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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) ADJUSTMENT TO THE AMOUNT OF RESERVED INTERESTS
UNDER THE 2018 RESTRICTED SHARES AND
STOCK OPTION INCENTIVE PLAN**
- (2) PROPOSED GRANT OF RESERVED INTERESTS
TO PARTICIPANTS UNDER THE 2018 RESTRICTED SHARES AND
STOCK OPTION INCENTIVE PLAN**
- (3) PROPOSED ADOPTION OF THE 2019 RESTRICTED SHARES AND
STOCK OPTION INCENTIVE PLAN AND GRANT OF
RESTRICTED A SHARES TO CONNECTED PARTICIPANTS**
- (4) PROPOSED ADOPTION OF
2019 SHARE APPRECIATION INCENTIVE SCHEME**

Reference is made to the Restricted A Shares and Stock Option Incentive Plan of 2018 (“**2018 A Share Incentive Plan**”) of WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司) (the “**Company**”) effective on August 22, 2018 as disclosed in the prospectus of the Company dated December 3, 2018 (the “**Prospectus**”) and the circular and announcement of the Company dated April 18, 2019 and June 3, 2019, respectively, in relation to the Company’s capitalization of reserve (the “**Capitalization of Reserve**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as defined in the Prospectus.

- (1) ADJUSTMENT TO THE AMOUNT OF RESERVED INTERESTS
UNDER THE 2018 RESTRICTED SHARES AND STOCK OPTION
INCENTIVE PLAN**

The Capitalization of Reserve has been completed, pursuant to which, 4 Shares were issued for every 10 Shares held by the Shareholders on the relevant record date. In accordance with the relevant provisions of the 2018 A Share Incentive Plan, the amount of Reserved Interests of the 2018 A Share Incentive Plan shall be adjusted correspondingly. After the adjustment, the amount of Reserved Interests has been changed from 1,771,400 units to 2,479,960 units.

LEGAL OPINION FROM LAWYER

Fangda Partners considers that the adjustment to the number of the Reserved Interests has obtained the necessary approvals and authorizations and is in compliance with the relevant requirements under the Administrative Measures on Share Incentives for Listed Issuers (“**Administrative Measures**”) and the 2018 A Share Incentive Plan; the Company’s 2018 profit distribution plan has been implemented, and the adjustment made to the number of the Reserved Interests is in compliance with the relevant requirements under the Administrative Measures and the 2018 A Share Incentive Plan.

(2) **PROPOSED GRANT OF RESERVED INTERESTS TO PARTICIPANTS UNDER THE 2018 RESTRICTED SHARES AND STOCK OPTION INCENTIVE PLAN**

The Board is of the view that the conditions of the grant of Reserved Interests under the 2018 A Share Incentive Plan have been fulfilled, and has resolved to grant 542,017 Restricted A Shares to 21 participants, all of such to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent third parties from the Company and its connected persons; and 287,000 Share Options to 2 participants, one of such is a connected person of the Company, with July 19, 2019 confirmed as the date of grant (the “**Reserved Grant**”). The underlying shares under the 2018 A Share Incentive Plan shall comprise solely of ordinary A shares to be issued by the Company to the Participants. Pursuant to the 2018 A Share Incentive Plan, the Grant Price of the Reserved Restricted A Shares granted shall be RMB32.44 per share and the exercise price of the Reserved Share Options granted shall be RMB64.88 per share. The closing price of A Shares on the date of grant was RMB64.95 per share. The particulars of the distribution are as follows:

1. **Reserved Restricted A Shares:**

Participant	Number of Reserved Restricted A Shares to be granted	Percentage to the total number of Reserved Restricted A Shares to be granted	Percentage to the total share capital of the Company as at the date of this announcement
Senior management, mid-level managers and backbone members of technicians: 21 persons	542,017	100%	0.0331%

Notes:

1. The above Participants do not include any independent directors, supervisors and 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.
2. The number of Shares to be granted to any Participant under all effective incentive plans does not exceed 1% of the total share capital of the Company at the time of the submission of the 2018 A Share Incentive Plan to the general meeting of the Company for consideration.

