benefit from the continuous transformation of the healthcare ecosystem. By nurturing and incubating the rise of new business models and encouraging participants to develop new drugs and healthcare products, the Company drives the creation of new knowledge and technologies, stimulate new demand and improve efficiency, which further drives innovation and fuels the growth of all participants.

LETTER FROM GRAM CAPITAL

Information on the Connected Participants

Details of the 5 Connected Participants as provided by the Company are set out as follows:

Name	Relationship with the Group
Mr. Edward Hu	Executive Director and Co-Chief Executive Officer of the Company
Ms. Wendy J. Hu	Senior Director of Human Resources of the Company
Mr. Minzhang Chen	Director & Chief Executive Officer of a principal subsidiary of the Company
Ms. Cuiping Hu	Supervisor & Assistant Director of a principal subsidiary of the Company
Ms. Hui Xu	Supervisor of a principal subsidiary of the Company and Vice President of the Group's lab testing division

Mr. Edward Hu is the co-chief executive officer and an executive Director of the Company. He is also a member of Strategy Committee of the Company. Mr. Edward Hu is primarily responsible for the overall business and management of the Group. Mr. Edward Hu joined the Group in August 2007 and was appointed as an executive Director in March 2016. Mr. Edward Hu was appointed as a co-chief executive officer in August 2018.

Ms. Wendy J. Hu is the Senior Director of Human Resources of the Company. She joined the Group in June 2010. Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

Mr. Minzhang Chen is the director and chief executive officer of Shanghai SynTheAll Pharmaceutical Co., Ltd. ("STA"), a principal subsidiary of the Company. Mr. Minzhang Chen joined the Group in December 2008 and was appointed as director and chief executive officer of STA in August 2011. Mr. Minzhang Chen is primarily responsible for the overall business and management of STA.

Ms. Cuiping Hu is the supervisor of STA. She joined the Group in June 2007 and was appointed as assistant director of STA in October 2016. Ms. Cuiping Hu is primarily responsible for the tax management and financial planning & analysis for STA's active pharmaceutical ingredients production.

Ms. Hui Xu is the supervisor of the WuXi AppTec (Suzhou) Co., Ltd., a principal subsidiary of the Company. She is also the vice president of the Group's lab testing division. Ms. Hui Xu joined the Group in January 2008. She is primarily responsible for the management of the Group's lab testing division.

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the Connected Grant

With reference to the Board Letter, to establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core personnel of the Company and effectively integrate the interests of the shareholders, the Company and core team members so that the parties will make joint efforts for the sustainable development of the Company, the 2019 A Share Incentive Plan has been made on the premise of fully safeguarding the interests of Shareholders, in line with the principle of benefits being in proportion to contributions and in compliance with the PRC Company Law, the PRC Securities Law, 《上市公司股權激勵管理辦法》 (The Measures Governing Share Incentive Plans of Listed Companies*) (the “Measures”) and other relevant laws and regulations as well as the Articles of Association.

With reference to the Board Letter, the Board determined the Connected Participants and the Independent Participants and the number of Restricted A Shares to be granted to each of them with reference to their respective roles, responsibilities, years of services, work experience, contributions, remuneration packages and prevailing compensation of similar positions in the market.

Based on our independent research, we noted that it is a common practice for listed companies in Shanghai/Shenzhen to adopt restricted share incentive scheme for their personnel and employees.

Having considered the above reasons and that the (i) the Connected Grant can motivate the Connected Participants to make contributions to the Group; (ii) adopting restricted share incentive scheme for personnel and employees is a common practice for listed companies in Shanghai/Shenzhen; and (iii) there will not be any actual cash paid by the Group to the Connected Participants under the the Connected Grant, we concur with the Directors that the Connected Grant is conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

2. Principal terms of the Connected Grant

Number of Restricted A Shares under the Connected Grant

The Company proposed to grant 311,200 Restricted A Shares to the Connected Participants as follows:

Name	Number of Restricted A Shares to be granted (Shares)	Percentage to the total amount of interest to be granted under the 2019 A Share Incentive Plan	Percentage to the total share capital of the Company as at the Announcement Date
		%	%
Mr. Edward Hu	125,000	0.5937	0.0076
Ms. Wendy J. Hu	19,500	0.0926	0.0012
Mr. Minzhang Chen	115,000	0.5462	0.0070
Ms. Cuiping Hu	4,700	0.0223	0.0003
Ms. Hui Xu	47,000	0.2232	0.0029
Total	311,200	1.4780	0.0190

Upon our enquiry, the Company advised us that when determining the above-mentioned numbers of Restricted A Shares to be granted, the Company assessed (i) the positions and seniority of the Connected Participants; (ii) performance of the unit/company (being a member of the Group) which the Connected Participants are working for; and (iii) personal performance of the Connected Participants. Each of the factors above was associated with an assessment coefficient. The three assessment coefficients, together with the total number of Restricted A Shares to be granted, will be applied to calculate the numbers of Restricted A Shares to be granted to each Connected Participant.

For our due diligence purpose, we obtained assessment records of the Connected Participants and noted that such assessment records were consistent with the aforesaid basis of determining the numbers of Restricted A Shares to be granted to the Connected Participants.

LETTER FROM GRAM CAPITAL

The Company also advised us that when determining the numbers of Restricted A Shares to be granted to the Connected Participants, the Connected Participants' total remuneration packages were also taken into account. The Connected Participants' total remuneration packages were determined with reference to their respective roles, responsibilities, years of services, work experience and contributions.

To further assess the fairness and reasonableness of the numbers of Restricted A Shares to be granted to the Connected Participants, we identified those restricted A shares incentive scheme proposals announced by companies listed on the Shenzhen Stock Exchange/Shanghai Stock Exchange from 1 July 2019 to 19 July 2019 (i.e. the Announcement Date). To the best of our knowledge, we found 15 scheme proposals (the “**Comparables**”). The table below sets out the summary of the Comparables (the “**Comparables Table**”):

Date of announcement	Company name (Stock code)	Percentage of the initial grant price to the benchmark price (being the higher of (i) the closing price/average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average closing price/average price of the subject A shares for the period of last 20/60/120 trading days preceding the date of announcement of the incentive scheme)	Unlocking provision over a period of time	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed company	The proportion of implied value of restricted A shares grant, after taking into account the maximum percentage that can be unlocked in a year (e.g. 20%/34%/40%/50%), of the Comparables to individual director/senior management with the highest and lowest number of restricted A shares granted, as compared to their total remuneration in 2018
1 July 2019	Hubei Forbon Technology Co Ltd. (300387)	50%	Yes	Yes	0.03%	66%
2 July 2019	Shenzhen Genvict Technology Co., Ltd. (002869)	50%	Yes	Yes	Range from 0.08% to 0.13%	Range from 39% to 304%
2 July 2019	Sichuan Swellfun Co., Ltd. (600779)	50%	Yes	Yes	0.01%	Range from 9% to 10%
3 July 2019	Contemporary Amperex Technology Co., Limited (300750)	50%	Yes	Yes	Nil	N/A
4 July 2019	Nanjing OLO Home Furnishing Co.,Ltd. (603326)	50%	Yes	Yes	Range from 0.01% to 0.04%	Range from 13% to 15%
5 July 2019	Tibet Aim Pharm. Inc. (002826)	50%	Yes	Yes	Range from 0.45% to 0.95%	Range from 663% to 1,313%
6 July 2019	ORG Technology Co., Ltd. (002701)	50%	Yes	Yes	Range from 0.05% to 0.21%	Range from 142% to 236%
8 July 2019	Shenzhen Das Intellitech Co., Ltd. (002421)	50%	Yes	Yes	Range from 0.11% to 0.24%	Range from 143% to 330%
13 July 2019	Porton Pharma Solutions Ltd. (300363)	50%	Yes	Yes	Range from 0.07% to 0.09%	121%
13 July 2019	Sonoscape Medical Corp. (300633)	50%	Yes	Yes	Nil	N/A

LETTER FROM GRAM CAPITAL

Date of announcement	Company name (Stock code)	Percentage of the initial grant price to the benchmark price (being the higher of (i) the closing price/average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average closing price/average price of the subject A shares for the period of last 20/60/120 trading days preceding the date of announcement of the incentive scheme)	Unlocking provision over a period of time	Conditions for unlocking the restricted A shares which are based on, amongst others, the participants' performance and/or financial performance of the listed companies	Percentage of the restricted A shares to be granted to individual director/senior management to the total share capital of the listed company	The proportion of implied value of restricted A shares grant, after taking into account the maximum percentage that can be unlocked in a year (e.g. 20%/34%/40%/50%), of the Comparables to individual director/senior management with the highest and lowest number of restricted A shares granted, as compared to their total remuneration in 2018
16 July 2019	Cre8 Direct (Ningbo) Co., Ltd.(300703)	50%	Yes	Yes	0.01%	9%
17 July 2019	Beijing Wanji Technology Co., Ltd. (300552)	50%	Yes	Yes	Nil	N/A
17 July 2019	Golden Horse Technology Entertainment Corp., Ltd. (300756)	50%	Yes	Yes	Range from 0.08% to 0.13%	Range from 64% to 70%
18 July 2019	Shenzhen Emperor Technology Company Limited (300546)	50%	Yes	Yes	Range from 0.04% to 0.07%	Range from 49% to 81%
19 July 2019	Shenzhen Kingdom Sci-Tech Co., Ltd. (600446)	50%	Yes	Yes	0.01%	76%

Sources: <http://www.cninfo.com.cn/>

As depicted from the Comparables Table, the percentage of the restricted A shares to be granted to individual director/senior management of the Comparables (save for those did not propose to grant to individual director/senior management) to the total share capital of the Comparables ranged from 0.01% to 0.95% (the “**Comparable Percentage Range**”). The number of Restricted A Shares to be granted to each of Connected Participant represents approximately 0.0003% to 0.0076% of the total share capital of the Company as at the Announcement Date, which are lower than the Comparable Percentage Range.

In respect of the implied value of the Connected Grant as compared to the Connected Participants’ total remuneration, we attempted to compare their total remuneration with the directors/senior management of other comparable companies. Nevertheless, given the size of the Company (with market capitalisation of approximately HK\$115 billion as at the Latest Practicable Date), we could not find appropriate comparable company. Therefore, we performed the proportion analysis as set out below:

As depicted from the Comparables Table, the implied value of restricted A shares grant, after taking into account the maximum percentage that can be unlocked in a year (e.g. 20%/34%/40%/50%), of the Comparables to individual director/senior management with the highest and lowest number of restricted A shares granted represented approximately 9% to 330% (excluding Tibet Aim Pharm. Inc. (002826) which is considered to be an outlier) to such individual director’s/senior management’s total remuneration before tax received during the year ended 31 December 2018 (based on public information available) (the “**Comparable Proportion Range**”).

LETTER FROM GRAM CAPITAL

With reference to the 2018 Annual Report, Mr. Edward Hu's total emolument for FY2018 was approximately RMB4.84 million. The implied value of the Connected Grant to Mr. Edward Hu, after taking into account the maximum percentage that can be unlocked in a year (i.e. 40%), is approximately RMB1.62 million, representing approximately 34% of Mr. Edward Hu's total emolument for FY2018, which is within the Comparable Proportion Range. We also obtained the total emolument information of the other four Connected Participants from the Company and noted that the proportion of the implied value of the Connected Grant to each Connected Participant as compared to his/her total emolument for FY2018 is also within the Comparable Proportion Range.

Having considered the above, we are of the view that the numbers of Restricted A Shares to be granted to the Connected Participants are fair and reasonable.

The Grant Price

With reference to the Board Letter, the Grant Price of the Restricted A Shares under the Initial Grant (including the Connected Grant) is RMB32.44 per share (i.e. upon fulfilment of grant conditions, each participant is entitled to purchase newly issued Restricted A shares at the price of RMB32.44 per share).

Under the 2019 A Share Incentive Plan, the Grant Price under the Initial Grant of the Restricted A Shares shall not be lower than the nominal value of the A Shares, and shall not be lower than the higher of the following: (i) 50% of RMB64.88 per A Share, being the average trading price of the A Share on the trading day preceding 19 July 2019 (i.e. RMB32.44), being the Announcement Date; and (ii) 50% of RMB60.56 per A Share, being the average trading price of the A Share for the last 60 trading days preceding the Announcement Date (i.e. RMB30.28).

As advised by the Directors, the Grant Price has to comply with the requirements set out under the Measures promulgated by the CSRC, which requires the issue price of new shares not to be set at a price lower than the highest of the (i) 50% of the average trading price on the trading day preceding the date of announcement of the incentive scheme; and (ii) 50% of the average price for the period of last 20, 60 or 120 trading days preceding the date of announcement of the A shares incentive scheme.

As demonstrated above, the Grant Price complies with the Measures.

LETTER FROM GRAM CAPITAL

As demonstrated in the Comparables Table, all of the grant price of the Comparables were determined based on 50% of the benchmark price (being the higher of (i) the closing price/average trading price of the subject A shares on the trading day preceding the date of announcement of the incentive scheme; and (ii) the average closing price/average price of the subject A shares for the period of last 20, 60, and/or 120 trading days preceding the date of announcement of the incentive scheme).

Given that the above and that the Grant Price complies with the Measures, we are of the view that the Grant Price is in line with the market practice, fair and reasonable so far as the Independent Shareholders are concerned.

The Validity Period and unlocking conditions (the “Unlocking Conditions”)

With reference to the Board Letter, the Initial Grant of the interests is valid from the date on which the registration of the Restricted A Shares granted under the Initial Grant is completed (i.e. the Registration Date) to the date on which all the Restricted A Shares granted to the participants under the Initial Grant have been unlocked or repurchased and cancelled, but in any event shall not be more than 66 months.

Each tranche of the Restricted A Shares granted (other than the Special Grant portion) under the Initial Grant will be locked up for 12, 24 and 36 months (i.e. Lock-up Period) from the Registration Date, respectively. During the Lock-up Period, the Restricted A Shares granted to the participants pursuant to the 2019 A Share Incentive Plan shall not be transferred, pledged for guarantees or used for repayment of debt.

Certain conditions must be fulfilled before the Company can grant the Restricted A Shares under the Initial Grant, or the Restricted A Shares granted under the Initial Grant of the Restricted A Shares can be unlocked. Details of the Unlocking Conditions (including the performance indicators) are set out under Appendix I to the Circular.

We are of the view that the Unlocking Conditions will strengthen the incentive for the Connected Grantees to use their efforts to achieve the performance targets, which will contribute to the growth and development of the Group.

In addition, according to our observation on the Comparables, we note that it is a common practice for restricted A shares incentive schemes to have conditions for unlocking the restricted A shares which are based on, amongst others, the participants’ performance and/or financial performance of the listed companies.

LETTER FROM GRAM CAPITAL

Having considered the above, we are of the view that the terms of the Connected Grant are fair and reasonable so far as the Independent Shareholders are concerned.

3. Dilution effect on the shareholding interests of the existing shareholders of the Company

The Connected Grant involves 311,200 Restricted A Shares, representing approximately 0.0190% of the existing total issued share capital of the Company as at the Announcement Date. Accordingly, the dilution effect on the shareholding interests of the existing shareholders of Company will be immaterial.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Connected Grant are fair and reasonable; (ii) the Connected Grant is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM and the H Share Class Meeting to approve the Connected Grant, and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *For identification purpose only*

The following is the full text of the proposal of Restricted A Shares and Stock Option Incentive Plan of 2019 for the purpose of incorporation in this circular. The Restricted A Shares and Stock Option Incentive Plan of 2019 was prepared in Chinese only and set out below is an English translation of such plan. In case of any discrepancies between the Chinese and English version of this plan, the Chinese version shall prevail.

Abbreviation: WuXi AppTec

Stock Code: 603259

**WUXI APPTEC CO., LTD.*
RESTRICTED A SHARES AND
STOCK OPTION INCENTIVE PLAN OF 2019
(PROPOSAL)**

WUXI APPTEC CO., LTD.*

July, 2019

DISCLAIMER

The Company and all its directors and supervisors guarantee that no false statements, misleading representations or material omissions are contained in the Incentive Plan and its summary, and shall assume several and joint legal liability for the truthfulness, accuracy and completeness of the contents thereof.

All Incentive Participants of the Company undertake that, where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with condition of grant or arrangements for exercise of the interests, the Incentive Participants concerned shall return to the Company all interests gained through the Incentive Plan calculated from the date when it is confirmed that the relevant information disclosure documents of the Company contain false statements, misleading representations or material omissions.

NOTICE

- I. The Incentive Plan is formulated in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Administrative Measures on Share Option Incentives of Listed Companies, and other relevant laws, regulations and normative documents as well as the Articles of Association of WuXi AppTec Co., Ltd.
- II. No circumstance under which the implementation of the share incentive shall not be conducted as stipulated in Article 7 of the Administrative Measures on Share Option Incentives of Listed Companies has occurred to WuXi AppTec Co., Ltd. (the "Company").
- III. No circumstance existed as for the Incentive Participant under the Incentive Plan that shall not be qualified as the Incentive Participant according to Article 8 of the Administrative Measures on Share Option Incentives of Listed Companies.
- IV. The incentives of the Incentive Plan shall be the Restricted A Shares and Share Options. The incentives of the initial grant shall be the Restricted A Shares and Share Options, while the incentives of the reserved grant shall be the Restricted A Shares or Share Options. The source of shares under the Incentive Plan shall be the ordinary A shares to be issued by the Company to the Incentive Participants.
- V. The total number of interests to be granted to the Incentive Participants under the Incentive Plan shall be 21,055,530 units, and the underlying shares are ordinary A shares dominated in RMB, representing 1.2854% of the Company's total share capital of 1,638,043,314 shares as at the date of the announcement of the Incentive Plan, of which 13,657,803 Restricted A Shares and 5,292,174 Share Options will be granted under the initial grant, representing 1.1569% of the Company's total share capital of 1,638,043,314 shares as at the date of the announcement of the draft of the Incentive Plan and 90% of the total interests of this grant; and 2,105,553 interests (Restricted A Shares or Share Options) will be reserved, representing 0.1285% of the Company's total share capital of 1,638,043,314 shares as at the date of the announcement of the Incentive Plan and 10% of the total interests of this grant.

The total number of underlying shares to be granted under the Stock Incentive Plan during the validity period will not exceed 10% of the Company's total share capital, and the total number of shares to be granted under the Stock Incentive Plan to any one of the Incentive Participants will not exceed 1% of the Company's total share capital.

- VI. In the event of any capitalization issue, bonus issue, sub-division or consolidation of shares, rights issue or distribution of dividends of the Company in the period from the date of announcement on the Incentive Plan to the completion of registration of Restricted A Shares under the initial grant/the exercise of Share Options under the initial grant by the Incentive Participants or from the date of reserved grant to the completion of registration of reserved Restricted A Shares/the exercise of reserved Share Options, the grant price and quantity of Restricted A Shares and the exercise price and quantity of Share Options shall be adjusted in accordance with the Incentive Plan.
- VII. The total number of Incentive Participants under the Incentive Plan is 2,534, including directors, senior management, mid-level managers and backbone members of our technicians and basic-level managers and other technicians of the Company when the Incentive Plan is announced.

Incentive Participants eligible for the reserved interests shall be confirmed within 12 months after the Incentive Plan is considered and approved at the general meeting. If Incentive Participants are not confirmed within 12 months, the reserved interests will lapse.

- VIII. The validity period of the Incentive Plan shall commence on the date of the initial grant of interests and end on the date of unlocking or repurchasing and cancellation of all the Restricted A Shares to be granted to the Incentive Participants or the exercise or cancellation of all Share Options to be granted to the Incentive Participants, which shall not exceed 66 months. The validity period of the Restricted A Shares under the initial grant shall commence on the date of the registration of the Restricted A Shares under the initial grant and end on the date of unlocking or repurchasing and cancellation of all the Restricted A Shares to be granted to the Incentive Participants under the initial grant, which shall not exceed 66 months. The validity period of the Share Options under the initial grant shall commence on the date of the initial grant of Share Options and end on the date of exercise or cancellation of all Share Options granted to the Incentive Participants subject to a maximum of 54 months. The validity period of the Restricted A Shares under the reserved grant shall commence on the date of the registration of the Restricted A Shares under the reserved grant and end on the date of unlocking or repurchasing and cancellation of all the Restricted A Shares granted to the Incentive Participants under the reserved grant subject to a maximum of 48 months. The validity period of the reserved Share Options shall commence on the date of the grant of reserved Share Options and end on the date of exercise or cancellation of all reserved Share Options granted to the Incentive Participants subject to a maximum of 54 months.

- IX. The Company has undertaken not to provide loans and any other forms of financial assistance to the Incentive Participants for acquiring the Restricted A Shares or exercising the Share Options under the Incentive Plan including provision of guarantee for their loans.
- X. The implementation of the Incentive Plan shall be subject to approval by the general meeting of the Company.
- XI. The Company shall hold the board meetings according to relevant requirements to grant Restricted A Shares and Share Options to the Incentive Participants and complete relevant procedures such as registration and announcement within 60 days commencing from the date of the consideration and approval of the Incentive Plan at the general meeting. In the event the Company fails to complete the procedures mentioned above within such 60 days, unregistered Restricted A Shares and Share Options shall be cancelled or the Incentive Plan shall be terminated. Reserved Restricted A Shares and Share Options shall be granted within 12 months commencing from the date of the consideration and approval of the Stock Incentive Plan at the general meeting of the Company. If such reserved Restricted A Shares and Share Options fail to be granted within such 12 months, interests not granted shall lapse.
- XII. The implementation of the Incentive Plan will not violate the listing requirement of shareholding structure.

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Chapter 1 Definitions

“Company” or “WuXi AppTec”	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司)
“Incentive Plan” or “Stock Incentive Plan”	Restricted A Shares and Stock Option Incentive Plan of 2019 of WuXi AppTec Co., Ltd.
“Restricted A Shares”	a certain number of shares of the Company granted to the Incentive Participants according to the conditions and price stipulated in the Incentive Plan, which are subject to a lock-up period and can only be unlocked for trading when the unlocking conditions under the Incentive Plan are satisfied
“Share Options”	the rights to be granted by the Company to the Incentive Participants to purchase a certain number of shares at a predetermined price and conditions within a certain period of time in the future
“Incentive Participants”	the directors, senior management, mid-level managers and backbone members of our technicians and basic-level managers and other technicians of the Company who shall be entitled to Restricted A Shares or Share Options pursuant to the Incentive Plan
“Restricted A Share Grant Date”	the date on which the Incentive Participant(s) to be granted the Restricted A Shares by the Company, which shall be a trading day
“Grant Price”	the price of each Restricted A Share granted to the Incentive Participants by the Company
“Lock-up Period”	the period during which the Restricted A Shares granted to the Incentive Participants under the Incentive Plan are restricted to be transferred or used as guarantee or for repayment of debts

“Unlocking Period”	the period during which the Restricted A Shares of the Incentive Participants are unlocked and can be transferred upon the fulfillment of the Unlocking Conditions specified in the Incentive Plan
“Unlocking Conditions”	the conditions on the unlocking of the Restricted A Shares of the Incentive Participants under the Incentive Plan
“Black-out Period”	the period after the Lock-up Period, during which shareholders are prohibited from transferring their Restricted A Shares granted under the Incentive Plan
“Share Option Grant Date”	the date on which the Incentive Participant(s) to be granted the Share Options by the Company
“Withholding Period”	the period from the date of granting Share Options to the date on which Share Options become exercisable
“Exercise of Share Option(s)”	Incentive Participants’ exercise of their Share Option(s) according to the Stock Incentive Plan, i.e. Incentive Participants’ purchasing underlying shares according to conditions as stipulated in the Incentive Plan
“Exercisable Date”	the date on which the Incentive Participants may exercise Share Options, which shall be a trading day
“Exercise Price”	the price to be determined according to the Incentive Plan, at which the Incentive Participants shall purchase the Company’s shares
“Exercise Conditions”	the conditions to be satisfied for Incentive Participants to exercise their Share Options under the Stock Incentive Plan
“Company Law”	the Company Law of the People’s Republic of China
“Securities Law”	the Securities Law of the People’s Republic of China
“Administrative Measures”	the Administrative Measures of Share Incentives of Listed Companies

“Articles of Association”	the Articles of Association of the Company
“CSRC”	the China Securities Regulatory Commission
“SSE”	Shanghai Stock Exchange
“RMB”	Renminbi

Notes:

1. Unless otherwise stated, the financial data and financial indicators referenced herein shall mean the financial data on a consolidated basis and financial indicators calculated based on such financial data.
2. Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

Chapter 2 Purpose and Principle of the Incentive Plan

To further establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core personnel of the Company and effectively integrate the interests of the shareholders, the Company and members of core teams so that the parties will make joint efforts for the sustainable development of the Company, the Incentive Plan has been made on the premise of fully safeguarding the interests of shareholders pursuant to the principle of maintaining the revenue in proportion to contribution and in compliance with the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations and regulatory documents and the provisions of the Articles of Association.

