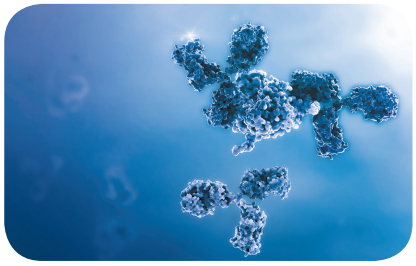
Henlius

# SHANGHAI HENLIUS BIOTECH, INC.
# 上海復宏漢霖生物技術股份有限公司

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

**Stock Code: 2696**



# GLOBAL OFFERING

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Financial Advisor

UBS

# IMPORTANT

**If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.**

# Shanghai Henlius Biotech, Inc.
# 上海復宏漢霖生物技術股份有限公司

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

## GLOBAL OFFERING

| | | |
|---|---|---|
| **Number of Offer Shares under the Global Offering** | : | **64,695,400 H Shares (subject to the Over-allotment Option)** |
| **Number of Hong Kong Offer Shares** | : | **6,469,600 H Shares (subject to reallocation)** |
| **Number of International Offer Shares** | : | **58,225,800 H Shares (subject to reallocation and the Over-allotment Option)** |
| **Maximum Offer Price** | : | **HK$57.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)** |
| **Nominal value** | : | **RMB1.00 per H Share** |
| **Stock Code** | : | **2696** |

**Joint Sponsors**

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**Joint Bookrunners and Joint Lead Managers**

**Financial Adviser**

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "*Appendix VII — Documents Delivered to the Registrar of Companies and Available for Inspection*", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Company is incorporated, and most of its businesses are located, in the PRC. Potential investors in the Company should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong, and the fact that there are different risks relating to investment in PRC incorporated companies. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong, and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set forth in "*Risk Factors*" and "*Appendix IV — Summary of Principal Legal and Regulatory Provisions*".

The Offer Price is expected to be determined by agreement between the Joint Representatives (on behalf of the Underwriters) and the Company on the Price Determination Date, which is expected to be on or about Tuesday, 17 September 2019 and, in any event, not later than Tuesday, 24 September 2019. The Offer Price will not be more than HK$57.80 per Offer Share and is expected to be not less than HK$49.60 per Offer Share, unless otherwise announced.

The Joint Representatives (on behalf of the Underwriters) may, with the Company's consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.henlius.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered (a) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "*Risk Factors*". The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "*Underwriting*".

12 September 2019

## IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing (i) the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus; and (ii) the **ORANGE** Application Forms to the relevant Qualifying Fosun International Shareholders and the **BLUE** Application Forms to the relevant Qualifying Fosun Pharma H Shareholders without them being accompanied by a printed prospectus, unless the relevant Qualifying Fosun International Shareholders or the relevant Qualifying Fosun Pharma H Shareholders (as the case may be) have elected to receive corporate communications in printed form under the corporate communications policy of Fosun International or Fosun Pharma (as the case may be), or have not been asked to elect the means of receiving the corporate communications of Fosun International or Fosun Pharma (as the case may be), in which case the printed prospectus will be despatched to them separately. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.henlius.com** and the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public, the Qualifying Fosun International Shareholders and the Qualifying Fosun Pharma H Shareholders may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 12 September 2019 until 12:00 noon on Tuesday, 17 September 2019 at the following locations:

1. any of the following branches of the receiving banks of the Company:

**Bank of China (Hong Kong) Limited**

| District | Branch Name | Address |
|---|---|---|
| **Hong Kong Island** | Des Voeux Road West Branch | 111-119 Des Voeux Road West, Hong Kong |
| | Chai Wan Branch | Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong |
| **Kowloon** | Telford Plaza Branch | Shop Unit P2-P7, Telford Plaza, No.33 Wai Yip Street, Kowloon Bay, Kowloon |
| | Olympian City Branch | Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon |
| **New Territories** | Metro City Branch | Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories |
| | Ma On Shan Plaza Branch | Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories |

**CMB Wing Lung Bank Limited**

| District | Branch Name | Address |
|---|---|---|
| **Hong Kong Island** | Head Office | 45 Des Voeux Road Central |
| | Kennedy Town Branch | 28 Catchick Street |
| **Kowloon** | Mongkok Branch | B/F CMB Wing Lung Bank Centre, 636 Nathan Road |
| | Tsim Sha Tsui Branch | 4 Carnarvon Road |
| **New Territories** | Tsuen Wan Branch | 251 Sha Tsui Road |

2. any of the following offices of the below Joint Global Coordinators:

**China International Capital Corporation Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Merrill Lynch (Asia Pacific) Limited**
Level 55 Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

**BOCI Asia Limited**
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

**UBS AG Hong Kong Branch**
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

**CMB International Capital Limited**
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

**Fosun Hani Securities Limited**
Suite 2101-2105 21/F Champion Tower
3 Garden Road
Central
Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

**Details of where printed prospectuses may be obtained will be displayed prominently at every designated branch of receiving banks where WHITE Application Forms are distributed.**

During normal business hours from 9:00 a.m. on Thursday, 12 September 2019 until 12:00 noon on Tuesday, 17 September 2019, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out in *"How to Apply for Hong Kong Offer Shares and Reserved Shares"* in this prospectus.

Despatch of **ORANGE** Application Forms to Qualifying Fosun International Shareholders and **BLUE** Application Forms to Qualifying Fosun Pharma H Shareholders on or before . . . . . Thursday, 12 September 2019

Hong Kong Public Offering and Preferential Offering commence and **WHITE** and **YELLOW** Application Forms available from . . . . . 9:00 a.m. on Thursday, 12 September 2019

Latest time for completing electronic applications under the (a) **White Form eIPO service** and (b) **Orange Form eIPO** service and **Blue Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . . 11:30 a.m. on Tuesday, 17 September 2019

Application lists open[3] . . . . . 11:45 a.m. on Tuesday, 17 September 2019

Latest time for (a) lodging **WHITE**, **YELLOW**, **ORANGE** and **BLUE** Application Forms, (b) completing payment for (i) **White Form eIPO** applications and (ii) **Blue Form eIPO** applications and **Orange Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC . . . . . 12:00 noon on Tuesday, 17 September 2019

Application lists close[3] . . . . . 12:00 noon on Tuesday, 17 September 2019

Expected Price Determination Date . . . . . Tuesday, 17 September 2019

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before . . . . . Tuesday, 24 September 2019

(2) Results of allocations in the Hong Kong Public Offering and the Preferential Offering to be available through a variety of channels as described in "*How to Apply for Hong Kong Offer Shares and Reserved Shares — Publication of Results*" from . . . . . Tuesday, 24 September 2019

(3) Announcement containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at **www.henlius.com** and **www.hkexnews.hk** from . . . . . Tuesday, 24 September 2019

Despatch of Share certificates and **White** Form, **Orange** Form and **Blue** Form e-Refund payment instructions/ refund cheques on or before . . . . . Tuesday, 24 September 2019

Dealings in the H Shares on the Stock Exchange expected to commence on . . . . . Wednesday, 25 September 2019

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*Notes:*

(1) All dates and times refer to Hong Kong dates and times.

(2) You will not be permitted to submit your application under the **White Form eIPO** service, **Orange Form eIPO** service or **Blue Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a "black" rainstorm warning signal, a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 17 September 2019, the application lists will not open and close on that day. See "*How to Apply for Hong Kong Offer Shares and Reserved Shares*".

(4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Wednesday, 25 September 2019, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade H Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "*Structure of the Global Offering*" and "*How to Apply for Hong Kong Offer Shares and Reserved Shares*", respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

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**IMPORTANT NOTICE TO INVESTORS**

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company or any of the Relevant Persons.*


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**Candour and Perseverance: The Story of Henlius**

When I co-founded Henlius in early 2010, I thought of it as little more than a venture that I made by chance. Yet, when I look back at the story of Henlius today, it strikes me that it was in fact far from a chance event.

In 2007, I was deeply saddened by the passing of my father and this led me to contemplate how transient and vulnerable life is. As a professional in innovative drug research and development, I felt helpless when my own next-of-kin was suffering from cancer. In Chinese culture, filial piety is paramount. Overwhelmed by guilt, I began to wonder: how could I translate my remembrance for my father to help for those who, like my father, were battling critical illnesses and in dire need of effective treatment.

In 2008, during a conversation with a friend, it dawned on me that, as an individual, I could only make limited impact on society, yet I might be able to benefit more patients if I could return to China and manage to develop effective and affordable drugs. To this end, and for the first time, the idea of starting a business began to take shape in my mind. In October of the same year, Weidong and I met at an investment conference in Hangzhou sponsored by the Alumni Association of Zhejiang University. We had an instant connection. We had similar life experiences; we had complementary technical expertise; we were like-minded, and we both wanted to go back to China to start a business committed to biologic drugs. The rest was history. Weidong and I decided to work together to establish the company that would eventually become Henlius. The "Han" in "Han Lin" (Henlius' Chinese name) is a character emblematic of the Han Chinese ethnicity. It also happens to be a character from my father's given name. By naming the company Henlius, I hoped that my love for my father would live on through this company as it pursues its mission to give back to the people in need. As industry veterans, Weidong and I were both well aware of the difficulties we would face should we venture into the research and development of biologic drugs. Developing an innovative drug from scratch will be difficult, challenging and risky since it requires significant capital investment with long and uncertain development timelines. High risk means high cost, which was of course against our vision of making treatment affordable for more patients. Therefore, when Henlius was first founded, after assessing various factors, we ultimately decided to start from biosimilars to lower the risk and to build up experience for developing more innovative drugs in the days to come. As luck would have it, we met the management team of Fosun Pharma in 2008. When we decided to establish Henlius in 2009, cooperation with Fosun Pharma became our priority. After nearly a year of negotiation, we successfully reached an agreement with Fosun Pharma in December 2009, and, following that, Henlius was officially established in February 2010. We added "Fu Hong" to the company's name. "Fu" is a nod to Fosun while "Hong" implies grandeur and magnificence. The name symbolizes our hope to join efforts with Fosun Pharma to accomplish our grand vision.

Wei-Dong and I, both being perfectionists, had a shared understanding that it was the quality of the drugs that would make a difference. After weighing many factors, we concluded that dedication to high quality does not necessarily entail higher cost. We could, for instance, lower operating costs by adopting advanced manufacturing technology or engaging in more in-house research and development. With this in mind, as early as the founding stage of the company in 2010, we decided to introduce high-titre cell line technology, with a view to increasing production capacity. We imported single-use bioreactor technologies, which not only reduced the cost of plant construction and

production but also lowered the risk of cross contamination, leading to better quality assurance of our products. There is a saying at Henlius: "Dedication to innovation and optimal operation to produce high-quality biologic drugs to benefit patients around the globe". This is by no means just empty words, but a concrete guideline that directs our daily endeavours. To benefit patients around the globe, we worked hard ever since we founded our company. When industry standards in China were not yet well established, we had long since benchmarked ourselves against prevailing global quality standards, from GMP to the quality of finished products. Looking back, this was quite impressive at the time. Fortunately, our dedication to quality contributed to Henlius' achievements today. Moreover, striving for quality has been incorporated, over time, as an integral part of our corporate culture, which serves as the foundation for our competitiveness. Recently, we, through our business partner Accord Healthcare Limited, submitted a marketing authorization application to the European Medicines Agency for HLX02, making it the first biosimilar developed in China to seek commercialisation approval in the European Union. This would not have happened but for our persistence in pursuing quality and our international strategy over the past decade.

"Affordable innovation with reliable quality" has become synonymous with Henlius. It forms the cornerstone of our core competitiveness.

Looking back over the past decade — which I still remember vividly — I am now convinced that there is no barrier that cannot be passed, however difficult it may seem. In the course of our journey, there are so many people that I am grateful for, for it is the whole team's endeavour and commitment that have made our achievements today possible. Many, many people of different fields, from technology to management, have come together with a common mission and aspiration. The work is so demanding that many of them only get to see their family once every several months. They have come to join Henlius with the hope that they can contribute their share in helping more patients, both in China and abroad, and that their lifesaving drugs will one day be accessible to more economically-disadvantaged cancer patients. They are all, in my mind, "gods of medicine". In February 2019, after decade-long endeavor, our HLX01 (rituximab injection) was granted approval by the NMPA, a real testament to the Chinese saying "whetting one sword over ten years". It was the fruit of the entire team's six-hundred-thousand-hour painstaking effort in which we all take tremendous pride. In particular, I owe my thanks to the company's shareholders for their support over the years. Without the continual support from our Board of Directors and shareholders, both financially and strategically, Henlius would not have been able to achieve its vision and goals.

We often say "Luck comes to those who are prepared", but I rather think luck comes to those who are candid. When a group of people come together, out of an altruistic motive, to work towards the greater good, they can move mountains. As we beat the odds repeatedly, we are now even more convinced of the power of candour in our path to success. It is also my faith, which stems from candour, that empowers me to lead my team to march forward on this journey fearlessly.

Determined and confident about the future, we will keep advancing towards our established vision while adhering to our core values of pursuing high quality, efficiency and innovation. We will continue to keep the patients in mind and commit ourselves to developing affordable bio-innovative drugs for them. By innovation of products and advancement of technology, we will continue with the development and manufacture of high-quality and affordable bio-innovative drugs, with a view to benefitting more patients across the globe, and establishing Henlius as one of the top and most respected biopharmaceutical companies.

Scott Shi-Kau Liu

12 September 2019

*This summary is intended to provide you with an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide whether to invest in the Offer Shares.* ***In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules.*** *There are unique challenges, risks and uncertainties associated with investing in companies such as ours. Your investment decision should be made in light of these considerations.*

*There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set out in "Risk Factors" and you should read that section carefully before you decide to invest in the Offer Shares.*

## OVERVIEW

We are a leading biopharmaceutical company in China with the vision to offer high-quality, affordable and innovative drugs for patients worldwide. We are the first biopharmaceutical company to receive NDA approval from the NMPA for a monoclonal antibody biosimilar in accordance with the Biosimilar Guidelines, the prevailing PRC regulation on biosimilar evaluation and marketing approval, and the first to commercially launch a biosimilar product in China.

Since our inception in 2010, we have established, and continue to expand, a comprehensive product pipeline of both biosimilars and bio-innovative drugs. As at the Latest Practicable Date, in addition to the biosimilar product we had commercially launched, namely HLX01 (漢利康), we had developed in-house over 20 biologic drug candidates and several immuno-oncology combination therapies in our pipeline, including (i) two mAb candidates with NDA accepted by the NMPA, including one mAb candidate with MAA accepted by the EMA, (ii) two mAb candidates undergoing Phase 3 clinical trials and six mAb candidates undergoing Phase 1/2 clinical trials, and two immuno-oncology combination therapies undergoing Phase 3 clinical trials and (iii) 31 IND approvals received across different jurisdictions.

Our co-founders, Dr. Scott Shi-Kau Liu and Dr. Wei-Dong Jiang, each possesses approximately 25 years of hands-on experience in developing therapeutic drugs and held leadership positions in R&D, manufacturing and quality management at top international biopharmaceutical companies. Inspired by our co-founders, we have assembled a high-calibre team of experts working closely with each other towards our vision.

As a fully-integrated biopharmaceutical company headquartered in Shanghai, we distinguish ourselves from Chinese biotech companies with our efficient and innovative in-house capabilities throughout the entire biologics value chain, including:

- **An integrated and productive global research and development platform** spanning our three R&D facilities located in Shanghai, Taipei and California with 239 R&D employees as at 31 March 2019, led by industry veterans.

- **Global regulatory registration and clinical development capability** with 11 concurrent clinical trials in six different jurisdictions and over 100 clinical medical affairs staff.

- **Robust quality management systems** laying the foundation for regulatory approval and commercialisation of our products worldwide.

- **Large-scale and cost-efficient manufacturing facilities** located in Shanghai with 14,000L capacity, using highly efficient single-use production technology.

- **Strong global commercialisation capabilities** demonstrated by our rapidly-growing marketing team and close partnerships with reputable global pharmaceutical companies.

