



Attention: the Independent Shareholders of WuXi Biologics (Cayman) Inc.

May 18, 2022

Dear Sir or Madam,

**CONNECTED TRANSACTION INVOLVING GRANTS
OF RESTRICTED SHARES TO CONNECTED PERSONS PURSUANT
TO SPECIFIC MANDATE**

INTRODUCTION

We, Opus Capital, refer to our appointment as the Independent Financial Advisor to advise the Independent Shareholders in respect of the proposed issue and allotment of the Connected Restricted Shares to the Connected Grantees under the Scheme Grant and the Program Grant (the “**Connected Restricted Shares Grant**”), the Specific Mandate and transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated May 18, 2022 (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On March 23, 2022 (the “**Grant Date**”), the Board has approved, subject to acceptance of the Scheme Grantees and other conditions as may be determined by the Board, the grant of 20,791,754 Restricted Shares in aggregate to the Scheme Grantees under the Scheme Grant, of which (i) 18,954,570 Restricted Shares are granted to 2,458 employees of the Group (who are not connected persons of the Company) and shall be satisfied by the issue and allotment of new Shares to the Scheme Trustee pursuant to the 2021 General Mandate and in accordance with the terms of the Scheme Rules; and (ii) 1,837,184 Restricted Shares are proposed to be granted to five Directors and two Subsidiary Directors (who are Connected Grantees) and shall be satisfied by the issue and allotment of new Shares to the Scheme Trustee pursuant to the Specific Mandate and in accordance with the terms of the Scheme Rules.

香港中環干諾道中19-20號馮氏大廈8樓及18樓
8/F & 18/F, Fung House, 19-20 Connaught Road Central, Central, Hong Kong
T: (852) 2230 6100 F: (852) 2344 9600 W: www.opusgroup.com.hk

On the Grant Date, the Board has approved, subject to acceptance of the Program Grantees and other conditions as may be determined by the Board, the grant of 1,223,147 Restricted Shares to two Directors and two Subsidiary Directors (who are Connected Grantees) which shall be satisfied by the issue and allotment of new Shares to the Program Trustee pursuant to the Specific Mandate and in accordance with the terms of the Program Rules.

The Connected Grantees, being the Directors and the Subsidiary Directors, are connected persons of the Company pursuant to Rule 14A.07 of the Listing Rules. Therefore, the Connected Restricted Shares Grant under the Scheme and the Program shall constitute a connected transaction for the Company under Chapter 14A of the Listing Rules and shall be subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Annual General Meeting will be convened and held to consider, and if thought fit, approve, among other things, the Connected Restricted Shares Grant, the Specific Mandate and the transactions contemplated thereunder.

Each of Dr. Zhisheng Chen, Dr. Weichang Zhou, Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Kenneth Walton Hitchner III has abstained from approving the relevant Board resolutions on the issue and allotment of the Connected Restricted Shares to them under the Scheme and/or the Program. Save as disclosed above, none of the other Directors had any interest in the Connected Restricted Shares and therefore, no other Directors abstained from voting on the relevant Board resolutions in respect of the Connected Restricted Shares Grant. To the best of the knowledge, information and belief of the Directors, save for the Connected Grantees and their respective associates, no other Shareholder is required to abstain from voting on the resolutions to approve, among other things, the Connected Restricted Shares Grant, the Specific Mandate and the transactions contemplated thereunder at the Annual General Meeting.

THE APPOINTMENT

As all the independent non-executive Directors (i.e. Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Kenneth Walton Hitchner III) being the members of the Connected Grantees are regarded as having material interests, at the time of the RSU Grants, in the proposed grant as well as the Connected Restricted Shares Grant, the Specific Mandate and the transactions contemplated thereunder, no independent board committee has been established.

We have been appointed by the Company to advise the Independent Shareholders as to whether: (i) the terms of the Connected Restricted Shares Grant, the Specific Mandate and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Connected Restricted Shares Grant,

the Specific Mandate and the transactions contemplated thereunder is conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and (iii) the Independent Shareholders should vote in favour of the relevant resolutions to be proposed at the Annual General Meeting to approve the Connected Restricted Shares Grant, the Specific Mandate and the transactions contemplated thereunder.

OUR INDEPENDENCE

We were appointed as the independent financial advisor to advise the independent shareholders of the Company in respect of two connected transactions involving the grants of restricted shares to connected grantees. Details of such transactions and our independent advisory letters are set out in the circulars of the Company dated May 11, 2020 (the “**Past Appointment 1**”) and May 17, 2021 (the “**Past Appointment 2**”, together with the Past Appointment 1, the “**Past Appointments**”). Both of the Past Appointment 1 and the Past Appointment 2 are similar to this current appointment.

As at the Latest Practicable Date, save for the aforementioned, we did not have any relationship with, or interest in, the Group, the Connected Grantees or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this letter, save for the aforementioned, we have not acted as an independent financial advisor to the Company. Apart from the normal professional fees paid or payable to us in connection with the Past Appointments and the current appointment as the Independent Financial Advisor, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Connected Grantees or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Shareholders, we have reviewed, among other things:

- (i) the Company’s annual report for the year ended December 31 (“**FY**”), 2021 (the “**2021 Annual Report**”);
- (ii) the Scheme Rules;
- (iii) the Program Rules;
- (iv) the RSU Grants Announcement; and

(v) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the Annual General Meeting.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has 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 Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business, financial conditions and affairs of the Group or its future prospects. Where information in this letter has been extracted from published or otherwise publicly available sources, it is our responsibility 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Shareholders solely in connection for their consideration of the Connected Restricted Shares Grant, the Specific Mandate and transactions contemplated thereunder and except for its inclusion in the Circular, is not to be quoted or referred

to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the terms of the Connected Restricted Shares Grant, the Specific Mandate and transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information of the Group

The Group is principally engaged in the provision of end-to-end solutions and services for biologics discovery, development and manufacturing to customers involving in biologics industry in both the PRC and other overseas countries. The Shares were listed on the Main Board of the Stock Exchange on June 13, 2017.

Set out below is a summary of the key audited consolidated financial information of the Group for the five years ended December 31, 2021 as extracted from the 2021 Annual Report:

Table 1: Highlights of the financial results of the Group

	FY2021	FY2020	FY2019	FY2018	FY2017
	<i>(RMB'M)</i>	<i>(RMB'M)</i>	<i>(RMB'M)</i>	<i>(RMB'M)</i>	<i>(RMB'M)</i>
Revenue	10,290.1	5,612.4	3,983.7	2,534.5	1,618.8
Gross profit	4,828.9	2,533.0	1,658.8	1,017.8	660.6
Net profit	3,508.6	1,692.7	1,010.3	630.5	252.6

Source: the 2021 Annual Report

As shown in the above table, the Group's revenue, gross profit and net profit have been growing significantly from FY2017 to FY2021. The Group's revenue, gross profit and net profit for FY2021 were more than 6 times, 7 times and 13 times respectively of those for FY2017. The growth rates of the Group's revenue, gross profit and profit for FY2021 as compared to FY2020 (i.e. approximately 83.3%, 90.6% and 107.3% respectively) were also significant.