Chapter 3 Administrative Bodies of the Incentive Plan

- I. The general meeting, as the institution vested with the supreme authority of the Company, is responsible for consideration and approval of the implementation, change and termination of the Incentive Plan. The general meeting may authorize the board of directors to deal with certain matters related to the Incentive Plan to the extent of its authority.
- II. The board of directors is the institution in charge of the implementation of the Incentive Plan. The remuneration and appraisal committee under the board of directors (the “**Remuneration Committee**”) is responsible for drafting and revising the Incentive Plan and submitting the same to the board of directors for consideration. Upon consideration and approval of the Incentive Plan, the board of directors will submit the Incentive Plan to the general meeting for consideration. The board of directors may handle other matters related to the Incentive Plan within the authorization by the general meeting.
- III. The supervisory committee and independent directors are the supervisory institutions of the Incentive Plan and expressing their views on whether the Incentive Plan facilitates the sustainable development of the Company and whether the Incentive Scheme impairs the interests of the Company and the shareholders as a whole. The supervisory committee supervises whether the implementation of the Incentive Plan complies with relevant laws, regulations, regulatory documents and the business rules of the stock exchange, and is responsible for reviewing the list of the Incentive Participants. The independent directors shall express independent opinions on whether the Incentive Plan facilitates the sustainable development of the Company and whether the Incentive Plan impairs the interests of the Company and the shareholders as a whole, and shall collect entrusted voting rights from all shareholders in relation to the Incentive Plan.

Where the Company revises its incentive plan before the consideration and approval at the general meeting, the independent directors and the supervisory committee shall express independent opinions on whether the revised Incentive Plan facilitates the sustainable development of the Company and whether the revised Incentive Plan impairs the interests of the Company and the shareholders as a whole.

The independent directors and the supervisory committee shall express clear opinions on whether the conditions of a grant to the Incentive Participants as set out in the Incentive Plan have been satisfied before the Company makes a grant to the Incentive Participants. If there is any discrepancy between the grant of interests to Incentive Participants and the arrangement of the Incentive Plan, the independent directors and the supervisory committee (in case of changes of the Incentive Participants) shall express clear opinions simultaneously.

Before the exercise of the interests by the Incentive Participants, the independent directors and the supervisory committee shall express clear opinions on whether the conditions for the Incentive Participants to exercise the interests under the Incentive Plan have been fulfilled.

**Chapter 4 Basis for Determining the Incentive Participants and
the Scope of Incentive Participants****I. Basis for Determining the Incentive Participants****1. Legal Basis for Determining the Incentive Participants**

The Incentive Participants of the Incentive Plan are determined in accordance with the Company Law, the Securities Law, the Administrative Measures and other relevant laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual situations.

2. Functional Basis for Determining the Incentive Participants

The Incentive Participants of the Incentive Plan include directors, senior management, mid-level managers and backbone members of our technicians and basic-level managers and other technicians of the Company.

II. Scope of Incentive Participants

The total number of Incentive Participants under the Incentive Plan is 2,534, including:

1. directors of the Company;
2. senior management of the Company;
3. mid-level managers and backbone members of our technicians of the Company;
4. basic-level managers and other technicians of the Company.

The Incentive Participants under the Incentive Plan do not include independent directors, supervisors and shareholders who holds 5% or above of the shares individually or jointly or de-facto controllers or their spouses or parents or children of the Company.

Among the abovementioned Incentive Participants, directors shall be elected by the general meeting and approved by the independent directors while senior management shall be appointed by the board of directors. All Incentive Participants shall have employment or labor service relationships with the Company or its branches or subsidiaries within the appraisal period under the Incentive Plan when the Restricted A Shares or Share Options are granted.

III. Verification of the Incentive Participants

1. After the Incentive Plan is considered and approved by the board of directors, the Company shall internally publish the names and the positions of the Incentive Participants for a period of no less than 10 days.
2. The supervisory committee of the Company shall verify the list of the Incentive Participants and thoroughly consider opinions from the public. The Company shall publish the opinions of the supervisory committee on the verification and the public opinions in relation to the list of the Incentive Participants 5 days before the Incentive Plan is considered at the general meeting. The list of Incentive Participants as adjusted by the board of directors of the Company shall also be verified by the supervisory committee of the Company.

Chapter 5 Details of the Stock Incentive Plan

The incentives of the Incentive Plan include Restricted A Shares and Share Options. The incentives of the initial grant include Restricted A Shares and Share Options, while reserved incentives are Restricted A Shares or Share Options. The reserved interests will be granted upon completion of the relevant procedures. The validity period of the Incentive Plan shall commence from the date of initial grant of the incentive shares to the date on which all the Restricted A Shares granted are unlocked or repurchased and cancelled and all the Share Options are exercised or otherwise cancelled subject to a maximum of 66 months.

It is proposed that no more than 21,055,530 incentive shares shall be granted to the Incentive Participants under the Incentive Plan. The underlying shares are ordinary A shares dominated in RMB, representing 1.2854% of the total share capital of the Company of 1,638,043,314 shares as at the date of the announcement of the Incentive Plan.

I. Details of the Restricted A Shares under the initial grant***(I) Source of Restricted A Shares under the initial grant***

The underlying shares of the Incentive Plan shall be the ordinary A shares to be issued by the Company to the Incentive Participants.

(II) Number of Restricted A Shares under the initial grant

The Company intends to grant 13,657,803 Restricted A Shares to the Incentive Participants, representing 0.8338% of the total share capital of the Company of 1,638,043,314 shares as at the date of the announcement of the Incentive Plan.

(III) Allocation of Restricted A Shares under the initial grant

The total number of Incentive Participants of Restricted A Shares under the initial grant is 2,048 and the allocation of Restricted A Shares among the Incentive Participants is set out in the following table:

Name	Position	Number of Restricted A Shares to be granted (ten thousand)	Percentage of the total amount of interest to be granted	Percentage of the total share capital of the Company as at the date of announcement of the Incentive Plan
Edward Hu (胡正國)	Director, co-chief executive officer	12.5	0.5937%	0.0076%
Shuhui Chen (陳曙輝)	Vice president	11.5	0.5462%	0.0070%
Steve Qing Yang (楊青)	Vice president	11.5	0.5462%	0.0070%
Chi Yao (姚馳)	Secretary of the Board	2.5	0.1187%	0.0015%
Senior-level managers, mid-level managers and backbone members of the technicians and basic-level managers and other technicians of the Company (excluding the special grant)		1,315.3360	62.4699%	0.8030%
Senior-level managers (special grant)		12.4443	0.5910%	0.0076%
Total		<u>1,365.7803</u>	<u>64.8656%</u>	<u>0.8338%</u>

Notes:

1. The number of shares to be granted to any Incentive Participant under the Incentive Plan within the validity period do not exceed 1% of the total share capital of the Company, and the total number of underlying shares of the Company under the Incentive Plan within the validity period do not exceed 10% of the total share capital of the Company at the time of the submission of such plan to the general meeting;
2. The substantial shareholders or de facto controller of the Company holding 5% or above of the shares and their spouses, parents and children have not participated in the Incentive Plan.
3. Some figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

(IV) Validity period, grant date, Lock-up Period, unlocking arrangements and Black-out Period and other lock-up arrangements of the Restricted A Shares granted under the initial grant

1. *Validity period*

The validity period of the initial grant of Restricted A Shares shall commence from the date of registration of the initial grant of the Restricted A Shares to the date on which all the Restricted A Shares granted are unlocked or repurchased and cancelled, subject to a maximum of 66 months.

2. *Restricted A Shares Grant Date*

The date of the initial grant shall be determined by the board of directors after the Incentive Plan is approved by the general meeting of the Company. The Company shall grant the interests and complete relevant procedures such as registration and announcement within 60 days commencing from the date of the consideration and approval of the Incentive Plan at the general meeting of the Company (the period during which no interests shall be granted by listed companies shall not be included in the 60 days according to the Administrative Measures and other laws and regulations). The Restricted A Shares Grant Date shall be a trading day and fall in a period permitted by the listing rules of the stock exchange where the shares of the Company are listed. The Restricted A Shares Grant Date shall not fall in, including but not limited to, the following periods:

- (1) 30 days prior to the publication of the periodic reports of the Company or in the event that the publication of the report is postponed due to special reasons, 30 days prior to the originally scheduled date of publication until the day prior to the date of publication;
- (2) 10 days prior to the publication of the announcement of results forecast or the announcement of the summary of results;
- (3) the period from the date of an event which may have significant effect on the trading prices of the shares of the Company and their derivatives or the date on which a decision is to be considered to the second trading day following the disclosure in accordance with laws;
- (4) such other period as stipulated by the CSRC and the Stock Exchange.

The “events which may have significant effect on the trading prices of the shares” includes discloseable transactions and other significant events as stipulated by the Listing Rules of the Shanghai Stock Exchange and the listing rules of other stock exchanges where the shares of the Company are listed.

The 60-day period does not include the period during which no grant Restricted A Shares are allowed. Where an Incentive Participant who is a director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted A Shares, the grant of the Restricted A Shares shall be postponed until the day six months from the date of the latest of such shareholding reduction in accordance with the short-swing trading provisions under the Securities Law.

3. *Lock-up Period*

The tranches of the Restricted A Shares granted under the initial grant (excluding the special grant) will be locked up for 12, 24 and 36 months (each, a “Lock-up Period”) from the registration date of the initial grant, respectively. The tranches of the Restricted A Shares granted under the initial grant (the special grant) will be locked up from the registration date of the initial grant to February 28, 2021, February 28, 2022, February 28, 2023, February 29, 2024 (each, a “Lock-up Period”), respectively. During the Lock-up Period, the Restricted A Shares granted to the Incentive Participants pursuant to the Incentive Plan shall not be transferred, pledged for secured or used for repayment of debt.

Restricted A Shares held by participants satisfying the unlocking conditions shall be unlocked, and the Restricted A Shares held by the Incentive Participants failing to satisfy the unlocking conditions shall be repurchased and cancelled by the Company.

4. *Unlocking arrangements*

The Unlocking Periods in relation to the Restricted A Shares granted under the initial grant (excluding the special grant) and the timetable of each Unlocking Period are as follows:

Unlocking arrangements	Unlocking Period	Proportion of unlocking
First Unlocking Period under the initial grant	From the first trading day after 12 months from the registration date of the Initial Grant to the last trading day within 24 months from the registration date of the Initial Grant	40%
Second Unlocking Period under the initial grant	From the first trading day after 24 months from the registration date of the Initial Grant to the last trading day within 36 months from the registration date of the Initial Grant	30%

Unlocking arrangements	Unlocking Period	Proportion of unlocking
Third Unlocking Period under the initial grant	From the first trading day after 36 months from the registration date of the Initial Grant to the last trading day within 48 months from the registration date of the Initial Grant	30%

The unlocking periods (each, an “Unlocking Period”) in relation to the Restricted A Shares granted under the initial grant (the special grant) and the timetable of each Unlocking Period are as follows:

Unlocking arrangements	Unlocking Period	Proportion of unlocking
First Unlocking Period	From March 1, 2021 to February 28, 2022	20%
Second Unlocking Period	From March 1, 2022 to February 28, 2023	20%
Third Unlocking Period	From March 1, 2023 to February 29, 2024	20%
Fourth Unlocking Period	From March 1, 2024 to February 28, 2025	40%

Restricted A Shares which are not applied for unlocking and relevant tranche of Restricted A Shares fail to satisfy the unlocking conditions for the respective Unlocking Period shall be repurchased and cancelled by the Company at the Grant Price under the Incentive Plan. Restricted A Shares satisfying the unlocking conditions shall be unlocked by the Company.

Shares received by Incentive Participants who are granted the Restricted A Shares through capitalization of capital reserve, bonus shares issue and sub-division shall be subject to lock-up and are not allowed to be sold or otherwise transferred in the secondary market during the unlocking periods same as that of the Restricted A Shares.

5. *Black-out Period*

The black-out arrangement for the Restricted A Shares granted under the initial grant (including the shares acquired through non-trading transfer, excluding the special grant) of the Incentive Plan shall be implemented in accordance with the Company Law, the Securities Law and the relevant laws, regulations, regulatory documents, Articles of Association and has been agreed by the Incentive Participants, in particular:

- (1) Holders of Restricted A Shares (including holders of shares acquired through non-trading transfer, excluding the special grant) shall not transfer the relevant tranche of Restricted A Shares which have satisfied the Unlocking Conditions to any third party in any manner within 6 months from the expiration of each Lock-up Period.
- (2) All holders of the Restricted A Shares (including the shares acquired through non-trading transfer, excluding the special grant) who have satisfied the Unlocking Conditions shall be unlocked by the Company upon the expiration of the Black-out Period.
- (3) For the avoidance of doubts, any change of the Incentive Participants during the Black-out Period who have fulfilled the Unlocking Conditions would not affect the completion of the unlocking procedures by the Company upon the expiration of the Black-out Period.

6. *Other lock-up arrangements*

Other lock-up arrangements under the Incentive Plan shall be implemented in accordance with the Company Law, the Securities Law and the relevant laws, regulations, regulatory documents and the Articles of Association, in particular:

- (1) Where an Incentive Participant is a director or a member of the senior management of the Company, the number of shares of the Company to be transferred by the Incentive Participant each year during his/her term of office shall not exceed 25% of the total number of the shares of the Company held by him/her. No shares of the Company held by him/her shall be transferred within six months after his/her departure.
- (2) Where an Incentive Participant is a director or a member of the senior management of the Company and he/she disposes of any shares of the Company within six months after acquisition or buys back such shares within six months after disposal, all gains arising therefrom shall be accounted to the Company and the board of directors will collect all such gains.
- (3) If, during the validity period of the Incentive Plan, there is any amendment to the requirements regarding transfer of shares held by a director and a member of the senior management of the Company under the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association, such amended requirements of the Company Law, the Securities Law and other relevant laws, regulations, regulatory documents and the Articles of Association shall apply to the shares transferred by the Incentive Participants at the time of transfer.

(V) Grant Price of the Restricted A Shares under the initial grant and the Basis of Determination**1. Grant Price**

The Grant Price of the Restricted A Shares under the initial grant is RMB32.44 per share. Upon fulfilment of grant conditions, the Incentive Participants may purchase newly issued Ordinary A Shares at the price of RMB32.44 per share.

2. Basis and Method for Determination of the Grant Price

The Grant Price of Restricted A Shares under the initial grant of the Incentive Plan shall be not lower than the nominal value of Shares and shall not be lower than the higher of the following:

- (1) 50% of RMB64.88 per share, the average trading price of the A Shares of the Company on the trading day preceding the date of announcement of the Incentive Plan (total share trading amount in the previous trading day/total share trading volume in the previous trading day), being RMB32.44 per share;
- (2) 50% of RMB60.56 per share, the average trading price of the A Shares of the Company for the last 60 trading days preceding the date of announcement of the Incentive Plan (total share trading amount in last 60 trading days/total share trading volume in last 60 trading days), being RMB30.28 per share.

(VI) Grant and Unlocking Conditions of Restricted A Shares under the initial grant**1. Grant Conditions**

The Company may grant Restricted A Shares to the Incentive Participants when the following conditions are satisfied. The Company may not grant Restricted A Shares if any of the following conditions of the grant is not satisfied.

- (1) None of the following circumstances has occurred to the Company:
 - ① a certified public accountant issue a qualified report or fail to issue a report on financial and accounting report of the Company for the latest accounting year;

- ② a certified public accountant issue a qualified report or fail to issue a report on the internal control contained in the financial report of the Company for the latest accounting year;
 - ③ the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings during the last 36 months after listing;
 - ④ the adoption of stock incentive plan is forbidden by the laws and regulations;
 - ⑤ other circumstances as determined by the CSRC.
- (2) None of the following circumstances has occurred to an Incentive Participant:
- ① such Incentive Participant is deemed as an inappropriate candidate by the relevant stock exchange in last 12 months;
 - ② such Incentive Participant is deemed as an inappropriate candidate by the CSRC or its subordinate bodies in last 12 months;
 - ③ such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its subordinate bodies due to material non-compliance of laws and regulations in last 12 months;
 - ④ such Incentive Participant is prohibited from acting as a director or member of the senior management of a company under the Company Law;
 - ⑤ such Incentive Participant is prohibited by the law from participating in stock incentive plan of listed companies;
 - ⑥ other circumstances as determined by the CSRC.

2. *Unlocking Conditions*

The Restricted A Shares granted to the Incentive Participants can be unlocked when the following conditions are fulfilled during the Lock-up Period.

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

- ① a certified public accountant issue a qualified report or fail to issue a report on financial and accounting report of the Company for the latest accounting year;
 - ② a certified public accountant issue a qualified report or fail to issue a report on the internal control contained in the financial report of the Company for the latest accounting year;
 - ③ the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings during the last 36 months after listing;
 - ④ the adoption of stock incentive plan is forbidden by the laws and regulations;
 - ⑤ other circumstances as determined by the CSRC.
- (2) None of the following circumstances has occurred to an Incentive Participant:
- ① such Incentive Participant is deemed as an inappropriate candidate by the relevant stock exchange in last 12 months;
 - ② such Incentive Participant is deemed as an inappropriate candidate by the CSRC or its subordinate bodies in last 12 months;
 - ③ such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its subordinate bodies due to material non-compliance of laws and regulations in last 12 months;
 - ④ such Incentive Participant is prohibited from acting as a director or member of the senior management of a company under the Company Law;
 - ⑤ such Incentive Participant is prohibited by the law from participating in stock incentive plan of listed companies;
 - ⑥ other circumstances as determined by the CSRC.

If any of the circumstances stipulated in provision (1) above occur to the Company, all Restricted A Shares granted to the Incentive Participants under the Incentive Plan and subject to Lock-up Period shall be repurchased and cancelled by the Company. If any of the

circumstances stipulated in provision (2) above occur to an Incentive Participant, all Restricted A Shares granted to the Incentive Participant under the Incentive Plan and subject to Lock-up Period shall be repurchased and cancelled by the Company.

(3) Performance Indicator of the Company

Unlocking of the Restricted A Shares under the initial grant (excluding the special grant) granted under the Incentive Plan shall be subject to the annual performance indicators for the three accounting years from 2019 to 2021. The fulfilment of the performance indicators will be taken as one of the unlocking conditions for the Incentive Participants in respective years.

The annual performance indicators are as follows:

Unlocking period	Performance indicators
First Unlocking Period of the initial grant	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018
Second Unlocking Period of the initial grant	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Third Unlocking Period of the initial grant	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

Note:

The “operating revenue” represents the operating revenue as shown in the consolidated financial statement of the Company.

Unlocking of the Restricted A Shares (the special grant) granted under the Incentive Plan shall be subject to the annual performance indicators for the three accounting years from 2019 to 2021 (no performance indicators for the fourth unlocking period of the initial grant). The fulfilment of the performance indicators will be taken as one of the unlocking conditions for the Incentive Participants in respective years. The annual performance indicators are as follows:

Unlocking period	Performance indicators
First Unlocking Period	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018
Second Unlocking Period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018

Unlocking period**Performance indicators**

Third Unlocking Period

The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

Note:

The “operating revenue” represents the operating revenue as shown in the consolidated financial statement of the Company. There is no performance indicators for the special grant of the fourth unlocking period of the initial grant.

Costs incurred from the Incentive Plan shall be charged as operation cost, sales expense, management expense and research and development expense.

If the Company fails to fulfil the performance indicators above, all the Restricted A Shares which otherwise may be unlocked during the respective periods shall not be unlocked and shall be repurchased and cancelled by the Company at the Grant Price.

(4) Individual Performance Indicators

According to the Employee Performance Management System of the Company, the Remuneration and Appraisal Committee shall carry out annual comprehensive assessment on the Incentive Participant (no performance indicators for the special grant of the fourth unlocking period of the initial grant.) and determine the actual unlocking ratio accordingly. The actual unlocking amount of individual for the year shall be equal to the standard coefficient x the planned unlocking amount of individual for the year. The coefficient for performance appraisal results of grade B (including B-) or above is 100% whereas the coefficient for performance appraisal results below grade B is 0.

If the Restricted A Shares which have not been unlocked are unlikely to achieve the incentive purpose due to changes of factors such as market conditions, one or more tranches of the Restricted A Shares under the Incentive Plan may remain locked up if so approved by the board of directors and shall be repurchased and cancelled at the Grant Price.

(5) Objectivity and Reasonableness of the Performance Indicators

There are two sets of appraisal indicators for the initial grant of interests, i.e. performance appraisal of the Company and performance appraisal of individuals. Determination of the appraisal indicators are in compliance with the laws, regulations and the Articles of Association.

The Company selects the operating revenue growth as the performance indicator of the Company based on the characteristics of the industry and its own business. The operating revenue of the Company is mainly settled in US dollar and the exchange rate of RMB against US dollar fluctuated significantly in recent years. Therefore, compared with net profit growth, the operating revenue growth can better measure the operation condition and market share of the Company, making it an effective indicator for the prediction of the trend and growth of business operations. Based on reasonable prediction and the incentive effect of the Incentive Plan, the Company has selected the operating revenue for 2018 as the basis for the initial grant of Restricted A Shares. The operating revenue growth for 2019 to 2021 shall be not less than RMB1.5 billion, RMB3.0 billion and RMB4.5 billion, respectively, as the performance targets.

Besides performance appraisal of the Company, the Company has established a strict performance appraisal system for individuals to accurately and comprehensively evaluate the performance of Incentive Participants. The Company will determine whether the Incentive Participants fulfil the Unlocking conditions based on their performance appraisal results of each year.

Given the above, the appraisal system of the Incentive Plan of the Company is all-round, comprehensive and practicable, and the appraisal indicators are objective and reasonable, which are binding on the Incentive Participants and can serve the appraisal purpose of the Incentive Plan.

(VII) Methods and Procedures for the Adjustment of the Number and Grant Price of the Restricted A Shares

1. Adjustment Methods of Restricted A Share number

In the event of any capitalization of capital reserve, bonus shares issue, sub-division, rights issue or consolidation in relation to the shares of the Company during the period from the date of announcement of the Incentive Plan to the completion of registration of Restricted A Shares by the Incentive Participants, adjustment to the number of Restricted A Shares shall be made by the Company as follows:

(1) Capitalization of capital reserve, bonus shares issue and sub-division of shares

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares); Q represents the adjusted number of Restricted A Shares.

(2) *Rights issue*

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted amount of Restricted A Shares.

(3) *Consolidation of shares*

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n shares); Q represents the adjusted number of Restricted A Shares.

2. Adjustment Methods of Grant Price

In the event of any dividend distribution, capitalization of capital reserve, bonus shares issue, sub-division, rights issue or consolidation in relation to the shares of the Company during the period from the date of announcement on the Incentive Plan to the completion of registration of the Restricted A Shares by the Incentive Participants, adjustment to the Grant Price of Restricted A Shares shall be made by the Company are as follows:

(1) *Capitalization of capital reserve, bonus shares issue and sub-division of shares*

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares to each share; P represents the adjusted Grant Price.