2. Reserved Share Options:

Name	Position	Number of Reserved Share Options to be granted	Percentage to the total number of Reserved Share Options to be granted	Percentage to the total share capital of the Company as at the date of this announcement
Mr. Ellis Bih-Hsin CHU*	Chief financial officer	175,000	60.9756%	0.0107%
Senior management: 1 person		112,000	39.0244%	0.0068%
Total: 2 persons		287,000	100%	0.0175%

Notes:

1. The above Participants do not include any independent directors, supervisors and 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.
2. The number of Shares to be granted to any Participant under all effective incentive plans does not exceed 1% of the total share capital of the Company at the time of the submission of the 2018 A Share Incentive Plan to the general meeting of the Company for consideration.

* A connected person of the Company as defined in the Listing Rules

The Board determined the Participants (including Mr. Ellis Bih-Hsin CHU) and the number of Reserved Restricted A Shares and Reserved Share Options 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.

The grant of the Options to Mr. Ellis Bih-Hsin CHU has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules.

The Reserved Restricted A Shares and the Reserved Share Options are valid from the date of the registration of the Reserved Grant (the “**Reserved Grant Registration Date**”) or the date of the Reserved Grant, respectively, to the date on which they have been unlocked, exercised or canceled, but in any event not be more than 48 months. The timetable for the Reserved Grant under the 2018 A Share Incentive Plan is as follows:

1. The unlocking periods (each an “Unlocking Period”) in relation to the Reserved Restricted A Shares:

Unlocking Arrangements for Restricted A Shares under the Reserved Grant	Unlocking Period	Proportion of unlocking
First Unlocking Period under the Reserved Grant	From the first trading day after 12 months from Reserved Grant Registration Date to the last trading day within 24 months from the Reserved Grant Registration Date	40%
Second Unlocking Period under the Reserved Grant	From the first trading day after 24 months from the Reserved Grant Registration Date to the last trading day within 36 months from the Reserved Grant Registration Date	30%
Third Unlocking Period under the Reserved Grant	From the first trading day after 36 months from the Reserved Grant Registration Date to the last trading day within 48 months from the Reserved Grant Registration Date	30%

If the Participant does not apply for the unlocking or the unlocking conditions are not fulfilled during the respective Unlocking Period, the Company shall repurchase and cancel such Restricted A Shares at the Grant Price under the 2018 A Share Incentive Plan. Restricted A Shares fulfilling the unlocking conditions shall be unlocked by the Company uniformly.

2. The vesting periods (each a “Vesting Period”) and arrangements of each tranche of the Reserved Share Options are as follows:

Vesting Arrangement	Vesting Period	Proportion of Vesting
First Vesting Period of Reserved Grant	From the first trading day after 12 months from the date of the Reserved Grant to the last trading day within 24 months from the date of the Reserved Grant	40%
Second Vesting Period of Reserved Grant	From the first trading day after 24 months from the date of the Reserved Grant to the last trading day within 36 months from the date of the Reserved Grant	30%
Third Vesting Period of Reserved Grant	From the first trading day after 36 months from the date of the Reserved Grant to the last trading day within 48 months from the date of the Reserved 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 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 options shall be cancelled by the Company.

The Reserved Grant will not result in non-compliance of the listing requirement by the Company regarding its shareholding structure.

LEGAL OPINION FROM LAWYER

Fangda Partners considers that the Reserved Grant has obtained the necessary approvals and authorizations and is in compliance with the relevant requirements under the Administrative Measures and the 2018 A Share Incentive Plan; the date of grant is in compliance with the relevant requirements under the Administrative Measures and the 2018 A Share Incentive Plan; and the conditions of grant of the Reserved Interests have been fulfilled and the Reserved Grant is in compliance with the relevant requirements under the Administrative Measures and the 2018 A Share Incentive Plan.

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

The Board has resolved on July 19, 2019 to adopt the 2019 Restricted Shares and Stock Option Incentive Plan (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. The summary of the major terms of the 2019 A Share Incentive Plan is set out below:

1. Purpose and Principle 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 and other relevant laws and regulations as well as the Articles of Association.

2. Basis for Determining the Participants and the Scope of Participants of the 2019 A Share Incentive Plan

(1) Basis for determining the participants

The participants of the 2019 A Share Incentive Plan are determined with reference to the PRC Company Law, the PRC Securities Law, the Administrative Measures and other relevant laws and regulations and the Articles of Association, together with the Company’s actual circumstances.