Through our efficient and innovative in-house capabilities, we have commercialised one product and developed a diversified, advanced and high-quality drug pipeline with a focus on oncology and autoimmune diseases, including:

***(1) mAb biosimilar product and advanced mAb biosimilar candidates with near-term commercial visibility***

- *HLX01 (漢利康)*. Rituximab Injection, a MabThera biosimilar. HLX01 (漢利康) received NDA approval for commercialisation from the NMPA on 22 February 2019 for the non-Hodgkin lymphoma indication, becoming the first biosimilar drug approved and commercially launched in China in accordance with the Biosimilar Guidelines. The first prescription for HLX01 (漢利康) was issued on 16 May 2019 and we commenced commercial sales of HLX01 (漢利康) in May 2019. The Chinese Pharmacopoeia Commission has granted HLX01 (漢利康) the use of the generic name "Rituximab Injection" in China, which is included in the NRDL and the NEDL. We are also conducting a Phase 3 clinical trial for the rheumatoid arthritis indication for HLX01 in China;

- *HLX02*. A Herceptin (trastuzumab) biosimilar, which is the first biosimilar developed in China to enter a global Phase 3 clinical trial in China, Poland, Ukraine and the Philippines. We completed subject enrolment for the Phase 3 clinical trial in June 2018 and our NDA for HLX02 was accepted by the NMPA in April 2019 for $HER2^+$ early-stage breast cancer, metastatic breast cancer and metastatic gastric cancer indications, and it is currently under priority review. Our commercialisation partner Accord filed an MAA with the EMA, which was accepted in June 2019. HLX02 has the potential to become the first PRC-developed mAb biosimilar to launch in the EU, according to the Frost & Sullivan Report. Trastuzumab is included in the NRDL and the NEDL;

- *HLX03*. A Humira (adalimumab) biosimilar, which has completed a Phase 3 clinical trial in China. Our NDA for the plaque psoriasis, rheumatoid arthritis and ankylosing spondylitis indications was accepted by the NMPA in January 2019, and it is currently under priority review; and

- *HLX04*. An Avastin (bevacizumab) biosimilar, which entered Phase 3 clinical trials in China in Q2 2018. We plan to file an NDA for the metastatic colorectal cancer and non-squamous non-small cell lung cancer indications in 2020. Bevacizumab is included in the NRDL. We also plan to further expand its indications in combination with immuno-oncology therapy.

Our three near-commercial stage biosimilar candidates, together with HLX01 (漢利康), address an estimated aggregate market opportunity in China of RMB16.7 billion in 2020, according to the Frost & Sullivan Report. In addition, the inclusion of some of our drug candidates to the NRDL and NEDL will further increase market penetration and demand in basic health institutions funded by the PRC government.

***(2) Comprehensive bio-innovative pipeline driving long-term growth***

As at the Latest Practicable Date, our bio-innovative drug candidates which have entered Phase 1 and/or Phase 1b/2 clinical trials include HLX06 (a novel VEGFR2 inhibitor), HLX07 (an EGFR inhibitor), HLX10 (a novel PD-1 inhibitor), HLX20 (a novel PD-L1 inhibitor) and HLX22 (a novel HER2 inhibitor).

In addition, our other bio-innovative pipeline drug candidates include HLX55 (a cMET inhibitor), HLX09 (a CTLA-4 inhibitor), HLX23 (a CD73 inhibitor), HLX53 (a TIGIT inhibitor) and HLX24 (a CD47 inhibitor).

***(3) Versatile in-house combination therapy portfolio to capture future immuno-oncology opportunities***

We have formulated a combination therapy strategy, under which, we leveraged our comprehensive oncology-focused product pipeline to provide a strong foundation for the development of immuno-oncology combination therapies, including:

- *HLX04 (an Avastin biosimilar) + HLX10 (a novel PD-1 inhibitor)*. An immuno-oncology combination therapy for nsNSCLC and HCC, for which we're preparing for Phase 3 and Phase 2 clinical trials respectively.

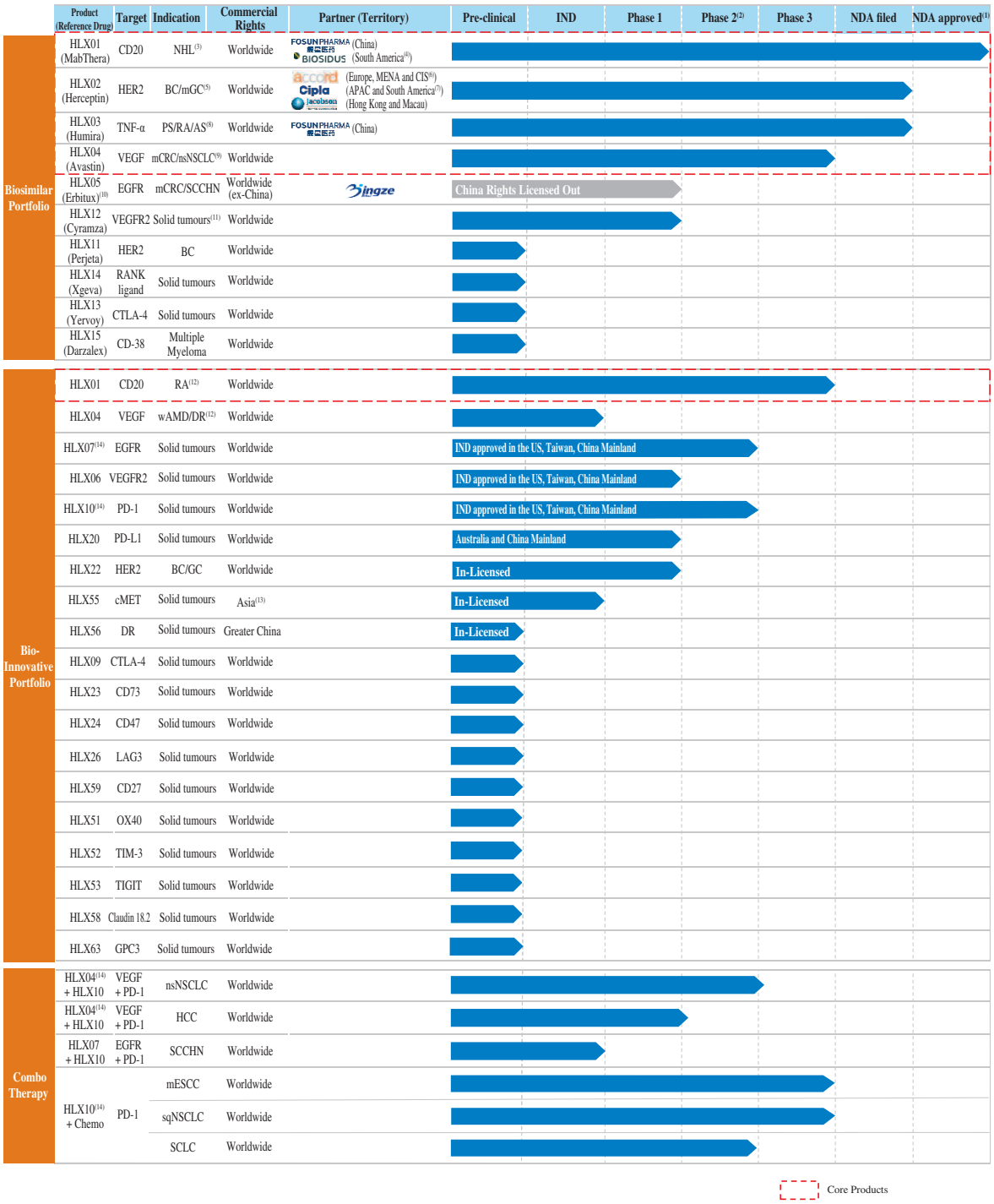
- *HLX07 (an EGFR inhibitor) + HLX10*. An immuno-oncology combination therapy for SCCHN, for which we have completed pre-clinical studies. Our IND application has been accepted by the NMPA.

- *HLX10 + Chemo*. An immuno-oncology combination therapy for mESCC, sqNSCLC and SCLC, which has commenced Phase 3 clinical trials for the mESCC and sqNSCLC indications and is expected to commence a Phase 3 clinical trial for the SCLC indication in near future.

We created the robust product pipeline described above in a highly cost-efficient manner. In 2017, 2018 and the three months ended 31 March 2019, we had overall R&D expenditure (representing both capitalised and expensed R&D costs and expenses) of RMB637.1 million, RMB972.5 million and RMB225.4 million, respectively, which we believe reflects our emphasis on achieving a high degree of efficiency and productivity.

The following table summarises our product and drug candidate pipeline as at the Latest Practicable Date:

| | Product (Reference Drug) | Target | Indication | Commercial Rights | Partner (Territory) |
|---|---|---|---|---|---|
| Biosimilar Portfolio | HLX01 (MabThera) | CD20 | NHL[3] | Worldwide | FOSUN PHARMA (China); BIOSIDUS (South America[4]) |
| | HLX02 (Herceptin) | HER2 | BC/mGC[5] | Worldwide | accord (Europe, MENA and CIS[6]); Cipla (APAC and South America[7]); Jacobson (Hong Kong and Macau) |
| | HLX03 (Humira) | TNF-α | PS/RA/AS[8] | Worldwide | FOSUN PHARMA (China) |
| | HLX04 (Avastin) | VEGF | mCRC/nsNSCLC[9] | Worldwide | |
| | HLX05 (Erbitux)[10] | EGFR | mCRC/SCCHN | Worldwide (ex-China) | Jingze |
| | HLX12 (Cyramza) | VEGFR2 | Solid tumours[11] | Worldwide | |
| | HLX11 (Perjeta) | HER2 | BC | Worldwide | |
| | HLX14 (Xgeva) | RANK ligand | Solid tumours | Worldwide | |
| | HLX13 (Yervoy) | CTLA-4 | Solid tumours | Worldwide | |
| | HLX15 (Darzalex) | CD-38 | Multiple Myeloma | Worldwide | |
| Bio-Innovative Portfolio | HLX01 | CD20 | RA[12] | Worldwide | |
| | HLX04 | VEGF | wAMD/DR[12] | Worldwide | |
| | HLX07[14] | EGFR | Solid tumours | Worldwide | |
| | HLX06 | VEGFR2 | Solid tumours | Worldwide | |
| | HLX10[14] | PD-1 | Solid tumours | Worldwide | |
| | HLX20 | PD-L1 | Solid tumours | Worldwide | |
| | HLX22 | HER2 | BC/GC | Worldwide | |
| | HLX55 | cMET | Solid tumours | Asia[13] | |
| | HLX56 | DR | Solid tumours | Greater China | |
| | HLX09 | CTLA-4 | Solid tumours | Worldwide | |
| | HLX23 | CD73 | Solid tumours | Worldwide | |
| | HLX24 | CD47 | Solid tumours | Worldwide | |
| | HLX26 | LAG3 | Solid tumours | Worldwide | |
| | HLX59 | CD27 | Solid tumours | Worldwide | |
| | HLX51 | OX40 | Solid tumours | Worldwide | |
| | HLX52 | TIM-3 | Solid tumours | Worldwide | |
| | HLX53 | TIGIT | Solid tumours | Worldwide | |
| | HLX58 | Claudin 18.2 | Solid tumours | Worldwide | |
| | HLX63 | GPC3 | Solid tumours | Worldwide | |
| Combo Therapy | HLX04[14] + HLX10 | VEGF + PD-1 | nsNSCLC | Worldwide | |
| | HLX04[14] + HLX10 | VEGF + PD-1 | HCC | Worldwide | |
| | HLX07 + HLX10 | EGFR + PD-1 | SCCHN | Worldwide | |
| | HLX10[14] + Chemo | PD-1 | mESCC | Worldwide | |
| | | | sqNSCLC | Worldwide | |
| | | | SCLC | Worldwide | |




*Notes:*

(1) HLX01 (漢利康) is one of our Core Products. We received the NDA approval for HLX01 (漢利康) in February 2019 and commenced commercial sales in May 2019.

(2) Phase 2 clinical trials are not required for biosimilars. See "*—Our Biosimilar Portfolio*" for further details.

(3) Our Phase 3 clinical trial for HLX01 focused on the treatment of CD20-positive diffuse large B cell lymphoma, which is the most common subtype of NHL. HLX01's reference drug, MabThera, is approved in China for three NHL subtypes (namely DLBCL, relapsed or refractory follicular central lymphoma and previously-untreated CD20-positive stage III-IV follicular lymphoma). HLX01 is also approved for these three indications.

(4) Argentina, Paraguay, Uruguay and Bolivia.

(5) Our Phase 3 clinical trial for HLX02 focuses on the treatment of $HER2^+$ metastatic breast cancer. As HLX02's reference drug, Herceptin, is approved in China for $HER2^+$ early breast cancer, $HER2^+$ metastatic breast cancer and $HER2^+$ metastatic gastric cancer, our NDA in China seeks approval for all three indications for HLX02. Our commercialisation partner Accord filed an MAA with the EMA for these three indications and gastroesophageal junction cancer. Subject enrolment of the Phase 3 clinical trial for HLX02 has been completed. While HLX02 is still undergoing Phase 3 clinical trial, our NDA for HLX02 was accepted by the NMPA in April 2019 and is currently under its priority review.

(6) Over 70 jurisdictions and regions in Europe, Middle East-North Africa and the Commonwealth of Independent States.

(7) Australia, New Zealand, Colombia and Malaysia.

(8) Our Phase 3 clinical trial for HLX03 focuses on the treatment of plaque psoriasis. As HLX03's reference drug, Humira, is approved in China for plaque psoriasis, rheumatoid arthritis and ankylosing spondylitis, we have filed for NDA approval for all three indications for HLX03. We have completed the Phase 3 clinical trial for HLX03. Our NDA for HLX03 was accepted by the NMPA in January 2019 and is currently under its priority review.

(9) Our Phase 3 clinical trial for HLX04 focuses on the treatment of metastatic colorectal cancer. As HLX04's reference drug, Avastin, is approved in China for metastatic colorectal cancer and unresectable, locally advanced, recurrent or metastatic non-squamous non-small cell lung cancer, we plan to seek NDA approval for both indications for HLX04.

(10) Licensed out to Shanghai Jingze. See "*—Licence Arrangements—Licence Agreement with Shanghai Jingze" for further details.*

(11) Includes advanced gastric cancer or gastroesophageal junction adenocarcinoma, metastatic non-small cell lung cancer and metastatic colorectal cancer.

(12) Considered a bio-innovative product because the reference product has not been approved for the relevant indication yet in China. See "*—Our Bio-Innovative Drugs—Overview" for further details.*

(13) Greater China and certain countries in Southeast, Central and South Asia.

(14) We do not consider HLX07, HLX10, HLX04 + HLX10 combination therapy and HLX10 + Chemo combination therapy to be our Core Products as (i) data on Phase 1 clinical trials for HLX07, HLX10 and HLX04 + HLX10 combination therapy have not become available, and (ii) data on Phase 3 clinical trials for HLX10 + Chemo, which do not require Phase 1 clinical trials, have not become available. We are also developing HLX10 to treat Hepatitis B virus.

## OUR STRENGTHS

We believe our competitive strengths include:

- Compelling business model with near-term visibility and long-term growth;
- Integrated and efficient global R&D platform generating a robust product pipeline;
- Large-scale manufacturing capabilities with enhanced cost efficiencies and robust quality management systems;
- Strong global commercialisation capabilities; and
- Visionary co-founders and leadership team.

## OUR STRATEGIES

Our vision is to become one of the world's most trusted and admired biopharmaceutical companies, offering innovative and affordable medicines for patients worldwide. To achieve this vision, we plan to implement the following strategies:

- Further strengthen our leading position and capitalise on first-entrant advantages in the continuous development of biosimilars;
- Develop an innovative product portfolio focusing on immuno-oncology combination therapy through leveraging our robust and comprehensive biologics pipeline and established mAb development platform;
- Expand manufacturing capabilities and enhance cost effectiveness while maintaining high quality standards;
- Strengthen commercialisation capabilities through in-house sales and marketing team and partnerships; and
- Selectively pursue strategic collaborations to expand our global presence.

## BIOSIMILARS AND BIO-INNOVATIVE DRUGS

A biosimilar is a biologic pharmaceutical product which is a near-identical copy of an reference drug developed and manufactured by a different company. A bio-innovative drug is a new drug that is not marketed anywhere in the world or a biosimilar for which the reference drugs are approved for certain indications in other jurisdictions but not in China.

In general, the regulatory approval process for a biosimilar requires that the biosimilar drug candidate undergoes clinical research and development to demonstrate that it is highly similar (in terms of both efficacy, safety and immunogenicity) to the reference drug already approved by certain regulatory authorities, including the NMPA, FDA and EMA or other comparable authorities, notwithstanding minor differences in clinically inactive components.

In the PRC, which we expect to be a key market for all of our biosimilar candidates, the government has published a number of guidelines encouraging biosimilar research and development, including the Guidelines for R&D and Evaluation of Biosimilars (Trial) (《生物類似藥研發與評價技術指導原則(試行)》) published by the NMPA in 2015 (the "**Biosimilar Guidelines**"), which set out the regulatory framework for registering and evaluating new biosimilar candidates. See "*Regulatory Overview—Regulations Related to the Clinical Trials and Registration of Drugs*" for further details on the NMPA approval process. To date, only our HLX01 (漢利康) has been approved in China in accordance with the Biosimilar Guidelines.