(2) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P_0 represents the Grant Price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); P represents the adjusted Grant Price.

(3) Consolidation of shares

$$P = P_0 \div n$$

Where: P_0 represents the Grant Price before the adjustment; n represents the ratio of consolidation of Shares; P represents the adjusted Grant Price.

(4) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Grant Price before the adjustment; V represents the dividend per share; P represents the adjusted Grant Price. P shall be larger than 1 after adjustment.

3. Adjustment Procedures of the Incentive Plan

The board of directors of the Company shall pass a resolution regarding the adjustment of the number and the Grant Price of Restricted A Shares under the authorization of the general meeting in any of the abovementioned circumstances. The Company shall retain a legal adviser for professional advice to the board of directors on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Incentive Plan. The Company shall publish an announcement on the resolution and relevant legal opinions after such resolution is considered and passed by the board of directors.

(VIII) Accounting of the Restricted A Shares

In accordance with the Enterprise Accounting Standard No.11 — Share-based Payments, the Company shall, during the Lock-Up Period, on each balance sheet date, adjust the estimated number of Restricted A Shares that may be unlocked in accordance with the latest number of participants who have fulfilled the Unlocking Conditions and the performance indicators, and recognize the services received as the relevant costs or expenses and capital reserve in accordance with the fair value of the Restricted A Shares on the grant date.

1. *Restricted A Share Grant Date*

The capital and capital reserve shall be measured to reflect the grant of Restricted A Shares to the Incentive Participants.

2. *Balance sheet dates during the Lock-up Period*

According to the accounting standards, the services provided by staff will be recognized as costs and the owners' equity or liability will be recognized on the balance sheet dates during the Lock-up Period.

3. *Unlocking date*

On the unlocking date, the Restricted A Shares shall be unlocked if the Unlocking Conditions are fulfilled. If all or part of the shares are unlocked and lapsed or cancelled, the lapse or cancellation shall be dealt with according to the accounting standards and relevant requirements.

4. Fair value of the Restricted A Shares and method for determination

According to the Enterprise Accounting Standard No.11-Share-based Payments and Enterprise Accounting Standard No.22-Financial Instruments: Recognition and Measurement, the date for calculation of the fair value of Restricted A Shares shall be the date of grant, and the calculation shall be based on the market value of the shares of the Company on the date of grant, taking into account the effect of the lock-up after unlocking (to be determined at the time of grant). As the Restricted A Shares (excluding the special grant) have a six-month Black-out Period, the Company adopts the Black-Scholes model (B-S model) and considers the difference between the existence and absence of the Black-out Period to determine the related impact of the lock-up terms on the fair value of Restricted A Shares on the date of grant after unlocking. Fair value of Restricted A Shares of the special grant shall be equal to the closing price of shares as at the date of the grant less the Grant Price.

- ① Price of the underlying shares: RMB64.95 per share (the closing price on July 19, 2019)
- ② The validity periods are 1 year and 1.5 years, 2 years and 2.5 years, 3 years and 3.5 years, respectively (from the date of registration of the grant to the date of expiration of each Lock-up Period and from the date of registration of the grant to the date of expiration of each Black-out Period)
- ③ Historic volatility: 45.14% and 44.96%, 42.29% and 41.34%, 44.21% and 44.45% (based on the volatility rate of comparable companies in the industry in the latest 1 year and 1.5 years, 2 years and 2.5 years, 3 years and 3.5 years, respectively)
- ④ Risk-free interest rate: 2.58% and 2.69%, 2.79% and 2.84%, 2.89% and 2.92% (based on 1 year and 1.5 year, 2 year and 2.5 year, 3 year and 3.5 year yield of treasury bond of the PRC, respectively)

5. Estimated impact on the operation result for each period due to implementation of the Restricted A Shares under the Incentive Plan

If the Company grant the Restricted A Shares for the first time in September 2019, the fair value of the Restricted A Shares on the grant date shall be determined through the use of evaluation tools as the costs of payment of shares under the Incentive Plan which shall be amortized in accordance with the unlocking percentage during the implementation. The incentive costs incurred from the Incentive Plan shall be charged to the recurring profit and loss.

APPENDIX I**RESTRICTED A SHARES AND
STOCK OPTION INCENTIVE PLAN OF 2019**

According to the PRC Accounting Standards, the impact of the Restricted A Shares granted under the Incentive Plan on costs for each period is as follows:

Restricted A Shares under the initial grant <i>(excluding the special grant)</i> <i>(0'000 shares)</i>	Costs to be amortized <i>(RMB0'000)</i>	2019 <i>(RMB0'000)</i>	2020 <i>(RMB0'000)</i>	2021 <i>(RMB0'000)</i>	2022 <i>(RMB0'000)</i>
1,353.3360	37,625.93	4,127.93	22,190.68	8,347.09	2,960.23

Restricted A Shares under the initial grant <i>(excluding the special grant)</i> <i>(0'000 shares)</i>	Costs to be amortized <i>(RMB0'000)</i>	2019 <i>(RMB0'000)</i>	2020 <i>(RMB0'000)</i>	2021 <i>(RMB0'000)</i>	2022 <i>(RMB0'000)</i>	2023 <i>(RMB0'000)</i>	2024 <i>(RMB0'000)</i>
12.4443	404.56	26.16	156.98	106.41	67.40	41.39	6.22

The total is as follows:

Total of Restricted A Shares under the initial grant <i>(0'000 shares)</i>	Costs to be amortized <i>(RMB0'000)</i>	2019 <i>(RMB0'000)</i>	2020 <i>(RMB0'000)</i>	2021 <i>(RMB0'000)</i>	2022 <i>(RMB0'000)</i>	2023 <i>(RMB0'000)</i>	2024 <i>(RMB0'000)</i>
1,365.7803	38,030.50	4,154.10	22,347.66	8,453.50	3,027.63	41.39	6.22

According to the preliminary evaluation by the Company based on the information available, without taking into account the positive effects of the Incentive Plan on the results of the Company, the amortization of the costs of Restricted A Shares shall have insignificant effect on the net profit of each year during the validity period. Taking into consideration the positive effect of the Incentive Plan on the development of the Company, such as motivating the management team, increasing the operational efficiency and reducing agent costs, the benefits generated from the improvement in the Company's results because of the Incentive Plan shall outpace the increase in expenses.

(IX) Principles of repurchase and cancellation

Upon completion of registration of the Restricted A Shares granted to the Incentive Participants, in case of changes in share capital or share price due to capitalization of capital reserve, bonus shares issue, sub-division, rights issue, consolidation and distribution of dividends, the number and repurchase price of the Restricted A Shares which have not been unlocked shall be adjusted accordingly.

1. Adjustment of repurchase quantity

(1) Capitalization of capital reserve, bonus shares issue and sub-division of shares

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares); Q represents the adjusted number of Restricted A Shares.

(2) Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted amount of Restricted A Shares.

(3) Consolidation of shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n shares); Q represents the adjusted number of Restricted A Shares.

2. Adjustment of repurchase price*(1) Capitalization of capital reserve, bonus shares issue and sub-division of shares*

$$P = P_0 \div (1 + n)$$

Where: P represents the adjusted repurchase price of the Restricted A Shares; P_0 represents the Grant Price of the Restricted A Shares; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares).

(2) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P_1 represents the closing price of the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue).

(3) Consolidation of shares

$$P = P_0 \div n$$

Where: P represents the adjusted repurchase price of the Restricted A Shares; P_0 represents the Grant Price of the Restricted A Shares; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n shares).

(4) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Grant Price of the Restricted A Shares; V represents the dividend per share; P represents the adjusted repurchase price. P shall be larger than 1 after adjustment.

II. Details of the Share Options under the initial grant*(I) Source of Shares of Share Options*

The source of the underlying shares under the Stock Incentive Plan shall be the ordinary A shares to be issued by the Company to the Incentive Participants.

(II) Number of Share Options

The Company proposes to grant 5,292,174 Share Options to 487 Incentive Participants, representing 0.3231% of the total share capital of the Company of 1,638,043,314 shares as at the date of announcement of the Incentive Plan.

(III) Allocation of Share Options

The allocation of Share Options to be granted to Incentive Participants is as follows:

Position	Number of Share Options to be granted (Shares)	Percentage to the total amount of interest to be granted	Percentage to the total share capital as at the date of announcement of the Incentive Plan
Senior-level managers, mid-level managers and backbone members of our technicians and basic-level managers and other technicians	<u>5,292,174</u>	<u>25.1344%</u>	<u>0.3231%</u>

Notes:

1. The total number of shares of the Company to be granted under the Stock Incentive Plan to any one of the abovementioned participants within the validity period will not exceed 1% of the total share capital of the Company. The expected total number of shares of the Company to be granted under the Incentive Plan within the validity period will not exceed 10% of the total share capital of the Company as at the date of the proposal of the Incentive Plan at the shareholders' general meeting.
2. The participants under the Incentive Plan do not include any substantial shareholder or de-facto controller who hold 5% or above of the shares of our Company or their spouses, parents or children.

(IV) Validity period, grant date, Withholding Period, vesting arrangement and Black-out Period of the Share Options**1. *Validity period***

The initial grant of the Share Options is valid from the date of the initial grant of Share Options to the date on which all the Share Options granted to the Incentive Participants under the initial grant have been vested or cancelled, but in any event shall not be more than 54 months.

2. *Share Option Grant Date*

The date of initial grant shall be determined by the board of directors of the Company after the Incentive Plan is considered and approved at the general meeting of the Company. The Company shall hold a board meeting according to relevant requirements to grant the interests to the Incentive Participants and complete relevant procedures such as registration and announcement within 60 days commencing from the date of the consideration and approval of the Incentive Plan at the general meeting of the Company (the period during which no interests shall be granted by listed companies shall not be included in the 60 days according to the Administrative Measures and other laws and regulations). The date of grant shall fall within the period allowed by the listing rules of the place where the shares of the Company are listed. The grant of Share Options under the Incentive Plan will comply with all relevant restrictions under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

3. *Withholding Period*

The Withholding Period of each tranche of the Share Options granted under the initial grant is 18 months, 30 months and 42 months from the initial grant date, respectively.

4. Vesting arrangement

The vesting period and arrangement of each tranche of the Share Options granted under the initial grant are as follows:

Vesting arrangement	Vesting Period	Proportion of Vesting
First vesting period of initial grant	From the first trading day after 18 months from the initial grant date to the last trading day within 30 months from the initial grant date	40%
Second vesting period of initial grant	From the first trading day after 30 months from the initial grant date to the last trading day within 42 months from the initial grant date	30%
Third vesting period of initial grant	From the first trading day after 42 months from the initial grant date to the last trading day within 54 months from the initial grant date	30%

Such Share Options shall only be exercised by the participants within the vesting period. If the conditions of vesting are not fulfilled, relevant tranche of Share Options shall not be vested and shall be cancelled by the Company. If the conditions of vesting are fulfilled but the options are not vested within the vesting period, such options shall be cancelled by the Company.

5. Exercisable Date

After the Board's determination of the date of the initial grant of the Share Options, the Share Options granted can be exercised after the expiry of 18 months from the date of grant. The Incentive Participants can exercise the Share Options within 36 months in tranches.

The Exercisable Date shall be a trading day and shall fall within a period allowed by the listing rules of the place where the shares of the Company are listed.

The Exercisable Date for directors and senior management shall not fall in, including but not limited to, the following periods:

- (1) 30 days prior to the publication of periodic reports of the Company, or in the event of delay in publishing the reports for special reasons, 30 days prior to the original date of publication and up to one day prior to the date of publication;
- (2) 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
- (3) the period commencing from the date of occurrence of any significant event which may have significant effect on the trading prices of the Company's shares and their derivatives of the Company or the date on which relevant decision-making procedures start and ending on the second trading day following the publication in accordance with laws;
- (4) other periods as stipulated by the CSRC and stock exchange.

The "significant events which may have effect on share price" are transactions or other significant events which shall be disclosed by the Company in accordance with the Rules Governing the Listing of Stocks of the Shanghai Stock Exchange and other listing rules of the place where the shares of the Company are listed.

6. *Other lock-up provisions*

The lock-up provisions of the Incentive Plan shall be implemented in accordance with the Company Law, the Securities Law, and other relevant laws, regulations and regulatory documents and the Articles of Association. Details are as follows:

- (1) if an Incentive Participant is a director or a member of senior management of the Company, the number of shares that may be transferred each year during his term of office shall not exceed 25% of the total number of shares of the Company held by him. No share of the Company held by him can be transferred within six months after the termination of his office.

- (2) if an Incentive Participant is a director or a member of senior management of the Company and he disposes any shares of the Company within six months after the acquisition of the same, or buys back within six months after disposition of the same, all gains arising therefrom shall be vested with the Company. The board of directors shall recover all such gains.
- (3) if, during the validity period of the Incentive Plan, there is any change to the requirements regarding the transfer of shares by a director and senior management under the Company Law, the Securities Law, the other relevant laws, regulations and regulatory documents and the Articles of Association, the transfer of shares held by an Incentive Participant shall comply with the amended Company Law, the Securities Law, the other relevant laws, regulations and regulatory documents and the Articles of Association.

(V) Exercise Price and the basis for determining the Exercise Price of the Share Options under the initial grant

1. Exercise Price

The Exercise Price of the Share Options under the initial grant is RMB64.88 per share.

2. Exercise Price and basis of determination

The Exercise Price of the Share Options under the initial grant of the Incentive Plan shall not be lower than the par value of the shares, and shall not be lower than the highest of the following:

- (1) the average trading price of the Company's A Shares on the trading day preceding the date of announcement of the Incentive Plan (total trading amount/total trading volume on the preceding trading day), i.e. RMB64.88 per share;
- (2) the average trading price of the Company's A Shares for the last 60 trading days preceding the date of announcement of the Incentive Plan (total trading amount for the last 60 trading days/total trading volume traded on the last 60 trading days), i.e. RMB60.56 per share.

(VI) Grant and Exercise Conditions of Share Options**1. Grant Conditions**

The Company may grant Share Options to the Incentive Participants when the following conditions of the grant are fulfilled. The Company may not grant Share Options to the Incentive Participants if any of the following conditions of the grant is not fulfilled.

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

- ① a certified public accountant issue a qualified report or fail to issue a report on financial and accounting statements of the Company for the latest accounting year;
- ② a certified public accountant issue a qualified report or fail to issue a report on the internal control contained in the financial report of the Company for the latest accounting year;
- ③ the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings during the last 36 months after listing;
- ④ the adoption of stock incentive plan is forbidden by the laws and regulations;
- ⑤ other circumstances as determined by the CSRC.

(2) None of the following circumstances has occurred to an Incentive Participant:

- ① such Incentive Participant is deemed not suitable as a participant by the relevant stock exchange in last 12 months;
- ② such Incentive Participant is deemed not suitable as a participant by the CSRC or its subordinate bodies in last 12 months;
- ③ such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its subordinate bodies due to material non-compliance of laws and regulations in last 12 months;
- ④ such Incentive Participant is prohibited from acting as a director or member of the senior management of a company under the Company Law;

- ⑤ such Incentive Participant is prohibited by the law from participating in stock incentive plan of listed companies;
- ⑥ other circumstances as determined by the CSRC.

2. *Exercise Conditions*

The Share Options granted to the Incentive Participants can be exercised when the following conditions are fulfilled during the Withholding Period.

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

- ① a certified public accountant issue a qualified report or fail to issue a report on financial and accounting statements of the Company for the latest accounting year;
- ② a certified public accountant issue a qualified report or fail to issue a report on the internal control contained in the financial report of the Company for the latest accounting year;
- ③ the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings during the last 36 months after listing;
- ④ the adoption of stock incentive plan is forbidden by the laws and regulations;
- ⑤ other circumstances as determined by the CSRC.

(2) *None of the following circumstances has occurred to an Incentive Participant:*

- ① such Incentive Participant is deemed not suitable as a participant by the relevant stock exchange in last 12 months;
- ② such Incentive Participant is deemed not suitable as a participant by the CSRC or its subordinate bodies in last 12 months;
- ③ such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its subordinate bodies due to material non-compliance of laws and regulations in last 12 months;

- ④ such Incentive Participant is prohibited from acting as a director or member of the senior management of a company under the Company Law;
- ⑤ such Incentive Participant is prohibited by the law from participating in stock incentive plan of listed companies;
- ⑥ other circumstances as determined by the CSRC.

If any of the circumstances stipulated in provision (1) above occur to the Company, all Share Options granted to the Incentive Participants under the Incentive Plan but not exercised shall be cancelled; if any of the circumstances stipulated in provision (2) above occur to an Incentive Participant, all Share Options granted to the Incentive Participant under the Incentive Plan but not exercised shall be cancelled.

(3) Performance indicator of the Company

An individual granted with Share Options under initial grant of the Incentive Plan will be assessed annually for the three accounting years from 2019 to 2021. The achievement of the performance target by the Incentive Participant is a condition of the Exercise Share Options.

The annual performance assessment targets for the Exercise of Share Options are as follows:

Exercise period	Performance assessment target
First exercise period of the initial grant	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018
Second exercise period of the initial grant	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Third exercise period of the initial grant	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

Note:

The “operating revenue” represents the operating revenue as shown in the consolidated financial statement of the Company.

Costs incurred from the Incentive Plan shall be expensed in the operation cost, sales expense, management expense and research and development expense.

If the Company fails to fulfil the performance indicators, all Share Options which are exercisable by the Incentive Participants in the respective assessment year shall not be exercised and shall be cancelled.

(4) Individual performance appraisal

According to the Performance Management System of Employee of the Company, the Remuneration and Appraisal Committee will conduct annual appraisal of the Incentive Participant and determine the exercise ratio of the Incentive Participant accordingly. The Exercise size of the individual in the current year = standard coefficient × the individual's proposed Exercise size for the year. The coefficient for performance appraisal results of grade B (including B-) or above is 100% whereas the coefficient for performance appraisal results below grade B is 0.

(5) Objectivity and reasonableness of the appraisal indicators

There are two sets of appraisal indicators for the initial grant of interests, i.e. performance appraisal of the Company and performance appraisal of individuals. Determination of the appraisal indicators are in compliance with the laws, regulations and the Articles of Association.

The Company selects the operating revenue growth as the performance indicator of the Company based on the characteristics of the industry and its own business. The operating revenue of the Company is mainly settled in USD and the exchange rate of RMB against US dollar fluctuated significantly in recent years. Therefore, compared with net profit growth, the operating revenue growth can better measure the operation and market share of the Company, making it an effective indicator for the prediction of the trend and growth of business operations. Based on reasonable prediction and the incentive effect of the Incentive Plan, the Company has selected the operating revenue for 2018 as the basis for the initial grant of Share Options. The operating revenue growth for 2019 to 2021 shall be not less than RMB1.5 billion, RMB3.0 billion and RMB4.5 billion, respectively, as the performance targets.

Besides performance appraisal of the Company, the Company has established a strict performance appraisal system for individuals to accurately and comprehensively evaluate the performance of Incentive Participants. The Company will determine whether the Incentive Participants fulfil the Unlocking Conditions based on their performance appraisal results of the previous year.

Given the above, the appraisal system of the Incentive Plan of the Company is all-round, comprehensive and practicable, and the appraisal indicators are objective and reasonable, which are binding on the Incentive Participants and can serve the appraisal purpose of the Incentive Plan.

(VII) Methods and Procedures for Adjustment of the Number and Exercise Price of the Share Options

1. Methods for Adjustment of number of Share Option

In the event of any capitalization of capital reserve, bonus shares issue, sub-division, rights issue or consolidation in relation to the Shares of the Company in the period from the date of announcement on the Incentive Plan to the completion of exercise period of Share Options by the Incentive Participants, adjustment to the number of Share Options shall be made by the Company as follows:

(1) Capitalization of capital reserve, bonus shares issue and sub-division of Shares

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Share Options before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus shares issue or sub-division of Shares (i.e. the number of Shares increased per Share upon issue of Shares by conversion of capital reserve, bonus shares issue or sub-division of Shares); Q represents the adjusted number of Share Options.

(2) Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Share Options before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted amount of Share Options.

(3) Consolidation of Shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Share Options before the adjustment; n represents the ratio of consolidation of Shares (i.e. one Share of the Company shall be consolidated into n Shares); Q represents the adjusted number of Share Options.

2. Method for adjustment of Exercise Price

In the event of any capitalization of capital reserve, bonus shares issue, sub-division, rights issue or consolidation in relation to the Shares of the Company in the period from the date of announcement on the Plan to the completion of exercise period of Share Options by the Incentive Participants, adjustment to the Exercise Price of Share Options shall be made by the Company as follows:

(1) Capitalization of capital reserve, bonus shares issue and sub-division of Shares

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of increase per Share resulting from the issue of Shares by conversion of capital reserve, bonus shares issue and sub-division of Shares to each Share; P represents the adjusted Exercise Price.

(2) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P_0 represents the Exercise Price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of Shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue); P represents the adjusted Exercise Price.

(3) Consolidation of Shares

$$P = P_0 \div n$$

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of consolidation of Shares; P represents the adjusted Exercise Price.

3. *Procedures for Adjustment of the Incentive Plan*

The board of directors of the Company shall pass a resolution for adjusting the number and the Exercise Price of Share Options under the authorization of the general meeting upon occurrence of any of the abovementioned circumstances. The Company shall retain a legal adviser to give professional advice to the board of directors on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Incentive Scheme. After the resolution for adjustment is reviewed and passed by the board of directors, the Company shall disclose an announcement on the resolution by the board of directors timely, and announce the opinions of the legal adviser.

(VIII) Accounting of the Share Options

Enterprise Accounting Standard No.11-Share-based Payments and Enterprise Accounting Standard No.22-Financial Instruments: Recognition and Measurement were issued by Ministry of Finance on 15 February, 2006 and were adopted by listed companies since 1 January, 2007. According to the relevant requirements regarding the recognition of fair value under Enterprise Accounting Standard No.22-Financial Instruments: Recognition and Measurement, calculation of the fair value of Share Options shall choose appropriate valuation model. The Company uses Black-Scholes Model to calculate the fair value of Share Options:

1. Price of the underlying shares: 64.95 per share (assuming the closing price of the Company on the date of grant was 64.95 per share)
2. Validity period: 1.5 years, 2.5 years and 3.5 years, respectively (period commencing from grant date and ending on the first date of Exercise for each respective period)
3. Historic volatility: 44.96%, 41.34% and 45.45% (based on the volatility rate of comparable companies in the industry in the latest 1.5 year, 2.5 years and 3.5 years, respectively)
4. Risk-free interest rate: 2.69%, 2.84% and 2.92% (based on 1.5 year, 2.5 year, 3.5 year yield of treasury bond of China, respectively)
5. Dividend rate: 0.95% (based on the average dividend rate of the Company of the year before the announcement of the Incentive Plan)

The Company will determine the fair value of the Share Options on the date of grant according to the valuation model and recognize the share based payment expenses for the Plan. Such payment expenses will be amortized based on the proportion of Exercise during the implementation of the Plan. The costs of Share Options incurred under the Incentive Plan will be recorded as expenses in recurring profits and losses.

Assuming that the initial grant of Share Options of the Company is in September 2019, the Company will determine the fair value of the Share Options on the date of grant using the related valuation tools and recognize the share based payment expenses for the Incentive Plan. Such payment expenses will be amortized based on the proportion of Exercise during the implementation of the Incentive Plan. The costs of Share Options incurred under the Incentive Plan will be recorded as expenses in recurring profits and losses.