(2) Scope of 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 participants under the 2019 A Share Incentive Plan do not include independent directors, supervisors and shareholders 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 abovementioned 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 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.

3. Source of Shares and Number of Shares under the 2019 A Share Incentive Plan

(1) Source of Shares

The underlying shares under the 2019 A Share Incentive Plan shall be the ordinary A shares to be issued by the Company to the participants.

(2) Number of Shares

An aggregate of 21,055,530 units are proposed to be granted to the participants under the 2019 A Share Incentive Plan, as Restricted A Shares or Share Options, representing 1.2854% of the total share capital of the Company as at the date of this announcement. Among which, 13,657,803 Restricted A Shares and 5,292,174 Share Options shall be granted initially (the “**Initial Grant**”), representing 1.1569% of the total share capital of the Company as at the date of this announcement and 90% of the total interests to be granted under the 2019 A Share Incentive Plan. Reserved interests (which may also be granted as Restricted A Shares or Share Options) for further distribution (the “**Reserved Interests**”) amount to 2,105,553 units, representing 0.1285% of the total share capital of the Company as at the date of this announcement and 10% of the total interests to be granted under the 2019 A Share Incentive Plan.

GRANT OF RESTRICTED A SHARES UNDER THE 2019 A SHARE INCENTIVE SCHEME

4. Allocation of Restricted A Shares to be granted to Participants under the 2019 A Share Incentive Plan under the Initial Grant

The allocation of Restricted A Shares among participants under the 2019 A Share Incentive Plan under the Initial Grant is set out below:

(1) *Connected Participants*

As 5 of the participants are either a director, supervisor or chief executive of the Company and/or its subsidiaries or their respective associate, who are considered as connected persons under the Listing Rules (the “**Connected Participants**”), the grant of Restricted A Shares to the Connected Participants will constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Name	Position	Number of Restricted A Shares to be granted	Percentage to the total amount of interests to be granted under the 2019 A Share Incentive Plan	Percentage to the total share capital of the Company as at the date of this announcement
Mr. Edward Hu (胡正國)	Director, co-chief executive officer	125,000	0.5937%	0.0076%
Ms. Wendy J. Hu*	Senior officer of the human resources department	19,500	0.0926%	0.0012%
Mr. Minzhang Chen (陳民章)	Director of a subsidiary	115,000	0.5462%	0.0070%
Ms. Cuiping Hu (胡翠萍)	Supervisor of a subsidiary	4,700	0.0223%	0.0003%
Ms. Hui Xu (許暉)	Supervisor of a subsidiary	47,000	0.2232%	0.0029%
Total: 5 persons		311,200	1.4780%	0.019%

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 as at the date of the submission of the 2019 A Share Incentive Plan to the general meeting of the Company for consideration.
 2. The above 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.
- * 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. 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.

(2) *Independent Participants*

The Company proposes to grant 13,346,603 Restricted A Shares under the Initial Grant to 2,043 participants (the “**Independent Participants**”), amounting to 63.3876% of the total interests to be granted under the 2019 A Share Incentive Plan and 0.8148% to the total share capital of the Company as at the date of this announcement, which comprises senior management team members, mid-level managers and backbone members of the technicians, basic-level managers and other technicians of the Company. Among which, a certain portion of the grant which amounts to 124,443 Restricted A Shares, representing 0.5910% of the interests to be granted under the 2019 A Share Incentive Plan and 0.0076% to the total share capital of the Company as at the date of this announcement, will be subject to different conditions and restrictions than the other participants (the “**Special Grant**”). Please refer to sections headed “5. Validity Period, Date of Grant, Lock-up Period, Unlocking Period and Black-out Period of the Restricted A Shares granted under the Initial Grant” and “8. Conditions of the Initial Grant of the Restricted A Shares and Unlocking of the Restricted A Shares” in this announcement.

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

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.

5. Validity Period, Date of Grant, Lock-up Period, Unlocking Period and Black-out Period of the Restricted A Shares granted under the Initial Grant

(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 Scheme 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 Scheme 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.

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.