The Biosimilar Guidelines also permit biosimilar sponsors to concurrently conduct clinical trials of different phases, and drug developers are not required under PRC regulations to complete prior phases of clinical trials before commencing subsequent phases. Amongst the drug candidates in our pipeline, we commenced the Phase 3 clinical trial for HLX03 before completing the Phase 1 clinical trial. As at the Latest Practicable Date, we had completed the Phase 3 clinical trial for HLX03. We believe that this approach expedites the R&D process for us and will facilitate more rapid approval and commercialisation of our products. See "*Risk Factors—Risks Relating to the Development, Clinical trials and Regulatory Approval of Our Drug Candidates—Clinical development involves a lengthy and expensive process with no assured outcome*" for further details.

With respect to bio-innovative drugs, biosimilars for indications not previously approved in China are subject to substantially the same regulatory approval process as biosimilars generally, except that the application for a biosimilar must also include materials for therapeutic biologics products, following requirements set out in the Biosimilar Guidelines. However, bio-innovatives that are new drugs not marketed anywhere in the world are subject to a rigorous regulatory review process under which the product candidate must demonstrate, through clinical and non-clinical evidence, favourable efficacy and safety results to the satisfaction of the regulators.

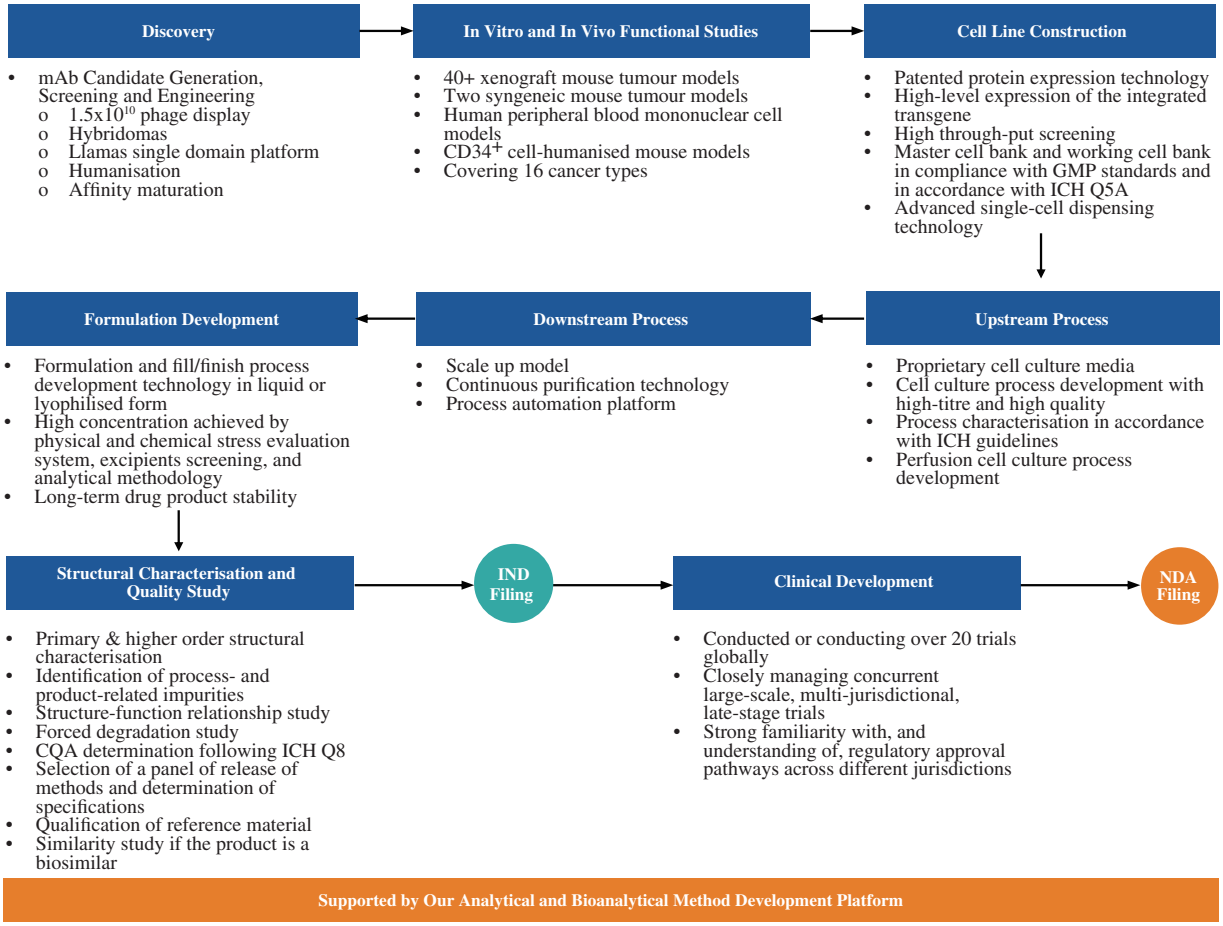
**RESEARCH AND DEVELOPMENT**

We are a leader in the research and development of monoclonal antibodies ("**mAb**") drugs in China. Through our fully integrated platform, we have excelled in the discovery, development, manufacture and commercialisation of antibody drugs with a focus on oncology as well as other high-prevalence diseases such as auto-immune diseases. We have accumulated substantial experience and know-how across all stages of antibody research and development, which enables us to efficiently develop antibody products from drug candidate generation to late-phase GMP manufacturing in multiple jurisdictions. As at the Latest Practicable Date, we had successfully developed more than 10 clinical trial stage mAb candidates and multiple pre-clinical stage mAb candidates. Our research and development team is led by Dr. JIANG, our co-founder and Chief Science Officer, and consisted of 239 seasoned personnel as at 31 March 2019.

Our global R&D platform and extensive in-house R&D capabilities establish us as one of the few biopharmaceutical companies in China capable of executing R&D throughout the whole product development process, from early candidate generation to eventual new drug application ("**NDA**") filing and approval. We have independently developed all of our core drug candidates in-house, with proprietary know-how across the entire process.

As the bridge between R&D and commercialisation, the CMC function establishes practical qualitative and quantitative methods for executable quality management and effectively translates drug discovery to actual manufacturing. The CMC function is of particular importance to the development of biologics drugs as their development and approval are process-dependent. Running in parallel to the quality management and manufacturing functions, CMC assists in delivering products in accordance with quality standards which meet both regulatory and commercial requirements.

The chart below sets out the key steps of our R&D process in further detail:




We also have a strong team to conduct clinical trials. Following investigational new drug ("**IND**") approval from the relevant regulator, we proceed to clinical development in human trials. We closely manage substantially all stages of clinical trials, including clinical trial design, implementation, in-house production of drug candidate samples used and the collection and analyses of trial data. As at the Latest Practicable Date, we had designed and conducted, or were in the process of conducting, over 20 clinical trials across different jurisdictions, which demonstrates our strong capability to efficiently and successfully conduct a large number of clinical trials simultaneously, including multiple late-stage clinical trials. Besides the PRC regulatory environment, we are also very familiar with regulatory approval pathways across different jurisdictions.

As at the Latest Practicable Date, we had three research and development facilities located in Shanghai, Taipei and California. Our Shanghai R&D facility is primarily focused on R&D in later stages, whereas the facilities in Taipei and California are primarily focused on early-stage R&D.

## MANUFACTURING

As at the Latest Practicable Date, we had one operational manufacturing facility for monoclonal antibody products in Shanghai (the "**Xuhui Facility**") and we were constructing a larger manufacturing facility in the Songjiang District of Shanghai (the "**Songjiang Facility**").

Our Xuhui Facility is located in Shanghai Caohejing Hi-Technology Park, covering an area of approximately 11,000 square metres. The Xuhui Facility houses six 2,000L single-use bioreactors and four 500L single-use bioreactors. As at 31 March 2019, we had a total of 155 personnel engaged in manufacturing, 98 of whom were responsible for Phase 3 clinical and eventual commercial production. In addition, as at the same date, of our 239 R&D personnel, 42 were responsible for pilot production for IND filings and Phase 1 and Phase 2 clinical trials.

To meet expected demand for the drug candidates in our pipeline, we plan to significantly expand our manufacturing capacity by developing our second manufacturing site in Shanghai, the Songjiang Facility, which is currently under construction. We expect the Songjiang Facility to support our future global commercial needs when fully operational.

We procure a variety of advanced manufacturing-related equipment from well-known international pharmaceutical equipment suppliers. We utilise single-use technologies in the production process, such as disposable bioreactors and filtration systems for, among other things, serum, culture media and buffers. We believe that, compared to traditional stainless steel bioreactors, single-use bioreactors possess many advantages, including shorter downtimes, reduced cleaning and sterilisation efforts, a significantly lower risk of cross contaminations, flexibility and easy shifts in portfolios based on market needs. These advantages are largely attributable to the design of single-use bioreactors, which typically features a plastic-lined disposable bag encased within a more permanent structure, in contrast with conventional bioreactors which utilise more complex culture vessels. According to the Frost & Sullivan Report, single-use bioreactors have been widely adopted in the US, where the pharmaceutical industry is well-developed, with a penetration rate of over 80%. In China, where the industrialisation of biologics lags behind many developed countries, single-use bioreactors are similarly widely adopted by contract manufacturing organisations ("**CMOs**"), but penetration among biopharmaceutical companies like us is generally low, as most such companies outsource their production to third party CMOs. Traditional stainless steel bioreactors remain more commonly used for mass production of biologics in China, while single-use bioreactors are primarily used for smaller scale production of biologics for clinical trials. However, as single-use bioreactors have demonstrated cost efficiency for mass production of biologics in developed countries such as the US, the overall penetration rate of single-use bioreactors in China is expected to increase going forward.

In addition to operational efficiency, single-use technologies also allow us to benefit from material savings in terms of capital investment and production cost. According to the Frost & Sullivan Report, single-use bioreactors generally reduce capital expenditure by up to 50% and production costs by up to 25% to 30%, and saves the need for clean-up and disinfection after each production cycle, which reduces per-batch production time and decreases the risk of contamination. Conversely,

single-use bioreactors are less scalable than traditional stainless steel bioreactors, with most mainstream versions of single-use bioreactors being limited to 2,000L production capacity. Other limitations of single-use bioreactors include: (i) being suitable only for mammalian cell cultures, not bacteria or yeast cultures; (ii) inability to store hot liquids; (iii) higher risk of puncturing; and (iv) higher disposal costs. We implement these single-use technologies and processes at our Xuhui Facility, and in addition to implementing an industry standard batch feeding process, we plan to adopt the new continuous manufacturing technology for further cost efficiency. In general, continuous manufacturing is a flow production method used to manufacture, produce, or process materials without interruption. Each step along the continuous manufacturing process can initiate as soon as the first intermediate product has left the previous unit of operation, allowing for a cascade of linked processes operating in parallel. Continuous manufacturing technologies include, but are not limited to, automation, process control, process analytical technology, continuous chromatography, membrane chromatography and single-pass tangential flow filtration. According to the Frost & Sullivan Report, when compared to traditional batch manufacturing, continuous manufacturing: (i) is at least 30% faster; (ii) reduces manufacturing costs by at least 40%, mainly by reducing buffer consumption and resin cycling; and (iii) improves productivity by at least 40%. We have completed a proof-of-concept lab-scale experiment for continuous manufacturing with favourable results and prospects, and we plan to continue to further validate this process at a pilot scale.

**QUALITY MANAGEMENT SYSTEMS**

We have established a quality management system that covers the entire product lifecycle from product research and development to material management, product manufacturing, quality control, product supply management and product post market surveillance.

Our Global Quality Operations department, which operates our quality assurance and quality control functions, consisted of 125 employees as at 31 March 2019. Its organisational structure includes quality assurance, quality control, and validation departments. Our staffing reflects our strong commitment to quality assurance and control functions. The headcount of this department as at 31 March 2019 was equivalent to approximately 80% of the headcount of our manufacturing department.

We are also committed to continuously improving our quality system on an ongoing basis. Our quality team holds regular meetings to review quality policies, regulatory updates, and quality issues.

We also engage external consultants to audit our quality management system and perform gap analyses to continuously improve our quality management system. So far, we have not encountered any significant quality issues which had any material impact on our business or operations.

## COMMERCIALISATION, SALES AND MARKETING

Our commercialisation strategy is derived from our vision to provide high-quality, affordable and innovative drugs to patients globally. In addition to HLX01 (漢利康), we intend to expeditiously launch and market our future drug products in China with the support of a dedicated in-house sales and marketing team as well as well-established commercialisation resources from Fosun Pharma. Meanwhile, we plan to launch our products in multiple territories worldwide by leveraging our global partners' commercialisation capabilities and networks. See "*Business — Our Biosimilar Portfolio*" for further details on the commercialisation arrangements that we have already entered into with respect to certain of our Core Products. Mr. Wenjie Zhang has joined us as our Senior Vice President, Chief Commercial Operation Officer and Chief Strategy Officer to oversee our sales and marketing. Mr. Zhang has more than 25 years of commercial operation experience and served as the general manager at Amgen China, the executive director at Amgen Japan & Asia Pacific and the vice president of Shanghai Roche Pharmaceuticals prior to joining us.

### China Market

With the commencement of commercial sales of HLX01 (漢利康), and in anticipation of receiving regulatory approval for our other drug candidates in the future, we have started to establish a dedicated commercial team covering marketing, sales and market access. We have established a marketing team with extensive industry experience and market insight, and also plan to establish a specialised sales team to execute our commercialisation plans independently in China. We believe that this will strengthen our ability to implement an oncology-focused sales strategy that maximises our brand value, market share and hospital coverage.

In the meantime, we intend to take advantage of Fosun Pharma's position as a leading pharmaceutical company in China to further strengthen our commercial operations. We have entered into commercial cooperation agreements with Fosun Pharma to establish a well-defined commercialisation strategy for our HLX01 (漢利康) and HLX03 products. See "*Connected Transactions — C. Non-exempt Continuing Connected Transactions — 1. Collaboration Arrangements under the HLX01 Agreement and the HLX03 Agreement*" for further details. Fosun Pharma's extensive sales network and superior market access expertise will greatly facilitate our strategy to quickly seize first-entrant advantages.

### Overseas Markets

For our global commercialisation efforts, we plan to partner with global leading pharmaceutical companies to commercialise our products overseas. For example, we plan to strategically enter into certain countries in Southeast Asia where clinical trial data from China is eligible to be submitted as part of the application process for regulatory approval. These overseas markets represent significant expansion opportunities to further our vision to provide high quality, affordable and innovative drugs.