According to the 2021 Annual Report, during FY2021, the total revenue of the Group increased by approximately 83.3% from approximately RMB5,612.4 million for FY2020 to approximately RMB10,290.1 million, together with an approximately 107.3% year-on-year growth

in net profit to approximately RMB3,508.6 million. Such a significant increase was mainly attributable to: (i) the significant manufacturing revenue growth in 2021 as the banner year for the Group's commercial manufacturing; (ii) the fruition from long-term "Follow and Win the Molecule" strategies, with leading technology platform, best-in-industry timeline and excellent execution track record contributing to significantly higher revenue and market share of new non-COVID integrated projects; (iii) the Group's acceleration to undertake, promptly execute and generate revenue from existing and new COVID-19 projects to support and enable the Group's global clients in combatting against COVID-19; (iv) successful execution of "Follow and Win the Molecule" strategies adding considerable late-stage pipelines and near-term revenue; and (v) the recovery from the reduced productivity due to the brief slow-down in the first quarter of 2020 as disrupted by the pandemic, coupled with the enhancement in the utilization of existing capacities and resources and the implementation of operational efficiency improvement programs. The Group's total backlog, including the service backlog and upcoming potential milestone fees backlog, also soared by approximately 20.1% from approximately US\$11,324.0 million as of December 31, 2020 to approximately US\$13,597.0 million as of December 31, 2021, of which service backlog increased by approximately 19.9% from approximately US\$6,629.0 million to approximately US\$7,946.0 million and upcoming potential milestone fees backlog increased by approximately 20.4% from approximately US\$4,695.0 million to approximately US\$5,651.0 million. The service backlog represents the revenue amount the Group has contracted but is yet to perform, which can be seen as a future performance indicator.

The increase in the gross profit margin from approximately 45.1% for FY2020 to approximately 46.9% for FY2021 was primarily attributable to: (i) the Group's robust business growth, as a result of the rapid increase in the number of integrated projects and projects progressing to late stages of development; (ii) the significant manufacturing margin growth in 2021 as the banner year for the Group's commercial manufacturing; (iii) the Group's deployment to fully utilize its existing manufacturing facilities; (iv) the Group's extraordinary efforts to undertake a large number of new development projects, with a prudent approach in adding new resources; (v) the continuing undertaking of the Group's operational efficiency improvement programs; and (vi) more than offsetting the new facilities ramping-up impact.

As a result of the foregoing, the net profit of the Group increased by approximately 107.3% from approximately RMB1,692.7 million for FY2020 to approximately RMB3,508.6 million for FY2021. As set out in the 2021 Annual Report, during FY2021, the Group further diversified its customer base by working with all top 20 pharmaceutical companies in the world and 42 out of the 50 largest pharmaceutical companies in China. The Group provided services to over 470 customers for FY2021, compared with 369 customers in the previous year. The top ten customers' revenue grew by approximately 109.2% from approximately RMB2,326.9 million for FY2020 to approximately RMB4,867.7 million for FY2021.

2. Information on the Connected Grantees

The Connected Restricted Shares Grant has been approved by the Board on the Grant Date, subject to the acceptance of the Connected Grantees and other conditions as may be determined by the Board, including the Independent Shareholders' approval at the Annual General Meeting. The vesting period for the Connected Restricted Shares to be granted under the Scheme to the independent non-executive Directors (i.e. Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Kenneth Walton Hitchner III) is one year, while the vesting period for the Connected Restricted Shares to be granted under the Scheme and the Program to the remaining Connected Grantees (i.e. Dr. Zhisheng Chen, Dr. Weichang Zhou, Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath) is five years and two years, respectively. Details of the vesting conditions and vesting schedules of the Connected Restricted Shares Grant are included in "Table 2: Details of the Scheme Grant" as below. As stated in the Letter from the Board, the grants of the Connected Restricted Shares to the Connected Grantees under the Scheme and the Program serve different purposes as set out under the section headed "3. Reasons for and Benefits of the grants of the Connected Restricted Shares to the Connected Grantees" below.

The Board determined that the Connected Grantees and the number of Restricted Shares granted to them with reference to, among other things, their respective roles, responsibilities, years of services, work experience, contributions, remuneration packages and prevailing compensation of similar positions in the market. The two tables below list the details of the Scheme Grant and Program Grant respectively.

Table 2: Details of the Scheme Grant

Name	Position	Number of shares under the Scheme Grant	Vesting period (years)
Directors			
Dr. Zhisheng Chen	Executive Director	1,324,333	5 <i>Note 1</i>
Dr. Weichang Zhou	Executive Director	450,281	5 <i>Note 1</i>
Mr. William Robert Keller	Independent non-executive Director	4,145	1 <i>Note 2</i>
Mr. Teh-Ming Walter Kwauk	Independent non-executive Director	4,145	1 <i>Note 2</i>
Mr. Kenneth Walton Hitchner III	Independent non-executive Director	8,291	1 <i>Note 2</i>
<i>Subtotal</i>		<hr/> 1,791,195	
Subsidiary Directors			

Name	Position	Number of shares under the Scheme Grant	Vesting period (years)
Mr. Angus Scott Marshall Turner	Director of WuXi Biologics Ireland Limited	33,565	5 <i>Note 1</i>
Mr. Brendan McGrath	Director of WuXi Biologics Ireland Limited and WuXi Vaccines Ireland Limited	12,424	5 <i>Note 1</i>
<i>Subtotal</i>		45,989	
Total Connected Restricted Shares under the Scheme Grant		1,837,184	

Source: the Letter from the Board

Table 3: Details of the Program Grant

Name	Position	Number of shares under the Program Grant	Vesting period (years)
Directors			
Dr. Zhisheng Chen	Executive Director	877,694	2 <i>Note 3</i>
Dr. Weichang Zhou	Executive Director	298,416	2 <i>Note 3</i>
<i>Subtotal</i>		1,176,110	
Subsidiary Directors			
Mr. Angus Scott Marshall Turner	Director of WuXi Biologics Ireland Limited	29,251	2 <i>Note 3</i>
Mr. Brendan McGrath	Director of WuXi Biologics Ireland Limited and WuXi Vaccines Ireland Limited	17,786	2 <i>Note 3</i>
<i>Subtotal</i>		47,037	
Total Connected Restricted Shares under the Program Grant		1,223,147	

Source: the Letter from the Board

Notes:

1. 20% of the total Connected Restricted Shares shall vest on the second anniversary of the grant date and the remaining 20%, 20% and 40% of the total Connected Restricted Shares granted shall vest on the third anniversary, fourth anniversary and fifth anniversary of the grant date, respectively. All Connected Restricted Shares are not subject to any vesting conditions.
2. All Connected Restricted Shares shall vest on the first anniversary of the grant date, and are not subject to any vesting conditions.
3. 50% of the total Connected Restricted Shares shall vest on the first anniversary of the grant date and the remaining 50% of the total Connected Restricted Shares shall vest on the second anniversary of the grant date. Vesting of the Connected Restricted Shares is subject to certain performance targets, including the overall business performance of the Group as a whole and the prevailing market capitalization of the Company to be determined by the Board from time to time.