(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.

Please also refer to the section headed “Black-out Period” for the Share Options under the 2019 A Share Incentive Plan in this announcement for the other provisions which are equally applicable to grantees of the Restricted A Shares.

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

The grant price of the Restricted A Shares (“**Grant Price**”) under the Initial Grant is RMB32.44 per share, i.e. upon fulfilment of relevant conditions, each participant is entitled to purchase newly issued ordinary A shares of the Company 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 the average trading price of the A shares on the trading day preceding July 19, 2019, being the date of announcement of the 2019 A Share Incentive Plan; and (ii) 50% of any one of the average trading prices of the A Shares for the last 60 trading days preceding the date of this announcement.

7. Accounting Treatment on Restricted A Shares

(1) Fair Value of Restricted A Shares and the Basis of Determination

According to the Accounting Standards for Enterprises No.11 — Share-based Payments and the Accounting Standards for Enterprises No.22 — Recognition and Measurement of Financial Instruments, 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 Black-out Period after unlocking (to be carried out at the time of grant). As the Restricted A Shares (other than the Special Grant portion) have a six-month Black-out Period, the Company adopts the Black-Scholes 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. In respect of the Special Grant, the following formula is used to calculate the fair value:

Fair value of Restricted A Shares under the Special Grant = the reference closing price of shares on the date of grant – the Grant Price.

Specific parameters for calculation are listed as below:

- i. Price of the underlying shares: RMB64.95 per share (the closing price on July 19, 2019)
- ii. 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)

- iii. Historic volatility: 45.14% and 44.96%, 42.29% and 41.34%, 44.21% and 45.45% (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)
- iv. Risk-free interest rate: 2.58% and 2.69%, 2.79% and 2.84%, 2.89% and 2.92% (based on 1.5 year, 2.5 year, 3.5 year yield of treasury bond of the PRC, respectively)

(2) *Estimated Impact on the Operation Result for each of the Period due to Implementation of the 2019 A Share Incentive Plan*

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

According to the PRC Accounting Standards, the impact of the Restricted A Shares granted under the 2019 A Share Incentive Plan on costs for each period is as follows:

Restricted A Shares under the Initial Grant (excluding the Special Grant) (0'000 shares)	Costs to be amortized (RMB0'000)	2019	2020	2021	2022
		(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)
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 (only including the Special Grant) (0'000 shares)	Costs to be amortized (RMB0'000)	2019	2020	2021	2022	2023	2024
		(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)	(RMB0'000)
12.4443	404.56	26.16	156.98	106.41	67.40	41.39	6.22

The total is as follows:

Total Restricted A Shares under the Initial Grant (0'000 shares)	Costs to be amortized (RMB0'000)	2019 (RMB0'000)	2020 (RMB0'000)	2021 (RMB0'000)	2022 (RMB0'000)	2023 (RMB0'000)	2024 (RMB0'000)
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 2019 A Share Incentive Plan on the results of the Company, the amortization of the costs of Restricted A Shares shall have an insignificant impact on the net profit of each year during the validity period. Taking into consideration the positive effect of the grant of Restricted A Shares under the 2019 A Share Incentive Plan on the development of the Company, such as motivating the management team, increasing the operational efficiency and reducing agency costs, the benefits generated from the improvement in the Company's results because of the 2019 A Share Incentive Plan shall outweigh the increase in expenses.

8. 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):
1. 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;
 2. 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;

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 prohibited by the laws and regulations; and
 5. 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):
1. such participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
 2. such participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
 3. 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;
 4. 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;
 5. such participant is prohibited by law from participating in share incentive scheme of listed companies; and
 6. 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 income for 2019 is not less than RMB1.5 billion as compared with 2018
Second Unlocking Period	The growth of operating income for 2020 is not less than RMB3.0 billion as compared with 2018
Third Unlocking Period	The growth of operating income for 2021 is not less than RMB4.5 billion as compared with 2018

Note: The “operating income” represents the operating income 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 income for 2019 is not less than RMB1.5 billion as compared with 2018
Second Unlocking Period	The growth of operating income for 2020 is not less than RMB3.0 billion as compared with 2018
Third Unlocking Period	The growth of operating income for 2021 is not less than RMB4.5 billion as compared with 2018

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

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.