## COMPETITIVE LANDSCAPE

The table below sets forth a summary of the key competitors to our Core Products (undergoing Phase 3 clinical trials or in a more advanced stage), according to the Frost & Sullivan Report:

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)[1] | Regulatory filing/development status as at 31 March 2019 | Relevant filing/approval date[2] |
|---|---|---|---|---|---|---|---|---|
| MabThera (rituximab, Roche)[3] | PRC: 2013 | NHL | 375 mg/m$^2$ initially and subsequently | once weekly | RMB2,294 per 100 mg | **HLX01 (漢利康) (Henlius)** | **NDA approved** | **February 2019** |
| | US: 2016 | | | | RMB7,866 per 500 mg | SCT400 (SinoCelltech) | Phase 3 | June 2016 |
| | EU: 2013 | | | | | IBI301 (Innovent Biologics) | NDA filed | June 2019 |
| | | | | | | Chimeric Anti-CD20 mAb (Zhejiang Hisun Pharma and Beijing Mabworks Biotech) | Phase 3 | July 2018 |
| | | | | | | GB241 (Genor Biopharma) | Phase 3 | November 2018 |
| | | | | | | TQB2303 (Chiatai Tianqing) | Phase 3 | December 2018 |
| | | | | | | HL03 (Hualan Bio) | Phase 3 | April 2019 |
| | | RA[4] | 1,000 mg initially and subsequently | once weekly for 2 weeks, repeated every 6 to 9 months | | **HLX01 (漢利康) (Henlius)** | **Phase 3** | **June 2018** |
| Herceptin (trastuzumab, Roche)[3] | PRC: 2018 | BC | 4 mg/kg initially 2 mg/kg subsequently | once weekly | RMB7,270 per 440 mg | **HLX02 (Henlius)** | **NDA accepted** | **April 2019** |
| | US: 2019 | | | | | Trastuzumab Biosimilar (Anhui Anke Biotechnology) | Phase 3 | May 2019 |
| | EU: 2014 | | | | | GB221 (Genor Biopharma) | Phase 3 | September 2016 |
| | | | | | | HS022 (Zhejiang Hisun) | Phase 3 | April 2018 |
| | | | | | | CMAB-302 (Sunshine Guojian) | NDA filed | September 2018 |

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)[1] | Regulatory filing/development status as at 31 March 2019 | Relevant filing/approval date[2] |
|---|---|---|---|---|---|---|---|---|
| | | | | | | TQ-B211 (Chiatai Tianqing) | Phase 3 | October 2018 |
| | | mGC | 8 mg/kg initially 6 mg/kg subsequently | once every 3 weeks | | **HLX02 (Henlius)** | **Phase 1[5]** | **December 2015** |
| Humira (adalimumab, AbbVie) | PRC: 2017 | PS | 80 mg initially 40 mg subsequently | once every 2 weeks | RMB7,593 per 40 mg[6] | **HLX03 (Henlius)** | **NDA accepted** | **January 2019** |
| | | | | | | DB101 (Dongbao Pharmaceutical) | Phase 3 | February 2019 |
| | US: 2016 | RA | 40 mg initially and subsequently | once every 2 weeks | | **HLX03 (Henlius)** | **Phase 1** | **December 2016** |
| | EU: 2018 | | | | | UBP1211 (Jiangsu Union Biopharma) | Phase 3 | May 2017 |
| | | AS | 40mg initially and subsequently | once every 2 weeks | | BAT1406 (Bio-Thera Solutions) | NDA filed | August 2018 |
| | | | | | | HS016 (Zhejiang Hisun) | NDA filed | September 2018 |
| | | | | | | IBI303 (Innovent Biologics) | NDA filed | November 2018 |
| Avastin (bevacizumab, Roche)[3] | PRC: 2018 | mCRC | 5 mg/kg initially and subsequently | once every 2 weeks | RMB1,934 per 100 mg | **HLX04 (Henlius)** | **Phase 3** | **March 2018** |
| | US: 2017 | nsNSCLC | 15 mg/kg initially and subsequently | once every 3 weeks | | **HLX04 (Henlius)** | **Phase 1[5]** | **December 2016** |
| | EU: 2018 | | | | | IBI305 (Innovent Biologics) | NDA filed | January 2019 |
| | | | | | | TAB008 (TOT Biopharm) | Phase 3 | May 2017 |
| | | | | | | MIL60 (Beijing mAbworks Biotechnology) | Phase 3 | August 2017 |
| | | | | | | BAT1706 (Bio-Thera Solutions) | Phase 3 | October 2017 |
| | | | | | | GB222 (Genor Biopharma) | Phase 3 | December 2017 |

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)(1) | Regulatory filing/development status as at 31 March 2019 | Relevant filing/approval date(2) |
|---|---|---|---|---|---|---|---|---|
| | | | | | | LY01008 (Shandong Boan Biological Technology) | Phase 3 | January 2018 |
| | | | | | | BP102 (Shanghai Hengrui Pharmaceutical) | Phase 3 | March 2018 |
| | | | | | | QL1101 (Qilu Pharmaceutical) | NDA filed | August 2018 |
| | | | | | | TQ-B2302 (Chiatai Tianqing) | Phase 3 | July 2018 |
| | | | | | | WBP-264 (Hualan Genetic Engineering) | Phase 3 | August 2018 |
| | | | | | | SCT510 (Sinocelltech) | Phase 3 | December 2018 |
| | | | | | | AK-3008 (Anhui Anke Biotechnology) | Phase 3 | April 2019 |

*Notes:*

(1) Due to inherent uncertainties in clinical development, this table includes only PRC-based competitors which have reached Phase 3 clinical trials. As the PRC is expected to be the key initial market for our Core Products, we generally consider other PRC-based biopharmaceutical companies to be our key competitors. Moreover, each reference drug is also considered a key competitor if such drug has been approved in China for the relevant indication.

(2) Denotes the date on which the relevant status was publicly disclosed.

(3) Has been added to the NRDL. The reimbursement percentage for each of rituximab, trastuzumab and bevacizumab under the NRDL ranges from 70% to 90%, depending on the province.

(4) MabThera has not been approved in China for the RA indication.

(5) Eligible for potential indication expansion. See "*Business — Our Bio-Innovative Drugs*" for further details.

(6) In several provinces, such as Shanxi and Jiangxi, the price of Humira decreased to RMB3,160 per 40 mg in 2019.

## PRE-IPO INVESTMENTS AND CONTROLLING SHAREHOLDERS

Throughout the development of the Company, we completed three rounds of financing from pre-IPO investments to raise capital for our development. Our broad and diverse base of Pre-IPO Investors consists of private equity and venture capital funds and investment holding companies, some with specific focus on the healthcare industry. For further details regarding the identities of our Pre-IPO Investors and the key terms of their investments, see "*History and Corporate Structure — Pre-IPO Investments*".

Other than the Shares held by our Controlling Shareholder, none of the Pre-IPO Investors will be subject to any lock-up arrangements in connection with the Global Offering. According to the PRC Company Law, Shares issued by the Company prior to the Listing Date shall not be transferred for a period of one year from the Listing Date.

As at the Latest Practicable Date, (i) Mr. Guangchang Guo was interested in approximately 85.29% of the shares in FIHL, which in turn through FHL was interested in approximately 70.76% of the shares in Fosun International, and (ii) Fosun International, through its wholly owned subsidiary, Fosun High Tech, was indirectly interested in approximately 37.87% of the total issued ordinary share capital of Fosun Pharma[1], which in turn indirectly held approximately 61.09% of the Shares in issue.

Immediately following the completion of the Global Offering, (a) Fosun Pharma will have an indirect interest (through its interests in its wholly-owned subsidiaries, Fosun Pharma Industrial Development and Fosun New Medicine) in approximately 53.76% of the Shares in issue (assuming the Over-allotment Option is not exercised), (b) the Company will remain as an indirect non-wholly owned subsidiary of Fosun International and Fosun Pharma, and (c) Mr. Guangchang Guo, FIHL, FHL, Fosun International, Fosun High Tech, Fosun Pharma, Fosun Pharma Industrial Development and Fosun New Medicine will be the Controlling Shareholders of the Company. Please refer to "*History and Corporate Structure*" for the simplified corporate structure of the Group.

Although both the mAbs developed by the Company and the small molecule chemical products developed by the Remaining Fosun Pharma Group treat cancer, the mAbs developed by the Company are classified as a separate class of drugs to and are different from the small molecule chemical drugs produced and sold by the Remaining Fosun Pharma Group in terms of, among other things, the mechanism of action and technology used in R&D and manufacturing. See "*Relationship with the Controlling Shareholders*".

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*Note:*

1 Fosun International controls Fosun Pharma as it controls the board of directors of Fosun Pharma. It is the single largest shareholder of Fosun Pharma and it holds relatively larger voting rights in Fosun Pharma than other dispersed public shareholders in Fosun Pharma.

## SUMMARY KEY FINANCIAL INFORMATION

This summary historical financial information set forth below have been derived from, and should be read in conjunction with, our consolidated audited financial statements, including the accompanying notes, set forth in the Accountants' Report set out in Appendix I to this prospectus, as well as the information set forth in "*Financial Information*" of this prospectus. Our financial information was prepared in accordance with IFRS.

### Summary Consolidated Statement of Profit or Loss

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| Revenue | 33,910 | 7,421 | — | 924 |
| Cost of sales | (15,019) | (5,398) | — | — |
| **Gross profit** | **18,891** | **2,023** | **—** | **924** |
| Other income and gains | 1,165 | 30,308 | 18,413 | 4,830 |
| Selling and distribution expenses | — | — | — | (5,082) |
| Administrative expenses | (87,334) | (109,050) | (15,064) | (32,339) |
| Research and development expense | (257,080) | (365,382) | (49,221) | (100,145) |
| Other expenses | (480) | (223) | (1) | (17,356) |
| Financial cost | (55,159) | (57,896) | (19,256) | (8,955) |
| **Loss before tax** | **(379,997)** | **(500,220)** | **(65,129)** | **(158,123)** |
| Income tax expense | (4,330) | (4,569) | (2,714) | — |
| **Loss for the year/period** | **(384,327)** | **(504,789)** | **(67,843)** | **(158,123)** |
| **Attributable to:** | | | | |
| Owners of the parent | (270,562) | (493,686) | (60,504) | (158,123) |
| Non-controlling interests | (113,765) | (11,103) | (7,339) | — |
| | **(384,327)** | **(504,789)** | **(67,843)** | **(158,123)** |

During the Track Record Period, we derived revenue primarily from licence fee income and rendering of services to third parties, and did not generate any revenue from product sales. Revenue from licence fee income primarily represents the licensing fee received from our licensing-out of HLX05 to Shanghai Jingze Biotechnology Co., Ltd. ("**Shanghai Jingze**"). See "*Business — Licence Arrangements — Licence Agreement with Shanghai Jingze*" for further details. Revenue from rendering of services represents service fees we received from our provision of technical consultation services to other parties. In 2018, substantially all of our revenue was attributable to our rendering of services to third parties, and we did not have any revenue from license fee income as the licence fee portion of HLX05 licensing arrangements with Shanghai Jingze had been completed.

**Summary Consolidated Statements of Financial Position**

| | As at 31 December | | As at 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | | RMB'000 | |
| Current assets | 232,896 | 1,086,985 | 996,126 |
| Non-current assets | 1,251,621 | 2,007,805 | 2,185,108 |
| **Total assets** | **1,484,517** | **3,094,790** | **3,181,234** |
| Current liabilities | 1,211,650 | 533,443 | 570,125 |
| Non-current liabilities | 348,857 | 758,798 | 936,280 |
| **Total liabilities** | **1,560,507** | **1,292,241** | **1,506,405** |
| **Net current (liabilities)/assets** | **(978,754)** | **553,542** | **426,001** |
| Share capital | 366,287 | 474,433 | 474,433 |
| Reserves | (446,361) | 1,328,116 | 1,200,396 |
| Non-controlling interests | 4,084 | — | — |
| **Total equity** | **(75,990)** | **1,802,549** | **1,674,829** |

We had net liabilities of RMB76.0 million as at 31 December 2017, primarily due to (i) entrusted related party loans of RMB575.0 million, which we had fully repaid as at the Latest Practicable Date (see "*Financial Information — Indebtedness*" for further details) and (ii) other payables and accruals of RMB541.6 million, which mainly related to a payable in connection with the Taiwan Henlius Acquisition and was settled following its completion in June 2018 (see "*History and Corporate Structure — History — Acquisition of the Remaining Interest in Taiwan Henlius*" for further details). Since settling these amounts, we have improved our balance sheet position and achieved net assets of RMB1,674.8 million as at 31 March 2019.

We also had significant balances of intangible assets of RMB772.1 million, RMB1,382.6 million and RMB1,507.4 million as at 31 December 2017 and 2018 and 31 March 2019, respectively, which were the largest component of our assets as at each such date. See "*Risk Factors — Risks Relating to Our Financial Prospects and Need for Additional Capital — We have a large balance of intangible assets and we may incur significant impairment charges which could materially impact our financial position*" for further details.

**Summary Consolidated Statements of Cash Flows**

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| Cash outflows before movements in working capital | (170,361) | (349,998) | (52,238) | (98,087) |
| Net cash (used in)/generated from operating activities | (134,288) | (52,179) | 4,395 | (67,575) |
| Net cash used in investing activities | (471,662) | (735,375) | (330,252) | (195,295) |
| Net cash generated from financing activities | 541,380 | 1,679,105 | 686,789 | 145,498 |
| **Net (decrease)/increase in cash and cash equivalents** | **(64,570)** | **891,551** | **360,932** | **(117,372)** |
| Cash and cash equivalents at the beginning of the year/period | 123,319 | 58,512 | 58,512 | 958,990 |
| Effect of foreign exchange rate changes, net | (237) | 8,927 | 15,870 | (16,752) |
| **Cash and cash equivalents at the end of the year/period** | **58,512** | **958,990** | **435,314** | **824,866** |

We had net cash used in operating activities for each year of the Track Record Period, amounting to RMB134.3 million, RMB52.2 million and RMB67.6 million in 2017, 2018 and the three months ended 31 March 2019, respectively. We had operating cash outflows before movements in working capital of RMB170.4 million, RMB350.0 million and RMB98.1 million in the same periods, respectively. We may continue to incur cash outflows from operating activities in the future due to our R&D expenditures.

**Key Financial Ratios**

| | As at 31 December | | As at 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| Gearing ratio[(1)] | 112.9% | N/A[(2)] | N/A[(2)] |
| Current ratio[(3)] | 19.2% | 203.8% | 174.7% |
| Quick ratio[(4)] | 17.2% | 199.0% | 167.4% |

*Notes:*

(1) Gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt, multiplied by 100%. Net debt represents the balance of indebtedness less cash and cash equivalents as at the end of the period.

(2) We did not have a gearing ratio as at 31 December 2018 or 31 March 2019 as our balance of cash and cash equivalents exceeded our total indebtedness on both dates.

(3) Current ratio is calculated as current assets divided by current liabilities, multiplied by 100%.

(4) Quick ratio is calculated as current assets minus inventories then divided by current liabilities, multiplied by 100%.

## RECENT DEVELOPMENTS OF OUR BUSINESS SUBSEQUENT TO THE TRACK RECORD PERIOD

Since 31 March 2019, we have continued to invest in and progress the development of our drug candidate pipeline and have continued to develop our commercialisation capabilities and activities in connection with the commercialisation of HLX01 (漢利康). Our NDA for HLX02 was accepted by the NMPA in April 2019 and is currently under priority review. In addition, our commercialisation partner Accord filed an MAA for HLX02 with the EMA, which was accepted in June 2019. As at the Latest Practicable Date, no material adverse change had occurred with respect to our NDA approval for HLX01 (漢利康) or the regulatory review process in relation to our other Core Products.

As a result of having commenced the commercialisation process for HLX01 (漢利康) following the receipt of NDA approval, the nature of our business and monetisation model for the year ending 31 December 2019 and onwards will materially differ from that during the Track Record Period. In particular, we began to generate revenue from product sales, in contrast to our revenue-generating activities during the Track Record Period being limited primarily to license fee income and rendering of services. The first prescription of HLX01 (漢利康) was issued on 16 May 2019. As at 30 June 2019, we had delivered 20,638 vials of HLX01 (漢利康) to our commercialisation partner and recorded a revenue of RMB13.3 million from such sales based on our profit-sharing arrangement with our commercialisation partner. We intend to further raise public awareness of HLX01 (漢利康), the first biosimilar drug approved in China, by ramping up our marketing and sales efforts. We also plan to continue to market our drug products through our commercialisation partners under well-established strategies. We continue to incur increasing R&D expenses as we progress our product portfolio and expand our R&D pipeline, which will continue to have an adverse impact on our expected net losses for the year ending 31 December 2019.

As far as the Directors are aware, there have not been any material changes in the general economic and market conditions in the regions or the industries in which we operate that materially and adversely affected our business operations or financial condition since 31 March 2019 and up to the date of this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

See "*Business — Our Strategies*" for a detailed description of our future plans and strategies.

We intend to use the net proceeds of HK$3,354.1 million, assuming an Offer Price of HK$53.70 (being the mid-point of the Offer Price Range), from the Global Offering (assuming the Over-allotment Option is not exercised) as follows:

- Approximately HK$1,341.7 million (or 40.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration in relation to our Core Products.

  - Approximately HK$201.2 million (or 6.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for HLX02. HLX02 is currently undergoing Phase 3 clinical trials concurrently across different

jurisdictions. Our NDA for HLX02 was accepted by the NMPA in April 2019 and is currently under priority review. The MAA filed by our commercialisation partner Accord was accepted by the EMA in June 2019.

- Approximately HK$268.3 million (or 8.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for HLX04 for the mCRC indication. HLX04 is currently undergoing Phase 3 clinical trials.

- Approximately HK$872.1 million (or 26.0% of the net proceeds) would be used for the development of immuno-oncology combination therapy comprised of HLX04 and HLX10 for the treatment of advanced solid tumours. We are currently preparing for Phase 3 clinical trials for the nsNSCLC indication, and Phase 2 clinical trials for the HCC indication of HLX04+HLX10 in China.

- Approximately HK$503.1 million (or 15.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for our biosimilar candidates, including HLX12, HLX11 and HLX14.

- Approximately HK$1,174.0 million (or 35.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for our bio-innovative drugs and the development of immuno-oncology combination therapy. Of this amount:

  - Approximately HK$6.7 million (or 0.2% of the net proceeds) would be allocated to HLX06;

  - Approximately HK$144.2 million (or 4.3% of the net proceeds) would be allocated to HLX07;

  - Approximately HK$6.7 million (or 0.2% of the net proceeds) would be allocated to HLX20; and

  - Approximately HK$1,016.3 million (or 30.3% of the net proceeds) would be allocated to HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07).