According to the accounting standards of the PRC, the effects of the costs of Share Options of the Incentive Plan on each accounting period are as follows:

Amount of initial grant of Share Options <i>(0'000 shares)</i>	Costs to be amortized <i>(RMB0'000)</i>	2019 <i>(RMB0'000)</i>	2020 <i>(RMB0'000)</i>	2021 <i>(RMB0'000)</i>	2022 <i>(RMB0'000)</i>
529.2174	7,449.12	742.70	4,056.15	1,869.48	780.80

According to the preliminary evaluation by the Company based on the information available, without taking into account the positive effects of the Incentive Plan on the results of the Company, the amortization of the costs of Share Options shall have insignificant effect on the net profit of each year during the validity period. Taking into consideration the positive effect of the Incentive Plan on the development of the Company, such as motivating the management team, increasing the operational efficiency and reducing agent costs, the benefits generated from the improvement in the Company's results because the Incentive Plan shall outpace the increase in expenses.

III. Details of reserved interest***(I) Source of reserved instruments and shares***

Reserved instruments refers to Restricted A Shares or Share Options, i.e. the ordinary A shares to be issued by the Company to the Incentive Participants.

(II) Number of reserved interest

The Company proposed to grant 2,105,553 of reserved interest, involving RMB based ordinary A shares, representing approximately 0.1285% of the total share capital of the Company of 1,638,043,314 shares as at the date of announcement of the Incentive Plan.

(III) Validity period, granting date, Lock-up/Withholding Period, Exercisable Date, unlocking/exercise arrangement and Black-out Period of reserved interest***1. Validity period***

The reserved interest is valid from the date of grant to the date on which all the Restricted A Shares granted to the Incentive Participants have been unlocked or repurchased and cancelled and all reserved Share Options have been exercised or cancelled subject to a maximum of 54 months. The reserved Restricted A Shares is valid from the date of registration to the date on which all the reserved Restricted A Shares granted to the Incentive Participants have been unlocked or repurchased and cancelled subject to a maximum of 48 months. The reserved Share Option is valid from the date on which the reserved Share Option is granted to the date on which all the reserved Share Options granted to the Incentive Participants have been exercised or cancelled subject to a maximum of 54 months.

2. Granting Date

The granting date of reserved interest shall be within 12 months after approval of the Incentive Plan at the general meeting and shall be determined by the board of directors of the Company. The Company shall convene Board meetings for the granting of interest to the Incentive Participants pursuant to relevant requirements and to complete the relevant procedures of announcement and registration. The granting date of the Restricted A Shares shall be a trading day and within the period permitted by the listing rules of the stock exchange where the Company's share are listed and the periods during which no reserved interest shall be granted include but is not limited to the following:

- (1) 30 days before the disclosure of periodic reports of the Company (including results announcements for the year, half-year, quarterly or any other interim period as referred to under Rule 17.05 of the Listing Rules), or 30 days before the originally scheduled disclosure date if the disclosure of periodic report was postponed due to special reason;
- (2) 10 days prior to the publication of the announcement of estimated results and preliminary results of the Company (i.e. preliminary financial results generally published in the event of, amongst others, a leakage of financial information or as a profit alert, where financial figures may not be agreed by the auditors);
- (3) the period from the date of an event which may have significant effect on the trading prices of the shares of the Company and their derivatives or the date on which a decision is to be considered to the second trading day following the disclosure in accordance with laws;
- (4) such other period as stipulated by the CSRC and the Stock Exchange, including the period as stipulated under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The "significant events which may have effect on share price" are transactions or other significant events which shall be disclosed by the Company in accordance with the Rules Governing the Listing of Stocks of the Shanghai Stock Exchange and other listing rules of the place where the shares of the Company are listed.

Where a Incentive Participant who is a director or a member of the senior management of the Company reduces his/her shareholding in the Company within 6 months prior to the grant of the Restricted A Shares, the grant of the Restricted A Shares shall be postponed until the day six months from the date of the latest of such shareholding reduction in accordance with the short-swing trading provisions under the Securities Law.

3. *Lock-up/Withholding Period*

Every tranche of the Restricted A Shares granted under the reserved grant will be locked up for 12, 24 and 36 months from the registration date of the reserved grant. Withholding Period for every tranche of the Share Option granted will be 18, 30 and 42 months from the date of the reserved grant. The Restricted A Share/Share Option Granted to the Incentive Participants under the Incentive Plan shall not be transferred, used as collaterals or repay debts during the Lock-up/vesting period.

4. *Exercisable Date*

Following to the determination of granting date of reserved Share Option by the board of directors, the Share Option will remain exercisable for 18 months after its granting date. The Incentive Participants may exercise the Share Option over a period of 36 months.

The Exercisable Date shall be a trading day and fall in a period permitted by the listing rules of the stock exchange where the shares of the Company are listed.

The Exercisable Date for directors and senior management shall not fall in, including but not limited to, the following periods:

- (1) 30 days before the disclosure of periodic reports of the Company (including results announcements for the year, half-year, quarterly or any other interim period as referred to under Rule 17.05 of the Listing Rules), or 30 days before the originally scheduled disclosure date if the disclosure of periodic report was postponed due to special reason;
- (2) 10 days prior to the publication of the announcement of estimated results and preliminary results of the Company (i.e. preliminary financial results generally published in the event of, amongst others, a leakage of financial information or as a profit alert, where financial figures may not be agreed by the auditors);
- (3) the period from the date of an event which may have significant effect on the trading prices of the shares of the Company and their derivatives or the date on which a decision is to be considered to the second trading day following the disclosure in accordance with laws;
- (4) such other period as stipulated by the CSRC and the Stock Exchange, including the period as stipulated under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The “significant events which may have effect on share price” are transactions or other significant events which shall be disclosed by the Company in accordance with the Rules Governing the Listing of Stocks of the Shanghai Stock Exchange and other listing rules of the place where the shares of the Company are listed.

5. *Unlocking/exercise arrangement*

- (1) Unlocking Period and each unlocking arrangement for reserved grant of Restricted A Shares are as follows:

Unlocking arrangement	Unlocking Period	Proportion of unlocking
First Unlocking Period of reserved grant	From the first trading day after 12 months from the registration date of reserved grant to the last trading day within 24 months from the registration date of reserved grant	40%
Second Unlocking Period of reserved grant	From the first trading day after 24 months from the registration date of reserved grant to the last trading day within 36 months from the registration date of reserved grant	30%
Third Unlocking Period of reserved grant	From the first trading day after 36 months from the registration date of reserved grant to the last trading day within 48 months from the registration date of reserved grant	30%

Restricted A Shares which are not applied for unlocking and Restricted A Shares fail to satisfy the unlocking conditions for the respective Unlocking Period shall be repurchased and cancelled by the Company at the Grant Price under the Incentive Plan. Restricted A Shares satisfying the unlocking conditions shall be unlocked by the Company.

Shares received by Incentive Participants through capitalization of capital reserve, bonus shares issue and sub-division shall be subject to lock-up and are not allowed to be sold or otherwise transferred in the secondary market during the unlocking periods same as that of the Restricted A Shares.

- (2) The vesting period and arrangement of each tranche of the reserved Share Option are as follows:

Vesting arrangement	Vesting Period	Proportion of Vesting
First vesting period of reserved grant	From the first trading day after 18 months from the date of reserved grant to the last trading day within 30 months from the date of reserved grant	40%
Second vesting period of reserved grant	From the first trading day after 30 months from the date of reserved grant to the last trading day within 42 months from the date of reserved grant	30%
Third vesting period of reserved grant	From the first trading day after 42 months from the date of reserved grant to the last trading day within 54 months from the date of reserved grant	30%

Such Share Options shall only be exercised by the Incentive Participants within the vesting period. If the conditions of vesting are not fulfilled, relevant tranche of Share Options shall not be exercised and shall be cancelled by the Company. If the conditions of vesting are fulfilled but the options are not exercised within the vesting period, such Share Options shall be cancelled by the Company.

6. *Black-out Period*

- (1) Any holders of Restricted A Shares (including holders of shares acquired through non-trade transfer method) shall not transfer the Restricted A Shares which fulfill the Unlocking Conditions to any third party in any form within the six months from the expiration of each Lock-up Period.
- (2) For all holders of Restricted A Shares (including holders of shares acquired through non-trade transfer method) who have fulfilled the conditions for unlocking the Restricted A Shares of every tranche, the Company shall complete the unlocking procedures upon the expiration of Black-out Period.

- (3) For the avoidance of doubts, any change during the Black-out Period incurred by Incentive Participants who have fulfilled the conditions for unlocking the shares would not affect the completion of the unlocking procedures of the Restricted A Shares of such tranche by the Company upon the expiration of Black-out Period.

7. *Other lock-up requirements*

Reserved interest is subject to additional lock-up requirements under the Company Law, the Securities Law and other relevant laws, regulations and regulatory documents and the Articles of Association, details are as follows:

- (1) Where the Incentive Participant is a director or member of the senior management of the Company, the number of shares which may be transferred by the Incentive Participant per year during his/her tenure of office shall not exceed 25% of the total number of the shares held by him/her. He/she shall not transfer any of his/her shares within six months after his/her departure.
- (2) Where the Incentive Participant is a director or member of the senior management of the Company, all gains from the sale of shares within six months of purchase or from the purchase of shares within six months of sale by the Incentive Participant shall belong to the Company and to be collected by the board of directors.
- (3) During the validity period of the Incentive Plan, if there is any change to the provisions regarding the transfer of shares held by a director or member of the senior management of the Company under the Company Law, Securities Law or any other applicable laws, regulations, normative documents or the Articles of Association, the transfer of shares of the Company held by an Incentive Participant under this section shall comply with the requirement under the revised Company Law, Securities Law or any other applicable laws, regulations, normative documents or the Articles of Association at the time of transfer.

(IV) Determining the method of granting/exercise of reserved interest

1. Granting price of Reserved Restricted A Shares shall not be lower than the nominal value of the Shares, and shall not be lower than the higher of the following:
 - (1) 50% of the average trading price of the Company's A Shares on the trading day (total trading amount/total trading volume on the preceding trading day) preceding the date of announcement of the board of directors resolution in relation to reserve grant under the Incentive Plan;
 - (2) 50% of the average trading prices of the A shares for the last 20, 60 and 120 trading days (total trading amount/total trading volume for the last 20, 60 and 120 trading days) preceding the date of announcement of the board of directors resolution in relation to reserve grant under Incentive Plan.

2. The Exercise Price of Reserved Share Option shall not be lower than the nominal value of the Shares, and shall not be lower than the higher of the following:
 - (1) the average trading price of the A Shares on the trading day (total trading amount/total trading volume on the preceding trading day) preceding the date of announcement of the board of directors resolution in relation to reserve grant under the Incentive Plan;
 - (2) any one of the average trading prices of the A Shares for the last 20, 60 and 120 trading days (total trading amount/total trading volume for the last 20, 60 and 120 trading days) preceding the date of announcement of the board of directors resolution in relation to reserve grant under Incentive Plan.

(V) Conditions of granting, unlocking/exercise of the reserved interest***1. Conditions of Granting***

The following conditions must be fulfilled before the Company can grant the Restricted A Shares/Share Options to the Incentive Participants, vice versa, the Company shall not grant Restricted A Shares/Share Options to the Incentive Participants if any of the following conditions was not fulfilled.

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

1. issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
2. issue of the Company's financial internal control report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
3. the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings within the most recent 36 months after listing;
4. the implementation of the Share Incentive Scheme is forbidden by the laws and regulations;
5. other circumstances as determined by the CSRC.

(2) None of the following circumstances has occurred to the Incentive Participant:

1. such Incentive Participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
2. such Incentive Participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
3. such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its agency authorities due to material non-compliance of laws and regulations in the most recent 12 months;

4. occurrence of circumstances under which such Incentive Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the Company Law;
5. such Incentive Participant is prohibited by the law and regulations from participating in share incentive scheme of listed companies;
6. other circumstances as determined by the CSRC.

2. Conditions of reserved interest unlocking/exercise

The following conditions must be fulfilled before the Incentive Participants under the Incentive Plan to unlock/exercise the reserved interest during the Unlocking/vesting period:

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

1. issue of the Company's financial and accounting report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
2. issue of the Company's financial internal control report for the most recent accounting year in which a certified public accountant gives a negative opinion or indicates the inability to give an opinion;
3. the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings within the most recent 36 months after listing;
4. the implementation of the share incentive scheme is forbidden by the laws and regulations;
5. other circumstances as determined by the CSRC.

(2) None of the following circumstances has occurred to the Incentive Participant:

1. such Incentive Participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;

2. such Incentive Participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
3. such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its agency authorities due to material non-compliance of laws and regulations in the most recent 12 months;
4. occurrence of circumstances under which such Incentive Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the Company Law;
5. such Incentive Participant is prohibited by the law and regulations from participating in share incentive scheme of listed companies;
6. other circumstances as determined by the CSRC.

If any of the circumstances stipulated in provision (1) above occur to the Company, all Restricted A Shares granted to the Incentive Participants under the Incentive Plan and subject to Lock-up Period shall be repurchased and cancelled by the Company. If any of any of the circumstances stipulated in provision (2) above occur to a Incentive Participant, all Restricted A Shares granted to the Incentive Participant under the Incentive Plan and subject to Lock-up Period shall be repurchased and cancelled by the Company.

(3) Requirements for the Company's performance evaluation

The reserved grant of Interests under the Plan will be evaluated and vested on an annual basis and the fulfilment of the performance indicators is one of the unlocking/exercise condition for the Incentive Participants.

1. The performance indicators for each year are as follows if the reserved interest are granted in 2019:

Unlocking/vesting period	Performance indicators
First Unlocking/vesting period	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018

Unlocking/vesting period	Performance indicators
Second Unlocking/vesting period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Third Unlocking/vesting period	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

2. The performance indicators for each year are as follows if the reserved interest are granted in 2020:

Unlocking/vesting period	Performance indicators
First Unlocking/vesting period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Second Unlocking/vesting period	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018
Third Unlocking/vesting period	The growth of operating revenue for 2022 is not less than RMB6.0 billion as compared with 2018

Note:

The “operating revenue” represents the operating revenue as shown in the consolidated financial statement of the Company.

The cost of option granted under the Incentive Plan will be charged as operation cost, sales fees, management fees and research and development fees.

All Restricted A Shares eligible for unlocking shall be repurchased and cancelled by the Company if the Company failed to fulfil the performance indicators during the corresponding period. No exercisable Share Option shall be exercised and shall be cancelled by the Company.

(4) Requirements for individual performance evaluation

According to the Employee Performance Management System of the Company, the Remuneration and Appraisal Committee shall carry out annual comprehensive assessment on the Incentive Participant and determine the actual unlocking/exercise ratio accordingly. The unlocking/vesting amount of individual for the year shall be equal to the standard coefficient x the potential unlocking/vesting amount of individual for the year. The coefficient for performance appraisal results of grade B (including B-) or above is 100% whereas the coefficient for performance appraisal results below grade B is 0.

In light of changes in market conditions and other factors such that the locked up Restricted A Shares are no longer incentive, the Company may maintain the lock-up of one or more tranches of Restricted A Share under the Incentive Plan and repurchase and cancelled those Restricted A Shares at the grant price, subject to approval by the Board.

(5) Objectivity and reasonableness of the appraisal indicators

There are two sets of appraisal indicators for the reserved interests, i.e. performance appraisal of the Company and performance appraisal of individuals. Determination of the appraisal indicators are in compliance with the laws, regulations and the Articles of Association.

The Company selects the operating revenue growth as the performance indicator of the Company based on the characteristics of the industry and its own business. The operating revenue of the Company is mainly settled in US dollar and the exchange rate of RMB against US dollar fluctuated significantly in recent years. Therefore, compared with net profit growth, the operating revenue growth can better measure the operation and market share of the Company, making it an effective indicator for the prediction of the trend and growth of business operations. Based on reasonable prediction and the incentive effect of the Incentive Plan, the Company has determined two performance appraisal matrix based on the time of granting the reserved interest as follows:

- (1) for reserved interest granted in 2019:

The growth of operating revenue for 2019, 2020 and 2021 is not less than RMB1.5 billion, RMB3.0 billion and RMB4.5 billion as compared with 2018, respectively.

- (2) for reserved interest granted in 2020:

The growth of operating revenue for 2020, 2021 and 2022 is not less than RMB3.0 billion, RMB4.5 billion and RMB6.0 billion as compared with 2018, respectively.

Besides performance appraisal of the Company, the Company has established a strict performance appraisal system for individuals to accurately and comprehensively evaluate the performance of Incentive Participants. The Company will determine whether the Incentive Participants fulfil the Unlocking/Exercise conditions based on their performance appraisal results of each year.

Given the above, the appraisal system of the Incentive Plan of the Company is all-round, comprehensive and practicable, and the appraisal indicators are objective and reasonable, which are binding on the Incentive Participants and can serve the appraisal purpose of the Incentive Plan.

(VI) Mechanism of Adjusting the number and price of reserved interests***1. Mechanism of Adjusting the number of Reserved Restricted A Shares***

If the Company change its share capital by way of conversion of capital reserve, bonus shares issue, sub-division, rights issue or consolidation during the period between the date of grant of Reserved Restricted A Shares and the completion of registration date of Reserved Restricted A Shares by Incentive Participants, the number of the Restricted A Shares shall be adjusted as follows:

(1) Conversion of capital reserve, bonus issue and sub-division of shares

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares); Q represents the adjusted number of Restricted A Shares.

(2) Rights issue

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; P_1 represents the closing price as at the registration date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Restricted A Shares.

(3) Consolidation of shares

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n share); Q represents the adjusted number of Restricted A Shares.

2. Mechanism of Adjusting the price of Reserved Restricted A Shares

If the Company change its share capital by way of dividend distribution, conversion of capital reserve, bonus shares issue, sub-division, rights issue or consolidation during the period between the date of grant Reserved Restricted A Shares and the completion date of the registration of Reserved Restricted A Shares by Incentive Participants, the issued price of Restricted A Shares shall be adjusted as follows:

(1) Conversion of capital reserve, bonus shares issue and sub-division of shares

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the issue price before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares; P represents the adjusted issue price.

(2) Rights issue

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P_0 represents the issue price before the adjustment; P_1 represents the closing price as at the registration date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the adjusted issue price.

(3) Consolidation of shares

$$P = P_0 \div n$$

Where: P_0 represents the issue price before the adjustment; n represents the ratio of consolidation of shares; P represents the adjusted issue price.

(4) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the issue price before the adjustment; V represents the dividend per share; P represents the adjusted issue price. P shall be larger than 1 after adjustment.

3. *Mechanism of adjusting the amount of reserved Share Options*

If the Company changes its share capital by way of conversion of capital reserve, bonus shares issue, sub-division, rights issue and consolidation before the share options are exercised by Incentive Participants, the Company shall adjust amount of Share Options accordingly. The adjustment mechanism shall be as follows:

(1) *Conversion of capital reserve, bonus issue and sub-division of shares*

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Share Options before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares); Q represents the adjusted number of Share Options.

(2) *Rights issue*

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Share Options before the adjustment; P_1 represents the closing price as at the registration date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Share Options.

(3) *Consolidation of shares*

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Share Options before the adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n share); Q represents the adjusted number of Share Options.

4. *Mechanism of adjusting the Exercise Price of reserved Share Options*

In the event of share capital by way of conversion of capital reserve, bonus shares issue, sub-division, rights issue and consolidation before the share options are exercised by Incentive Participants, the Company shall adjust Exercise Price of reserved Share Options accordingly. The adjustment mechanism shall be as follows:

(1) *Conversion of capital reserve, bonus shares issue and sub-division of shares*

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares; P represents the adjusted Exercise Price.

(2) *Rights issue*

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P_0 represents the Exercise Price before the adjustment; P_1 represents the closing price as at the registration date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the adjusted Exercise Price.

(3) *Consolidation of shares*

$$P = P_0 \div n$$

Where: P_0 represents the Exercise Price before the adjustment; n represents the ratio of consolidation of shares; P represents the adjusted Exercise Price.

5. Procedures of adjustment on amounts of Reserved Interest and price

The board of directors of the Company shall pass a resolution for adjusting the number and the Exercise Price of Share Options under the authorization of the general meeting upon occurrence of any of the abovementioned circumstances. The Company shall retain a legal adviser to give professional advice to the board of directors on whether such adjustment is in compliance with the Administrative Measures, the Articles of Association and the Incentive Scheme. After the resolution for adjustment is reviewed and passed by the board of directors, the Company shall disclose an announcement on the resolution by the board of directors timely, and announce the opinions of the legal adviser.

(VII) Accounting treatment of Reserved Interest

In accordance with the Enterprises Accounting Standards No.11- Share-based Payments, at each balance sheet date within the Lock-up Period and Withholding Period, the Company shall revise the number of the Restricted A Shares which are expected to be unlocked according to the change in the latest available number of persons eligible to unlock the Restricted A Shares/Share Options, completion of the performance targets and other subsequent information, and recognize the services acquired during such period in relevant costs or expenses and capital reserve at the fair value of the Restricted A Shares on the grant date.

The actual amount of interest shall be estimated and disclosed after board resolution.

(VIII) Principles of repurchasing and cancellation of reserved Restricted A Shares

Upon completion of registration of the reserved Restricted A Shares granted to the Incentive Participants, in case of changes in share capital or share price due to capitalization of capital reserve, bonus shares issue, sub-division, rights issue, consolidation and distribution of dividends, the number and repurchase price of the Restricted A Shares which have not been unlocked shall be adjusted accordingly.

1. Adjustment of repurchase quantity**(1) Capitalization of capital reserve, bonus shares issue and sub-division of shares**

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus shares issue or sub-division of shares); Q represents the adjusted number of Restricted A Shares.

(2) *Rights issue*

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; P_1 represents the closing price as at the registration date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Restricted A Shares.

(3) *Consolidation of shares*

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Restricted A Shares before the adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n share); Q represents the adjusted number of Restricted A Shares.

2. Method for adjustment of repurchase price

(1) *Conversion of capital reserve, bonus issue and sub-division of shares*

$$P = P_0 \div (1 + n)$$

Where: P represents the repurchase price of Restricted A Shares after adjustment; P_0 represents the grant price per Restricted A Shares; n represents the rate of increase per share resulting from capitalization issue, bonus issue and subdivision of share capital (i.e. the increase in number of shares per share upon capitalization issue, bonus issue and sub-division of the share capital).

(2) *Rights issue*

$$P = P_0 \times (P_1 + P_2 \times n) \div [P_1 \times (1 + n)]$$

Where: P_1 represents the closing price on the date of share registration; P_2 represents the subscription price of the rights issue; n represents the ratio of the rights issue (i.e. the number of shares to be issued under the rights issue to the total share capital of the Company prior to the rights issue)

(3) Consolidation of shares

$$P = P_0 \div n$$

Where: P represents the adjusted repurchased Price per Restricted A Share; P_0 represents the Grant Price per Restricted A Share; n represents the proportion of a share that may result from consolidation of 1 share of the Company.

(4) Dividend distribution

$$P = P_0 - V$$

Where: P_0 represents the Grant Price per Restricted A Share before the adjustment; V represents the dividend per share; P represents the adjusted repurchased Price. After adjustment, P shall be more than 1.

Chapter 6 Procedures of Implementation of the Stock Incentive Plan**I. Procedures for the Stock Incentive Plan to take effect**

- (I) The remuneration and appraisal committee of the board of directors of the Company is responsible for preparing the draft of the Incentive Plan and submit the same to the board of directors for consideration.
- (II) The board of directors of the Company shall adopt at a resolution on the Incentive Plan in accordance with laws. When the board of directors considers the Incentive Plan, any Director who is also an Incentive Participant or is a related party to an Incentive Participant shall abstain from voting. The board of directors shall, after reviewing and passing the Incentive Plan and performing the publicity and announcement procedures therefor, submit the Incentive Plan to the general meeting for consideration. The board of directors shall seek approval from the general meeting for the implementation of the grant, unlocking and repurchase and cancellation of the Restricted A Shares and the grant, execution and cancellation of Share Options.
- (III) The independent directors and the supervisory committee shall give opinions of whether the Incentive Plan is beneficial to the sustainable development of the Company or whether there is any noticeable damage to the interests of the Company and all shareholders as a whole. Independent financial advisor shall be retained by the Company to give professional opinions on the feasibility and the abovementioned matters regarding the Incentive Plan.
- (IV) The Incentive Plan shall be implemented upon consideration and approval at the general meeting. Before convening the general meeting, the Company shall announce the name and position of the Incentive Participants internally via Company website or other channels for not less than 10 days. The supervisory committee shall review the list of the Incentive Participants and consider public opinions. The Company shall disclose the explanation of the supervisory committee regarding the review of the list of Incentive Participants under the Incentive Plan and the status of announcement 5 days prior to the consideration of the Incentive Plan at the general meeting.
- (V) When a general meeting of the Company is convened to vote on the Incentive Plan, the independent directors shall solicit proxy voting rights from all shareholders regarding the Incentive Plan. At the general meeting, it is required to vote on the Incentive Plan under clause 9 of the Management Measures, and the Incentive Plan shall be passed by not less than 2/3 of the voting rights held by the shareholders present at the meeting.