9. Mechanism of Adjusting the Number of Restricted A Shares under the Initial Grant of Restricted A Shares

If the Company changes its share capital by way of conversion of capital reserve, bonus shares issue, sub-division of shares, share consolidation or rights issue during the period between the date of this announcement and the Registration Date, the number of the Restricted A Shares to be issued after the Registration Date 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 of rights issue; 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.

10. Mechanism of Adjusting the Issue Price of Restricted A Shares under the Initial Grant of Restricted A Shares

If the Company changes its share capital by way of distribution of dividend, conversion of capital reserve, bonus shares issue, sub-division of shares, share consolidation or rights issue during the period between the date of this announcement and the Registration Date, the number of the Restricted A Shares to be issued shall be adjusted as follows:

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

$$P = P_0 / (1+n)$$

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 of the rights issue; 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

$$P = P_0 / n$$

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

The general meeting authorised the Board to adjust the issue price and the number of Restricted A Shares based on the actual situation. The Board shall make prompt announcement after adjustment of the number of Restricted A Shares and the issue price in accordance with the above provisions. The Company shall engage legal advisers to give professional opinions to the Board on whether the above adjustments are fair and reasonable and in compliance with relevant laws and regulations, the Articles of Association and the 2019 A Share Incentive Plan.

GRANT OF SHARE OPTIONS UNDER THE 2019 A SHARE INCENTIVE PLAN

11. Allocation of Share Options to be granted to Participants under the 2019 A Share Incentive Plan under the Initial Grant

The allocation among participants under the 2019 A Share Incentive Plan is set out below:

(1) *Participants*

The Company proposes to grant 5,292,174 Share Options to the following participants:

Participants	Number of Share Options to be granted	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 date of this announcement
Senior management, mid-level managers and backbone members of the technicians, basic-level managers and other technicians: 487 persons	5,292,174	25.1344%	0.3231%

Notes:

- The total number of shares of the Company to be granted under all effective share incentive plans 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 all effective incentive plans 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 2019 A Share Incentive Plan at the general meeting.
- The 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.

To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, the participants are independent third parties from the Company and its connected persons.

The Board determined the aforementioned participants and the number of Share Options 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.

12. 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 Scheme is considered and passed at the general meeting of the Company, and must be in compliance with the applicable listing rules, laws and regulations. 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 Scheme 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, shall be cancelled by the Company.

(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.

13. Exercise Price of the Share Options and the Basis of Determination

The exercise Price of the Share Options (the “**Exercise Price**”) under the Initial Grant is RMB64.88 per share.

Under the 2019 A Share Incentive Scheme, the Exercise Price under the Initial Grant 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 this announcement; and (ii) any one of the average trading prices of the A shares for the last 60 trading days preceding the date of this announcement.

14. Accounting Treatment on Share Options

The 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 February 15, 2006 and were adopted by listed companies since January 1, 2007. According to the relevant requirements regarding the recognition of fair value under the Enterprise Accounting Standard No.22-Financial Instruments: Recognition and Measurement, an appropriate valuation model shall be selected for calculation of the fair value of Share Options. The Company selected the Black-Scholes Model for calculation of the fair value of Share Options. Specific parameters are listed as follows:

- i. Price of the underlying shares: RMB64.95 per share (assuming the closing price of the Company on the date of grant was RMB64.95 per share)

- ii. Validity period: 1.5 years, 2.5 years and 3.5 years, respectively (period commencing from date of grant and ending on the first date of exercise for each respective period)
- iii. 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)
- iv. 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 the PRC, respectively,)
- v. Dividend rate: 0.95% (based on the dividend rate of the Company in the latest 1 year from the date of this announcement)

Assuming that the Initial Grant of 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 2019 A Share Incentive Plan. Such payment expenses will be amortized based on the proportion of exercise during the implementation of the 2019 A Share Incentive Plan. The costs of Share Options incurred under the 2019 A Share 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 under the Initial Grant of the 2019 A Share Incentive Plan on each accounting period are as follows:

Amount of initial grant of share options (0'000 shares)	Costs to be amortized (RMB0'000)	2019 (RMB0'000)	2020 (RMB0'000)	2021 (RMB0'000)	2022 (RMB0'000)
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 2019 A Share Incentive Plan on the results of the Company, the amortization of the costs of Share Options shall have an insignificant impact on the net profit of each year during the validity period. Taking into consideration the positive effect of the grant of Share Options under the 2019 A Share Incentive Plan on the development of the Company, such as motivating the management team, increasing the operational efficiency and reducing agency costs, the benefits generated from the improvement in the Company's results because the 2019 A Share Incentive Plan shall outweigh the increase in expenses.