Further details of the positions, roles, responsibilities and years of services of the Connected Grantees are set out in the paragraph headed “3. Connected transaction involving grants of Restricted Shares to connected persons pursuant to Specific Mandate — Reasons for and benefits of the grants of the Connected Restricted Shares to the Connected Grantees” in the Letter from the Board. The executive Directors, namely Dr. Zhisheng Chen and Dr. Weichang Zhou, have been indispensable to the continued and stable strong growth of the Group. In particular, Dr. Zhisheng Chen and Dr. Weichang Zhou, working in their senior capacity as the executive Directors, have led the Company to achieve various remarkable milestones both before and after the Company’s listing on the Stock Exchange in 2017. Under their vision and leadership, the Group has achieved significant growth over the years especially the tremendous growth in FY2021 as compared with that in FY2020 as evidenced through the historical financial performance of the Group as set out in the section headed “1. Information of the Group” above.

As stated in the Letter from the Board, each of Mr. Angus Scott Marshall Turner (being a director of WuXi Biologics Ireland Limited) and Mr. Brendan McGrath (being a director of WuXi Biologics Ireland Limited and WuXi Vaccines Ireland Limited) led the relevant key subsidiaries of the Group to achieve significant growth and development.

It is noted that the vesting periods of the Connected Restricted Shares to be granted under the Scheme to several Connected Grantees (i.e. Dr. Zhisheng Chen, Dr. Weichang Zhou, Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath) is five years while those to be granted under the Program to the aforementioned Connected Grantees is two years. We noted from the Letter from the Board that the Connected Restricted Shares proposed to be granted to Dr. Zhisheng Chen, Dr. Weichang Zhou, Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath under the Scheme are for their past performance, including their annual performance for the year of 2021 while those under the Program are for their past performance as well as future performance.

We have reviewed the different purposes as set out in the Scheme Rules and the Program Rules and we noted that the recognition of the past contribution of the Scheme Grantees is the priority purpose under the Scheme while the priority purpose under the Program is to provide the Program Grantees with incentives highly related to the business and individual performance in order to drive the Group's business growth apart from rewarding the past contribution of the Program Grantees. As such, it also explains the aforesaid different vesting conditions of the Connected Restricted Shares to be granted under the Scheme and the Program. Although the vesting period of the Connected Restricted Shares to be granted under the Program is two years, which is shorter than the five years vesting period under the Scheme, they are subject to certain performance targets, including the overall business performance of the Group as a whole and the prevailing market capitalization of the Company to be determined by the Board from time to time while those under the Scheme are not subject to any vesting conditions.

In view of the above, we consider that the difference in the vesting periods of the Connected Restricted Shares to be granted under the Scheme and the Program is fair and reasonable.

With Mr. William Robert Keller and Mr. Teh-Ming Walter Kwauk joined the Company as independent non-executive Directors in 2017 and Mr. Kenneth Walton Hitchner III joined the Company as an independent non-executive Director in 2020, the Group has continued to maintain its strong growth momentum to this day.

3. Reasons for and benefits of the Connected Restricted Shares Grant

As stated in the Letter from the Board, the Scheme and the Program form part of the incentive schemes of the Group. The Board considers that the grant of the Restricted Shares to the Connected Grantees under the Scheme is to recognize their past performance made to the Group while the grant of Restricted Shares to the Connected Grantees under the Program is to recognize their past performance made to the Group, as well as to incentivize their future performance in promoting the future business development of the Group. The purposes of the Scheme are to (i) recognize the contributions made to the Group by the Connected Grantees; (ii) encourage, motivate and retain the Connected Grantees, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Connected Grantees to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Connected Grantees to the Shareholders through ownership of Shares, while the purposes of the Program are to (i) reward and incentivize the Connected Grantees who have significant contributions to the Group's business development and growth, with incentives highly related to the business and individual performance; (ii) promote long-term growth and development of the Company by aligning the interests of the top employees and the Shareholders; and (iii) strengthen the bonding among the Connected Grantees to achieve performance goals collectively and strive to enhance the business

results and market value of the Group, only key employees with exceptional performance are selected as the participants of the Program. The grants recognize their past contributions to the Group's business performance and aims to secure their long term support and commitment to the Group which are vital to the future development of the Group. As the Group's business is undergoing rapid expansion, the Company believes that the Connected Restricted Shares Grant serves as an important incentive to motivate the Connected Grantees to bring a higher return to the Company.

As set out in the Letter from the Board, the Board is of the view that the Connected Restricted Shares Grant is in line with the Company's remuneration policy, which includes base salary, discretionary bonus and other benefits such as the Scheme, the Program and share options. Such grants align the interests of the Connected Grantees directly with the interests of the Shareholders through ownership of the Shares and helps to further encourage them to devote their efforts to the Group's development. The number of the Connected Restricted Shares being granted to each Connected Grantee is being derived at based on the commercial assessment of the Board having taken into account a number of factors, including, without limitation, the roles and responsibilities, seniority, the specific expertise and relevant experiences, such as expertise in biotech and pharmaceutical industry, marketing and business strategies, financial management and human resources management, and their historical and expected contributions to the Group.

Based on this background, we note that the Company conducted several rounds of grants of Restricted Shares to its connected grantees. For the last three financial years, respectively on March 27, 2020, on March 24, 2021 and on March 23, 2022, the Company granted restricted shares to its connected grantees. The make-up of the connected grantees under these three grants was largely similar to this year's Connected Restricted Shares Grant. The Connected Restricted Shares Grant of this year (save for the Program), as advised by the Management, is mainly of a recurrent nature.

Other key features of the RSU Grants (including the Connected Restricted Shares Grant) include, among other things, unlike giving a cash bonus, there will not be any actual cash outflow by the Group as it will be satisfied by the issue and allotment of new Restricted Shares.

Also, unlike granting share options with a pre-determined exercise price which the future prices of the Shares may or may not be above such pre-determined exercise price, the RSU Grants provide the RSU Grantees with certainty of monetary benefits regardless of the share price performance. Such RSU Grants that can be realized and is readily available at the end of each vesting period is akin to payment of a deferred bonus by batches and hence an effective incentive. Furthermore, the RSU Grants do not call for the RSU Grantees to exercise the share options which would require financial outlay from the RSU Grantees.

Further, as shown under “Table 1: Highlights of the financial results of the Group” and as discussed under the section headed “1. Information of the Group” above, we note that the Group’s financial performance has been undergoing a strong growth in the past five financial years and especially in the last financial year, being FY2021, in terms of both the revenue generation ability and the profitability. As noted from the 2021 Annual Report, the Group is experiencing significant growth to meet escalating demands from both large pharmaceuticals and small and medium-sized companies. In FY2021, the Group achieved to enlarge its customer base to all top 20 pharmaceutical companies in the world while it was 14 out of 20 in FY2020. As observed by the Group, the business momentum remains strong.

As such, we are of the view that the Connected Restricted Shares Grant will provide the Connected Grantees, being the Directors and the Subsidiary Directors, who are responsible for the overall corporate governance, strategic directions of the Group and important strategic initiatives of the key subsidiaries of the Company (as the case maybe), with a reward for their past contributions and to incentivize their future contributions.

Upon our enquiry, the Management advised us that its remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates. The Group also adopted the Scheme, the Program and the pre-IPO share option scheme to provide incentive or reward to eligible participants for their contribution or potential contribution to the Group.

Based on the above, we concur with the Company’s view that the Connected Restricted Shares Grant under the Scheme and the Program is in line with the remuneration policy of the Group.