Except for the directors, supervisors and senior management of the Company, as well as the shareholders individually or collectively holding more than 5% of the Company's Shares, the voting by other shareholders shall be separately counted and disclosed. When the Incentive Plan is considered at the Company's general meeting, shareholders who are Incentive Participants or shareholders who have a related relationship with the Incentive Participants shall abstain from voting thereon.

- (VI) The Company shall grant the Restricted A Shares and Share Options to the Incentive Participants within the prescribed period upon approval of the Incentive Plan at the general meeting of the Company and the fulfilment of grant conditions stipulated under the Incentive Plan. The board of directors shall be responsible for the implementation of the grant, unlocking and repurchase and cancellation of the Restricted A Shares and the grant, execution and cancellation of Share Options in accordance with the mandate granted at the general meeting.

II. Procedures for Granting of Rights under the Incentive Scheme

- (I) Upon consideration and approval of the Incentive Plan at the general meeting and passing the resolution of interest granted to the Incentive Participants at the board meeting, the Company shall sign an Agreement on Grant of the Share Options Incentive Plan with the Incentive Participants in order to define their respective rights and obligations.
- (II) The board of directors shall consider and announce whether the conditions of a grant to an Incentive Participant as set out in the Stock Incentive Plan have been satisfied before the Company makes a grant to such Incentive Participant. The independent directors and the supervisory committee shall both express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the granting of interests to the Incentive Participants are fulfilled or not.
- (III) If there is any deviation in the grant of the interest to the Incentive Participants and the administration of the Incentive Plan, the independent directors, the supervisory committee (in case of change of the Incentive Participants), law firm and independent financial advisors shall all express their views explicitly.
- (IV) The Company shall grant Incentive Participants with part of the Restricted A Shares under the initial grant and Share Options and complete the announcement and registration within 60 days after the Stock Incentive Plan is considered and approved at general meeting. The board of directors of the Company shall promptly disclose the

implementation thereof by way of announcement after the completion of registration of the Restricted A Shares under the initial grant and Share Options. In the event the Company fails to complete the procedures within such 60 days, the Restricted A Shares and Share Options without registration shall be void and the Incentive Plan shall be terminated, and the board of directors shall promptly disclose the reason for such failure timely and no Stock Incentive Plan will be considered in the following three months (the period in which listed companies are not allowed to grant interest in accordance with the Management Measures and other laws and regulations is not included in the 60 days).

Incentive Participants eligible for reserved interest shall be confirmed within 12 months after the Incentive Plan is considered and approved at the general meeting. If Incentive Participants are not confirmed within 12 months, the reserved interest will lapse.

- (V) Before the grant of interest, the Company shall apply to the SSE. Upon confirmation by the SSE, the Depository and Clearing Company will handle the relevant registration and clearing matter.

III. Procedures for unlocking of the Restricted A Shares

- (I) The Company shall confirm whether the Incentive Participants satisfy the unlocking conditions before the unlocking date. The board of directors shall consider whether the unlocking conditions set out in the Incentive Plan have been satisfied. The independent directors and the supervisory committee shall express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the unlocking of the Incentive Participants are fulfilled. For Incentive Participants who fail to satisfy the unlocking conditions, the Company shall repurchase and cancel such Restricted A Shares. For Incentive Participants who satisfy the unlocking conditions, the Company shall complete the unlocking procedures upon the expiry of Black-out Period. The Company shall disclose the implementation thereof timely by way of announcement.
- (II) An Incentive Participant may transfer the unlocked Restricted A Shares in accordance with the relevant regulations of the Incentive Plan, and the transfer of shares held by the directors and senior management must be in compliance with requirements of relevant laws, regulations and regulative documents.
- (III) Before the unlocking of Restricted A Shares of the Incentive Participants, the Company shall apply to the SSE. Upon confirmation by the SSE, the Depository and Clearing Company will handle the relevant registration and clearing matters.

IV. Procedures for exercise of Share Options

- (I) The board of directors may determine the manner of exercise of the Incentive Plan before the exercise date, and inform the Incentive Participants accordingly.
- (II) The board of directors shall review and confirm the amount of Share Options to be exercised and whether the Incentive Participants are qualified to exercise their Share Options and are in compliance with the conditions for exercise. The board of directors shall also consider whether the conditions of Share Options to an Incentive Participant set out in the Incentive Plan have been satisfied. The independent directors and the supervisory committee shall express their views explicitly. The law firm shall issue legal opinions on whether the conditions for the granting of the Share Options to the Incentive Participants are fulfilled or not.
- (III) The Incentive Participants shall exercise the Share Options in accordance with the manner of exercise determined by the board of directors. The Company (or securities companies) shall be responsible for the registration of shares.
- (IV) The Company shall be responsible for the change of business registration.

V. Procedures of repurchase and cancellation of Restricted A Shares

- (I) The Company shall promptly convene a board meeting to consider the repurchase and cancellation plan and announce accordingly.
- (II) The law firm shall issue legal opinions on whether the repurchase and cancellation plan complies with the laws and regulations, Management Measures and Share Incentive Plan. The Company shall apply to the SSE for the repurchase and cancellation of Restricted A Shares. Upon confirmation by the SSE, the Company may repurchase and cancel the Restricted A Shares and announce accordingly.
- (III) If there is any changes to the laws, regulations and regulatory documents on procedures of repurchase and cancellation of Restricted A Shares during the validity period, the repurchase and cancellation procedures of Restricted A Shares shall be conducted in accordance with the latest laws, regulations and regulatory documents.

VI. Procedures of cancellation of Share Options

- (I) The Company shall promptly convene a Board meeting to consider the cancellation plan of Share Options and announce accordingly.
- (II) The Company shall apply to the SSE regarding the cancellation of such Share Options under the Incentive Plan. Upon confirmation by the SSE, the Depository and Clearing Company will handle the relevant registration and clearing matters.
- (III) If there is any changes to the laws, regulations and regulatory documents on procedures of cancellation of Share Options during the validity period, the procedures of cancellation of Share Options shall be conducted in accordance with the latest laws, regulations and regulatory documents.

VII. Amendment and termination procedures of the Incentive Plan***(I) Amendment procedures of the Incentive Plan***

- 1. If the Company intends to amend the Incentive Plan prior to its consideration at the general meeting, such amendment shall be considered and approved by the board of directors.
- 2. If the Company intends to amend the Incentive Plan after it is considered and approved at the general meeting, such amendment shall be considered at general meeting and announced according, given that such amendment shall not result in the following:
 - (1) Accelerating the exercise/lifting restrictions in transfer in advance;
 - (2) Reduction in exercise price or grant price (except capitalization of capital reserve, bonus shares issue, rights issue and other circumstances).
- 3. The independent directors and the supervisory committee shall give independent opinions in respect of whether the plan after amendment is beneficial to the sustainable development of the Company or whether there is any noticeable damage to the interests of the Company and all shareholders as a whole. The law firm shall give professional opinions on whether the plan after amendment complies with the Management Measures and relevant laws and regulations or whether there is any noticeable damage to the interests of the Company and all shareholders as a whole.

(II) Termination procedures of the Incentive Plan

1. If the Company intends to terminate the implementation of the Incentive Plan prior to its consideration at the general meeting, such termination shall be considered and approved by the board of directors.
2. If the Company intends to terminate the implementation of the Incentive Plan after it is considered and approved at the general meeting, such termination shall be considered and approved at general meeting.
3. The law firm shall give professional opinions on whether the listed companies terminate the implementation of the Incentive Plan complies with the measures and relevant laws and regulations or whether there is any noticeable damage to the interests of the listed Companies and all shareholders as a whole.
4. If the general meeting or the board of directors of the Company have considered and passed a resolution terminating the implementation of the Stock Incentive Plan, no Stock Incentive Plan shall be considered in three months after the date of announcement of such resolution.

Chapter 7 Rights and Obligations of the Company and Incentive Participants**I. Rights and obligations of the Company**

- (I) The Company shall have the right to construe and execute the Incentive Plan and shall appraise the performance of Incentive Participants based on the requirements of the Incentive Plan. If an Incentive Participant fails to fulfill the exercising/unlocking conditions required under the Incentive Plan, the Company will cancel the Share Options which have not been exercised, and will repurchase and cancel the Restricted A Shares, which have not been unlocked for the Incentive Participant, in accordance with the Incentive Plan.
- (II) The Company shall not provide loans and financial support in any other forms, including providing guarantee for loans, to Incentive Participants for acquiring the Share Options or Restricted A Shares under the Incentive Plan.
- (III) The Company shall promptly perform its obligations in relation to report and information disclosure under the Incentive Plan in accordance with the relevant requirements.
- (IV) The Company shall proactively procure the exercising/unlocking of Restricted A Shares for Incentive Participants who have satisfied with the conditions for exercising/unlocking the Restricted A Shares pursuant to the Incentive Plan and the relevant requirements of the CSRC, SSE and the Depository and Clearing Company. The Company shall not be held liable for losses incurred by the Incentive Participants who fail to exercise/unlock their Restricted A Shares due to reasons caused by the CSRC, SSE and the Depository and Clearing Company.
- (V) Other relevant rights and obligations as stipulated by the laws and regulations.

II. Rights and obligations of the Incentive Participants

- (I) The Incentive Participants shall, based on the requirements of the position, perform their responsibilities diligently in compliance with professional ethic and strive to contribute to the development of the Company.
- (II) The Incentive Participants shall lock up their granted Restricted A Shares according to the Incentive Plan. The Incentive Participants may determine whether to exercise the options and the number of exercisable options during option period granted.

- (III) Funding shall be secured by the Incentive Participants independently.
- (IV) Restricted A Shares/Share Options granted to the Incentive Participants during the Lock-up Period/black-out period/Withholding Period shall not be transferred or assigned or used as guarantee or for settlement of debts.
- (V) Any gains of the Incentive Participants from the Incentive Plan are subject to individual income tax and other taxes according to PRC tax laws. Incentive Participants who resign before tax payable incurred under the Incentive Plan shall pay the individual income tax to the Company to be withheld for the Incentive Participants.
- (VI) When the Company declares cash dividends, the cash dividends to be entitled by the Incentive Participants in respect of the granted Restricted A Shares will be received by the Incentive Participants after withholding the individual income tax. If such part of Restricted A Shares cannot be unlocked and repurchased and cancelled by the Company, any payment thereof shall be made after deduction of the cash dividend received. The deduction of cash dividend shall be recognized accordingly.
- (VII) The Incentive Participants undertakes, where false statements or misleading statements in or material omissions from the information disclosure documents to the Company result in non-compliance with condition of grant or arrangements for exercise of the Share Options, the Incentive Participants concerned shall return to the Company all interests gained through the Incentive Plan calculated from the date when it's confirmed that the relevant information disclosure documents of the Company contain false statements or misleading statements or material omissions.
- (VIII) Upon consideration and approval of the Incentive Plan at the general meeting and resolutions regarding interest granted to the Incentive Participants passed at the Board meeting, the Company shall execute Agreement on Grant of the Share Options Incentive with the Incentive Participants to set out the rights and obligations of the parties.
- (IX) Other relevant rights and obligations as stipulated by laws, regulations and the Incentive Plan.

Chapter 8 Measures for changes of the Company and the Incentive Participants**I. Occurrences in respect of the Company**

- (I) The Incentive Plan shall be terminated in the event that any of the following events occurs to the Company. The Restricted A Shares that have been authorized to Incentive Participants but are still in the Lock-up Period shall not be unlocked, and shall be repurchased and cancelled by the Company; the Share Option that has been authorized but not yet exercised shall not be exercised and shall be cancelled by the Company:
1. a certified public accountant issue a qualified report or fail to issue a report on financial and accounting statements of the Company for the latest accounting year;
 2. a certified public accountant issue a qualified report or fail to issue a report on the internal control contained in the financial report of the Company for the latest accounting year;
 3. the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings during the last 36 months after listing;
 4. the adoption of stock incentive plan forbidden by the laws and regulations;
 5. other circumstances as determined by the CSRC.
- (II) The Company shall proceed to implement the Incentive Plan in the event that any of the following events occurs to the Company:
1. change of actual control of the Company without reorganization of major assets;
 2. the Company merges with another company but continued to exist;
- (III) In anticipation of any of the following events, the board of directors may determine to continue, accelerate the Exercise of Share Option/unlock or terminate the Incentive Plan under the authorization from the general meeting of the Company before the occurrence of the following, except for rights that must be exercised by the general meeting as specified explicitly in the relevant documents:
1. change of actual control of the Company involving reorganization of major assets;

2. the Company no longer exists after merger with another company;
 3. division of the Company.
- (IV) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions of grant or arrangements for unlocking the restrictions/exercise of Share Option, the Restricted A Shares which have been granted and not yet unlocked shall be repurchased and cancelled by the Company; the Share Option that has been authorized and not yet exercised shall be cancelled by the Company. In respect of the option or Restricted A Shares granted to the Incentive Participants which have been exercised or unlocked, the Incentive Participants concerned shall surrender to the Company all interests granted. The board of directors shall recover all the profits gained by the Incentive Participants. The Incentive Participants who bear no responsibility for the aforementioned matters and incur losses as a result of the surrender of the interests may seek compensation from the Company or responsible parties.

II. Changes of the Incentive Participants

- (I) In case an Incentive Participant has a change in job position in the Company or a branch or subsidiary of the Company, the Restricted A Shares and Share Options granted to him/her will be fully regulated by the procedures as specified in the Incentive Plan before the change of his/her job position. However, in case an Incentive Participant has a job position change because he/she is not qualified for his/her job, violates laws, violates professional ethics, reveals confidential information of the Company, fails to discharge his duties or has willful misconduct, violates the system of the Company materially, causing damages to the interest or reputation of the Company, or the Company terminates his/her employment contract for any of the above reasons, the Restricted A Shares that have been authorized to Incentive Participants but are still in the Lock-up Period shall not be unlocked, and shall be repurchased and cancelled by the Company at the Grant Price in accordance with the Incentive Plan; the Share Option that has been authorized but not yet exercised shall not be exercised and shall be cancelled by the Company.
- (II) In case an Incentive Participant is disqualified to participate in the Incentive Plan due to one of the following reasons, the Restricted A Shares with expired Lock-up Period/unlocked Restricted A Shares and exercised Share Options held by the Incentive Participant continue to be valid, the Restricted A Shares that have been authorized but

are still in the Lock-up Period shall be repurchased and cancelled by the Company at the Grant Price; the Share Option that has been authorized but not yet exercised shall not be exercised and shall be cancelled by the Company:

1. such Incentive Participant is deemed as an inappropriate candidate by the stock exchange in the most recent 12 months;
2. such Incentive Participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
3. such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its agency authorities due to material non-compliance of laws and regulations in the most recent 12 months;
4. occurrence of circumstances under which such Incentive Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the Company Law;
5. such Incentive Participant is prohibited by the laws and regulations from participating in stock incentive plan of listed companies;
6. other circumstances as determined by the CSRC.

(III) In case an Incentive Participant leaves the Company due to resignation or redundancy, expiration or termination of labor contract by the Company, the Restricted A Shares that have been authorized to Incentive Participants but are still in the Lock-up Period shall not be unlocked, and shall be repurchased and cancelled by the Company at the grant price; the Share Option that has been authorized but not yet exercised shall not be exercised and shall be cancelled by the Company.

(IV) Where an Incentive Participant retires upon reaching retirement age stipulated by law (including re-employment after retirement by the Company or provision of labor services for the Company in other forms), the Restricted A Shares and Share Options granted to him/her shall remain valid. If individual performance appraisal is not involved, the individual performance appraisal conditions of such Incentive Participant will no longer be included as unlocking and Exercise Conditions. If individual performance appraisal is involved, the individual performance appraisal conditions of such Incentive Participant will be included as unlocking/Exercise Conditions of Restricted A Shares/Share Options.

(V) The resignation of Incentive Participants due to incapacity shall be treated depending on the following two circumstances:

1. If an Incentive Participant resigns due to incapacity resulting from work injury, the Restricted A Shares/Share Options granted to the Incentive Participant shall be unlocked/exercised fully subject to the procedures under the Plan in accordance with the case prior to the incapacity, and the individual performance appraisal results will no longer be included as unlocking/exercising conditions. The Incentive Participant shall pay individual income tax for the unlocked portion of Restricted A Shares/exercised portion of Share Options before he/she leaves the Company and the Company shall withhold and pay the respective individual income tax for each subsequent unlock/exercise.
2. If an Incentive Participant resigns not due to incapacity resulting from work injury, on the date of the occurrence of such event, the Restricted A Shares that have been granted to Incentive Participants but are still in the Lock-up Period shall be repurchased and cancelled by the Company; the Share Options that has been granted but not yet exercised shall be cancelled by the Company. Incentive Participants shall pay individual income tax for the unlocked portion of Restricted A Shares/exercised portion of Share Options before he/she leaves the Company. If the Black-out Period in respect of the Restricted A Shares held by the Incentive Participant has not end prior to his/her resignation, the Company shall withhold and pay the respective individual income tax for the Incentive Participant before the unlocking procedures.

(VI) The death of Incentive Participants shall be dealt with depending on the following two circumstances:

1. If an Incentive Participant dies due to work injury, the Restricted A Shares/Share Options granted to the Incentive Participant shall be held by his/her designated heir or lawful heir on his/her behalf. The Restricted A Shares granted to the Incentive Participant and not yet unlocked/the Share Options granted to the Incentive Participant and not yet exercised shall be unlocked/exercised subject to the procedures under the Plan in accordance with the case prior to the death, and the individual performance appraisal results will no longer be included as unlocking/exercising conditions. The heir shall pay individual income tax for the unlocked portion of Restricted A Shares/exercised portion of Share Options prior to the inheritance and the Company shall withhold and pay the respective individual income tax for subsequent exercise.

2. If an Incentive Participant dies not due to work injury, on the date of the occurrence of such event, the Restricted A Shares that have been granted to Incentive Participants but are still in the Lock-up Period shall be repurchased and cancelled by the Company; the Share Option that has been granted but not yet exercised shall be cancelled by the Company. Incentive Participants shall pay individual income tax for the unlocked portion of Restricted A Shares/exercised portion of Share Options before he/she leaves the Company. If the Black-out Period in respect of the Restricted A Shares held by the Incentive Participant has not end prior to his/her resignation, the Company shall withhold and pay the respective individual income tax for the Incentive Participant prior to the proceed of unlocking procedures.

(VII) Other circumstances not stated above shall be dealt with by the board of directors at its discretion.

III. Resolution of disputes between the Company and Incentive Participants

Any dispute between the Company and the Incentive Participants shall be resolved in accordance with the Incentive Plan and Agreement on Grant of the Share Options Incentive. Disputes not covered by the agreement shall be resolved in accordance with PRC laws and on arm's length negotiation. If the negotiation fails, any party may refer the dispute to the China International Economic and Trade Arbitration Commission (CIETAC) for arbitration to be conducted in Shanghai in accordance with the arbitration rules currently in effect and such arbitration shall be final and binding to the disputed parties.

Chapter 9 Miscellaneous

- I. The Incentive Plan shall become effective upon consideration and approval at the general meeting of the Company.

- II. The Incentive Plan shall be interpreted by the board of directors of the Company.

The board of directors of Wuxi AppTec Co., Ltd.
July 19, 2019

The following is the full text of the proposal of 2019 Share Appreciation Incentive Scheme for the purpose of incorporation in this circular. The 2019 Share Appreciation Incentive Scheme was prepared in Chinese only and set out below is an English translation of such scheme. In case of any discrepancies between the Chinese and English version of this scheme, the Chinese version shall prevail.

Abbreviation: WuXi AppTec

Stock Code: 603259

**WUXI APPTEC CO., LTD.
2019 SHARE APPRECIATION
INCENTIVE SCHEME
(PROPOSAL)**

**WUXI APPTEC CO., LTD.
JULY 2019**

DISCLAIMER

The Company and all its directors and supervisors guarantee that no false statements, misleading representations or material omissions are contained in the Scheme and its summary, and shall assume several and joint legal liability for the truthfulness, accuracy and completeness of the contents thereof.

All Incentive Participants of the Company undertake that, where false statements or misleading representations in or material omissions from the information disclosure documents of the Company result in non-compliance with the conditions of grant or vesting of the interests, the Incentive Participants concerned shall return to the Company all interests gained through the Scheme calculated from the date when it is confirmed that the relevant information disclosure documents contain false statements, misleading representations or material omissions.

IMPORTANT NOTICE

1. The Scheme is formulated by WuXi AppTec Co., Ltd. (“**WuXi AppTec**” or the “**Company**”) in accordance with relevant laws, regulations and normative documents.
2. Under the Incentive Scheme, Share Appreciation Rights will be granted, and the H shares of WuXi AppTec shall be the phantom stock. The incentive, which is equal to the difference between the exercise price and Redemption Price, shall be payable in cash by the Company or its subsidiary to the Incentive Participants upon satisfaction of relevant performance indicators.
3. The Incentive Participants under the Scheme shall include members of the senior management, mid-level managers and backbone members of the technicians, basic-level managers and other technicians who are working overseas and employed by, or have established labor relationship with, the Company or its branches or subsidiaries. Maximum number of the Incentive Participants under the Scheme shall be 234.

4. Determination of the exercise price of the Share Appreciation Right:

The exercise price of Share Appreciation Rights shall not be lower than the higher of HKD72.00 per share, the average trading price of the H shares of the Company on the trading day preceding the date of the announcement of 2019 Share Appreciation Incentive Scheme of WuXi AppTec Co., Ltd. (Proposal) (the total trading amount of shares traded on the trading day preceding the date of such announcement/the total trading volume on the trading day preceding the date of such announcement) and HKD63.71 per share the average trading price of the H shares of the Company for the last 120 trading days preceding the date of the announcement (the total trading amount of shares traded for the last 120 trading days preceding the date of such announcement/the total trading volume for the last 120 trading days preceding the date of such announcement), i.e. HKD72.00 per unit.

5. It is proposed that 2,901,172 Share Appreciation Rights will be granted to the Incentive Participants under the Scheme, representing approximately 0.1771% of the total share capital of the Company (i.e. 1,638,043,314 shares) as of the date of the announcement regarding the proposal of the Scheme.
6. Funding resources: The excess of the Redemption Price of H shares of WuXi AppTec over the exercise price shall be payable in cash by the Company or its subsidiaries directly.
7. Source of shares: The Share Appreciation Right does not involve the issue of stock. The H shares of WuXi AppTec are used as phantom stock.
8. This Scheme shall be submitted to the board of directors of the Company for approval, and shall be effective upon the approval at the general meeting of the Company.