15. 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:

- (1) 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):
 1. 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;
 2. 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;
 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 prohibited by the laws and regulations; and
 5. 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):
 1. such participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
 2. such participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
 3. 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;

4. 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;
5. such participant is prohibited by the law from participating in share incentive scheme of listed companies; and
6. other circumstances as determined by the CSRC.

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

Note: The “operating income” above is calculated based on the operating income 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.

16. Mechanism of Adjusting the Number of Share Options under the Initial Grant

If the Company changes its share capital by way of conversion of capital reserve, bonus shares issue, sub-division of shares, share consolidation or rights issue during the period between the date of this announcement and the exercise of the Share Options, the number of the Share Options to be granted 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 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 share 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.

17. Mechanism of Adjusting the Vesting Price of Share Options under the Initial Grant

If the Company changes its share capital by way of conversion of capital reserve, bonus shares issue, sub-division of shares, rights issue or share consolidation during the period between the date of this announcement and the exercise of the Share Options, the Company shall adjust the vesting price of the Share Options accordingly. The adjustment mechanism shall be as follows:

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

$$P = P_0 / (1+n)$$

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

(2) Rights issue

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

Where: P_0 represents the vesting price before the adjustment; P_1 represents the closing price as at the share 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 vesting price.

(3) Consolidation of shares

$$P = P_0 / n$$

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

MATTERS RELATING TO THE RESERVED INTERESTS UNDER THE 2019 A SHARE INCENTIVE PLAN

18. Grant Price/Exercise Price of Reserved Interests

The Grant Price of reserved 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 prices:

- a. 50% of the average trading price of A shares on the trading day immediately before the announcement of the grant of reserved Restricted A Shares; and
- b. 50% of any of the average trading prices of A shares of 20, 60 or 120 trading days immediately before the announcement of the grant of reserved Restricted A Shares.

The Exercise Price of reserved Share Options shall not be lower than the nominal value of A Shares and shall not be lower than the higher of the following prices:

- (1) the average trading price of A shares on the trading day immediately before the announcement of the grant of reserved Share Options; and
- (2) any of the average trading prices of A Shares of 20, 60 or 120 trading days immediately before the announcement of the grant of reserved Share Options.

19. Arrangements in relation to the Reserved Interests

The Company intends to reserve 2,105,553 units under the 2019 A Share Incentive Plan for further distribution, and the underlying shares shall comprise ordinary A shares dominated in RMB, representing approximately 10% of the interests to be granted under the 2019 A Share Incentive Plan.

The validity period of the reserved Restricted A Shares shall commence from the date of registration of the reserved Restricted A Shares to the date on which the reserved Restricted A Shares granted to the participants are all unlocked or repurchased and cancelled, which shall not be longer than 48 months. The validity period of the reserved Share Options shall be from the date of grant of the reserved Share Options to the date on which the reserved Shares Options granted to the participants are all exercised or otherwise cancelled, which shall not be longer than 54 months.

The conditions for the grant of the reserved interests, the unlocking and exercise of the reserved Restricted A Shares and reserved Share Options shall follow that of the Restricted A Shares and Share Options granted under the Initial Grant, respectively, in addition to certain performance indicators as set out below. For details, please see the paragraphs headed “8. Conditions of the Initial Grant of the Restricted A Shares and Unlocking of the Restricted A Shares” and “15. Conditions of the Grant and Vesting of the Share Options” in this announcement, respectively.

If the reserved interests are granted in 2019, the following performance indicators shall be fulfilled:

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

If the Reserved Interests are granted in 2020, the following performance indicators shall be fulfilled:

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

Note: The “operating income” above is calculated based on the operating income of the consolidated statement of the Company.