Taking into account that: (i) the purposes and characteristics of the Scheme and the Program as mentioned above; (ii) our assessment of the terms of the Connected Restricted Shares Grant as discussed in the section headed “4. Principal terms and conditions of the Connected Restricted Shares Grant” below; (iii) our assessment of the current remuneration of the Connected Grantees as set out in section headed “5. Connected Grantees’ current remuneration” below; (iv) there will not be any actual cash outflow by the Group under the Grant; and (v) the recurrent nature of the Connected Restricted Shares Grant, we concur with the Board that the Connected Restricted Shares Grant is fair and reasonable and in the interests of the Company and its Shareholders as a whole. Also, in view of the recurrent nature of the Connected Restricted Shares Grant, we are of the view that the Connected Restricted Shares Grant is conducted in the ordinary and usual course of business of the Group.

4. Principal terms and conditions of the Connected Restricted Shares Grant

Principal terms and conditions of the Connected Restricted Shares Grant are set out below:

Market price of the Shares:	The closing price of the Shares on the date of the RSU Grants Announcement as quoted on the Stock Exchange is HK\$65.30 per Share. The average closing price of the Shares for the five consecutive trading days immediately preceding the date of the RSU Grants Announcement as quoted on the Stock Exchange is HK\$54.27 per Share.
Size of the Connected Restricted Shares relative to the issued Shares	The aggregate of 3,060,331 new Restricted Shares (being 1,837,184 new Restricted Shares under the Scheme and 1,223,147 new Restricted Shares under the Program) to be issued and allotted by the Company, represent (i) approximately 0.07% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 0.07% of the total number of Shares in issue as enlarged by the issue and allotment of the new Restricted Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the allotment date of the new Shares, other than the issue and allotment of the new Connected Restricted Shares).
Market value of the Connected Restricted Shares Grant:	Based on the closing price of HK\$65.30 per Share as quoted on the Stock Exchange as at the Grant Date, the market value of the 3,060,331 new Restricted Shares (being 1,837,184 new Restricted Shares under the Scheme and 1,223,147 new Restricted Shares under the Program) to be issued and allotted to the Connected Grantees is HK\$199,839,614.30. Based on the closing price of HK\$52.60 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the market value of the 3,060,331 new Restricted Shares (being 1,837,184 new Restricted Shares under the Scheme and 1,223,147 new Restricted Shares under the Program) to be issued and allotted to the Connected Grantees is HK\$160,973,410.60.

Funds to be raised:	The Connected Grantees are not required to pay any consideration for the Connected Restricted Shares Grant. No fund will be raised by the Company as a result of the issue and allotment of the new Connected Restricted Shares.
Identity of the allottee(s):	Upon the issue and allotment of the new Connected Restricted Shares, the Trustees will hold the new Connected Restricted Shares on trust for the Connected Grantees.
Vesting conditions:	The new Restricted Shares shall be transferred to the Connected Grantees at nil consideration until the end of each vesting period which may differ among the Connected Grantees and upon satisfaction of the relevant vesting conditions as may be specified by the Board at the time of making the grant including, but not limited to, the Connected Grantees shall remain as directors or employees of the Group until the end of their respective vesting periods.
Conditions to the Connected Restricted Shares Grant	The Connected Restricted Shares Grant shall be subject to (i) the approval by the Independent Shareholders at the Annual General Meeting in respect of the Connected Restricted Shares Grant, the Specific Mandate and the transactions contemplated thereunder; and (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in the new Connected Restricted Shares.
Application for listing	Application will be made by the Company to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the aggregate of 3,060,331 new Connected Restricted Shares.

As part of our due diligence, we have obtained and reviewed the Scheme Rules and Program Rules from the Company and noted that the terms of the Connected Restricted Shares Grant complied with the Scheme Rules and Program Rules respectively, in particular the limit of the Scheme and the Program. The total number of: (i) 1,837,184 Restricted Shares proposed to be granted to the Scheme Grantees, together with other Restricted Shares granted under the Scheme is within the limit of 3% (i.e. 104,859,097 Shares, after taking into account the share subdivision

which took effect on November 16, 2020) of the issued share capital of the Company as at the adoption date of the Scheme (i.e. January 15, 2018); and (ii) 1,223,147 Restricted Shares proposed to be granted to the Program Grantees, together with other Restricted Shares granted under the Program is within the limit of 3% (i.e. 126,982,689 Shares) of the issued share capital of the Company as at the adoption date of the Program (i.e. June 16, 2021).

As stated in the Letter from the Board, as at the Latest Practicable Date, the number of Shares available for further grant under the Scheme after the Scheme Grant (assuming all the Restricted Shares granted are fully vested and taken into account the Restricted Shares forfeited in accordance with the terms of the Scheme) are 10,331,040 Shares, representing approximately 0.24% of the total issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, the number of Shares available for further grant under the Program after the Program Grant (assuming all the Restricted Shares granted are fully vested and taken into account the Restricted Shares forfeited in accordance with the terms of the Program) are 123,080,104 Shares, representing approximately 2.92% of the total issued share capital of the Company as at the Latest Practicable Date.

5. Connected Grantees' current remuneration

Set out below is a breakdown of the total remuneration packages of the Connected Grantees for FY2021 provided by the Company:

Table 4: The total remuneration packages of the Connected Grantees for FY2021

Name	Salaries, contributions, and other benefits (RMB'000)	Performance-based or discretionary bonus (RMB'000)	Share-based payment expenses (RMB'000)	Total remuneration (RMB'000)
Dr. Zhisheng Chen	3,026.5	1,500.0	46,267.2	50,793.7
Dr. Weichang Zhou	1,899.5	717.3	11,587.3	14,204.1
Mr. William Robert Keller	186.8	—	206.4	393.2
Mr. Teh-Ming Walter Kwauk	—	—	412.9	412.9
Mr. Kenneth Walton Hitchner III	166.8	—	219.3	386.1
Mr. Angus Scott Marshall Turner	1,342.9	556.9	1,810.1	3,709.9
Mr. Brendan McGrath	1,652.9	312.1	1,046.5	3,011.5

Source: the 2021 Annual Report and the Management

Our assessment

To assess the fairness and reasonableness of the Connected Restricted Shares Grant, we have, on a best effort basis, conducted a search of all relevant comparable companies (the “**Comparable Companies**”) with the following selection criteria:

- (i) similar to the Company, the relevant companies were listed on the Main Board of the Stock Exchange as at the Grant Date which belong to the “Health Care” sector of the Bloomberg Industry Classification System;
- (ii) the relevant companies had market capitalization of over HK\$40 billion as at the Grant Date;
- (iii) none of the Director holds a directorship in the Comparable Companies; and
- (iv) the single largest shareholder in each of the relevant companies was not a state-owned enterprise.

Based on the above selection criteria, we have exhaustively identified fourteen Comparable Companies. In view of, among other things, the Comparable Companies belong to the same industry sector as that of the Company and the Comparable Companies had comparable market capitalization to that of the Company as at the Grant Date, we consider the Comparable Companies are fair and representative. We further conducted a search on the total remuneration packages of chief executive officers (“**CEOs**”), executive directors (“**EDs**”) and independent non-executive directors (“**INEDs**”) of the Comparable Companies in their respective latest financial years.