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CHAPTER 1 DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below:

“WuXi AppTec” or “Company”	WuXi AppTec Co., Ltd.
“Incentive Scheme” or “Scheme”	2019 Share Appreciation Incentive Scheme of WuXi AppTec Co., Ltd.
“Share Appreciation Right(s)” or “Right(s)”	a right granted to the Incentive Participants by the Company to receive cash payment equal to the excess of the Redemption Price of the phantom stock calculated based on its market price movement over the exercise price from the Company or its subsidiaries upon satisfaction of certain conditions
“Incentive Participant(s)”	members of the senior management, mid-level managers and backbone members of the technicians, basic-level managers and other technicians who are working overseas and employed by, or have established labor relationship with, the Company or its branches or subsidiaries and are entitled to the Share Appreciation Right under the Scheme
“Grant Date”	the date on which the Incentive Participants are granted the Share Appreciation Right by the Company, which shall be a trading day
“Validity Period”	the period from the date on which an Incentive Participant is granted the Share Appreciation Right to the date on which the Share Appreciation Right is lapsed
“Withholding Period”	the period from the date on which the Share Appreciation Right is granted to the date on which the Share Appreciation Right becomes exercisable

“Exercise of Right”	the exercise of the Share Appreciation Right owned by an Incentive Participant under the Share Appreciation Incentive Scheme. For the purpose of the Incentive Scheme, the “Exercise of Right” by an Incentive Participant shall refer to the receipt of the cash payment that is equal to the excess of Redemption Price over the exercise price paid by the Company or its subsidiary in accordance with the conditions set out in the Incentive Scheme
“Exercisable Date”	the date on which the Incentive Participant may exercise the Share Appreciation Right, which shall be a trading day
“Redemption Price”	the closing price of the H shares of the Company on the first trading day in the month the Right is exercised
“Vesting Condition(s)”	preceding condition(s) for exercising the Share Appreciation Right by an Incentive Participant under the Incentive Scheme
“Articles of Association”	the Articles of Association of WuXi AppTec Co., Ltd.
“CSRC”	the China Securities Regulatory Commission
“SSE”	Shanghai Stock Exchange

Notes:

1. Unless otherwise stated, the financial data and financial indicators referred herein shall mean the financial data as shown in the consolidated financial statements and the financial indicators calculated based on such financial data, respectively.
2. Certain figures shown as totals herein may not be an arithmetic aggregation of the figures preceding them due to rounding adjustments.

CHAPTER 2 PURPOSE OF IMPLEMENTATION OF THE INCENTIVE SCHEME

The purposes of the Incentive Scheme are to further establish and improve the long-term incentive mechanism of the Company, attract and retain outstanding talents, fully motivate the employees of the Company and effectively integrate the interests of shareholders and the Company and individual interests of the core team members so that all parties will make joint efforts for the long-term development of the Company. The Incentive Scheme is a long-term incentive and constraint mechanism for the Incentive Participants to encourage their innovation through incentives, which can effectively integrate their interests with the long-term development of the Company. The Incentive Scheme is also formulated to prevent the loss of key talents and support the sustainable development of the Company.

CHAPTER 3 ADMINISTRATIVE BODY OF THE INCENTIVE SCHEME

1. The general meeting, as the ultimate authority of the Company, shall be responsible for considering and approving the implementation, modification and termination of the Scheme. The general meeting may, within its powers and authority, delegate the board of directors to handle certain matters relating to the Scheme.
2. The board of directors is the executive and administrative body of the Scheme. The remuneration and appraisal committee under the board of directors shall be responsible for formulating and revising the Scheme and submitting the same to the board of directors for review. Upon approval by the board of directors, the Scheme shall be put forward to the general meeting for approval. The board of directors may handle other matters relating to the Incentive Scheme within its scope of authority as delegated by the general meeting.
3. The supervisory committee is the supervisory authority of the Scheme. The supervisory committee shall issue opinions as to whether the Scheme is beneficial to the sustainable development of the Company and if it will be significantly detrimental to the interests of the Company and the shareholders as a whole. The supervisory committee shall supervise the implementation of the Scheme as to whether it is in compliance with the relevant laws, administrative regulations, departmental rules and operational rules of the SSE.
4. Independent directors shall issue independent opinions as to whether the Scheme is beneficial to the sustainable development of the Company and if it will be significantly detrimental to the interests of the Company and the shareholders as a whole and shall solicit voting rights by proxy from all shareholders in respect of the Scheme.

CHAPTER 4 QUALIFICATION AND SCOPE OF INCENTIVE PARTICIPANTS

The Incentive Participants under the Scheme shall include members of the senior management, mid-level managers and backbone members of the technicians, basic-level managers and other technicians who are working overseas and employed by, or have established labor relationship with, the Company or its branches or subsidiaries. Maximum number of Incentive Participants under the Scheme shall be 234.

CHAPTER 5 PARTICULARS OF THE INCENTIVE SCHEME

I. Source of Shares under the Incentive Scheme

The Share Appreciation Right Scheme does not involve any physical stock. The H shares of WuXi AppTec shall be the phantom stock.

II. Number of Underlying Shares under the Incentive Scheme

2,901,172 Share Appreciation Rights will be granted to the Incentive Participants under the Scheme, representing approximately 0.1771% of the total share capital of the Company (i.e. 1,638,043,314 shares) as of the date of the announcement regarding the proposal of the Scheme.

In the event of any increase of share capital through conversion of capital reserve, issue of bonus shares, sub-division or consolidation of shares or rights issue during the period from the date of the announcement regarding the Scheme to the date on which the grant of Rights to the Incentive Participants is completed, the number of Share Appreciation Rights to be granted and the total number of underlying shares shall be adjusted accordingly.

III. Allocation of Share Appreciation Rights to the Incentive Participants

The allocation of Share Appreciation Rights to the Incentive Participants under the Scheme is set out below:

Allocation under the Scheme	Number of Share Appreciation Rights granted (0'000)	% to the total number of Share Appreciation Rights granted	% to the total share capital
A maximum of 234 Incentive Participants	290.1172	100.00%	0.1771%

Notes:

1. None of any substantial shareholder or de-facto controller which holds 5% or above of the total share capital of the Company and their respective spouses, parents and children has participated in the Incentive Scheme.

2. The number of shares to be granted to any of the Incentive Participants above under all valid stock incentive plans does not exceed 1% of the total issued share capital of the Company as at the date on which the Scheme is proposed to the general meeting. The cumulative total number of underlying shares involved under all valid stock incentive plans does not exceed 10% of the total issued share capital of the Company as at the date on which the Scheme is proposed to the general meeting.

IV. Validity Period, Grant Date, Arrangement for Exercise of Right, Exercisable Date and Payment Arrangement of the Incentive Scheme

(I) Validity Period

The Validity Period of the Scheme shall commence from the grant date of the Share Appreciation Rights and end on the date on which all the Share Appreciation Rights granted have been exercised, which shall not be longer than 48 months.

(II) Grant Date

The Grant Date shall be determined by the board of directors after the Scheme is considered and approved at the general meeting. The Company shall convene a board meeting for granting the Share Appreciation Rights to the Incentive Participants and disclose relevant information in accordance with relevant regulations within 60 days from the date on which the Incentive Scheme is approved at the general meeting. If the Company fails to do so within 60 days, the Company shall disclose the reasons and the Incentive Scheme shall be terminated.

The Grant Date shall be a trading day and shall not fall within any of the following periods:

1. the period from 30 days prior to the publication of a periodic report of the Company, or in the event that the publication of the report is postponed due to special reasons, 30 days prior to the original date of publication, to one day immediately prior to the date of publication;
2. the period from 10 days prior to the publication of the announcement of results forecast and preliminary results of the Company;
3. the period from the date of occurrence of any significant event which may have significant effect on the trading prices of the shares and derivatives of the Company or the date on which relevant decision-making procedures start and ending on the second trading day following the disclosure of relevant event in accordance with laws;
4. other periods as stipulated by the CSRC and the SSE.

The above periods during which the Company shall not grant the Share Appreciation Right shall not be included in the aforesaid 60-day period.

(III) Vesting Schedule

Vesting Schedule	Vesting date	Exercisable period	Vesting proportion
First vesting period	May 31, 2020	June 1, 2020 to May 31, 2021	40%
Second vesting period	May 31, 2021	June 1, 2021 to May 31, 2022	30%
Third vesting period	May 31, 2022	June 1, 2021 to May 31, 2022	30%

Upon the expiration of the Validity Period, the Share Appreciation Rights not yet exercised shall not be exercised and shall lapse automatically.

(IV) Exercisable Date

Each tranche of the Share Appreciation Rights shall only be exercised during the respective exercisable period on a trading day.

(V) Payment arrangement

The incentives payable to the Incentive Participants shall be calculated by the Company. The incentive amount for each Share Appreciation Right shall be equal to the excess of Redemption Price over the exercise price. The Redemption Price shall be linked with the price of the H shares of the Company. The detailed determination method of the Redemption Price and the payment arrangement of the incentives shall be specified under the Agreement on Granting Share Appreciation Rights of 2019 (《2019年股票增值權授予協議書》) (the “**Grant Agreement**”) entered into between the Company and the Incentive Participants. The incentives shall be payable in cash by the Company or its subsidiary.

V. Exercise Price of the Share Appreciation Rights and its Determination Basis***(I) Exercise price of Share Appreciation Rights***

The exercise price per Share Appreciation Right granted under the Scheme shall be HKD72.00.

(II) Basis for determination of the exercise price of Share Appreciation Rights

The exercise price per Share Appreciation Right shall be HKD72.00, which is determined based on HKD72.00 per share the average trading price of H shares of the Company on the trading day preceding the date of announcement regarding the Scheme (the total share trading amount on the trading day preceding the date of such announcement/the total trading volume on the trading day preceding the date of such announcement), or HKD63.71 per share the average trading price of H shares of the Company for the last 120 trading days preceding the date of such announcement (the total share trading amount for the last 120 trading days preceding the date of such announcement/the total trading volume for the last 120 trading days preceding the date of such announcement), whichever is higher.

VI. Conditions for Granting and Vesting of the Share Appreciation Right***(I) Conditions for granting the Share Appreciation Rights***

Share Appreciation Rights shall be granted to the Incentive Participants by the Company upon satisfaction of all of the following conditions:

1. None of the following circumstances has occurred to the Company:
 - (1) a certified public accountant issue a qualified report or fail to issue a report on financial and accounting report of the Company for the latest accounting year;
 - (2) a certified public accountant issue a qualified report or fail to issue a report on the internal control contained in the financial report of the Company for the latest accounting year;
 - (3) the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings during the last 36 months after listing;
 - (4) the adoption of stock incentive plan is forbidden by the laws and regulations;

- (5) other circumstances as determined by the CSRC that the Incentive Scheme shall be terminated.
2. None of the following circumstances has occurred to an Incentive Participant:
- (1) such Incentive Participant is deemed as an inappropriate candidate by the relevant stock exchange in last 12 months;
 - (2) such Incentive Participant is deemed as an inappropriate candidate by the CSRC or its subordinate bodies in last 12 months;
 - (3) such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its subordinate bodies due to material non-compliance of laws and regulations in last 12 months;
 - (4) such Incentive Participant is prohibited from acting as a director or member of the senior management of a company under the Company Law;
 - (5) such Incentive Participant is prohibited by the law from participating in stock incentive plan of listed companies;
 - (6) other circumstances as determined by the CSRC.

(II) Conditions for vesting the Share Appreciation Rights

The Share Appreciation Rights granted to the Incentive Participants shall become exercisable upon satisfaction of all of the following conditions:

- (1) None of the following circumstances has occurred to the Company:
 - ① a certified public accountant issue a qualified report or fail to issue a report on financial and accounting report of the Company for the latest accounting year;
 - ② a certified public accountant issue a qualified report or fail to issue a report on the internal control contained in the financial report of the Company for the latest accounting year;
 - ③ the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings during the last 36 months after listing;

- ④ the adoption of stock incentive plan is forbidden by the laws and regulations;
 - ⑤ other circumstances as determined by the CSRC.
- (2) None of the following circumstances has occurred to an Incentive Participant:
- ① such Incentive Participant is deemed as an inappropriate candidate by the relevant stock exchange in last 12 months;
 - ② such Incentive Participant is deemed as an inappropriate candidate by the CSRC or its subordinate bodies in last 12 months;
 - ③ such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its subordinate bodies due to material non-compliance of laws and regulations in last 12 months;
 - ④ such Incentive Participant is prohibited from acting as a director or member of the senior management of a company under the Company Law;
 - ⑤ such Incentive Participant is prohibited by the law from participating in stock incentive plan of listed companies;
 - ⑥ other circumstances as determined by the CSRC.

If any of the events specified in (1) above occurs to the Company, all Share Appreciation Rights granted under the Scheme but not yet exercised shall not be vested and shall lapse automatically, and any outstanding cash payment for any Share Appreciation Right applied to be exercised shall be vested as agreed. If any of the events specified in (2) above occurs to an Incentive Participant, all Share Appreciation Rights granted under the Scheme but not yet exercised shall not be vested and shall lapse automatically, and any outstanding cash payment for any Share Appreciation Right applied to be exercised shall be vested pursuant to the Grant Agreement.

(3) Performance Appraisal for the Company

The performance indicators of the Company for the three accounting years ending 2019 to 2021 shall be assessed annually. The Share Appreciation Rights shall only be vested to the Incentive Participants in the given year upon fulfillment of the performance requirements. The performance requirement of each year are as follows:

Vesting period	Performance requirement
First vesting period	The operating revenue for 2019 shall increase by no less than RMB1.5 billion as compared with 2018
Second vesting period	The operating revenue for 2020 shall increase by no less than RMB3.0 billion as compared with 2018
Third vesting period	The operating revenue for 2021 shall increase by no less than RMB4.5 billion as compared with 2018

Note:

The above “operating revenue” shall be the operating revenue as shown in the consolidated statements of the Company.

(2) Performance Appraisal for Incentive Participants

The individual performance assessment of the Incentive Participants shall be conducted in accordance with the Employee Performance Appraisal System(《員工績效考核制度》) by the remuneration and appraisal committee under the board of directors. The remuneration and appraisal committee shall conduct comprehensive appraisal of the Incentive Participants and grade the results for each assessment year. The number of Rights to be vested to the Incentive Participants each year shall be determined based on the results of appraisal and in the following manner.

Number of Rights vested to an Incentive Participant for the respective year = standard coefficient × the scheduled number of Rights exercisable by the Incentive Participant for the respective year. The standard index shall be 100% for an Incentive Participant if the assessment result is satisfactory or above, and shall be 0 if the assessment result is unsatisfactory.

The Share Appreciation Rights that are not exercisable due to the unfulfillment of the Vesting Conditions shall not be vested and shall lapse automatically.

VII. Method and Procedures for Adjustment of the Share Appreciation Incentive Scheme

(I) *Method for adjustment of the Number of Share Appreciation Rights*

In the event of any increase of share capital through conversion of capital reserve, issue of bonus shares, sub-division of shares, rights issue or consolidation of shares prior to any Exercise of Right, the number of Share Appreciation Rights shall be adjusted in the following manner accordingly:

1. *Conversion of capital reserve, issue of bonus shares and sub-division of shares*

$$Q = Q_0 \times (1 + n)$$

Where: Q_0 represents the number of Share Appreciation Rights before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares to each share (i.e. the number of shares increased per share upon issue of shares by conversion of capital reserve, bonus shares issue or sub-division of Shares); Q represents the adjusted number of Share Appreciation Rights.

2. *Rights issue*

$$Q = Q_0 \times P_1 \times (1 + n) / (P_1 + P_2 \times n)$$

Where: Q_0 represents the number of Share Appreciation Rights before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); Q represents the adjusted number of Share Appreciation Rights.

3. *Consolidation of shares*

$$Q = Q_0 \times n$$

Where: Q_0 represents the number of Share Appreciation Rights before the adjustment; n represents the ratio of consolidation of shares (i.e. one share of the Company shall be consolidated into n Shares); Q represents the adjusted number of Share Appreciation Rights.

4. *Dividend distribution and issue of new shares*

No adjustment to the number of Share Appreciation Rights will be made in case of dividend distribution and issue of new shares.

(II) Method for adjustment of exercise price

In the event of any dividend distribution, increase of share capital through conversion of capital reserve, issue of bonus shares, sub-division of shares, rights issue or consolidation of shares prior to any Exercise of Right, the exercise price shall be adjusted in the following manner accordingly:

1. *Conversion of capital reserve, issue of bonus shares and sub-division of shares*

$$P = P_0 \div (1 + n)$$

Where: P_0 represents the exercise price before the adjustment; n represents the ratio of increase per share resulting from the issue of shares by conversion of capital reserve, bonus shares issue and sub-division of shares to each share; P represents the adjusted exercise price.

2. *Rights issue*

$$P = P_0 \times (P_1 + P_2 \times n) / [P_1 \times (1 + n)]$$

Where: P_0 represents the exercise price before the adjustment; P_1 represents the closing price as at the record date; P_2 represents the price of the rights issue; n represents the ratio of the rights issue (i.e. the ratio of the number of shares to be issued under the rights issue to the total share capital of the Company before the rights issue); P represents the adjusted exercise price.

3. *Consolidation of shares*

$$P = P_0 \div n$$

Where: P_0 represents the exercise price before the adjustment; n represents the ratio of consolidation of shares; P represents the adjusted exercise price.

4. *Dividend distribution and issue of new shares*

No adjustment to the exercise price of Share Appreciation Rights will be made in case of dividend distribution and issues of new shares.

(III) Procedures for adjustment of the Share Appreciation Incentive Scheme

According to the authorization of the general meeting, the board of directors of the Company shall resolve to adjust the number of the Share Appreciation Rights and the exercise price upon occurrence of any of the abovementioned circumstances. The legal advisers of the Company shall give professional advice on whether such adjustment is in compliance with the relevant laws, regulations, the Articles of Association and the provisions of the Scheme.

VIII. Accounting Treatment of the Share Appreciation Rights

In accordance with the relevant requirements of Accounting Standard for Enterprises No. 11 – Share-based Payments and Accounting Standard for Enterprises No. 22 – Financial Instruments: Recognition and Measurement, the Company shall update the number of Share Appreciation Rights expected to become exercisable on each balance sheet date during the Withholding Period based on subsequent information such as the updated number of Incentive Participants who are entitled to exercise the Rights and the achievement status of performance indicators. Services received during the period will be accounted in relevant costs or fees and capital reserve based on the fair value of the liabilities borne by the Company.

Accounting treatments are as follows:

1. Accounting treatment during the Withholding Period: For each balance sheet date during the Withholding Period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable right, be included in the relevant asset costs or expenses of the current period at the fair value of the liabilities undertaken by the Company and shall also be included in the “remuneration payable to employees” item under liabilities. For each balance sheet date during the Withholding Period, fair value of the liabilities undertaken by the Company shall be re-measured.
2. Accounting treatment after the exercisable date: costs or expenses shall be de-recognized, but the change in fair value of liabilities (i.e. remuneration payable to employees) shall be included in the profit or loss of the current period (as item of changes in fair value through profit or loss).
3. Accounting treatment on the exercisable date: the “remuneration payable to employees” item shall be credited according to the actual payment amount and shall be charged as the “bank deposits” item.

The effects on the financial conditions and results of operation of the Company shall be reflected in the data disclosed in the annual reports of the Company. Based on the current circumstances, the Company estimates that, regardless of the simulation effects of the Scheme on the results of operation of the Company, the costs of the Share Appreciation Rights will have minimal impact on the net profit for each year during the Validity Period. In view of the positive effect of the Share Appreciation Incentive Scheme on the development of the Company, including mobilization of enthusiasm of the management, improvement of operation efficiency and reduction in agency costs, improvement of performance of the Company brought by the Scheme will outweigh the increase in costs.

CHAPTER 6 RELEVANT PROCEDURES OF THE SCHEME

I. Procedures for the Share Appreciation Incentive Scheme to Take Effect

- (I) The Incentive Scheme shall be drafted by the remuneration and appraisal committee under the board of directors and reviewed by the board of directors.
- (II) The Incentive Scheme shall be resolved by the board of directors in accordance with laws. When the board of directors reviews the Incentive Scheme, any director who is also an Incentive Participant or is a related-party to an Incentive Participant shall abstain from voting on the resolution. The board of directors shall, after reviewing and adopting the Scheme and issuing relevant notice and announcement, propose the Scheme to the general meeting for approval. The board of directors shall also seek for authorization from the general meeting to deal with any matter regarding to the grant of the Share Appreciation Rights, Exercise of Right, payment and other matters regarding to the Share Appreciation Rights.
- (III) Independent directors and the supervisory committee shall issue opinions in respect of whether the Incentive Scheme is beneficial to the sustainable development of the Company and if it will be significantly detrimental to the interests of the Company and the shareholders as a whole.
- (IV) The implementation of the Incentive Scheme is subject to the approval at the general meeting. When voting on the Incentive Scheme at the general meeting, independent directors shall collect proxy voting rights regarding the Incentive Scheme from all shareholders. The Incentive Scheme shall be passed at the general meeting by more than 2/3 of the voting rights presenting at the general meeting. Except for directors, supervisors and senior management of the Company, as well as the shareholders individually or collectively holding more than 5% of the total number of shares of the Company, the voting by other shareholders shall be separately counted and disclosed. When considering the Incentive Scheme, shareholders who are also the Incentive Participants or related-parties to the Incentive Participants shall abstain from voting thereon.
- (V) Upon the approval at the general meeting, the Company shall grant the Share Appreciation Rights to the Incentive Participants within the prescribed time when the conditions for granting are fulfilled. Subject to the authorization from the general meeting, the board of directors shall deal with any matter regarding to the granting of the Share Appreciation Rights, Exercise of Right, payment and other matters regarding to the Share Appreciation Rights.

II. Procedures for Granting of Rights under the Incentive Scheme

- (I) Upon the approval of the Incentive Scheme at the general meeting and passing of resolution by the board of directors regarding the grant of Rights to the Incentive Participants, the Company shall sign the Grant Agreement with the Incentive Participants to govern the rights and obligations of all parties.

- (II) The board of directors shall review and announce whether the conditions for the grant of Rights to an Incentive Participant as set out in the Incentive Scheme have been fulfilled before the Company makes a grant to such Incentive Participant. The independent directors and the supervisory committee shall express their views explicitly. The legal advisers shall issue legal opinions on whether the conditions for the grant of Rights are fulfilled or not.

- (III) In case of any grant of Rights to the Incentive Participants does not follow the arrangement of the Incentive Scheme, the independent directors, the supervisory committee and legal advisers shall express their views explicitly.

III. Procedures for Exercising the Share Appreciation Rights and Cash Payment

- (I) The board of directors shall review and confirm the number of Rights exercisable by the Incentive Participants, the qualification to exercise the Rights and Vesting Conditions. The board of directors shall review whether the Vesting Conditions as set out in the Incentive Scheme have been satisfied. The independent directors and the supervisory committee shall express their view explicitly. The legal advisers of the Company shall issue legal opinions on whether the Vesting Conditions of the Incentive Participants have been fulfilled;

- (II) After reviewing and confirming the number of Rights exercisable by the Incentive Participants, the qualification to exercise the Rights and Vesting Conditions, the incentives payable to the Incentive Participants shall be calculated by the Company. The incentives for each Share Appreciation Right shall be the excess of Redemption Price over the exercise price. The Redemption Price shall be linked with the price of the H shares of the Company. The detailed determination method of the Redemption Price and the payment arrangement of the incentives shall be specified under the Grant Agreement. The incentives shall be payable by the Company and its subsidiaries in cash.

IV. Procedures for Amendment and Termination of the Incentive Scheme***(I) Amendment of the Incentive Scheme***

1. If the Company intends to amend the Incentive Scheme prior to its consideration at the general meeting, such amendment shall be approved by the board of directors.
2. If the Company intends to amend the Incentive Scheme after it is considered and approved at the general meeting, such amendment shall be proposed to the general meeting in a timely manner and announcement regarding the amendments shall be issued, given that such amendment shall not result in the following:
 - (1) accelerating the Exercise of Rights/early Exercise of Rights;
 - (2) reducing the exercise price (other than by means of capitalization issue, bonus issue or rights issue).
3. Independent directors and the supervisory committee shall issue opinions as to whether the amended Incentive Scheme is beneficial to the sustainable development of the Company and if it will be significantly detrimental to the interests of the Company and the shareholders as a whole. The legal advisers of the Company shall give professional advice on whether the amended Incentive Scheme is in compliance with laws and regulations and if it will be significantly detrimental to the interests of the Company and the shareholders as a whole.