The arrangements in relation to Lock-Up Period, Unlocking Period, Vesting Period and Black-out Period and the mechanisms for adjusting the number and price of reserved Restricted A Shares and reserved Share Options shall be the same as that with the Initial Grant. For details, please see the sections headed “5. Validity Period, Date of Grant, Lock-up Period, Unlocking Period and Black-out Period of the Restricted A Shares granted under the Initial Grant”, “9. Mechanism of Adjusting the Number of Restricted A Shares under the Initial Grant of the Restricted A Shares”, “12. 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” and “16. Mechanism of Adjusting the Number of Share Options under the Initial Grant” in this announcement.

20. Procedures of Unlocking of the Restricted A Shares

Before the expiration of each Lock-up Period of the Restricted A Shares, the Board shall consider whether the unlocking conditions have been fulfilled and the independent directors and the board of supervisors shall express their relevant views. The Company's legal adviser shall issue legal opinions on whether the unlocking conditions for the Restricted A Shares have been fulfilled.

The Company shall apply to the relevant stock exchange for the unlocking of the Restricted A Shares to Participants, and apply to the relevant registration and settlement agent for the registration and settlement matters.

21. Procedures of Exercise of the Shares Options

Before the commencement of each of the Vesting Periods of the Share Options, the Board shall determine the procedures for the exercise and shall inform the grantees of the arrangements. The Board shall also consider whether the vesting conditions have been fulfilled and the independent directors and the board of supervisors shall express their relevant views. The Company's legal adviser shall issue legal opinions on whether the vesting conditions for the Shares Options have been fulfilled.

The Company (or the brokerage firm) shall carry out the procedures relating to the registration of Shares upon exercise based on the mode of exercise determined by the Board and file the changes for business registration.

22. 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.

The 2019 A Share Incentive Plan shall take effect upon the approval of shareholders at the general meeting and class meetings of the Company.

REASONS FOR AND BENEFITS OF THE IMPLEMENTATION OF THE 2019 A SHARE INCENTIVE PLAN (INCLUDING THE GRANT OF RESTRICTED A SHARES TO CONNECTED PARTICIPANTS)

Please refer the section headed “1. Purpose and Principle of the 2019 A Share Incentive Plan” in this announcement. The Board is of the view that the implementation of the 2019 A Share Incentive Plan will realize the aforesaid goals, and that the terms and conditions of the Incentive Plan are normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In respect of the grant of Restricted A Shares to the Connected Participants, the Directors, having considered the aforesaid reasons, are of the view that the grant of Restricted A Shares to the Connected Participants is a transaction entered into on normal commercial terms, which is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Company and its subsidiaries provide comprehensive and integrated research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs. We also provide development and manufacturing services for cell and gene therapies as well as testing services for medical devices.

IMPLICATIONS OF THE LISTING RULES

The 2019 A Share Incentive Plan

While the grant of the Restricted A Shares under the 2019 A Share Incentive Plan is not subject to the provisions of Chapter 17 of the Hong Kong Listing Rules, the grant of the Share Options under the 2019 A Share Incentive Plan shall be governed under Chapter 17 of the Hong Kong 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 daily quotations sheet of the Hong Kong Stock Exchange on the date of grant; and (ii) the average closing price of the securities as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant. As the Company may adopt share incentive plan 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 under such share incentive schemes such as the 2019 A Share Incentive Plan. For details, please refer to the section headed “Waivers from Strict Compliance with the Hong Kong Listing Rules” of the Prospectus.

Connected Transactions

As each of the Connected Participants is a director, supervisor or 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 to Chapter 14A of the Listing Rules, and the grant of Restricted A Shares to the Connected Participants will constitute a 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 Company has established an independent board committee comprising all independent non-executive directors (none of the independent non-executive directors has material interests in the grant of Restricted A Shares to the Connected Participants) to provide its recommendation to the independent Shareholders in respect of the grant of Restricted A Shares to the Connected Participants, and the Company has engaged Gram Capital Limited ("**Gram Capital**") (a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) as independent financial adviser to advise the independent board committee and the independent Shareholders in this regard.