CEOs and EDs' total remuneration package comparison

Set out below is a summary of remuneration packages of the CEOs and EDs of the Comparable Companies:

Table 5: CEOs and EDs' remuneration packages of the Comparable Companies

Name of CEOs and/or EDs ^{Note 1}	Company name (stock code)	Salaries, contributions, and other benefits (RMB'M)	Performance-based or discretionary bonus (RMB'M)	Share-based payment expenses (RMB'M)	Total (RMB'M)
		^{Note 2}	^{Note 2}	^{Note 2}	^{Note 2}
Mr. John V. Oyler (CEO and ED)	BeiGene, Ltd. (6160)	5.4 ^{Note 3}	5.9 ^{Note 3}	99.2 ^{Note 3}	110.5 ^{Note 3}
Mr. Wu Yifang (CEO and ED)	Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (2196)	3.0	8.0	0.0 ^{Note 4}	11.0
Mr. Cai Dongchen (CEO and ED)	CSPC Pharmaceutical Group Limited (1093)	4.2	9.1	—	13.3
Mr. Zhang Cuilong ^{Note 4} (CEO and ED)	CSPC Pharmaceutical Group Limited (1093)	0.8	8.3	—	9.1
Mr. Hao Hong (CEO and ED)	Asymchem Laboratories (Tianjin) Co., Ltd. (6821)	2.3	—	—	2.3
Mr. Tse Ping (CEO and ED)	Sino Biopharmaceutical Limited (1177)	16.2	25.7	—	41.9
Ms. Zhong Huijuan (CEO and ED)	Hansoh Pharmaceutical Group Company Limited (3692)	8.0	7.7	—	15.7
Dr. Li Ning (CEO and ED)	Shanghai Junshi Biosciences Co., Ltd (1877)	7.3	18.7	12.3	38.4
Dr. Liu Zhenyu (CEO)	Genscript Biotech Corporation (1548)	2.6	1.6	0.5	4.7

Name of CEOs and/or EDs <i>Note 1</i>	Company name (stock code)	Salaries, contributions, and other benefits	Performance-based or discretionary bonus	Share-based payment expenses	Total
		(RMB'M)	(RMB'M)	(RMB'M)	(RMB'M)
		<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
Dr Xuefeng YU (CEO and ED)	CanSino Biologics Inc. (6185)	2.0	2.4	—	4.4
Dr. Yu, De-Chao Michael (CEO and ED)	Innovent Biologics, Inc. (1801)	2.9	23.3	101.8	128.0
Mr. Tang Yanggang (CEO and ED)	Livzon Pharmaceutical Group Inc. (1513)	1.4	3.3	—	4.7
Max (all CEOs)					128.0
Min (all CEOs)					2.3
Average (all CEOs)					32.0
Mr. Wang Zhenguo (ED)	CSPC Pharmaceutical Group Limited (1093)	0.8	4.2	—	5.0
Mr. Pan Weidong (ED)	CSPC Pharmaceutical Group Limited (1093)	0.9	4.2	—	5.0
Mr. Wang Huaiyu (ED)	CSPC Pharmaceutical Group Limited (1093)	0.8	4.2	—	5.0
Dr. Li Chunlei (ED)	CSPC Pharmaceutical Group Limited (1093)	0.8	4.2	—	5.0
Dr. Wang Qingxi (ED)	CSPC Pharmaceutical Group Limited (1093)	1.7	—	—	1.7
Mr. Chak Kin Man (ED)	CSPC Pharmaceutical Group Limited (1093)	2.1	2.9	—	5.0
Dr. Jiang Hao (ED)	CSPC Pharmaceutical Group Limited (1093)	0.9	4.2	—	5.0

Name of CEOs and/or EDs <i>Note 1</i>	Company name (stock code)	Salaries, contributions, and other benefits	Performance-based or discretionary bonus	Share-based payment expenses	Total
		(RMB'M)	(RMB'M)	(RMB'M)	(RMB'M)
		<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
Mr. Zhang Da (ED)	Asymchem Laboratories (Tianjin) Co., Ltd. (6821)	2.5	2.0	0.4	4.9
Ms. Yang Rui (ED)	Asymchem Laboratories (Tianjin) Co., Ltd. (6821)	2.8	2.0	—	4.8
Mr. Hong Liang (ED)	Asymchem Laboratories (Tianjin) Co., Ltd. (6821)	1.3	0.7	—	2.0
Dr. Ye Xiaoping (ED)	Hangzhou Tigermed Consulting Co., Ltd. (3347)	0.8	0.1	—	0.9
Ms. Cao Xiaochun (ED)	Hangzhou Tigermed Consulting Co., Ltd. (3347)	0.8	0.1	—	0.9
Ms. Yin Zhuan (ED)	Hangzhou Tigermed Consulting Co., Ltd. (3347)	0.7	—	0.1	0.8
Ms. Tse, Theresa Y Y (ED)	Sino Biopharmaceutical Limited (1177)	11.9	23.2	—	35.1
Ms Cheng Cheung Ling (ED)	Sino Biopharmaceutical Limited (1177)	13.0	16.6	—	29.6
Mr. Tse, Eric S Y (ED)	Sino Biopharmaceutical Limited (1177)	6.5	16.6	—	23.1
Mr. Tse Hsin (ED)	Sino Biopharmaceutical Limited (1177)	1.8	4.0	—	5.8
Mr. Li Yi, David (ED)	Sino Biopharmaceutical Limited (1177)	17.3	11.3	—	28.6

Name of CEOs and/or EDs <i>Note 1</i>	Company name (stock code)	Salaries, contributions, and other benefits	Performance-based or discretionary bonus	Share-based payment expenses	Total
		(RMB'M)	(RMB'M)	(RMB'M)	(RMB'M)
		<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
Mr. Wang Shanchun (ED)	Sino Biopharmaceutical Limited (1177)	7.7	—	—	7.7
Mr. Tian Zhoushan (ED)	Sino Biopharmaceutical Limited (1177)	1.8	—	—	1.8
Ms. Li Mingqin (ED)	Sino Biopharmaceutical Limited (1177)	0.6	0.6	—	1.2
Miss Sun Yuan (ED)	Hansoh Pharmaceutical Group Company Limited (3692)	6.7	8.1	—	14.8
Mr. Lyu Aifeng (ED)	Hansoh Pharmaceutical Group Company Limited (3692)	3.3	2.6	2.2	8.0
Mr. Xiong Jun (ED)	Shanghai Junshi Biosciences Co., Ltd (1877)	4.0	1.2	6.5	11.7
Dr. Feng Hui (ED)	Shanghai Junshi Biosciences Co., Ltd (1877)	3.6	0.6	6.5	10.7
Mr. Zhang Zhuobing (ED)	Shanghai Junshi Biosciences Co., Ltd (1877)	3.6	1.1	6.5	11.2
Dr. Yao Sheng (ED)	Shanghai Junshi Biosciences Co., Ltd (1877)	3.8	0.6	15.8	20.3
Ms. Wang Ye (ED)	Genscript Biotech Corporation (1548)	3.4 <i>Note 3</i>	1.0 <i>Note 3</i>	2.0 <i>Note 3</i>	6.4 <i>Note 3</i>
Mr. Meng Jiange (ED)	Genscript Biotech Corporation (1548)	1.9 <i>Note 3</i>	0.9 <i>Note 3</i>	1.7 <i>Note 3</i>	4.6 <i>Note 3</i>
Dr. Zhu Li (ED)	Genscript Biotech Corporation (1548)	1.2	0.5	1.9	3.6