  We are currently conducting clinical trials of HLX06, HLX07, HLX10 and HLX20 and will further explore immuno-oncology combination therapies using immune checkpoint inhibitor such as PD-1/PD-L1 drugs. We believe that the successful development and commercialisation of these products and therapies are key to our long-term sustainable development following the expected launch of our Core Products. As all of our Core Products have reached late-stage development in Phase 3 clinical trials or later, we believe that it is reasonable to allocate a significant portion of the expected net proceeds to the development of our other pipeline products and therapies.

- approximately HK$335.4 million (or 10.0% of the net proceeds) would be allocated towards working capital and general corporate purposes.

## DIVIDENDS

We did not declare or pay any dividends during the Track Record Period and we do not have a fixed dividend payout ratio. The Board has absolute discretion as to whether to declare any dividend for any year, and if it decides to declare a dividend, how much to declare. The Board will submit such proposal in respect of dividend payments to the Shareholders' general meeting for approval. The amount of any dividends to be declared or paid will depend on, among other things, applicable laws and regulations, our results of operations, cash flows, financial condition and operating and capital requirements. Any future declaration of dividends may or may not reflect our prior declarations of dividends.

## KEY RISK FACTORS

Our business is subject to numerous risks and there are uncertainties relating to an investment in the Shares. These risks and uncertainties can be categorised as (i) risks relating to our financial prospects and need for additional capital, (ii) risks relating to the development, clinical trials and regulatory approval of our drug candidates, (iii) risks relating to the commercialisation of our drug candidates, (iv) risks relating to intellectual property, (v) risks relating to our operations, (vi) risks relating to doing business in the PRC and (vii) risks relating to the Global Offering. The following are some of those key risks and uncertainties:

- We have incurred significant losses in each period since our inception and anticipate that we will continue to incur losses in the future and may never achieve or maintain profitability. Investors are at risk of losing substantially all of their investments in our H Shares.

- We had negative cash flow from operating activities throughout the Track Record Period and we will likely need substantial additional funding for our drug development programmes and commercialisation efforts, which may not be available on acceptable terms, or at all.

- We have only recently begun commercialising our drug candidates, which may make it difficult to evaluate our future prospects.

- We may not achieve favourable results for our product candidates in clinical trials, and cannot give any assurance that any of our drug candidates currently in development will receive regulatory approval, which could hinder or halt their development. Following regulatory approval, if any, we may not be able successfully commercialise such drug candidates or may experience significant delays in doing so.

- We have a large balance of intangible assets and we may incur significant impairment charges which could materially impact our financial position.

- Clinical development involves a lengthy and expensive process with no assured outcome.

- Insurance coverage and reimbursement may be limited or unavailable in certain market segments for our drug candidates, which could make it difficult for us to sell our drug candidates profitably.

- We have limited experience in manufacturing our drug candidates on a large commercial scale, which is a highly exacting and complex process.

- We operate in a competitive industry and may fail to compete effectively.

- We are developing a number of biosimilar product candidates and may be subject to intellectual property infringement or misappropriation claims or other legal challenges, which could cause us to incur significant expenses, pay substantial damages and delay or prevent us from selling our biosimilar products.

- The loss of services of our senior management and key scientific personnel could severely disrupt our business and growth.

- The trading volume and market price of our H Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our H Shares pursuant to the Global Offering.

See "*Risk Factors*" for further details.

## GLOBAL OFFERING STATISTICS

| | **Based on the Offer Price of HK$49.60 per H Share** | **Based on the Offer Price of HK$57.80 per H Share** |
|---|---|---|
| Market capitalisation of our H Shares (approximately)[(1)] | HK$7,889.5 million | HK$9,193.8 million |
| Market capitalisation of our Shares (approximately)[(2)] | HK$26,740.8 million | HK$31,161.6 million |
| Unaudited pro forma adjusted consolidated net tangible asset value per Share[(3)] | HK$6.09 | HK$7.04 |

*Notes:*

(1) The calculation is based on the assumption that 64,695,400 H Shares will be issued pursuant to the Global Offering and 94,366,741 unlisted foreign shares will be converted into H Shares, and assuming that the Over-allotment Option is not exercised.

(2) The calculation is based on the assumption that 539,128,453 Shares will be expected to be in issue following the completion of the Global Offering, and assuming that the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after the adjustment referred to in the Unaudited Pro Forma Financial Information in Appendix II to this prospectus and on the basis of 64,695,400 H Shares will be issued pursuant to the Global Offering, and assuming that the Over-allotment Option is not exercised.

## LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to the Reporting Accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. We estimate that our total listing expenses will be HK$141.9 million, of which HK$28.1 million will be charged to our consolidated income statement (including HK$21.9 million that had been charged to our consolidated income statement during the Track Record Period), and HK$113.8 million will be capitalised (including HK$11.7 million that had been capitalised during the Track Record Period).

## THE SPIN-OFF AND THE PREFERENTIAL OFFERING

### The Spin-off

The listing of the Group constitutes a spin-off of the Group from Fosun International and Fosun Pharma (the "**Spin-off**").

### Reasons for and benefits of the Spin-off

Each of Fosun International and Fosun Pharma considers that the Spin-off will be commercially beneficial to Fosun International, Fosun Pharma and the Company as the Spin-Off will, among other things, (i) allow the management teams of Fosun International, Fosun Pharma and the Company to focus more effectively on their respective businesses with a clearly delineated business objective and improve the Company's ability to recruit, motivate and retain key management personnel as well as to expediently and effectively capitalise on any business opportunities in the Group's business that may arise and (ii) provide a separate fund-raising platform for the Company, thereby enabling it to raise the capital required to finance its future growth and expansion.

### The Preferential Offering

Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders will be entitled to participate in the Global Offering on a preferential basis as to allocation only by way of the Preferential Offering. Please see "*Structure of the Global Offering — The Preferential Offering*" for further details.

### Others

As a leading biopharmaceutical company in China, the Company constantly evaluates whether there might be opportunities to further the Company's strategy to develop its business. One option in that regard includes the possibility of seeking an additional listing on another stock exchange, including on the Science and Technology Innovation Board of the Shanghai Stock Exchange. As at the Latest Practicable Date, other than the current Listing, the Company has not formulated any concrete plan to seek a listing elsewhere. The Company will continue to monitor such opportunities, subject to market conditions.

| | |
|---|---|
| **Company** | 上海復宏漢霖生物技術股份有限公司 (Shanghai Henlius Biotech, Inc.) |
| **Global Offering** | Global offering of initially 64,695,400 Offer Shares (excluding the H Shares to be issued pursuant to the exercise of the Over-allotment Option) |
| **Hong Kong Public Offering** | 6,469,600 H Shares (subject to reallocation) |
| **International Offering** | 58,225,800 H Shares (subject to reallocation and the Over-allotment Option) |
| **Preferential Offering** | An aggregate of 8,372,000 Offer Shares offered under the Preferential Offering, of which 4,186,000 Offer Shares will be offered to Qualifying Fosun International Shareholders and 4,186,000 Offer Shares will be offered to Qualifying Fosun Pharma H Shareholders, respectively |
| **Over-allotment Option** | Up to 9,704,300 additional Offer Shares, representing not more than 15% of the number of Offer Shares initially being offered under the Global Offering |
| **Offer Price Range** | HK$49.60 to HK$57.80 |
| **Price Determination Date** | The Offer Price is expected to be determined on or about Tuesday, 17 September 2019 and, in any event, not later than Tuesday, 24 September 2019 |
| **Lock-up Requirements** | • The Company — six months from the Listing Date<br>• Each of the Controlling Shareholders — six months absolute lock-up and six months lock-up on disposal of Shares that would result in him/it ceasing to be a controlling shareholder of the Company<br>• According to PRC Company Law, Shares issued by the Company prior to the Listing Date shall not be transferred for a period of one year from the Listing Date |
| **Market Capitalisation at Listing** | Expected to be between HK$26,740.8 million (based on the Minimum Offer Price) and HK$31,161.6 million (based on the Maximum Offer Price) |
| **Listing and Trading Date** | Expected to commence on Wednesday, 25 September 2019 |
| **Board Lot** | 100 H Shares |

See "*Underwriting*" and "*Structure of the Global Offering*" for further details.

## DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Group.

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

## INFORMATION AND REPRESENTATION

The Company has issued this prospectus solely in connection with the Hong Kong Public Offering and the Preferential Offering. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. Neither the Company nor any of the Relevant Persons has authorised anyone to provide you with any information or to make any representation that is different from what is contained in this prospectus. No representation is made that there has been no change or development reasonably likely to involve a change in the Group's affairs since the date of this prospectus or that the information contained in this prospectus is correct as at any date subsequent to its date.

## H SHARE REGISTER AND STAMP DUTY

All of the Offer Shares will be registered on the H Share register of members of the Company maintained by the H Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. The register of members will also be maintained by the Company at its legal address in the PRC. Dealings in the H Shares registered on the H Share register of members of the Company in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the *ad valorem* rate of 0.1% of the consideration for, or (if greater) the value of, the H Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

## REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

The Company has instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with the Company and each of the Shareholders, and the Company agrees with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;

(ii) agrees with the Company, each of the Shareholders, Directors, Supervisors, managers and officers, and the Company, acting for itself and for each of the Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(iii) agrees with the Company and each the Shareholders that the H Shares are freely transferable by the H Shares' holders thereof; and

(iv) authorises the Company to enter into a contract on his or her behalf with each of the Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to the Shareholders as stipulated in the Articles of Association.

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact contained in this prospectus, including, without limitation:

(a) the discussions of the Company's business strategies, objectives and expectations regarding its future operations, products, revenue, margins, profitability, liquidity and capital resources;

(b) any statements concerning the future development of, and trends and conditions in, the biopharmaceuticals market and the general economy of the countries in which the Company operates or plans to operate and where the Company's products may be distributed and sold;

(c) any statements concerning the Company's ability to control costs;

(d) any statements concerning the nature of, and potential for, the future development of the Company's business, including any potential business relationships and partnerships; and

(e) any statements preceded by, followed by or that include words and expressions such as "expect", "believe", "plan", "intend", "estimate", "forecast", "project", "anticipate", "seek", "may", "will", "ought to", "would", "should" and "could" or similar words or statements,

as they relate to the Group or the management, are forward-looking statements.

These statements are based on assumptions regarding the Company's present and future business, the Company's business strategies and the environment in which the Company will operate. These forward-looking statements reflect the Company's current views as to future events and are not a guarantee of the Company's future performance. Forward-looking statements are subject to certain known and unknown risks, uncertainties and assumptions, including the risk factors described in "*Risk Factors*". Important factors that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements include, among other things, the following:

- developments in the business strategies and business plans of the Company;
- prevailing economic conditions and consumer confidence in the markets where the products of the Company may be sold;
- developments of the Company's competitors and other competitive pressures within the industries in which the Company operates; and
- regulatory changes affecting, among other things, the biopharmaceuticals industry and market, accounting standards and taxes.

Subject to the requirements of applicable laws, rules and regulations, the Company does not have any obligation, and undertakes no obligation, to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the Company expects or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in "*Risk Factors*".

In this prospectus, statements of or references to the Company's intentions or that of any of the Directors are made as at the date of this prospectus. Any of these intentions may change in light of future developments.

*An investment in the H Shares involves a high degree of risk. Prospective investors should carefully consider the following risk factors, together with all other information contained in the prospectus, before deciding whether to invest in the H Shares. If any of the following events occur or if these risks or any additional risks not currently known to the Company or which it now deems immaterial risks materialise, the business, financial condition, results of operations and/or the ability of the Company to meet its financial obligations could be materially and adversely affected. The market price of the H Shares could fall significantly due to any of these events or risks (or such additional risks) and you may lose your investment. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on the business, financial condition and results of operations of the Company.*

## RISKS RELATING TO OUR FINANCIAL PROSPECTS AND NEED FOR ADDITIONAL CAPITAL

**We have incurred significant losses in each period since our inception and anticipate that we will continue to incur losses in the future and may never achieve or maintain profitability. Investors are at risk of losing substantially all of their investments in our H Shares.**

We are a biopharmaceutical company with a limited operating history. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditure and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. We received NDA approval for our first product, HLX01 (漢利康), in February 2019, and commenced commercial sales in May 2019. However, we have incurred and continue to incur significant development and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred losses in each period since our inception in 2010. In 2017 and 2018 and the three months ended 31 March 2018 and 2019, we reported a net loss attributable to the owners of the parent of RMB270.6 million, RMB493.7 million, RMB60.5 million and RMB158.1 million, respectively. We had accumulated losses attributable to owners of the parent of RMB1,080.3 million as at 31 March 2019. We expect to continue to incur losses in the foreseeable future, and these losses may further increase as we:

- continue our development and commence clinical trials of our drug candidates;
- seek regulatory approvals for our drug candidates throughout the research and development and clinical trial stages;
- commercialise any of our drug candidates for which we may obtain marketing approval;
- maintain and expand our manufacturing facilities;
- continue to build up clinical, operational, financial, manufacturing and scientific personnel;

- establish and expand our sales, marketing and commercialisation infrastructure and workforce and maintain our sales network for any products that obtain regulatory approval;
- seek to identify additional drug candidates;
- address any competing technological and marketing developments, including new products developed by competitors;
- obtain, maintain, expand and protect our intellectual property portfolio;
- enforce and defend intellectual property-related claims; and
- acquire or in-license other intellectual property, drug candidates and technologies.

The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue, in particular from product sales, which will be affected if any of the drug candidates in our pipeline fail, for any reason, before commercialisation. To become and remain profitable, we must develop and eventually commercialise drug candidates with significant market potential. This will require us to be successful in a range of challenging activities, including completing pre-clinical testing and clinical trials of our drug candidates, obtaining regulatory (such as INDs and NDAs) and marketing approval for these drug candidates, manufacturing, marketing and selling those drug candidates and satisfying any post-marketing requirements. Moreover, as we have a limited product portfolio with HLX01 (漢利康), being our only commercialised drug product, and HLX02, HLX03, and HLX04 being our only product candidates having entered or completed Phase 3 clinical trials as at the Latest Practicable Date, we are highly susceptible to the performance of HLX01 (漢利康) and our other drug candidates to be commercialised. If we are unable to achieve sufficient market acceptance or favourable pricing for such products, our path to profitability, in terms of both feasibility and timing, would be further harmed, as well as our prospects of generating sufficient cash to fund the development of our other pipeline projects.

We cannot assure you that we will ever succeed in any or all of these activities and, even if we do, we may never generate sufficient revenues to break even or achieve profitability. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of the Company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. A decline in the value of the Company also could cause you to lose all or part of your investment.

**We had negative cash flow from operating activities throughout the Track Record Period and we will likely need substantial additional funding for our drug development programmes and commercialisation efforts, which may not be available on acceptable terms, or at all.**

Our operations have consumed substantial amounts of cash since our inception. In 2017, 2018 and the three months ended 31 March 2019, we recorded negative cash flow from operating activities of RMB134.3 million, RMB52.2 million and RMB67.6 million, respectively. To date, due to our negative operating cash flow, we have needed external financing throughout our operating history, which we have financed primarily through private placements as well as related party loans. In 2017, 2018 and the three months ended 31 March 2019, we had total capital contributions from shareholders and non-controlling shareholders of subsidiary of RMB177.5 million, RMB2,638.8 million and nil, respectively. See "*History and Corporate Structure — The Pre-IPO Investments*". In the same periods, we had gross cash flows from entrusted related party loans of RMB650.0 million, RMB270.0 million and nil, respectively. See "*Financial Information — Liquidity and Capital Resources*". We have also relied on collaboration partners to provide part of the research and development funding in return for a share of the eventual profit generated from sales of the drug candidate. For example, we entered into agreements with Fosun Pharma Industrial Development and Jiangsu Wanbang, who agreed to reimburse a portion of the clinical trial expenditure for HLX01 and HLX03, respectively. In 2017, 2018 and the three months ended 31 March 2019, our total reimbursements received under these agreements amounted to RMB152.6 million, RMB282.0 million and RMB322.3 million, respectively. Upon their successful commercialisation, such partners will share a portion of the profit with us. See "*Business — Our Biosimilar Portfolio — HLX01 (for NHL)*" and "*Business — Our Biosimilar Portfolio — HLX03*" for further details.