(II) Termination of the Incentive Scheme

1. If the Company intends to terminate the Incentive Scheme prior to its consideration at the general meeting, such termination shall be approved by the board of directors.
2. If the Company intends to terminate the Incentive Scheme after it is considered and approved at the general meeting, such termination shall be approved at general meeting.
3. The legal advisers of the Company shall give professional advice on whether the termination of the Incentive Scheme of the Company is in compliance with laws and regulations and if it will be significantly detrimental to the interests of the Company and the shareholders as a whole.

**CHAPTER 7 RIGHTS AND OBLIGATIONS OF
THE COMPANY AND INCENTIVE PARTICIPANTS**

I. Rights and obligations of the Company

- (I) The Company shall have the right to construe and execute the Incentive Scheme and shall appraise the performance of the Incentive Participants and supervise and review whether the Incentive Participants is qualified to continue to exercise the Rights. If an Incentive Participant fails to fulfill the Vesting Conditions required under the Incentive Scheme, the Company shall have the right to cancel the Share Appreciation Rights that are not yet exercised or request the Incentive Participant to return the gains generated from the Share Appreciation Rights upon the approval of the board of directors;
- (II) The Company shall discharge its obligations in a timely manner in relation to report and information disclosure under the Share Appreciation Incentive Scheme in accordance with the relevant requirements;
- (III) The Company shall actively support the Incentive Participants who have fulfilled the Vesting Conditions to exercise their Rights in accordance with the relevant requirements of the Incentive Scheme. However, the Company disclaims any liability for any loss suffered by an Incentive Participant arising from the incapability to exercise as he/she desires due to reasons relating to CSRC or SSE;
- (IV) Other rights and obligations as stipulated under the laws and regulations.

II. Rights and obligations of the Incentive Participants

- (I) An Incentive Participant shall comply with the requirements of his/her position as stipulated by the Company, and shall work diligently and responsibly, strictly observe professional ethics, and make contribution to the development of the Company.
- (II) An Incentive Participant shall be entitled to and shall exercise his/her rights in accordance with the Incentive Scheme.
- (III) Share Appreciation Rights granted to the Incentive Participants shall not be transferred or used as guarantee or for repayment of debts.
- (IV) Any gains generated from the Share Appreciation Right shall be subject to taxes.

**CHAPTER 8 HANDLING CHANGES TO THE COMPANY AND
THE INCENTIVE PARTICIPANTS**

I. Handling Changes to the Company

- (I) The Incentive Scheme shall be terminated immediately if any of the following events occurs to the Company. The Share Appreciation Rights granted to the Incentive Participant but not yet exercised shall not be vested and shall lapse immediately and any outstanding cash amount payable for any Share Appreciation Rights applied to be exercised shall be vested pursuant to the Grant Agreement:
1. a certified public accountant issue a qualified report or fail to issue a report on financial and accounting report of the Company for the latest accounting year;
 2. a certified public accountant issue a qualified report or fail to issue a report on the internal control contained in the financial report of the Company for the latest accounting year;
 3. the Company has distributed profit in violation of the laws and regulations, Articles of Associations or public undertakings during the last 36 months after listing;
 4. the adoption of stock incentive plan is forbidden by the laws and regulations;
 5. other circumstances as determined by the CSRC that the Incentive Scheme shall be terminated.
- (II) The Incentive Scheme shall remain effective if any of the following events occurs to the Company:
1. change of actual control of the Company without reorganization of major assets;
 2. the Company consolidates with other companies and is the surviving entity.
- (III) If any of the following events occurs to the Company, the board of directors shall resolve whether to continue the Scheme, accelerate the Exercise of Rights or terminate the Scheme under the authorization from the general meeting before the occurrence of the followings events, except for rights that shall be exercised by the general meeting as specified explicitly in the relevant documents:

1. change of actual control of the Company involving reorganization of major assets;
 2. the Company mergers with other companies and no longer exists;
 3. division of the Company.
- (IV) Where false statements or misleading statements in or material omissions from the information disclosure documents of the Company result in non-compliance with conditions for the grant or exercise of Share Appreciation Rights, the Share Appreciation Rights granted but not yet exercised shall not be vested and shall lapse immediately. In respect of the Share Appreciation Rights already exercised by the Incentive Participants, the Incentive Participants concerned shall return to the Company all interests granted. The Incentive Participants who bear no responsibility for the aforesaid matters and who incur losses as a result of the return of interest granted may seek compensation from the Company or responsible parties in accordance with the relevant arrangements under the Incentive Scheme.

II. Occurrences in respect of the Incentive Participants

- (I) If an Incentive Participant is disqualified to participate in the Scheme due to one of the following circumstances, the Share Appreciation Rights held by the Incentive Participant that has been granted but not yet exercised shall not be vested and shall lapse automatically, and any outstanding cash payment in respect of the Share Appreciation Right applied to be exercised shall be vested pursuant to the Grant Agreement:
1. such Incentive Participant is deemed as an inappropriate candidate by the stock exchange in the most recent 12 months;
 2. such Incentive Participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
 3. such Incentive Participant has been imposed administrative penalties or is banned from the securities market by the CSRC or its agency authorities due to material non-compliance of laws and regulations in the most recent 12 months;
 4. occurrence of circumstances under which such Incentive Participant is prohibited from acting as a director or member of the senior management of a company, as stipulated in the Company Law;

5. such Incentive Participant is prohibited by the laws and regulations from participating in equity incentive plan of listed companies;
 6. other circumstances as determined by the CSRC.
- (II) Where an Incentive Participant has a change in job position but still works in the Company or a branch or subsidiary of the Company, and if he/she has not participated in any other share incentive plans of such branch or subsidiary, the Share Appreciation Rights granted to him/her shall be fully governed by the procedures as specified in the Scheme before the change of his/her job position. However, in case an Incentive Participant has changed his/her job position due to disqualification for such positions, violation of laws, breach of professional ethics, leakage of confidential information of the Company, failure to discharge duties or willful misconduct, material violation of the policies of the Company or other acts that may cause damages to the interest or reputation of the Company, or the Company terminates his/her employment contract for any of the above reasons, the Share Appreciation Rights that have been granted to Incentive Participants under the Scheme but not yet exercised shall not be vested, and shall lapse automatically, and any outstanding cash payment for any Share Appreciation Right applied to be exercised shall be vested pursuant to the Grant Agreement.
- (III) Where an Incentive Participant resigns from the Company due to resignation or redundancy, not renewing the labor contract upon expiration or termination of labor contract by the Company, since the date of the occurrence of such event, the Share Appreciation Rights that have been granted to Incentive Participants under the Scheme but not yet exercised shall not be vested and shall lapse automatically, and any outstanding cash payment for any Share Appreciation Right applied to be exercised shall be vested pursuant to the Grant Agreement.
- (IV) Where an Incentive Participant retires according to regulations of the PRC and the Company (including those who are re-employed by the Company after retirement or provide continued services to the Company in other forms), the Share Appreciation Rights granted to him/her shall remain valid, and where no individual performance appraisal is required for the aforesaid situations, the individual performance appraisal shall no longer be included as Vesting Conditions; otherwise, the individual performance appraisal shall remain as one of the Vesting Conditions.
- (V) Where an Incentive Participant resigns due to incapacity, the Rights shall be handled based on the following two circumstances:

1. If an Incentive Participant resigns due to incapacity resulting from work-related injury, the Share Appreciation Rights granted to the Incentive Participant shall be exercisable fully based on the procedures under the Incentive Scheme applicable prior to his/her incapacity, and the individual performance appraisal shall no longer be included as a Vesting Condition;
 2. If an Incentive Participant resigns for reasons other than incapacity resulting from work-related injury, on the date of the occurrence of such event, the Share Appreciation Rights which have been granted to the Incentive Participant under the Scheme but not yet exercised shall not be vested and shall lapse automatically, and any outstanding cash payment related to the Share Appreciation Rights applied to be exercised shall be vested pursuant to the Grant Agreement.
- (VI) If an Incentive Participant dies due to work-related injury, the Share Appreciation Rights which have been granted to the Incentive Participant shall be transferred to his/her designated personal representative or lawful heir of the estate, and shall be handled pursuant to the procedures of the Scheme applicable prior to his/her death, and the individual performance appraisal shall no longer be a Vesting Condition. If an Incentive Participant dies for reasons other than work-related injury, on the date of the occurrence of such event, the Share Appreciation Rights which have been granted to the Incentive Participant but not yet exercised shall not be vested and shall lapse automatically, and any outstanding cash payment related to the Share Appreciation Rights applied to be exercised shall be vested pursuant to the Grant Agreement.
- (VII) Other circumstances not stated above shall be specified and the handling of which shall be determined by the remuneration and appraisal committee of the board of directors.

III. Resolution of Disputes between the Company and Incentive Participants

Any dispute between the Company and the Incentive Participants shall be settled in accordance with the provisions of the Scheme and relevant agreements. Where the stipulation or agreement is unclear, the dispute shall be settled in accordance with the PRC laws and on arm's length negotiation. Where the disputes cannot be settled through negotiations, either party shall have the right to request for arbitration by the China International Economic and Trade Arbitration Commission in Shanghai in accordance with the effective arbitration rules at the time of arbitration. The arbitral award shall be final and binding on both parties.

CHAPTER 9 MISCELLANEOUS

- I. The Scheme shall become effective upon consideration and approval at the general meeting of the Company.

- II. The Scheme shall be interpreted by the board of directors of the Company.

The Board of Directors of Wuxi AppTec Co., Ltd.

July 19, 2019

APPENDIX III THE ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM OF THE 2019 SHARE INCENTIVE SCHEMES

The following is the full text of the proposal of Administrative Measures for Appraisal System of the 2019 Share Incentive Schemes for the purpose of incorporation in this circular. The Administrative Measures for Appraisal System of the 2019 Share Incentive Schemes was prepared in Chinese only and set out below is an English translation of such scheme. In case of any discrepancies between the Chinese and English version of this scheme, the Chinese version shall prevail.

WUXI APTEC CO., LTD.
ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM OF
THE RESTRICTED A SHARES AND STOCK OPTION INCENTIVE PLAN OF 2019
(THE “ADMINISTRATIVE MEASURES”)

To enable the effective implementation of the Restricted A Shares and Stock Option Incentive Plan of 2019 (the “**Incentive Plan**”) of WuXi AppTec Co., Ltd. (the “**Company**”) for fair value distribution and to motivate the due diligence of the directors, members of the senior-level management (including senior management), mid-level managers and backbone members of its technicians, basic-level managers and other technicians for fulfilment of the development strategies and business objectives of the Company, these Administrative Measures have been formulated in accordance with the Company Law, the Securities Law, the Administrative Measures of Equity Incentives of Listed Companies and other applicable laws, regulations and regulatory documents and the provisions of the Articles of Association of the Company as well as the actual situation of the Company.

I. Appraisal Objectives

To further enhance the Company’s corporate governance, its mid- to long-term incentive plans for key personnel, the appraisal system of the Incentive Participants of the Incentive Plan, the directors, members of the senior-level management (including senior management), mid-level managers and backbone members of its technicians, basic-level managers and other technicians are subject to comprehensive and objective appraisal. The appraisal can facilitate the effective implementation of the Incentive Plan and the achievement of the long-term strategic objectives of the Company.

II. Basis of Appraisal

The appraisal shall be impartial, open and fair and shall be in strict compliance with the Administrative Measures based on the performance of the Incentive Participants so as to align the Incentive Plan with the performance and contribution of Incentive Participants. As such, management efficiency will be enhanced while interests of the Company and its shareholders as a whole will be maximized.

III. Scope of Appraisal

The Administrative Measures are applicable to all the Incentive Participants of the Incentive Plan.

IV. Appraisal Administrative Body

1. The remuneration and appraisal committee of the Company shall be responsible for overseeing and organizing the appraisal.
2. The human resources department, the financial department and other relevant departments of the Company shall be responsible for the collection and provision of true and reliable information.

V. Appraisal Indicators and Standards

1. Performance requirements for the Company

- (1) Performance requirements for the Company in respect of the Initial Grant of Restricted A Shares (including the special grant) and Share Options*

The unlocking/vesting restriction of an Incentive Participant shall be released if, subject to other conditions, the annual appraisal of his/her interests of the Initial Grant of the Restricted A Shares (including the special grant) and the Share Options for the three accounting years from 2019 to 2021 meets the performance indicators.

APPENDIX III THE ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM OF THE 2019 SHARE INCENTIVE SCHEMES

The performance indicators for each year are set out in the table below:

Unlocking/vesting period	Performance indicators
First unlocking/vesting period	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018
Second unlocking/vesting period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Third unlocking/vesting period	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

Note:

The “operating revenue” represents the operating revenue as shown in the consolidated financial statement of the Company. There are no performance indicators for the fourth unlocking period of the special grant.

If the Company fails to meet the performance indicators, all the Restricted A Shares of the Incentive Participants which would have been unlocked for the period shall be repurchased by the Company and all the Share Options of the Incentive Participants which would have been vested for the period shall be cancelled by the Company.

(2) Performance requirements for the Company in respect of the reserved interests (Restricted A Shares and Share Options)

The unlocking/vesting restriction of reserved interests under the Incentive Plan shall be released if, subject to other conditions, the annual performance appraisal meets the performance indicators.

APPENDIX III THE ADMINISTRATIVE MEASURES FOR APPRAISAL SYSTEM OF THE 2019 SHARE INCENTIVE SCHEMES

- ① For reserved interests granted in 2019, the annual performance indicators are set out in the table below:

Unlocking/vesting period	Performance indicators
First unlocking/vesting period	The growth of operating revenue for 2019 is not less than RMB1.5 billion as compared with 2018
Second unlocking/vesting period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Third unlocking/vesting period	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018

- ② For reserved interests granted in 2020, the annual performance indicators are set out in the table below:

Unlocking/vesting period	Performance indicators
First unlocking/vesting period	The growth of operating revenue for 2020 is not less than RMB3.0 billion as compared with 2018
Second unlocking/vesting period	The growth of operating revenue for 2021 is not less than RMB4.5 billion as compared with 2018
Third unlocking/vesting period	The growth of operating revenue for 2022 is not less than RMB6.0 billion as compared with 2018

Note:

The “operating revenue” represents the operating revenue as shown in the consolidated financial statement of the Company.

If the Company fails to meet the performance indicators, all the Restricted A Shares of the Incentive Participants which would have been unlocked for the period shall be repurchased by the Company and all the Share Options of the Incentive Participants which would have been vested for the period shall be cancelled by the Company.

2. Performance appraisal requirements for individuals

According to the Employee Performance Management System of the Company, the remuneration and appraisal committee shall carry out annual comprehensive assessment (no performance indicators for the fourth unlocking period of the special grant) on the Incentive Participants of the Restricted A Shares/Share Options and determine the unlocking/vesting ratio accordingly. The unlocking/vesting amount of individual for the year shall be equal to the standard coefficient x the potential unlocking/vesting amount of individual for the year. The coefficient for performance appraisal results of grade B (including B-) or above is 100% whereas the coefficient for performance appraisal results below grade B is 0.

VI. Interval of Performance Appraisal

Once a year during the unlocking period of the Restricted A Shares or the vesting period of the Share Options of the Incentive Participants (no performance indicators for the fourth unlocking period of the special grant).

VII. Appraisal Procedures

1. The remuneration and appraisal committee of the Company shall be responsible for overseeing and organizing the appraisal of the Incentive Participants.
2. The human resources department, the financial department and other relevant departments of the Company shall be responsible for carrying out the appraisal and maintaining the appraisal results under the supervision of the remuneration and appraisal committee. Appraisal reports shall be submitted to the remuneration and appraisal committee under the board of directors.

VIII. Performance Appraisal Results

The subject of appraisal is entitled to know his/her appraisal result. The subject of appraisal shall be formally informed of the appraisal results.

Employees who disagree with the annual appraisal results may submit their appeal to the department head or the human resources department. The appeal procedures shall be carried out in accordance with the Employee Performance Management System.

**APPENDIX III THE ADMINISTRATIVE MEASURES FOR APPRAISAL
SYSTEM OF THE 2019 SHARE INCENTIVE SCHEMES**

IX. Filing of Appraisal Results

1. *Filing of appraisal results*

The appraisal results shall be filed as confidential information. All appraisal records shall be kept by the remuneration and appraisal committee under the board of directors for at least five years.

2. In order to ensure the validity of appraisal, no alteration shall be made on appraisal records. Any necessary alteration or re-entry of record shall be signed by the parties concerned.

X. Supplementary Provisions

1. The formulation, interpretation and amendment of the Administrative Measures shall be made by the board of directors.
2. The Administrative Measures shall be implemented upon approval by general meeting of the Company and from the effective date of the Stock Option Incentive Plan.

WuXi AppTec Co., Ltd.

July 19, 2019

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The following is the proposed amendments to the Articles of Associations of the Company for the purpose of incorporation in this circular. The proposed amendments to the Articles of Associations of the Company was prepared in Chinese only and set out below is an English translation of such proposed amendments. In case of any discrepancies between the Chinese and English version of this proposed amendments, the Chinese version shall prevail.

The Company proposes to amend the Articles of Association as follows:

Original Articles	Amended Articles
Article 6 The registered capital of the Company is RMB1,170,062,286.	Article 6 The registered capital of the Company is RMB 1,170,062,286 <u>1,638,043,314</u> .

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
<p>Article 15 The Company’s business scope registered according to law: production of PT resin, MG resin; development, research and approval of new drugs; biotechnology research; provision of combinatorial chemistry and related technical advice and services; outward investment with own funds. (Projects subject to approval according to law may only commence operation after approval by relevant departments)</p>	<p>Article 15 The Company’s business scope registered according to law: production of PT resin, MG resin; development, research and approval of new drugs; biotechnology research; provision of combinatorial chemistry and related technical advice and services; outward investment with own funds. (Projects subject to approval according to law may only commence operation after approval by relevant departments) <u>development, research and approval of new drugs, and research and development of pharmaceutical intermediates and refined chemical products (excluding hazardous chemicals); technology development, transfer, services and consultation of pharmaceutical technology, biotechnology, combinatorial chemistry, organic chemistry, medical technology, detection technology and computer technology; wholesale of medical devices and drugs of Class I and sales of machinery and spare parts; import and export business of various commodities and technologies of its own and on agency basis (other than commodities and technologies which are restricted for business operation or prohibited for import or export by the PRC); corporate management consultation, medicine information consultation and health consultation (excluding medical treatment activities or psychological counselling); house leasing; conference and exhibition services; outward investment with own funds. (Projects subject to approval according to law may only commence operation after approval by relevant departments).</u></p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
<p>Article 51 Within thirty days before convention of a general meeting or within five (5) days before the base date of dividend distribution decided by the Company, no change of registration of the register of shareholders arising from share transfer shall be conducted.</p>	<p>Article 51 Within thirty days before convention of a general meeting or within five (5) days before the base date of dividend distribution decided by the Company, no change of registration of the register of shareholders arising from share transfer shall be conducted. <u>The aforesaid provision shall apply to holders of H Shares.</u></p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
<p>Article 58 The shareholders of ordinary shares of the Company shall have the following rights:</p> <p>(I) to receive dividends and profit distributions in any other form in proportion to the shares they hold;</p> <p>.....</p> <p>(V) to acquire relevant information according to the provisions of the Articles of Association, including:</p> <p>1. the Articles of Association obtained after paying the cost;</p> <p>2. after paying reasonable fees, have the right to consult and reproduce:</p> <p>(1) the whole and all parts of register of shareholders;</p> <p>.....</p> <p>(8) duplicate of annual report for the recent year that has been submitted to the administration for industry and commerce and other competent authorities.</p>	<p>Article 58 The shareholders of ordinary shares of the Company shall have the following rights:</p> <p>(I) to receive dividends and profit distributions in any other form in proportion to the shares they hold;</p> <p>.....</p> <p>(V) to acquire relevant information according to the provisions of the Articles of Association, including:</p> <p>1. the Articles of Association obtained after paying the cost;</p> <p>2. after paying reasonable fees, have the right to consult and reproduce:</p> <p>(1) the whole and all parts of register of shareholders;</p> <p>.....</p> <p>(8) duplicate of annual report for the recent year that has been submitted to the administration <u>for industry and commerce company registration authority</u> and other competent authorities.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
<p>Article 72 The venue of the general meeting of the Company shall be the domicile of the Company or principal place of business of the Company (or its subsidiary) otherwise determined by the Company.</p> <p>General meetings shall be held onsite at the venue prepared in advance. The vote shall be made at the meeting and online. The Company will also provide telephone or any other means for its shareholders to conveniently participate in general meetings. Shareholders participating in a general meeting by the aforementioned means shall be deemed to have attended such meeting. The time and venue of meeting shall be convenient for shareholders’ participation. The Company shall ensure legitimacy and effectiveness of the general meeting and facilitate the shareholders’ participation in the meeting. Reasonable time for discussion shall be allocated to each resolution proposed at the general meeting.</p>	<p>Article 72 The venue of the general meeting of the Company shall be the domicile of the Company or principal place of business of the Company (or its subsidiary) otherwise determined by the Company.</p> <p>General meetings shall be held onsite at the venue prepared in advance. The vote shall be made at the meeting and online. The Company will also provide telephone or any other means <u>online voting method</u> for its shareholders to conveniently participate in general meetings. Shareholders participating in a general meeting by the aforementioned means shall be deemed to have attended such meeting. The time and venue of meeting shall be convenient for shareholders’ participation. The Company shall ensure legitimacy and effectiveness of the general meeting and facilitate the shareholders’ participation in the meeting. Reasonable time for discussion shall be allocated to each resolution proposed at the general meeting.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
<p>Article 138 Directors shall be elected or replaced at general meetings and shall each serve a term of three years. A director may seek re-election upon expiry of the said term. A director, before his term of office expires, shall not be dismissed by the general meeting without any reason. However, the general meeting of shareholders may remove any director before the expiration of the term of office in the form of ordinary resolution subject to the relevant laws and regulations in the place where the stocks of the Company are listed as well as the listing rules of the stock exchange (however, the claim for damages in accordance with any contract is not affected).</p> <p>The term of a director shall start from the date on which the said director assumes office to the expiry of the current Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules, the listing rules of the stock exchange in the place where the stocks of the Company are listed and the Articles of Association until a new director is elected.</p> <p>The Company shall enter into contracts with directors to specify the rights and obligations of the Company and directors, the term of office of directors, the liabilities of directors in case of breach of laws, regulations and the Articles of Association and the compensation from the Company in case of early termination of such contracts by the Company.</p>	<p>Article 138 Directors shall be elected or replaced at general meetings and shall each serve a term of three years. A director may seek re-election upon expiry of the said term. A director, before his term of office expires, may<u>shall</u> not be dismissed by the general meeting without any reason. However, the general meeting of shareholders may remove any director before the expiration of the term of office in the form of ordinary resolution subject to the relevant laws and regulations in the place where the stocks of the Company are listed as well as the listing rules of the stock exchange (however, the claim for damages in accordance with any contract is not affected).</p> <p>The term of a director shall start from the date on which the said director assumes office to the expiry of the current Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules, the listing rules of the stock exchange in the place where the stocks of the Company are listed and the Articles of Association until a new director is elected.</p> <p>The Company shall enter into contracts with directors to specify the rights and obligations of the Company and directors, the term of office of directors, the liabilities of directors in case of breach of laws, regulations and the Articles of Association and the compensation from the Company in case of early termination of such contracts by the Company.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
<p>A director may serve concurrently as president (CEO) or other senior management officers, but the directors serving concurrently as such and directors who are employee representatives shall not be more than half of the directors of the Company.</p> <p>It is not necessary for directors to hold shares of the Company.</p>	<p>A director may serve concurrently as president (CEO) or other senior management officers, but the directors serving concurrently as such and directors who are employee representatives shall not be more than half of the directors of the Company.</p> <p>It is not necessary for directors to hold shares of the Company.</p>
<p>Article 163 The Board may establish special committees such as strategy committee, audit committee, nomination committee, and remuneration and evaluation committee according to relevant resolutions of the general meeting. All of the special committees shall consist of directors. In the audit committee, nomination committee, and remuneration and evaluation committee, independent directors shall be the majority and shall act as conveners, the audit committee shall at least include one accountant as independent director, and the convener shall be an accounting professional.</p> <p>Special committees may engage intermediaries to provide professional opinions. Expenses required for duty performance by special committees shall be borne by the Company.</p>	<p>Article 163 The Board may establish special committees such as strategy committee, audit committee, nomination committee, and remuneration and evaluation committee according to relevant resolutions of the general meeting. <u>The special committees shall be accountable to the Board and perform duties in accordance with the Articles of Association and the authorization of the Board, and their proposals shall be submitted to the Board for consideration and approval.</u> All of the special committees shall consist of directors. In the audit committee, nomination committee, and remuneration and evaluation committee, independent directors shall be the majority and shall act as conveners, the audit committee shall at least include one accountant as independent director, and the convener shall be an accounting professional. <u>The Board shall formulate the rules of procedures of the special committees to regulate their operation.</u></p> <p>Special committees may engage intermediaries to provide professional opinions. Expenses required for duty performance by special committees shall be borne by the Company.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
<p>Article 185 Members of staff of the controlling shareholders and de facto controllers of the Company who serve positions other than director shall not serve as senior management officer of the Company.</p>	<p>Article 185 Members of staff of the controlling shareholders and de facto controllers of the Company who serve <u>administrative</u> positions other than director <u>and supervisor</u> shall not serve as senior management officer of the Company.</p>
<p>Article 208 The Supervisory Committee shall comprise shareholder’s representatives and an appropriate proportion of corporate representatives, of which proportion of employee representatives shall not be lower than one third. The method and procedure for nominating shareholder supervisors are:</p> <p>(I) the candidates for shareholder supervisors shall be nominated by the Supervisory Committee or shareholder(s) severally or jointly holding more than 3% of the total number of the voting shares of the Company, and shall be elected at a general meeting of the Company.</p> <p>(II) the candidates for shareholder supervisors shall, before the notice of the general meeting is sent, provide written undertakings that they accept the nomination, that the information announced about them is true and complete, and that they will diligently fulfil the duties as supervisors if elected.</p> <p>The Company Supervisory Committee shall disclose detailed information relating to candidates for shareholder supervisors ten days before the general meeting is convened, so that the shareholders will have sufficient understanding of the candidates in voting.</p>	<p>Article 208 The Supervisory Committee shall comprise shareholder’s representatives and an appropriate proportion of corporate representatives, of which proportion of employee representatives shall not be lower than one third. <u>including one employee representative and two shareholder’s representatives.</u> The method and procedure for nominating shareholder supervisors are:</p> <p>(I) the candidates for shareholder supervisors shall be nominated by the Supervisory Committee or shareholder(s) severally or jointly holding more than 3% of the total number of the voting shares of the Company, and shall be elected at a general meeting of the Company.</p> <p>(II) the candidates for shareholder supervisors shall, before the notice of the general meeting is sent, provide written undertakings that they accept the nomination, that the information announced about them is true and complete, and that they will diligently fulfil the duties as supervisors if elected.</p> <p>The Company Supervisory Committee shall disclose detailed information relating to candidates for shareholder supervisors ten days before the general meeting is convened, so that the shareholders will have sufficient understanding of the candidates in voting.</p>