Name of CEOs and/or EDs <i>Note 1</i>	Company name (stock code)	Salaries, contributions, and other benefits	Performance-based or discretionary bonus	Share-based payment expenses	Total
		(RMB'M)	(RMB'M)	(RMB'M)	(RMB'M)
		<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>	<i>Note 2</i>
Mr. Tao Zhu (ED)	CanSino Biologics Inc. (6185)	2.2	2.4	—	4.5
Mr. Dongxu Qiu (ED)	CanSino Biologics Inc. (6185)	1.3	2.2	—	3.6
Mr. Shoubai Chao (ED)	CanSino Biologics Inc. (6185)	2.1	2.4	—	4.4
Ms. Feng Yuxia (ED)	JOINN LABORATORIES (CHINA) CO., LTD (6127)	1.6	0.4	—	2.0
Mr. Zuo Conglin (ED)	JOINN LABORATORIES (CHINA) CO., LTD (6127)	0.7	0.4	1.0	2.1
Mr. Gao Dapeng (ED)	JOINN LABORATORIES (CHINA) CO., LTD (6127)	0.7	0.4	0.4	1.5
Ms. Sun Yunxia (ED)	JOINN LABORATORIES (CHINA) CO., LTD (6127)	0.7	0.4	1.3	2.4
Dr. Yao Dalin (ED)	JOINN LABORATORIES (CHINA) CO., LTD (6127)	1.0	0.1	0.5	1.6
Mr. Long Jing (ED)	Shandong Weigao Group Medical Polymer Company Limited (1066)	1.1	0.7	5.3	7.1
Mr. Ede, Hao Xi Ronald (ED)	Innovent Biologics, Inc. (1801)	2.2	3.2	15.0	20.4

Name of CEOs and/or EDs <i>Note 1</i>	Company name (stock code)	Salaries, contributions, and other benefits <i>(RMB'M)</i> <i>Note 2</i>	Performance-based or discretionary bonus <i>(RMB'M)</i> <i>Note 2</i>	Share-based payment expenses <i>(RMB'M)</i> <i>Note 2</i>	Total <i>(RMB'M)</i> <i>Note 2</i>
Mr. Xu Guoxiang (ED)	Livzon Pharmaceutical Group Inc. (1513)	4.2	3.9	—	8.1
Max (all EDs)					128.0
Min (all EDs)					0.8
Average (all EDs)					13.4
Dr. Zhisheng Chen (CEO and ED)	The Company	3.0	1.5	83.5 <i>Note 6</i>	88.0
Dr. Weichang Zhou (ED)	The Company	1.9	0.7	24.2 <i>Note 7</i>	26.8

Sources: the website of the Stock Exchange and the Management

Notes:

1. The above table only included CEOs and/or EDs who had served as an CEO and/or ED during the entire latest financial year.
2. As stated in the corresponding annual reports for FY2021 of the Comparable Companies, the figures were disclosed in thousand dollars of the presentation currency. There may be a rounding difference of RMB0.1 million.
3. The presentation currency is US\$ as stated in the corresponding annual reports for FY2021 and an exchange rate of RMB6.38=US\$1 as published by State Administration of Foreign Exchange on December 31, 2021 is adopted.
4. As stated in the corresponding annual report for FY2021, it amounted to RMB40,000.
5. As stated in the corresponding annual report for FY2021, Mr. Zhang Cuilong served as a rotating CEO during FY2021.
6. Dr. Zhisheng Chen's share-based payment expenses for FY2021 of approximately RMB83.5 million is made up of: (i) the aggregated share-based payment expenses in relation to existing pre-IPO options and existing restricted shares and employee stock options expenses incurred for FY2021 of approximately RMB46.3 million; and (ii) the market value of the Connected Restricted Shares to be vested of approximately RMB37.2 million assuming the Connected Restricted Shares under the Scheme and the Program will be vested by one-fifth and half respectively to Dr. Zhisheng Chen during FY2022.
7. Dr. Weichang Zhou's share-based payment expenses for FY2021 of approximately RMB24.2 million to be recognized by the Company has taken into account: (i) the share-based payment expenses in relation to existing pre-IPO options and existing restricted shares and employee stock options expenses incurred for FY2021 of approximately RMB11.6 million; and (ii) the market value of the Connected Restricted Shares to be vested of approximately RMB12.6 million assuming the Connected Restricted Shares under the Scheme and the Program will be vested by one-fifth and half respectively to Dr. Weichang Zhou during FY2022.

As shown in the table above, the total remuneration packages of the CEOs of the Comparable Companies ranged from approximately RMB2.3 million to approximately RMB128.0 million, with an average of approximately RMB32.0 million. Assuming the issue and allotment of the Connected Restricted Shares under the Scheme and the Program to Dr. Zhisheng Chen, being the CEO of the Company and an executive Director, vested by one-fifth (as the relevant vesting period is five years) and half (as the relevant vesting period is two years) respectively in a year, the total remuneration package received by Dr. Zhisheng Chen for FY2022 will increase by the market value (based on the closing price of the Shares quoted on the Stock Exchange as at the Grant Date of HK\$65.3 per Share) of the Connected Restricted Shares of approximately HK\$46.0 million (equivalent to approximately RMB37.2 million based on an exchange rate of RMB1=HK\$1.23 as published by State Administration of Foreign Exchange on the Grant Date) to approximately RMB88.0 million. Accordingly, the total remuneration package of Dr. Zhisheng Chen is within the range of the total remuneration packages of the CEOs of the Comparable Companies.

On the other hand, the total remuneration packages of all EDs (including those who are also the CEOs) of the Comparable Companies ranged from approximately RMB0.8 million to approximately RMB128.0 million with an average of approximately RMB13.4 million. Assuming the issue and allotment of the Connected Restricted Shares under the Scheme and the Program to Dr. Weichang Zhou vested by one-fifth (as the relevant vesting period is five years) and half (as the relevant vesting period is two years) respectively in a year, the total remuneration package received by Dr. Weichang Zhou for FY2022 will increase by the market value (based on the closing price of the Shares quoted on the Stock Exchange as at the Grant Date of HK\$65.3 per Share) of the Connected Restricted Shares of approximately HK\$15.6 million (equivalent to approximately RMB12.7 million based on an exchange rate of RMB1=HK\$1.23 as published by State Administration of Foreign Exchange on the Grant Date) to approximately RMB26.8 million. Accordingly, the total remuneration package of Dr. Weichang Zhou is within the range of the total remuneration packages of the EDs of the Comparable Companies and is above the average total remuneration package of the EDs of the Comparable Companies of RMB13.4 million.

We noted, as at the Grant Date, the market capitalization of the Comparable Companies ranged from approximately HK\$40.2 billion to approximately HK\$168.9 billion with an average of approximately HK\$85.9 billion. As compared to the Comparable Company that paid the most of its CEO (i.e. Innovent Biologics, Inc.), which reported an increase in loss for the year from a loss of approximately RMB998.4 million for FY2020 to a loss of approximately RMB3,138.1 million for FY2021, and with a market capitalization stood at approximately HK\$43.0 billion as at the Grant Date, the Company grew its net profit to approximately RMB3,508.6 million for FY2021, representing a significant increase of approximately 107.3% against that of FY2020 while its market capitalization as at the Grant Date was approximately HK\$275.3 billion, which was significantly higher than the average market capitalization of the Comparable Companies and that of Innovent Biologics, Inc..