We expect our expenses to increase significantly in connection with our ongoing activities, particularly as we advance the clinical development of our various clinical stage drug candidates, continue research and development of our pre-clinical stage drug candidates, initiate additional clinical trials of, and seek regulatory approval for, these and other future drug candidates and expand our manufacturing capability. Our future capital requirements will depend on many factors, including:

- the number and development requirements of the drug candidates we pursue;
- the scope, progress, timing, results and costs of researching and developing our drug candidates, and conducting pre-clinical and clinical trials;
- the cost, timing and outcome of regulatory review of our drug candidates;
- the cost and timing of future commercialisation activities, including product manufacturing, marketing, sales and distribution, for any of our drug candidates for which we receive regulatory approval;
- any cash received from commercial sales of any drug candidates for which we receive regulatory approval;

- our ability to establish and maintain strategic partnerships, collaboration, licensing or other arrangements and the financial terms of such agreements;
- the cost, timing and outcome of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- the extent to which we acquire or license other drug candidates and technologies; and
- our headcount growth and associated costs.

Moreover, as we obtain regulatory approval for our clinical stage drug candidates, we expect to incur significant commercialisation expenses related to product manufacturing, marketing, sales and distribution. In particular, the costs required for the manufacture of any drug candidate that receives regulatory approval may be substantial as we would have to undertake substantial expansion plans for our manufacturing facilities. Our current manufacturing expansion plans will require substantial capital investments, which we intend to finance primarily through additional bank loans and cash generated from operations. However, financing may be unavailable in amounts or on terms acceptable to us. If we are unable to raise capital when needed or on acceptable terms, we could incur losses and be forced to delay, reduce or terminate our research and development programmes or any future commercialisation efforts, which could have a material adverse effect on our business, financial condition and results of operations. Furthermore, the sale of additional equity or equity-linked securities could result in dilution to the Shares held by our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants restricting our operations or our ability to pay dividends, which in turn could have a material adverse effect on our business, financial condition and results of operations.

**We had substantial indebtedness and net current liabilities and net liabilities at certain points during the Track Record Period, and may continue to incur significant debt going forward.**

We had net current liabilities of RMB978.8 million as at 31 December 2017, primarily due to entrusted loans from related parties of RMB575.0 million as at the same date. Such entrusted related party loans were provided by the Controlling Shareholder at an effective interest rate ranging from 10.0% to 12.0%, maturing in one year. These loans, along with payables incurred in connection with the Taiwan Henlius Acquisition (see "*History and Corporate Structure — History — Acquisition of the Remaining Interest in Taiwan Henlius*" for further details) also contributed to our net liabilities position of RMB76.0 million as at 31 December 2017. We obtained third party loans in 2018, including a RMB320 million facility from the Bank of Shanghai, which we drew down primarily to repay our entrusted related party loans. In addition to this loan, we had other third party bank and other loans of RMB493.5 million in aggregate as at 31 March 2019. We have relied on our related party and third party loans primarily for our ongoing financing needs as we have only recently begun generating revenue from product sales. As at 31 July 2019, we had net current liabilities of RMB219.3 million, primarily due to expenses incurred for the Songjiang Facility, as well as an increase in interest-bearing bank and other borrowings.

A large balance of indebtedness, whether from banks or related parties, may require that we devote our financial resources to servicing such debt rather than funding our operating activities and investments in research and development, which constrains our capital flexibility and may in turn adversely affect our drug development timetable. It may also be a challenge for us to service our interest and principal repayments in a timely manner or at all, which could trigger cross-defaults with other debt, as applicable, as well as limit our ability to obtain further debt financing. Given our historical reliance on external financing, such developments could have a material adverse effect on our business, financial condition and results of operations.

**We have only recently begun commercialising our drug candidates, which may make it difficult to evaluate our future prospects.**

We were founded in 2010 and have just commenced commercial sales of our first product HLX01 (漢利康) in May 2019. Except for the commercialisation of HLX01 (漢利康), our operations have been limited to developing and undertaking pre-clinical studies and clinical trials of our drug candidates. Accordingly, our operating history, in particular period-to-period comparisons of our historical results of operations, may not be a reliable indicator of our future performance or serve as an adequate basis for evaluating our business prospects and financial performance. Similarly, our results of operations in some reporting periods may fall below market expectations, or experience significant fluctuations from period to period or within certain periods. Even if we are able to bring more products to market, we may not be able to expand our business and capture market share, maintain our competitive position, satisfy our contractual obligations, or sustain growth and profitability. As a result, any predictions about our future success or viability may not be as accurate as they could be if we had a history of successfully commercialising our products.

**We have a large balance of intangible assets and we may incur significant impairment charges which could materially impact our financial position.**

Our intangible assets primarily consist of research and development costs and non-patent technologies. Our intangible assets amounted to RMB772.1 million, RMB1,382.6 million and RMB1,507.4 million as at 31 December 2017 and 2018 and 31 March 2019, respectively, and were the largest component of our assets as at each such date. See note 15 to the Accountants' Report in Appendix I in this prospectus for a breakdown of our intangible assets as at the end of each financial period during the Track Record Period. We measure intangible assets initially at cost and subsequently apply any accumulated amortisation and impairment losses as they arise in regular testing. See "*Financial Information — Critical Accounting Policies and Estimates*" for further details. While we did not recognise substantial impairment loss for intangible assets during the Track Record Period, we cannot assure you that there will be no such charges in the future. In particular, the failure to generate financial results commensurate with our intangible assets estimates may adversely affect the recoverability of such intangible assets, and in turn result in impairment losses. As we carry a substantial balance of intangible assets, any significant impairment losses charged against our intangible assets could have a material adverse effect on our business, financial condition and results of operations.

## RISKS RELATING TO THE DEVELOPMENT, CLINICAL TRIALS AND REGULATORY APPROVAL OF OUR DRUG CANDIDATES

**We may not achieve favourable results for our product candidates in clinical trials, and cannot give any assurance that any of our drug candidates currently in development will receive regulatory approval, which could hinder or halt their development. Following regulatory approval, if any, we may not be able to successfully commercialise such drug candidates or may experience significant delays in doing so.**

Many of our drug candidates are currently in development. Our ability to generate revenue is dependent on obtaining regulatory approval for and successfully commercialising such drug candidates, which may never occur. The process to develop, obtain regulatory approval for and commercialise drug candidates is long, complex and costly, with no assured outcome. Since our inception, we have commercialised only one product, HLX01 (漢利康), and we cannot assure you that we will be able to generate substantial revenue from the commercial sales of HLX01 (漢利康). In addition, we cannot assure you that we will be able to obtain approval for any of our other drug candidates, or that any of such drug candidates will be successfully commercialised if we receive regulatory approval.

In China, where most of our drug candidate development activities are located, we must first obtain regulatory approval from the NMPA before we can proceed to commercialise our drug candidates. Similarly, we cannot commercialise drug candidates in the United States, the European Union or other jurisdictions outside of China without obtaining regulatory approval from the FDA, EMA or other relevant foreign regulatory authorities. Regulatory authorities, such as the NMPA, FDA and EMA, impose comprehensive and stringent review procedures in respect to drug candidates and activities associated with their development and commercialisation, including, but not limited to, design, testing, manufacturing process, safety, efficacy, quality control and assurance, recordkeeping, labelling, packaging, storage, approval, advertising, promotion, sale, distribution, import and export. The process of obtaining regulatory approvals in China, the United States, Europe and other countries is expensive, may take many years especially if additional clinical trials are required and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the drug candidates involved. To date, we have received NDA approval, which is required for us to commence commercialisation, for only one product, HLX01 (漢利康), and have only filed for NDA approval for two other drug candidates. Even if we are able to file NDAs for our other drug candidates, our drug candidates could be delayed in receiving, or fail to receive, regulatory approval for many reasons, including the following:

- disagreement with the NMPA, FDA, EMA or comparable regulatory authorities regarding the design, size, conduct or implementation of our clinical trials;

- failure to demonstrate to the satisfaction of the NMPA, FDA, EMA or comparable regulatory authorities that a drug candidate is safe and effective for its proposed indication;

- failure of contract research organisations ("**CROs**"), clinical study sites or investigators to comply with the good clinical practice ("**GCP**") requirements imposed by the NMPA, FDA, EMA or comparable regulatory authorities;

- failure of the clinical trial results to meet the level of statistical significance required by the NMPA, FDA, EMA or comparable regulatory authorities for approval;

- failure to demonstrate that a drug candidate's clinical and other benefits outweigh its safety risks;

- the NMPA, FDA, EMA or comparable regulatory authorities disagreeing with our interpretation of data from pre-clinical studies or clinical trials;

- insufficient data collected from clinical trials to support the submission of a new drug application or other submission or to obtain regulatory approval in China, the U.S. or elsewhere;

- the NMPA, FDA, EMA or comparable regulatory authorities not approving the manufacturing processes for our clinical and commercial supplies;

- changes in the approval policies or regulations of the NMPA, FDA, EMA or comparable regulatory authorities rendering our clinical data insufficient for approval;

- the NMPA, FDA, EMA or comparable regulatory authorities restricting the use of our products to a narrow population; and

- our CROs, principal investigators ("**PIs**"), hospitals or licensors taking actions that materially and adversely impact the clinical trials.

Any unfavourable occurrences in respect of the above, such as findings that our product candidates are potentially unsafe for human use, that data is inadequate to support a conclusion of effective treatment, or that there are any other characteristics that may preclude regulatory approval or prevent or limit commercial use, would present significant obstacles towards such ends or require us to cease any further development of such products. Moreover, given the lengthy approval process, any changes in regulatory approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted NDA, pre-market approval or equivalent application type, may also cause delays in the approval or rejection of an application. We would face significant difficulty recovering the time and cost invested in such development, if at all, which could harm our financial prospects as well as our industry reputation among business partners, potential customers and prospective talents.

In addition, clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions, and obtaining regulatory approval in one jurisdiction does not mean that regulatory approval will be obtained, or will be more likely to be obtained, in any other jurisdiction. Approval processes vary among countries and can involve additional product testing and validation and additional administrative review periods. As a result, regardless of whether our drug candidates have successfully completed clinical trials, we cannot assure you that such success can be replicated in any other jurisdiction where we seek to commercialise such drug products. In addition, assuming that our clinical stage drug candidates are approved and commercialised, any safety issues, product recalls or other incidents related to drugs approved and marketed in one jurisdiction may adversely impact approval of those drugs by the relevant regulators in other jurisdictions. If we are unable to obtain regulatory approval for our clinical stage drug candidates in one or more jurisdictions, or any approval contains significant limitations, or are imposed on certain drug candidates, we may not be able to obtain sufficient funding or generate sufficient revenue to continue the development of our drug candidates or any other drug candidate that we may in-license, acquire or develop in the future.

Furthermore, even if we were to obtain regulatory approval of any clinical stage drug candidates, regulatory authorities may revoke approval, approve any of our drug candidates for fewer or more limited indications than we request, may grant approval contingent on the performance of post-marketing clinical trials, or may approve a drug candidate with a label narrower than what we desire. The NMPA, FDA, EMA and comparable authorities in other jurisdictions have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional pre-clinical, clinical or other studies. Any of the foregoing scenarios could materially harm the commercial prospects for our drug candidates.

Following the regulatory approval process, the commercial success of the products and technologies we develop will depend upon the acceptance of these products by treatment providers and treatment recipients. Given that we just commenced commercial sales of one product, we cannot assure you that any of our product or drug candidates will be commercially successful. If any of our product or drug candidate does not achieve adequate acceptance in the market, we may ultimately have to abandon our commercialisation efforts despite the substantial time and resources already invested in respect of research, development, marketing, sales and other expenses associated with such drug, which would close off the potential revenue stream from such product and render us unable to generate profits or recover such investments. We may also undertake post-clinical trials for our products after we have brought them to market. If our future clinical studies fail to support the functionality or efficacy of our current or future products, our sales may be materially and adversely affected. Future clinical studies sponsored by third parties regarding our existing products or any competing products may be published that either support a claim, or are perceived to support a claim, that a competitor's product is clinically more effective or easier to use than our products or that our products are not as effective or easy to use as we claim.

We cannot assure you that any of our drug candidates will successfully progress through the drug development process or become a commercially viable drug and any such failure could have a material adverse effect on our business, prospects, financial condition and results of operations.

**Clinical development involves a lengthy and expensive process with no assured outcome.**

Clinical trials are expensive and difficult to design and implement and can take many years to complete. While our clinical trial expenses for products in development are largely capitalised in accordance with our accounting policies, expenditure on clinical trials constituted the largest component of our overall R&D expenditure (representing both capitalised and expensed R&D costs and expenses) during the Track Record Period. Our R&D expenditure on clinical trials amounted to RMB248.9 million, RMB426.3 million and RMB80.4 million in 2017, 2018 and the three months ended 31 March 2019, respectively.

Commencement of a clinical trial is subject to finalising trial design based on ongoing discussions with the NMPA, FDA, EMA and/or other regulatory authorities. Successful completion of our clinical trials is a prerequisite to receiving NDA or similar approvals from the NMPA, FDA, EMA and/or other regulatory authorities for each drug candidate and, consequently, the ultimate commercialisation of our drug candidates. We cannot assure you as to when the clinical trials for our drug candidates which have not yet commenced pre-clinical or clinical trials will begin, if at all. During the course of the drug development and clinical trial process, our drug candidates may fail for a variety of reasons. In particular, our drug candidates may not:

- be accepted by regulators as bioequivalent to the original biologics;
- offer enhanced therapeutic or other medical benefits over existing drugs or other product candidates in development to treat the same patient population;
- be proven to be safe and effective in current and future pre-clinical studies or clinical trials;
- be free from undesirable or unexpected effects;
- meet applicable regulatory standards; and
- be capable of being formulated and manufactured in commercially suitable quantities and at an acceptable cost.

In addition, the NMPA, FDA, EMA or other regulatory authorities may disagree with our clinical trial design or our interpretation of data from clinical trials, change their position on the acceptability of trial designs or clinical endpoints, or may change the requirements for approval even after it has reviewed and commented on the design for our clinical trials, in which case we may have difficulty adjusting our trials to comply with new developments that we did not initially expect, and which in any case could result in delays to the overall regulatory approval process.

Furthermore, with respect to biosimilars, drug developers are not required under PRC regulations to complete prior phases of clinical trials before commencing subsequent phases. Once the developer receives IND approval for a particular indication, the developer may, at its own discretion, choose to

commence later trials, such as Phase 3 or Phase 1b, without completing the Phase 1 clinical trial. In our R&D activities, we commenced our Phase 3 clinical trial for HLX03 before completing the Phase 1 clinical trial. As later phase clinical trials are significantly more expensive than trials for earlier phases, we may expose ourselves to considerable risk through this practice. In particular, if the eventual findings of an earlier clinical trial phase are unfavourable to justify further development of the relevant drug, we would be unable to recover both the costs of the earlier phases as well as the substantially greater costs of later phases that were already underway. Any such developments could result in a material adverse effect on our business, financial condition and results of operations.

**We may encounter various delays in the clinical development and regulatory approval process, which may result in delays in, or suspension of, the commercialisation of our drug candidates.**

We may experience delays in completing our pre-clinical or clinical trials, and numerous unforeseen events could arise during, or as a result of, future clinical trials, which could delay or prevent us from receiving regulatory approval, including:

- regulators, institutional review boards ("**IRBs**") or ethics committees may not authorise us or our investigators to commence or conduct a clinical trial at a prospective trial site;

- we may experience delays in reaching, or may fail to reach, agreement on acceptable terms with prospective trial sites, CROs, PIs or hospitals who conduct clinical trials on our behalf, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs, trial sites, PIs and hospitals;

- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or we may decide to abandon drug development programmes;

- the number of subjects required for clinical trials of our drug candidates may be larger than we anticipate, enrolment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials or fail to return for post-treatment follow-up at a higher rate than we anticipate;

- third-party contractors used in our clinical trials may fail to comply with regulatory requirements or meet their contractual obligations in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the trial, which may require that we add new clinical trial sites or investigators;

- the ability to conduct a companion diagnostic test to identify subjects who are likely to benefit from our drug candidates;

- we may elect to, or regulators, institutional review boards or ethics committees may require that we suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements or a finding that participants are being exposed to unacceptable health risks;

- the cost of clinical trials of our drug candidates may be greater than we anticipate;
- the supply or quality of our drug candidates or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate; and
- our drug candidates may have undesirable side effects or unexpected characteristics, causing us or our investigators, regulators, IRBs or ethics committees to suspend or terminate the trials, or reports may arise from pre-clinical testing or clinical trials of other drugs or therapies that raise safety or efficacy concerns about our drug candidates.