APPENDIX IV PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
<p>Article 209 The employee representatives in the Supervisory Committee shall be elected democratically at the employee representatives’ meeting, employees’ meeting or in other forms.</p>	<p>Article 209 The employee representatives in the Supervisory Committee shall be elected democratically at the employee representatives’ meeting, employees’ meeting or in other forms.</p>
<p>Article 298 The Articles of Association shall be executed in Chinese. Where the articles of association in any other language or version disagree with the Articles of Association, the Chinese version of Articles of Association latest approved and registered by Wuxi Administration for Industry and Commerce shall prevail.</p>	<p>Article 298 The Articles of Association shall be executed in Chinese. Where the articles of association in any other language or version disagree with the Articles of Association, the Chinese version of Articles of Association latest approved and registered by Wuxi Administration for Industry and Commerce<u>company registration authority</u> shall prevail.</p>

Apart from the above amendments, references to the “president (CEO)” in the original Articles of Association shall be amended as “manager (president and CEO)”.

GENERAL INFORMATION**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 herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules were as follows:

Interests in Share or Underlying Shares of the Company

Name	Number and class of shares interested as at the Latest Practicable Date	Approximate percentage of issued share capital of the Company	Capacity/Nature of Interest
Dr. Ge Li	452,703,276 A Shares ¹	27.6368%	Interests held jointly with another person; interests of spouse; interests of controlled corporation
Mr. Edward Hu	146,300 A Shares ²	0.0089%	Beneficial owner; Interests of spouse
Mr. Zhaohui Zhang	452,703,276 A Shares ¹	27.6368%	Interests held jointly with another person; interests of controlled corporation
Mr. Xiaozhong Liu	452,703,276 A Shares ¹	27.6368%	Interests held jointly with another person; interests of controlled corporation
Dr. Ning Zhao	452,703,276 A Shares ¹	27.6368%	Interests held jointly with another person; interests of spouse; interests of controlled corporation
Mr. Ellis Bih-Hsin Chu	175,000 A Shares ³	0.0107%	Beneficial owner

Notes:

1. Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in the Company.
2. Restricted A Shares are granted pursuant to the 2018 A Share Incentive Plan.
3. Share Options are granted pursuant to the 2018 A Share Incentive Plan.

Long positions in associated corporation

Name	Associated Corporation	Number of STA Shares as at the Latest Practicable Date	Approximate percentage of issued share capital of STA	Capacity/ Nature of Interest
Dr. Ge Li	STA	2,967,000	0.6712%	Beneficial owner
Mr. Edward Hu	STA	114,453	0.0259%	Beneficial owner
Mr. Xiaozhong Liu	STA	1,256,028	0.2841%	Beneficial owner
Mr. Zhaohui Zhang	STA	912,561	0.2064%	Beneficial owner

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, supervisors and chief executives of the Company was interested in the shares, underlying shares or debentures of the Company and any of 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 or short positions which the Directors, supervisors or the chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or the supervisors of the Company and their respective close associates were interested in any business, apart from the Company's business, which competes or is likely to compete, either directly or indirectly, with the Company's business.

4. INTERESTS IN ASSETS, CONTRACT OR ARRANGEMENT

Save as any transactions that have been previously disclosed, as at the Latest Practicable Date, none of the Directors or supervisors of the Company is materially interested in any contracts or arrangement entered into by any members of the Company which is subsisting at the date of this circular and which is significant in relation to the business of the Company.

Save as any transactions that have been previously disclosed, none of the Directors or supervisors of the Company has any direct or indirect interest in any assets which have been, since December 31, 2018, being the date to which the latest published audited accounts of the Company

were made up, acquired or disposed of by, or leased to any members of the Company, or are proposed to be acquired or disposed of by, or leased to any members of the Company, which is significant in relation to the business of the Company.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Company since December 31, 2018, the date to which the latest published audited consolidated accounts of the Company have been made up.

6. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Company.

7. SERVICE CONTRACTS

No service contracts that cannot be terminated by the Company within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors as at the Latest Practicable Date.

8. EXPERTS

- (1) The following are the qualifications of the expert who has given opinion or advice contained in this Circular:

Name	Qualification
Gram Capital Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

- (2) As at the Latest Practicable Date, Gram Capital had no beneficial shareholding interest in any member of the Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of the Group.
- (3) Gram Capital has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter or report and references to its name in the form and context in which it is included.

- (4) As at the Latest Practicable Date, Gram Capital was not interested, directly or indirectly, in any assets which had since December 31, 2018 (being the date to which the latest published audited accounts of the Group were made up) been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (1) the agreement and plan of merger dated October 17, 2017 among (i) WuXi AppTec UK Ltd; (ii) Cycle Solutions Acquisition Corporation; (iii) Cycle Solutions, Inc.; (iv) John Farinacci; and (v) Patricia Charlton, pursuant to which Cycle Solutions Acquisition Corporation was merged with and into Cycle Solutions, Inc. at a consideration determined by a pre-agreed formula;
- (2) the stock transfer agreement dated October 17, 2017 among (i) WuXi AppTec UK Ltd.; (ii) John Farinacci; and (iii) WXAT International (the “**2017 Cycle Solutions STA**”), pursuant to which WuXi AppTec UK Ltd. agreed to transfer 50% of the equity interests of Cycle Solutions, Inc. to John Farinacci at the consideration of US\$17,227,847 and WuXi AppTec UK Ltd. would re-acquire such interest on the satisfaction of certain conditions;
- (3) the promissory note dated October 17, 2017 between John Farinacci and WuXi AppTec UK Ltd., pursuant to which John Farinacci promised to pay to WuXi AppTec UK Ltd. the sum of US\$17,227,847;
- (4) the promissory note dated October 17, 2017 between WuXi AppTec UK Ltd. and First Shanghai Company, LLC (the “**2017 Promissory Note**”), pursuant to which First Shanghai Company, LLC promised to pay to WuXi AppTec UK Ltd. the sum of US\$17,227,847;
- (5) the assignment and assumption of contract dated January 31, 2018 among (i) John Farinacci; (ii) First Shanghai Company, LLC; (iii) WuXi AppTec UK Ltd.; and (iv) WXAT International, pursuant to which John Farinacci transferred to First Shanghai Company, LLC all his rights, title and interests in, to and under the 50% equity interests of Cycle Solutions, Inc., the 2017 Cycle Solutions STA and the 2017 Promissory Note;

- (6) the non-competition undertakings dated March 13, 2018, between the Company and WuXi Biologics Holdings Limited;
- (7) the non-competition undertakings dated March 13, 2018, between the Company and WuXi NextCode Holdings Limited;
- (8) the non-competition undertakings dated March 13, 2018, among the Company, WuXi HealthNet (Shanghai) Co., Ltd. (上海醫明康德醫療健康科技有限公司) and HealthNet Co., Ltd. (無錫醫明康德醫療健康科技有限公司);
- (9) the stock transfer agreement dated July 31, 2018 among WuXi AppTec UK Ltd., WXAT International and First Shanghai Company, LLC, pursuant to which WuXi AppTec UK Ltd. agreed to purchase 50% of the equity interests of WuXi Clinical Development, Inc. held by First Shanghai Company, LLC, at the consideration of the cancellation of the 2017 Promissory Note; and
- (10) the underwriting agreement dated November 30, 2018 relating to the Hong Kong Public Offering and entered into by, among others, the Company, the Joint Sponsors (as defined therein), the Joint Global Coordinators (as defined therein) and the Hong Kong Underwriters (as defined therein).

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong within 14 days from the date of this circular (excluding Saturdays, Sundays and public holidays):

- (1) the articles of association of the Company;
- (2) the annual reports of the Company for the two years ended December 31, 2018;
- (3) 2019 A Share Incentive Plan;
- (4) 2019 Share Appreciation Scheme;
- (5) the letter from Gram Capital, the text of which is set out on pages 38 to 49 of this circular;
- (6) the letter of consent from Gram Capital;

- (7) the material contracts referred to in this Appendix; and
- (8) this circular.

11. MISCELLANEOUS

- (1) The joint company secretary of the Company are Mr. Chi Yao who serves as a board secretary and the executive director of the corporate legal office of the Company and Ms. Yuen Wing Yan Winnie who is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (2) The head office and the legal address of the Company is situated at 288 Fute Zhong Road, Waigaoqiao Free Trade Zone, Shanghai, PRC. The principal place of business in Hong Kong is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (3) The H Share Registrar of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (4) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text unless otherwise stated.



WUXI APPTEC CO., LTD.*
無錫藥明康德新藥開發股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2359)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Extraordinary General Meeting (the “EGM”) of WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司) (the “Company”) will be held at Friday on September 20, 2019 at 2:00 p.m. for the following purposes of considering and, if deemed appropriate, approving the following resolutions. In this notice, unless the context otherwise requires, capitalised terms and used herein shall have the same meanings as defined in the Company’s circular (the “Circular”) dated August 5, 2019.

ORDINARY RESOLUTIONS

1. to consider and approve the proposed amendment to the business scope of the Company;

SPECIAL RESOLUTIONS

2. to consider and approve the proposed adoption of the 2019 A Share Incentive Plan;
3. to consider and approve the proposed grant of Restricted A Shares to the Connected Participants;
4. to consider and approve the list of grantees under the Initial Grant of the 2019 A Share Incentive Plan;
5. to consider and approve the proposed adoption of the 2019 Share Appreciation Scheme;
6. to consider and approve the proposed adoption of the administrative measures for appraisal system of the 2019 Share Incentive Schemes;

NOTICE OF FIRST EXTRAORDINARY GENERAL MEETING FOR 2019

7. (I) to consider authorize the Board to handle matters pertaining to 2019 Share Incentive Schemes, including:
- (a) to determine the date of grant of Restricted A Shares, Share Options and Share Appreciation Rights;
 - (b) to adjust the number of Restricted A Shares and the relevant number of Shares involved in Share Options and Share Appreciation Rights accordingly in the event of capitalization issue, bonus issue, sub-division or consolidation of the share capital, rights issue, dividend payment or other events in accordance with the manners stipulated under the 2019 Share Incentive Schemes;
 - (c) to adjust the Grant Price/Exercise Price accordingly in the event of capitalization issue, bonus issue, sub-division or consolidation of the share capital, rights issue and dividend payment or other events in accordance with the manners stipulated under the 2019 Share Incentive Schemes;
 - (d) to grant the Restricted A Shares, Share Options and Share Appreciation Rights to the Incentive Participant(s) who has (have) satisfied the required conditions and to handle all matters relating to the grant of the Restricted A Shares, Share Options and Share Appreciation Rights, including the execution of related agreement(s) with the Incentive Participant(s);
 - (e) to review and determine the eligibility and conditions for unlocking the Restricted A Shares and exercising the Share Options or Share Appreciation Rights for the Incentive Participants and to authorize the remuneration and assessment committee of the Board to exercise such power;
 - (f) to determine whether the Incentive Participant(s) has (have) satisfied the conditions for unlocking the Restricted A Shares and exercising the Share Options or Share Appreciation Rights;
 - (g) to handle all necessary matters relating to the unlocking and exercising, including but not limited to, tendering applications to the stock exchange to unlock/exercise and tendering applications to the depository and clearing corporation to handle the relevant depository and clearing matters;
 - (h) to handle matters in relation to locking up Restricted A Shares which have not been unlocked and Share Options and Share Appreciation Rights which have not been exercised;

NOTICE OF FIRST EXTRAORDINARY GENERAL MEETING FOR 2019

- (i) to determine matters relating to the change and termination of Restricted A Shares, Share Options and Share Appreciation Rights under the 2019 Share Incentive Schemes, including but not limited to, disqualifying the eligibility of Incentive Participants from unlocking/exercising, repurchasing unlocked Restricted A Shares of Incentive Participants and cancelling unexercised Share Options of Incentive Participants, handling inheritance matters relating to Restricted A Shares that have not been unlocked and Share Options that have not been exercised held by any deceased Incentive Participant;
 - (j) to manage the Company's 2019 Share Incentive Schemes, and to revise and formulate from time to time the management and implementation requirements of the relevant plans to the extent consistent with the provisions of the 2019 Share Incentive Schemes. However, if the laws, regulations or relevant regulatory authorities require such amendments to be approved by the shareholders' meeting or/and the relevant regulatory body, such proposed the amendments by the Board must be approved accordingly;
 - (k) to execute other matters relating to the 2019 Share Incentive Schemes which are necessary, with exception to the rights exercised by shareholders' general meetings expressly provided by relevant documents;
 - (l) to approach the relevant government or regulatory authorities for any approval, registration, filing, authorization and consent; to sign, implement, amend or complete all documents to be submitted to the relevant government, authorities, organizations or persons; and to do all other things that are necessary, fit and proper in relation to the 2019 Share Incentive Schemes; and
- (II) to approve the validity period of the authorization given to the Board be the same as the validity period of the 2019 Share Incentive Schemes.
8. to consider and approve the proposed change of registered capital of the Company; and
9. to consider and approve the proposed amendments to the Articles of Association of the Company.

NOTICE OF FIRST EXTRAORDINARY GENERAL MEETING FOR 2019

Details of the above resolutions proposed at the EGM are contained in the Circular, which is available on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.wuxiapptec.com.cn).

By Order of the Board
WuXi AppTec Co., Ltd.
Dr. Ge Li
Chairman

Hong Kong, August 5, 2019

As of the date of this announcement, the Board of the Company comprises Dr. Ge Li, Mr. Edward Hu, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang and Dr. Ning Zhao as executive Directors, Mr. Xiaomeng Tong and Dr. Yibing Wu as non-executive Directors and Dr. Jiangnan Cai, Ms. Yan Liu, Mr. Dai Feng, Dr. Hetong Lou and Mr. Xiaotong Zhang as independent non-executive Directors.

* For identification purpose only

Notes:

1. All resolutions at the 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 24 hours before the time appointed for the meeting or the adjourned meeting (as the case may be) (i.e. not later than 2:00 p.m. on Thursday, September 19, 2019 (Hong Kong time)). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Wednesday, August 21, 2019 to Friday, September 20, 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, August 20, 2019.
5. References to time and dates in this notice are to Hong Kong time and dates.
6. Please note that if you have completed and returned both form of proxy and the independent director’s proxy form, but have given inconsistent voting instructions on the resolutions concerned between the form of proxy and the independent director’s proxy form, your voting instructions given in the independent director’s proxy form will be counted as your vote for or against Special Resolutions numbered 2-3 and 5-7 set out above.

NOTICE OF SECOND H SHARE CLASS MEETING FOR 2019



WUXI APPTEC CO., LTD.* 無錫藥明康德新藥開發股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2359)

NOTICE OF THE SECOND H SHARE CLASS MEETING FOR 2019

Notice is hereby given that the second H Share Class Meeting for 2019 (the “**H Share Class Meeting**”) of WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司) (the “**Company**”) will be held at Friday on September 20, 2019 after the conclusion of the first extraordinary general meeting for 2019 (“**EGM**”) and the second A Share Class Meeting for 2019 for the following purposes of considering and, if deemed appropriate, approving the following resolutions. In this notice, unless the context otherwise requires, capitalised terms and used herein shall have the same meanings as defined in the Company’s circular (the “**Circular**”) dated August 5, 2019.

SPECIAL RESOLUTIONS

1. to consider and approve the proposed adoption of the 2019 A Share Incentive Plan;
2. to consider and approve the proposed grant of Restricted A Shares to the Connected Participants;
3. to consider and approve the list of grantees under the Initial Grant of the 2019 A Share Incentive Plan;
4. to consider and approve the proposed adoption of the administrative measures for appraisal system of the 2019 Share Incentive Schemes; and

NOTICE OF SECOND H SHARE CLASS MEETING FOR 2019

5. (I) to consider authorize the Board to handle matters pertaining to 2019 Share Incentive Schemes, including:
- (a) to determine the date of grant of Restricted A Shares, Share Options and Share Appreciation Rights;
 - (b) to adjust the number of Restricted A Shares and the relevant number of Shares involved in Share Options and Share Appreciation Rights accordingly in the event of capitalization issue, bonus issue, sub-division or consolidation of the share capital, rights issue, dividend payment or other events in accordance with the manners stipulated under the 2019 Share Incentive Schemes;
 - (c) to adjust the Grant Price/Exercise Price accordingly in the event of capitalization issue, bonus issue, sub-division or consolidation of the share capital, rights issue and dividend payment or other events in accordance with the manners stipulated under the 2019 Share Incentive Schemes;
 - (d) to grant the Restricted A Shares, Share Options and Share Appreciation Rights to the Incentive Participant(s) who has (have) satisfied the required conditions and to handle all matters relating to the grant of the Restricted A Shares, Share Options and Share Appreciation Rights, including the execution of related agreement(s) with the Incentive Participant(s);
 - (e) to review and determine the eligibility and conditions for unlocking the Restricted A Shares and exercising the Share Options or Share Appreciation Rights for the Incentive Participants and to authorize the remuneration and assessment committee of the Board to exercise such power;
 - (f) to determine whether the Incentive Participant(s) has (have) satisfied the conditions for unlocking the Restricted A Shares and exercising the Share Options or Share Appreciation Rights;
 - (g) to handle all necessary matters relating to the unlocking and exercising, including but not limited to, tendering applications to the stock exchange to unlock/exercise and tendering applications to the depository and clearing corporation to handle the relevant depository and clearing matters;
 - (h) to handle matters in relation to locking up Restricted A Shares which have not been unlocked and Share Options and Share Appreciation Rights which have not been exercised;

NOTICE OF SECOND H SHARE CLASS MEETING FOR 2019

- (i) to determine matters relating to the change and termination of Restricted A Shares, Share Options and Share Appreciation Rights under the 2019 Share Incentive Schemes, including but not limited to, disqualifying the eligibility of Incentive Participants from unlocking/exercising, repurchasing unlocked Restricted A Shares of Incentive Participants and cancelling unexercised Share Options of Incentive Participants, handling inheritance matters relating to Restricted A Shares that have not been unlocked and Share Options that have not been exercised held by any deceased Incentive Participant;
 - (j) to manage the Company's 2019 Share Incentive Schemes, and to revise and formulate from time to time the management and implementation requirements of the relevant plans to the extent consistent with the provisions of the 2019 Share Incentive Schemes. However, if the laws, regulations or relevant regulatory authorities require such amendments to be approved by the shareholders' meeting or/and the relevant regulatory body, such proposed the amendments by the Board must be approved accordingly;
 - (k) to execute other matters relating to the 2019 Share Incentive Schemes which are necessary, with exception to the rights exercised by shareholders' general meetings expressly provided by relevant documents;
 - (l) to approach the relevant government or regulatory authorities for any approval, registration, filing, authorization and consent; to sign, implement, amend or complete all documents to be submitted to the relevant government, authorities, organizations or persons; and to do all other things that are necessary, fit and proper in relation to the 2019 Share Incentive Schemes; and
- (II) to approve the validity period of the authorization given to the Board be the same as the validity period of the 2019 Share Incentive Schemes.

By Order of the Board
WuXi AppTec Co., Ltd.*
Dr. Ge Li
Chairman

Hong Kong, August 5, 2019

NOTICE OF SECOND H SHARE CLASS MEETING FOR 2019

As of the date of this announcement, the Board of the Company comprises Dr. Ge Li, Mr. Edward Hu, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang and Dr. Ning Zhao as executive Directors, Mr. Xiaomeng Tong and Dr. Yibing Wu as non-executive Directors and Dr. Jiangnan Cai, Ms. Yan Liu, Mr. Dai Feng, Dr. Hetong Lou and Mr. Xiaotong Zhang as independent non-executive Directors.

* For identification purpose only

Notes:

1. All resolutions at the 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 24 hours before the time appointed for the meeting or the adjourned meeting (as the case may be) (i.e. not later than 2:00 p.m. on Thursday, September 19, 2019 (Hong Kong time)). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
4. For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Wednesday, August 21, 2019 to Friday, September 20, 2019, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the H Share Class Meeting, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, August 20, 2019.
5. References to time and dates in this notice are to Hong Kong time and dates.
6. Please note that if you have completed and returned both form of proxy and the independent director’s proxy form, but have given inconsistent voting instructions on the resolutions concerned between the form of proxy and the independent director’s proxy form, your voting instructions given in the independent director’s proxy form will be counted as your vote for or against Special Resolutions numbered 1-2 and 4-5 set out above.