In addition to the analysis of the total remuneration packages of the CEOs and EDs of the Comparable Companies as stated above, we have also considered the ratios of the amounts of share-based payments to the total remuneration packages (the “**Share-based Payments Ratios**”) of the CEOs and EDs of the Comparable Companies. We noted that the Share-based Payments Ratios ranged from approximately 8.2% to approximately 89.8% with an average of approximately 47.1% while the Share-based Payments Ratios of Dr. Zhisheng Chen and Dr. Weichang Zhou of approximately 94.9% and 90.3% are higher than the upper bound of the Share-based Payments Ratios of the Comparable Companies.

Although the Share-based Payments Ratios of Dr. Zhisheng Chen and Dr. Weichang Zhou are higher than the upper bound of the Share-based Payments Ratios of the CEOs and EDs of the Comparable Companies, it is considered that the Connected Restricted Shares Grant will facilitate the alignment of the interests of Dr. Zhisheng Chen and Dr. Weichang Zhou with those of the

Shareholders. As stated under section headed “3. Reasons for and benefits of the Connected Restricted Shares Grant” above, the purposes of the Connected Restricted Shares Grant under the Scheme and the Program are to, among other things, motivate and incentivize the Connected Grantees and align the interests of the Connected Grantees to the Shareholders. When the performance of the Group keeps strengthening, it will be reflected in the share performance of the Company which, in turn, will benefit both the Shareholders and the Connected Grantees.

In view of the above respective favourable comparison of the aforementioned total remuneration packages of Dr. Zhisheng Chen and Dr. Weichang Zhou against those of the Comparable Companies and the benefits of aligning the interests of Dr. Zhisheng Chen and Dr. Weichang Zhou with those of the Shareholders, given the Company’s significant market capitalization and the significant growth in the profitable operating performance relative to some of the Comparable Companies, the aforesaid total remuneration packages of Dr. Zhisheng Chen and Dr. Weichang Zhou appear to be modest.

Subsidiary Directors’ total remuneration package comparison

The total remuneration packages of Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath for FY2021 were RMB3.7 million and RMB3.0 million respectively. Assuming the issue and allotment of the Connected Restricted Shares under the Scheme and the Program to the Subsidiary Directors vested by one-fifth (as the relevant vesting period is five years) and half (as the relevant vesting period is two years) respectively in a year, the total remuneration package to be received by Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath will increase by the market value (based on the closing price of the Shares quoted on the Stock Exchange as at the Grant Date of HK\$65.3 per Share) of the Connected Restricted Shares of approximately HK\$1.4 million and HK\$0.7 million respectively (equivalent to approximately RMB1.1 million and RMB0.6 million respectively based on an exchange rate of RMB1=HK\$1.23 as published by State Administration of Foreign Exchange on the Grant Date). The resultant remuneration packages of Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath would be RMB4.8 million and RMB3.6 million respectively and they are significantly below the average total remuneration package of the EDs of the Comparable Companies of RMB13.4 million. In view of the fact that there is a lack of disclosure on the subsidiary directors’ total remuneration packages of the Comparable Companies, we have opted for using the average total remuneration package of the EDs of the Comparable Companies as a contrasting alternative.

According to a biotechnology industry salary survey named 2020年生物技術行業薪酬調查報告 (2020 Biotechnology Industry Salary Survey Report*) published by Xinchou.com (中國薪酬網), an independent salary analytics provider established in 2010 and headquartered in Shanghai, the PRC which has published over 100,000 salary reports and has accumulated more than 38,000,000 report users, the annual base salary level of the general managers of biotechnology companies in

the PRC with over 10 years of experience, which in our opinion aligns with the salary level of Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath, would range from approximately RMB1.5 million to RMB1.7 million (the “**GM Industry Salary Range**”). We note that the FY2021 annual base salary of Mr. Angus Scott Marshall Turner of approximately RMB1.3 million was below the lower bound of the GM Industry Salary Range while that of Mr. Brendan McGrath of approximately RMB1.7 million was at the upper bound of the GM Industry Salary Range.

As mentioned in the paragraph headed “CEOs and EDs’ total remuneration package comparison” above, the average of the Share-based Payments Ratios of the CEOs and EDs of the Comparable Companies was approximately 47.1%. In view of the lack of disclosures on the subsidiary directors’ total remuneration packages of the Comparable Companies, we conduct an estimation of the average of the total remuneration package of subsidiary directors by applying the average of the Share-based Payments Ratio of the CEOs and EDs of the Comparable Companies to the lower and upper bound of the GM Industry Salary Range to arrive at a range of approximately RMB2.8 million and RMB3.2 million with an average of approximately RMB3.0 million. It is noted that the remuneration packages of Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath of RMB4.8 million and RMB3.6 million respectively are higher than such hypothetical average. We note however that Mr. Angus Scott Marshall Turner’s total remuneration package for 2022 of approximately RMB4.8 million is comparable to that of FY2021 amounted to approximately RMB4.4 million and Mr. Brendan McGrath’s total remuneration package for FY2022 of approximately RMB3.6 million is less than that of FY2021 which amounted to approximately RMB3.9 million.

Based on the information of the Company made available to us, we noted that Mr. Angus Scott Marshall Turner have been serving key regional roles of the Group for approximately six years, while Mr. Brendan McGrath has been serving key regional role of the Group for more than four years. As advised by the Management, the Subsidiary Directors have made significant contributions to the Group in the past and are expected to continue to contribute to international development of the Group in the future. WuXi Biologics Ireland Limited and WuXi Vaccines Ireland Limited, for which Mr. Angus Scott Marshall Turner and Mr. Brendan McGrath currently hold directors positions, are all important subsidiaries of the Company that are significant to the Group’s development. The critical importance of these two subsidiaries and the contributions made by the Subsidiary Directors are set out in the paragraph headed “3. Connected transaction involving grants of Restricted Shares to connected persons pursuant to Specific Mandate — Reasons for and benefits of the grants of the Connected Restricted Shares to the Connected Grantees” in the Letter from the Board.

Based on the above, we are of the view that the total remuneration packages of the Subsidiary Directors are fair and reasonable.

INEDs' total remuneration package comparison

As discussed with the Management, we understand the total remuneration packages of Mr. Kenneth Walton Hitchner III will be made up entirely by the Connected Restricted Shares Grant with the Connected Restricted Shares to be vested in a single year while Mr. William Robert Keller and Mr. Teh-Ming Walter Kwauk will receive half of their total remuneration package through the Connected Restricted Shares while the other half through cash.

Based on our research of the total remuneration packages of the INEDs for FY2021 of the Comparable Companies, the total remuneration packages (excluding those who had served as an INED for less than 12 months during latest financial year) of 49 INEDs of the Comparable Companies ranged from approximately RMB96,000 to approximately RMB5,160,000 with an average and median of approximately RMB811,700 and RMB320,000 respectively. As stated in the Letter from the Board, Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Kenneth Walton Hitchner III is entitled to an annual salary of HK\$450,000 (equivalent to approximately RMB365,854 based on an exchange rate of RMB1=HK\$1.23 as published by State Administration of Foreign Exchange on the Grant Date) pursuant to the service contracts entered into by the Company with each of them. Further, under the service contracts, each of Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Kenneth Walton Hitchner III may, at his discretion, requests his salary or any part of it to be satisfied by Shares in lieu of cash payment to him. Although the total remuneration packages of HK\$450,000 (equivalent to approximately RMB365,854) is slightly above the median of the total remuneration package of the INEDs of the Comparable Companies of RMB320,000, they are within the range of and are below the average total remuneration package of the INEDs of the Comparable Companies.