In addition, once clinical trials begin, we could encounter regulatory delays if such trial is suspended or terminated by us or, as applicable, the IRBs or ethics committee of the institutions in which such trials are being conducted, by the data safety monitoring board, which is an independent group of experts that is formed to monitor clinical trials while ongoing, or by the NMPA, FDA, EMA or other regulatory authorities. Such authorities, or we in our own judgement, may impose a delay, suspension or termination of our trials due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or the applicable clinical protocols;
- inspection of the clinical trial operations or trial site by the NMPA, FDA or other regulatory authorities that results in the imposition of a clinical hold;
- unforeseen safety issues or adverse side effects;
- failure to demonstrate a benefit from using a drug;
- changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial;
- our inability to obtain sufficient funds required for a clinical trial;
- regulatory requests for additional analyses, reports, data, pre-clinical studies and clinical trials;
- regulatory questions regarding interpretations of data and results and the emergence of new information regarding our drug candidates or other products;
- clinical holds, other regulatory objections to commencing or continuing a clinical trial or the inability to obtain regulatory approval to commence a clinical trial in jurisdictions that require such approvals;
- failure to reach agreement with the NMPA, FDA, EMA or other regulators regarding the scope or design of our clinical trials;

- delay or failure in obtaining authorisation to commence a trial or inability to comply with conditions imposed by a regulatory authority regarding the scope or design of a clinical trial;

- our inability to enrol a sufficient number of subjects who meet the inclusion and exclusion criteria in a clinical trial;

- clinical sites and investigators deviating from trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial;

- withdrawal of clinical trial sites from our clinical trials as a result of changing standards of care or the ineligibility of a site to participate in our clinical trials;

- inability to identify and maintain a sufficient number of trial sites, many of which may already be engaged in other clinical trial programmes, including some that may be for the same indication;

- failure of our third-party clinical trial managers to satisfy their contractual duties or meet expected deadlines;

- delay or failure in adding new clinical trial sites;

- ambiguous or negative interim results, or results that are inconsistent with earlier results;

- unfavourable or inconclusive results of clinical trials and supportive pre-clinical studies, including unfavourable results regarding effectiveness of drug candidates during clinical trials;

- feedback from the NMPA, FDA, EMA, an IRB, data safety monitoring boards, or comparable entities, or results from earlier stage or concurrent pre-clinical studies and clinical trials, that might require modification to the protocol;

- unacceptable risk-benefit profile or unforeseen safety issues or adverse side effects;

- our inability to reach agreements on acceptable terms with prospective CROs, PIs, hospitals or trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different parties;

- our inability to obtain approval from IRBs or ethics committees to conduct clinical trials at their respective sites;

- difficulty obtaining sufficient quantities of supplies from third parties in a timely manner; and

- difficulty in maintaining contact with subjects after treatment, resulting in incomplete data.

Our drug development costs will also increase if we experience delays in testing or regulatory approvals, and we may run out of funding before a trial is complete, which could result in us having to delay or suspend the trial until sufficient funding is procured, or we would have to abandon developing of the drug candidate completely. We do not know whether any of our clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant pre-clinical study or clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to successfully commercialise our drug candidates. Any of the above negative developments could have a material adverse effect on our business, financial condition and results of operations.

**We intend to develop a number of combination therapies involving one or more of our product candidates in conjunction with each other or with other therapeutics. If we are unable to successfully develop the combination therapies or component drug candidates to be used in such combination therapies, or if safety, efficacy, manufacturing, supply or regulatory approval issues arise with any combination therapy or therapeutic that we use in combination with our drug candidates, we may be unable to obtain approval for or commercialise our combination therapies, or such therapies may experience significant regulatory delays or supply shortages.**

We plan to develop certain of our drug candidates for use in combination therapy in conjunction with other pipeline products or with drugs or treatments developed and sold by third parties. We are preparing for Phase 3 clinical trials for the nsNSCLC indication, and Phase 2 clinical trials for the HCC indication of HLX04 + HLX10 combination therapy, our IND application for our HLX07 + HLX10 combination therapy has been accepted by the NMPA and we are conducting Phase 3 clinical trials for the mESCC and sqNSCLC indications, and expect to commence a Phase 3 clinical trial for the SCLC indication of our HLX10 + Chemo combination therapy. We intend to also explore further combination therapy possibilities, and accordingly plan to allocate a significant portion of the expected net proceeds from the Global Offering to financing their research and development. See "*Future Plans and Use of Proceeds*" for further details. We cannot assure you that we will be able to successfully develop them. Immuno-oncology combination therapies are a relatively recent development in the field of oncology, with limited approvals globally, none of which were in the PRC. In addition, as we are developing PD-1/PD-L1 inhibitors such as HLX10 as the backbone for such therapies, the successful development of such therapies will depend in part on successfully developing the backbone inhibitor itself. As at the Latest Practicable Date, we had commenced a Phase 2 clinical trial for HLX10, our PD-1 inhibitor candidate, and a Phase 1 clinical trial for HLX20, our PD-L1 inhibitor candidate. As these drug candidates are still in the early stages of development, it may be several years before we are able to ascertain whether HLX10 and HLX20, and the combination therapies utilising them, have a promising likelihood of successful development and commercialisation. If we are unable to successfully develop or commercialise the backbone inhibitors or the combination therapies, we may be unable to recover the substantial investments made.

Moreover, our therapies under development also include administering our drugs together with third party therapeutics as part of the standard of care therapy, such as the chemotherapy agents used in conjunction with rituximab for the treatment of NHL. As such therapeutics are not developed or produced by us, any adverse regulatory developments involving such therapeutics is beyond our control. In particular, if the NMPA, FDA, EMA or another regulatory agency revokes its approval of any third party therapeutic that we use in combination with our drug candidates, we will not be able

to market our drug candidates in combination with such revoked therapeutic. Similarly, if safety or efficacy concerns arise with these or other therapeutics that we seek to combine with our drug candidates in the future, we may experience significant delays or even termination of the regulatory approval process with respect to our own drug candidates, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of any third party therapeutics, we may not be able to complete clinical development of our associated drug candidates in a timely manner or at all.

Any of the above adverse developments could result in us being unable to successfully develop or commercialise our combination therapy candidates in a timely manner or at all, which in turn would have a material adverse effect on our business, financial condition and results of operations.

**Successful results in earlier studies in the clinical development process may not be predictive of future trial results.**

Even if our drug candidates demonstrate favourable results in pre-clinical studies and clinical trials, we cannot assure you that the results of late-stage clinical trials will be favourable enough to support the continued development of our product candidates. In addition, the outcomes of pre-clinical development testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Pre-clinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their drug candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain regulatory approval of their drug candidates. We cannot assure you that any of our drug candidates, some of which have achieved favourable early stage pre-clinical and clinical trial results, will achieve similar success in later clinical trial stages or in post-clinical trials.

A number of companies in the pharmaceutical industry have experienced significant delays, setbacks and failures in all stages of development, including late-stage clinical trials, even after achieving promising results in pre-clinical testing or early-stage clinical trials. Accordingly, results from completed pre-clinical studies and early-stage clinical trials of our product candidates may not be indicative of the results that we may obtain in later stage trials, where such drugs may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials with favourable outcomes. Such variability in safety and/or efficacy results may be caused by numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. Results may also differ from earlier trials due to the larger number of clinical trial sites and potentially different countries and populations involved in such trials.

Furthermore, even if the data collected from pre-clinical studies and clinical trials involving one of our drug candidates demonstrate a satisfactory safety and efficacy profile, such results may not be sufficient to support a conclusion of receiving regulatory approval from the NMPA, FDA, EMA or other comparable regulatory agencies in other jurisdictions required to market and distribute the drug.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that are currently contemplated, if we are unable to successfully complete clinical trials of our drug candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining regulatory approval for our drug candidates, if at all;
- ultimately obtain approval for indications or patient populations that are not as broad as intended or desired;
- be subject to post-marketing testing requirements;
- encounter difficulties in obtaining, or be unable to obtain, reimbursement for use of certain drugs;
- be subject to restrictions on the distribution and/or commercialisation of drugs; and/or
- have the drug removed from the market after obtaining regulatory approval.

Any of the above developments could result in a material adverse effect on our business, financial condition and results of operations.

**If we experience delays or difficulties in the enrolment of subjects in clinical trials, the progress of such clinical trials and our receipt of necessary regulatory approvals could be delayed or prevented.**

We may not be able to initiate or continue clinical trials for our drug candidates if we are unable to locate and enrol a sufficient number of eligible patients to participate in these trials as required by the NMPA, FDA, EMA or similar regulatory authorities. Certain diseases may have relatively low prevalence, and it may be difficult to identify a sufficient number of eligible patients. In addition, some of our drug candidate trials may require enroling patients who have failed their first or second-line treatments, which limits the total size of the subject population available for such trials. Subject enrolment may also be affected by factors such as:

- the severity of the disease under investigation;
- the total size and nature of the relevant subject population;
- the design and eligibility criteria for the clinical trial in question;
- the availability of an appropriate genomic screening test;
- the perceived risks and benefits of the drug candidate under study;
- the efforts to facilitate timely enrolment in clinical trials;

- the subjects referral practices of physicians;
- the ability to obtain and maintain patient consent;
- the availability of competing therapies also undergoing clinical trials;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective subjects.

The inability to enrol a sufficient number of subjects for our clinical trials for any of the above reasons would result in significant delays, increased drug development costs and could even require us to abandon one or more clinical trials altogether. In addition, some of our competitors have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and subjects who would otherwise be eligible for our clinical trials may instead enrol in clinical trials of our competitors' drug candidates. Any of the above could result in a material adverse effect on our business, financial condition and results of operations.

**We may not be successful in our efforts to identify, discover or license-in new drug candidates to build or maintain our product pipeline.**

We may fail to identify, discover or license-in new drug candidates for clinical development for a number of reasons. For example, with respect to identifying and discovering new drug candidates for development in-house, our research methodology may be unsuccessful in identifying potential drug candidates or those we identify may be shown to have harmful side effects or other characteristics that make them unmarketable or unlikely to receive regulatory approval. Research programmes to pursue the development of our drug candidates for additional indications and to identify new drug candidates and disease targets require substantial technical, financial and human resources whether or not we ultimately are successful. We also license-in promising drug candidates to add to our pipeline. Regardless of whether we develop new drug candidates in-house or license-in, our R&D efforts may initially show promise in identifying potential indications and/or drug candidates, yet fail to yield results for clinical development for a number of reasons, including:

- potential drug candidates may, after further study, be shown to have harmful adverse effects or other characteristics that indicate they are unlikely to be effective drugs; or
- it may take greater human and financial resources to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal research programmes than we will possess, thereby limiting our ability to diversify and expand our drug portfolio.

Accordingly, there can be no assurance that we will ever be able to identify additional therapeutic opportunities for our drug candidates, develop suitable potential drug candidates through internal research programmes, or successfully license-in drug candidates, any of which could materially adversely affect our future growth and prospects. We may focus our efforts and resources on potential drug candidates or other potential programmes that ultimately prove to be unsuccessful.

**We may not be able to successfully license-in new drug candidates, or license-out our existing drug candidates.**

From time to time, we may seek to license-in or license-out drug candidates. We license-in promising drug candidates to expand our existing portfolio. For example, we licensed-in HLX22 from AbClon and HLX55 from Kolltan. We cannot assure you that if we decide to license-in other drug candidates in the future, we will be successful in identifying favourable candidates or that the prospective licensor would agree to license such products to us at favourable commercial terms or at all. Even if we are able to license-in the drug candidates that we target, we cannot assure you that the product will be successfully commercialised.

Conversely, we may license-out our existing drug candidates to other drug developers in line with our drug development strategy and to generate revenue and cash flow from licensing fees and royalties. For example, we licensed-out the development and commercialisation in China of HLX05, an Erbitux biosimilar, in August 2016 to Shanghai Jingze. We cannot assure you that if we decide to license-out other drug candidates in the future, we will successfully be able to do so, or that any such partner will be able to successfully develop or commercialise products licensed from us, which in turn could adversely affect the licensing fees that we may receive from such arrangement. If we are unable to successfully identify a licensee partner for a particular drug candidate and are not able to further develop such drug candidate in-house, we may not be able to recover our investment in that product.

Even after we successfully license-in or license-out drug candidates, we cannot assure you that our licensors or licensees will not breach the relevant licence agreements, whether inadvertently or otherwise. Alternatively, our licensors or licensees might conclude that we have materially breached our licence agreements. In either case, the licence agreements may be terminated, thereby removing our ability to develop and commercialise the drug products we licensed-in or generate licensing fees and royalties from the drug products we licensed out.

**We may allocate our limited resources to pursue a particular drug candidate or indication and fail to capitalise on drug candidates or indications that may later prove to be more profitable or for which there is a greater likelihood of success.**

As we have limited human and financial resources, we must limit our research and development programmes to specific drug candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalise on viable commercial drugs or profitable market opportunities. In addition, if we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements when it would have been more advantageous for us to retain sole development and commercialisation rights to such drug candidate. Such developments could have a material adverse effect on our business, financial condition and results of operations.

**Our drug candidates may cause undesirable side effects or have other properties that could delay or preclude their further development or regulatory approval or could have significant negative consequences on our ability to market and distribute our drug candidates or maintain market acceptance of such drugs if commercialised.**

As with most pharmaceutical products, the use of our drugs could be associated with side effects or adverse events. Such side effects or other adverse events may be observed at any time, including in clinical trials or after a product is commercialised. It is not uncommon in the biopharmaceutical industry for drug candidates which showed promise in early stage testing for treating cancer to have later been found to cause side effects that prevented further development of the drug candidate or resulted in significant negative consequences if the drug has already been commercialised. Moreover, because clinical trials assess a sample of the potential patient population, when such trials are conducted with a limited number of patients and duration of exposure, rare and severe side effects of our drug candidates may only be uncovered when a significantly larger number of patients become exposed to the drug candidate.

As several of our drug candidates are indicated for cancer treatment, they may cause or be associated with side effects such as fatigue, nausea and low blood cell levels, which are commonplace among oncology drugs generally, as well as encounter off-toxicity issues. However, a high and unacceptable severity and prevalence of these or other side effects arising in the course of our drug candidate clinical trials could result in us, whether voluntarily or at the determination of the NMPA, FDA, EMA or any other relevant regulator or otherwise, perform additional studies, delay or suspend clinical trials or cease further development of such drug candidate and withdraw it from any or all targeted indications.

Even if we are able to proceed with continued development of a drug candidate, we cannot assure you that we will be able to resolve any product-related adverse effects to the satisfaction of the NMPA, FDA, EMA or any other relevant regulator in a timely manner or at all. Drug-related side effects could also affect subject recruitment for clinical trials or the ability of enroled subjects to complete our current trials, or result in potential liability claims.

Additionally, even if one or more of our products or product candidates receive marketing approval, and we or others later identify undesirable side effects caused by such products, a number of potentially significant negative consequences could result, including but not limited to:

- regulatory authorities may withdraw or limit approvals of such products;
- regulatory authorities may require additional warnings, contra-indications or other restrictions on the labels of such products;
- regulatory authorities may require us to develop risk evaluation and remediation or mitigation plans, which could include a medication guide outlining the risks of such side effects for distribution to patients, a communication plan for healthcare providers, restricted distribution methods, patient registries and/or other elements to assure safe use and minimise risk;

- we may be subject to regulatory investigations and government enforcement actions;
- we may decide to remove such drug products from the marketplace;
- we could be sued and held liable for injury caused to individuals exposed to or taking our drug candidates;
- we may need to recall such products, which could be costly and result in significant negative publicity; and
- our reputation may suffer.

Furthermore, regulatory agencies may require us to cross-report certain information about adverse medical events involving our drug candidates to relevant regulators in other jurisdictions within a specified time frame. If we fail to timely comply with such reporting obligations for any reason, we could be subject to disciplinary or other actions by such regulators, including criminal liability, civil penalties, product seizure and/or delays in approval or clearance of future drug candidates.

Any of the above negative developments could prevent us from achieving or maintaining regulatory approval or market acceptance of the affected drug candidates, as well as substantially increase the costs of commercialising our drug candidates even if approved, which in turn could have a material adverse effect on our business, financial condition and results of operations.

**Immuno-oncology therapies including PD-1/PD-L1 antibodies may cause undesirable side effects which could negatively impact our ability to obtain regulatory approval.**

Immuno-oncology therapies stimulate a cancer patient's own immune system to generate or augment anti-tumour immune responses in order to kill cancer cells. Immuno-oncology therapies include checkpoint inhibitors such as PD-1/PD-L1 antibodies, cytokines, adoptive T-cell therapy and cancer vaccines. Immuno-oncology therapies are increasingly used in cancer treatment and they have shown superior efficacy and safety compared with chemotherapy with certain cancer populations. For instance, some clinical studies have shown that more serious adverse events are less likely with PD-1 and PD-L1 therapies than chemotherapy. However, immuno-oncology therapies such as PD-1/PD-L1 antibodies are still considered as emerging and relatively novel therapeutics for cancer diseases. Their mechanisms of action are yet to be thoroughly understood, and adverse events or side effects have been observed in clinical studies and reported by medical practitioners in connection with their usage in cancer patients.