An extraordinary general meeting, A share class meeting and H share class meeting will be convened to consider and, if thought fit, to approve the resolutions in relation to the 2019 A Share Incentive Plan and the proposed grant thereunder (including the grant of Restricted A Shares to the Connected Participants). The Connected Participants and their associates will be required to abstain from voting on the resolutions regarding the approval of the grant of Restricted A Shares to the Connected Participants at the extraordinary general meeting and the class meetings. To the best of the directors' knowledge, information and belief, having made all reasonable enquiries, other than Mr. Edward Hu, Ms. Wendy J. Hu and Ms. Hui Xu, none of the Shareholders is a Connected Participant who will be required to abstain from voting on the resolutions regarding the approval of the grant of Restricted A Shares to the Connected Participants at the extraordinary general meeting and the class meetings.

A circular containing, among other things, information on (i) terms of the 2019 A Share Incentive Plan; (ii) details of the proposed grant; (iii) the advice letter from Gram Capital; (iv) the letter of recommendation from the independent board committee; (v) a notice convening the extraordinary general meeting of the Company; and (vi) a notice convening the H share class meeting of the Company, will be despatched to the Shareholders on or before August 5, 2019.

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

(4) PROPOSED ADOPTION OF 2019 SHARE APPRECIATION INCENTIVE SCHEME

The Board has resolved on July 19, 2019 to adopt the 2019 share appreciation incentive scheme (the “**2019 Share Appreciation Scheme**”). Under the 2019 Share Appreciation Scheme, share appreciation rights will be granted to eligible participants, with each of them being notionally linked to one H Share, and will confer the right to gain specified amount of benefits in cash from the increase in market price of the relevant H Shares. No H Shares will actually be issued to any participants. The 2019 Share Appreciation Scheme shall take effect upon the approval of the Shareholders at the general meeting of the Company and a circular containing further details of the scheme will be despatched to the Shareholders on or before August 5, 2019.

1. Content of the 2019 Share Appreciation Scheme

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 general meeting of the Company
Validity period of the 2019 Share Appreciation Scheme:	From the date of grant of share appreciation rights to the date of completion of exercise of all share appreciation rights, which shall not be longer than 48 months

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 general meeting.
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 date of this announcement.
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 of the Company on the trading day preceding the date of this announcement; or (ii) any one of the average trading prices of the H shares of the Company for the last 120 trading days preceding the date of this announcement.
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

Exercise arrangements:

	Vesting Schedule	Exercisable period	Exercise Percentage
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%

2. Reasons for the adoption of 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.

3. Granting of the Share Appreciation Rights

The Board has resolved to grant 2,901,172 share appreciation rights to up to 234 participants that fulfil the granting conditions, representing approximately 0.1771% of the total capital of the Company as at the date of this announcement. The Board intends to determine the date of grant after the approval of the 2019 Share Appreciation Scheme at the general meeting of the Company.

4. Conditions for the grant and exercise of the share appreciation rights

(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 an adverse 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 an adverse 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 prohibited by the laws and regulations; and
 5. other circumstances as determined by the CSRC.
- (2) None of the following circumstances has occurred to the participant:
1. such participant is deemed as an inappropriate candidate by the relevant stock exchange in the most recent 12 months;
 2. such participant is deemed as an inappropriate candidate by the CSRC or its agency authorities in the most recent 12 months;
 3. 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;
 4. 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;
 5. such participant is prohibited by the law from participating in share incentive scheme of listed companies; and
 6. other circumstances as determined by the CSRC.
- (3) Under the 2019 Share Appreciation Scheme, the performance indicators of the Company for the 3 accounting years from 2019 to 2021 will be evaluated on an annual basis and the fulfilment of the performance indicators will be taken as the vesting condition for the participants in respective years. The performance indicators for each year are as follows:

Vesting period

Performance indicators

First vesting period

The growth of operating income for 2019 is not less than RMB1.5 billion as compared with 2018

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

Note: The “operating income” above is calculated based on the operating income 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 vesting amount for the respective year for such participant.

5. Implications of the Listing Rules

The 2019 Share Appreciation Scheme does not involve any grant of share options which will require the Company (or any of its subsidiaries) to issue any new shares or other new securities and is therefore not subject to or governed by Chapter 17 of the Listing Rules.

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

Hong Kong, July 19, 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*