Furthermore, according to a salary survey conducted by PwC, a “Big-4” global accounting firm, on the top 300 Hong Kong listed companies, the average directorship fee of the INEDs of the top 300 Hong Kong listed companies in 2020 were approximately HK\$543,035 (equivalent to RMB441,492 based on an exchange rate of RMB1=HK\$1.23 as published by State Administration of Foreign Exchange on the Grant Date). The total remuneration packages of the Connected Restricted Shares for each of the independent non-executive Directors of HK\$450,000 is less than the aforesaid average directorship fee.

6. Financial effects of the RSU Grants (including the Connected Restricted Shares Grant)

As set out in the 2021 Annual Report, for Shares granted under the Scheme and the Program, the fair value of the employee services received is determined by reference to the fair value of the Restricted Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each financial year, the Group revises its estimates of the number of Restricted

Shares that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognized in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based compensation reserve. When the Restricted Shares are vested, the amount previously recognized in the Scheme reserve will be transferred to share premium.

7. Shareholding effects of the RSU Grants (including the Connected Restricted Shares Grant)

The table below sets out the shareholding effects of the RSU Grants (a) as at the Latest Practicable Date; and (b) immediately after the issue, allotment and full vesting of the Connected Restricted Shares and the Restricted Shares granted to the Non-connected Grantees (assuming no other change in the issued share capital of the Company other than the issue, allotment and full vesting of the Restricted Shares):

Table 6: Shareholding table of the Company with respect to the RSU Grants

Names of Shareholders	As at the Latest Practicable Date		Immediately after the issuance, allotment and full vesting of the Connected Restricted Shares and Restricted Shares granted to the Non-connected Grantees (assuming no other change in the issued share capital of the Company)	
	No. of Shares	%	No. of Shares	%
Directors				
Dr. Ge Li <i>Note 1</i>	650,251,133	15.41%	650,251,133	15.33%
Dr. Ning Zhao <i>Note 2</i>	650,251,133	15.41%	650,251,133	15.33%
Sub-total	650,251,133	15.41%	650,251,133	15.33%
Biologics Holdings <i>Note 1</i>	640,191,133	15.18%	640,191,133	15.10%
Sub-total	640,191,133	15.18%	640,191,133	15.10%
Connected Grantees				
Directors				
Dr. Zhisheng Chen <i>Note 3</i>	12,252,988	2.83%	12,252,988	2.86%
	102,532,000 share options		102,532,000 share options	
	4,491,596 Restricted Shares		6,693,623 Restricted Shares	

Names of Shareholders	As at the Latest Practicable Date		Immediately after the issuance, allotment and full vesting of the Connected Restricted Shares and Restricted Shares granted to the Non-connected Grantees (assuming no other change in the issued share capital of the Company)	
	No. of Shares	%	No. of Shares	%
Dr. Weichang Zhou	47,754	0.38%	47,754	0.40%
	15,089,000 share options		15,089,000 share options	
	996,132 Restricted Shares		1,744,829 Restricted Shares	
Mr. William Robert Keller	15,307	0.00%	15,307	0.00%
	2,467 Restricted Shares		6,612 Restricted Shares	
Mr. Teh-Ming Walter Kwauk	13,675	0.00%	13,675	0.00%
	4,934 Restricted Shares		9,079 Restricted Shares	
Mr. Kenneth Walton Hitchner III	40,000	0.00%	40,000	0.00%
	4,934 Restricted Shares		13,225 Restricted Shares	
Subsidiary Directors				
Mr. Angus Scott Marshall Turner	768,000 share options	0.02%	768,000 share options	0.02%
	121,137 Restricted Shares		183,953 Restricted Shares	
Mr. Brendan McGrath	138,493 Restricted Shares	0.00%	168,703 Restricted Shares	0.00%
Sub-total	12,369,724	0.29%	12,369,724	0.29%
	118,389,000 share options	2.81%	118,389,000 share options	2.79%
	5,759,693 Restricted Shares	0.14%	8,820,024 Restricted Shares	0.21%
Non-connected Grantees	0	0.00%	18,954,570 Restricted Shares	0.45%
Sub-total	12,369,724	0.29%	12,369,724	0.29%
	118,389,000 share options	2.81%	118,389,000 share options	2.79%
	5,759,693 Restricted Shares	0.14%	27,774,594 Restricted Shares	0.65%
Public shareholders	3,550,326,232	84.16%	3,550,326,232	83.72%
Total	4,218,706,782	100%	4,240,721,683	100%

Source: the Letter from the Board

Notes:

1. Dr. Ge Li controlled 19.66% of the issued share capital of WuXi Biologics Holdings Limited and 55.03% of the voting power at its general meetings. Hence, Dr. Ge Li is deemed to be interested in 640,191,133 Shares held by WuXi Biologics Holdings Limited. New WuXi Life Science Holdings Limited wholly owned New WuXi Life Science Limited, which wholly owned WuXi PharmaTech (Cayman) Inc., which in turn controlled 44.97% of the voting power at general meetings of WuXi Biologics Holdings Limited. WuXi Biologics Holdings Limited directly owned 640,191,133 Shares. New WuXi Life Science Holdings Limited, New WuXi Life Science Limited and WuXi PharmaTech (Cayman) Inc. are deemed to be interested in the Shares held by WuXi Biologics Holdings Limited.
2. Dr. Ning Zhao is the spouse of Dr. Ge Li and is deemed to be interested in the Shares interested by Dr. Ge Li.
3. 10,706,254 Shares were held by Dr. Zhisheng Chen through a trust of which Dr. Zhisheng Chen is the settlor (founder) and his spouse and child are the beneficiaries.

As shown in the table above, as a result of the issue and allotment of the aggregate of 22,014,901 Restricted Shares (being 20,791,754 Restricted Shares under the Scheme and 1,223,147 Restricted Shares under the Program), taking into account of 3,060,331 Connected Restricted Shares that may be issued, the shareholding interests of existing public Shareholders will be diluted from approximately 84.16% to approximately 83.72% of the total issued share capital of the Company as at the Latest Practicable Date, and the dilution effect on the shareholdings of the existing public Shareholders is immaterial. Although the Shareholding interest of the public Shareholders will be diluted, taking into account: (i) the reasons for and benefits of the Connected Restricted Shares Grant, the Specific Mandate and the transactions contemplated thereunder as discussed above; (ii) the terms of the Connected Restricted Shares are fair and reasonable and in the interests of the Company and the Shareholders as a whole as discussed above, and (iii) there will not be any actual cash outflow by the Group under the Connected Restricted Shares Grant, we consider the dilution to the Independent Shareholders upon the issue and allotment of the Connected Restricted Shares to the Connected Grantees to be acceptable.

OPINION AND RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Connected Restricted Shares Grant, the Specific Mandate and transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Connected Restricted Shares Grant, the Specific Mandate and transactions contemplated thereunder are conducted under the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the Annual General Meeting to approve the Connected Restricted Shares Grant, the Specific Mandate and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Opus Capital Limited



Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheung has over 14 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

* *For identification purpose only*