For instance, it has been well-established that the binding of a PD-1 antibody to PD-1, a membrane protein, blocks the interaction of PD-1 with its cognate ligands, PD-L1 and PD-L2, and reverses the immunosuppression induced by the interaction of the PD-1 receptor with its two known ligands (PD-L1 and PD-L2). The blockade of PD-1 action, therefore, reverses immunosuppression, and can induce autoimmunity as a side effect. Studies in animals with PD-1 genetic knockout have demonstrated autoimmune phenotypes including myocarditis and a lupus-like syndrome. The human experience with PD-1 blocking antibodies is extensive and the predominant adverse events are

autoimmune as well. The recognition and therapy of these canonical adverse events have been well understood and standardised. In addition, some studies have suggested a connection between hyperprogressive disease with PD-1 antibodies. However, hyperprogressive disease remains a poorly defined syndrome that is not specific to PD-1 therapy. The syndrome has been described in retrospective, non-randomised observational trials. Hyperprogressive disease is a mode of early failure of PD-1 therapy, targeted therapies or chemotherapy and is assessed by standard clinical observation.

In the course of developing our PD-1/PD-L1 inhibitors, we aim to minimise or avoid known side effects often associated with such therapies. However, the results of clinical trials for immuno-oncology therapies including PD-1/PD-L1 antibodies could reveal a high and unacceptable severity and prevalence of undesirable side effects. For example, while we have commenced clinical trials for our HLX04 + HLX10 combination therapy candidate, and have not yet commenced clinical trials for our HLX07 + HLX10 combination therapy candidates, we anticipate that the adverse side effects may include autoimmune events associated with PD-1 inhibitors as described in the paragraph above, as well as side effects associated with the reference drugs for HLX04 and HLX07, namely epistaxis, headache, hypertension, rhinitis, proteinuria, taste alteration, dry skin, rectal haemorrhage, lacrimation disorder, pain and exfoliative dermatitis with respect to bevacizumab, and cutaneous adverse reactions, headache, diarrhea and infection with respect to cetuximab. Other adverse side effects may also be observed over the course of conducting clinical trial studies for these combination therapies. Any such side effects could adversely impact our ability to obtain regulatory approval. For example, the NMPA, EMA, FDA or other comparable authorities could order us to suspend or terminate our clinical trial studies or to cease further development of or deny approval of PD-1/PD-L1 candidates. In addition, any drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete trials or result in potential product liability claims. Any of these occurrences may have a material adverse effect on our business, financial condition and results of operations.

**We rely on third parties to conduct certain aspects of our clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialise our drug candidates and our business could be substantially harmed.**

As is common practice in our industry, we have engaged and plan to continue to engage third-party CROs, PIs and hospitals to monitor and manage data for some of our ongoing clinical programmes. We rely on these parties for execution of our clinical trials in certain respects, and do not control all aspects of their activities. Outsourcing these functions involves the risk that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated.

The staff of CROs, PIs and hospitals engaged by us are not our employees and we cannot control whether or not they devote sufficient time, resources and oversight to our ongoing clinical programmes. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, such as GCP, good laboratory practice ("**GLP**") and human and animal testing regulations, each of which may be applicable and enforced by the NMPA, FDA, EMA and/or other relevant regulatory authorities for drug candidates in development. Regulatory authorities enforce these requirements through periodic inspections of trial sponsors, investigators and trial sites, and the fact that we rely on CROs, PIs and hospitals to conduct our trials does not relieve us of our regulatory responsibilities. If we or any of our CROs, PIs or hospitals fail to comply with applicable GCP requirements, the clinical data generated in the clinical trials may be deemed unreliable and the NMPA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that such regulatory authority will determine that any of our clinical trials comply with all of their requirements, which in turn may require us to repeat such trials, which would delay the regulatory approval process. If CROs, PIs or hospitals do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialise our drug candidates. Any of the above could result in a material adverse effect on our business, financial condition and results of operations.

**If we lose our relationships with third party service providers, our drug development could be delayed.**

We rely on third-party service providers such as PIs, hospitals and CROs for some of our pre-clinical studies and clinical trials related to our drug development efforts. Replacing or introducing new third-party service providers involves additional cost and requires management's time and focus. Third-party service providers have the right to terminate their agreements with us in the event of a material breach. In addition, some of our third-party service providers have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated. Identifying, qualifying and managing performance of third-party service providers can be difficult, time-consuming and cause delays in our development programmes. In addition, there is a natural transition period when a new third-party service provider commences work and the new party may not provide the same type or level of services as the original provider. If any of our relationships with our third-party service providers are terminated, we may not be able to enter into arrangements with alternative third party service providers or to do so on commercially reasonable terms, and we may not be able to meet our desired clinical development timelines.

**Even after we obtain regulatory approval for the marketing and distribution of our product candidates, our products will continue to remain subject to regulatory scrutiny, which may result in significant additional expense, and if we fail to comply with ongoing regulatory requirements or experience any unanticipated problems with any of our drug candidates, we may be subject to penalties.**

Assuming that our drug candidates receive regulatory approval, they will remain subject to ongoing regulatory requirements with respect to production, labelling, packaging, storage, distribution, advertising, promotion, approved uses, sampling, recordkeeping, conduct of post-marketing studies and submission of safety monitoring, efficacy and other post-market information, as set forth by the NMPA, FDA, EMA and any other relevant regulatory authorities. Our manufacturing facilities, as well as the facilities of our distributors, are similarly required to comply with such regulators, including in respect of ensuring that quality control and assurance and manufacturing procedures conform to current GMP practice, though we do not intend to obtain good supply practice ("**GSP**") certification. Moreover, any new legislation addressing drug safety issues could result in increased costs to ensure compliance with ongoing regulatory requirements. Continued monitoring and compliance obligations may also require us to, from time to time, submit new or supplemental applications to obtain approval for certain changes to approved drugs or the labelling or manufacturing process, which may entail conducting post or supplemental clinical trials at our own cost in order to refresh any regulatory approvals or expand the eligible patient population for our drug indications. Accordingly, we must continue to spend significant time and resources in various areas of regulatory compliance and be subject to continual review and inspections to assess such compliance. We cannot assure you that we will be able to successfully comply with post-commercialisation drug regulations or that we will be able to do so in a cost-effective manner. Any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

**If we are unable to obtain NMPA approval for our drug candidates to be eligible as Category 1 biologics candidates, or such designation is revoked, the time and cost we incur to obtain regulatory approvals may increase.**

The NMPA approval regime for drug candidates offers a potentially expedited review and approval regime in the PRC market for domestically developed drugs registered under the Category 1 designation. The NMPA categorises domestically-manufactured innovative drug applications as Category 1 when such drug has been shown to have a new and clearly defined structure, pharmacological property and apparent clinical value and has not yet been marketed anywhere in the world. Domestically developed and manufactured innovative drugs will be attributed to Category 1 for their clinical trial applications ("**CTA**"), IND applications and NDA and, due to the favourable regulatory regime, may enjoy commercialisation advantages over non-Chinese drug developers seeking to market their products in the PRC. Our drug candidates which may receive biologics Category 1 designation include HLX06, HLX07, HLX10, HLX20 and HLX22. However, we cannot assure you that these existing drug candidates will remain eligible for biologics Category 1 designation or that future drug candidates will be eligible. Moreover, a Category 1 designation does not ensure that the relevant drug candidate will receive regulatory approval more quickly, or at all. There is also the possibility that any favourable designations received may later be revoked by the relevant authorities.

If, however, the NMPA decides to review our drug candidates under the imported drug registration pathway instead, our drug candidates will be subject to more complex and lengthier regulatory review, which could strain our resources and delay the expected timetable for commercialising such drugs. Imported drug registration applications in China may only be submitted after a drug has obtained an NDA approval and received a certificate of pharmaceutical product granted by a major foreign drug regulatory authority, such as the FDA or EMA, which we have not obtained for any of our current drug candidates.

Furthermore, given that the regulatory regime for drug applications in the PRC continues to evolve, we cannot predict whether the Category 1 designation will continue to be available to our drug candidates going forward, nor whether it will continue to be, in general, comparatively favourable to imported drug candidate applications. Any negative developments in these respects could have a material adverse effect on our business, financial condition and results of operations.

## RISKS RELATING TO THE COMMERCIALISATION OF OUR DRUG CANDIDATES

**We have only recently begun commercialising our drug product and have just started to generate revenue from product sales, and we cannot assure you that we will be able to generate substantial revenue in the future.**

We were founded in 2010, and we have just commenced commercial sales of one product, HLX01 (漢利康), in May 2019. As a result, we have only recently started to generate revenue from product sales. As at the Latest Practicable Date, we had commenced commercial manufacturing of HLX01 (漢利康) at our Xuhui Facility and had delivered finished HLX01 (漢利康) products to our commercialisation partners for sale. During the Track Record Period, we generated revenue primarily from licence rights and rendering of services. Our total revenue amounted to RMB33.9 million, RMB7.4 million and RMB0.9 million in 2017, 2018 and the three months ended 31 March 2019, respectively, which was significantly less than the revenue needed to offset our expenses. In 2018, substantially all of our revenue was attributable to our rendering of services to third parties, and we did not have any revenue from license fee income as the license fee portion of our HLX05 licensing arrangements with Shanghai Jingze, from which we had generated licence fee income in previous periods, had been completed. We may continue to have periods in the future where we generate little to no revenue from such sources. We will need to successfully bring more products to market and achieve market acceptance and commercial success with our existing and future products and drug candidates in order to generate substantial revenue from product sales, which we cannot assure you that we will be able to do.

In order to commercialise any of our drug candidates, we must first complete all requisite clinical trials and receive regulatory approval to commence production and sale. However, even after a drug candidate is eventually made available for sale, it may nonetheless fail to gain market acceptance from physicians, patients, third-party payors and others in the medical community. For example, several of our key drug candidates are designed to treat various cancers, including NHL and breast and colorectal cancer. However, current cancer treatments such as chemotherapy and radiation therapy are well

established in oncology treatment and literature, and doctors may continue to rely on these treatments to the exclusion of our drug candidates, or prefer other novel oncology drugs and treatment options to our drug candidates. Other factors which may affect the degree of market acceptance of our drug candidates, if approved for commercial sale, include, among others:

- the clinical indications for which our drug candidates are approved;
- physicians, hospitals, cancer treatment centres and patients considering our drug candidates as a safe and effective treatment;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labelling or product insert requirements of the NMPA, FDA, EMA or other relevant regulatory authorities;
- limitations or warnings contained in the labelling approved by the NMPA, FDA, EMA or other relevant regulatory authorities;
- the timing of market introduction of our drug candidates as well as competitor drugs;
- the cost of treatment in relation to alternative treatments;
- the amount of upfront costs or training required for physicians to administer our drug candidates;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third party payors and government authorities;
- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts.

If our products fail to achieve market acceptance among physicians, patients, hospitals, cancer treatment centres or others in the medical community, we will not be able to generate significant revenue, in which case we may not be able to achieve a profit on such products or even be able to offset our cumulative investment costs in such products. Moreover, even if our products achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favourably received than our products, are more cost effective or render our products obsolete. Any of the above negative developments could have a material adverse effect on our business, financial condition and results of operations.

**The market opportunities for our drug candidates may be smaller than we anticipate, which could render some drug candidates ultimately unprofitable even if commercialised.**

We estimate the incidence and prevalence of target patient populations for particular diseases based on various third-party sources, such as scientific literature, surveys of clinics, patient foundations or market research, as well as internally generated analysis, and we use such estimates in making decisions regarding our drug development strategy, including determining which candidates to focus our limited resources on in pre-clinical or clinical trials. These estimates may be inaccurate or based on imprecise data. The total addressable market opportunity will depend on, among other things, acceptance of the drug by the medical community and patient access, drug pricing and reimbursement. The number of patients in the addressable markets may turn out to be lower than expected, patients may not be amenable to treatment with our drugs, or new patients may become increasingly difficult to identify or access.

Furthermore, new studies may change the estimated incidence or prevalence of these cancers and auto-immune diseases, and the number of addressable patients for our drug candidates in any case may turn out to be lower than expected. In such cases, even if we obtain significant market share for our drug candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications. Any of the above unfavourable developments could have a material adverse effect on our business, financial condition and results of operations.

**Insurance coverage and reimbursement may be limited or unavailable in certain market segments for our drug candidates, which could make it difficult for us to sell our drug candidates profitably.**

Successful sales of our product and drug candidates, if approved, depend on the availability of adequate coverage and reimbursement from third-party payors. Patients who are provided medical treatment for their conditions often rely on third-party payors to reimburse all or part of the costs associated with their treatment. Adequate coverage and reimbursement from government healthcare programmes and/or private commercial payors are critical to new drug acceptance. Government authorities and third-party payors, such as private health insurers and health maintenance organisations, decide which drugs and treatments they will cover and the amount of reimbursement. They may also request price concessions from the drug developer in exchange for market access and eligibility for reimbursement. Coverage and reimbursement by a third-party payor may depend upon a number of factors, including the third-party payor's determination that use of a drug is:

- a covered benefit under its health plan;
- safe, effective and medically necessary;
- appropriate for the specific patient;
- cost-effective; and
- neither experimental nor investigational.

The regulations that govern pricing and reimbursement for pharmaceuticals vary widely from country to country. In China, the Ministry of Human Resources and Social Security of the PRC or provincial or local human resources and social security authorities, together with other government authorities, regularly review the inclusion or removal of drugs from the PRC's National Drug Catalogue for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, the NRDL or provincial or local medical insurance catalogues for the National Medical Insurance Programme, as well as the tier under which a drug will be classified, which together contribute to determining the amounts reimbursable to programme participants for their purchases of those drugs. These determinations are made based on a number of factors, including price and efficacy.

In 2017, the Ministry of Human Resources and Social Security of the PRC added 36 drugs to the NRDL. Another 17 oncology-focused drugs were added to the NRDL in 2018. This reflects an emphasis by the PRC government on innovative drugs and drugs that treat cancer and other serious diseases. For instance, most of the biologics products approved in China between 2008 and the first half of 2016 have been included in the NRDL or its candidate list. Products included in the NRDL are typically generic and essential drugs. New, innovative drugs like our current bio-innovative drug candidates have historically been more limited on their inclusion in the NRDL due to their initial higher price point and the limited affordability of the PRC government's Basic Medical Insurance. While the updated NRDL expanded the scope of coverage of innovative drugs, there remains a significant gap between the latest drugs available for complex indications and what the government's Basic Medical Insurance will cover. Aside from HLX01 (漢利康), we cannot assure you that any of our future approved drug candidates will be included in the NRDL and the market acceptance and sales of any of our future approved drug candidates may be materially and adversely affected if they are not included in the NRDL.

**Our drugs may be subject to regulatory price controls or medical insurance reimbursement caps, which may reduce the commercial availability of our drugs and our profitability.**

The regulations that govern regulatory approvals, pricing and reimbursement for new drugs vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed, and the pricing review period may not begin until after marketing or licensing approval is granted. In some markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. There may be significant delays in obtaining reimbursement for approved product drugs, and coverage may be more limited than the purposes for which the drug is approved by the NMPA, FDA, EMA or other regulatory authorities. As a result, even if we obtain regulatory approval for a drug candidate in a particular country, we may still be subject to price regulations that delay our commercial launch of the drug and negatively impact the revenues we are able to generate from the sale of the drug in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more drug candidates, even if our drug candidates obtain regulatory approval.

Our ability to generate substantial revenue from our product or successfully commercialise any drug candidate also will depend in part on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities, private health insurers and other organisations. Government authorities and third-party payors, such as private health insurers and health maintenance organisations, decide which medications they will pay for and

establish reimbursement levels. However, they may attempt to control costs by limiting coverage and the amount of reimbursement for particular medications, requesting that the drug companies provide discounts from list prices or challenging them on such prices. We cannot assure you that, aside from HLX01 (漢利康), reimbursement will be available for any future drug candidates that we commercialise and, if available, what the level of reimbursement will be. The availability and extent of reimbursement may impact the demand for, or the price of, any future drug candidates for which we obtain regulatory approval. Payment rates may vary according to the use of the drug and the clinical setting in which it is used. For example, our drugs candidates will need to be administered under the supervision of a specialist, such as an oncologist, and thus may be more difficult to obtain full reimbursement for. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialise any future drug candidate that we successfully develop. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs and expenses invested in such drug, including research, development, manufacturing, marketing, distribution and sale.

As the PRC is the primary market for HLX01 (漢利康) and the future drug candidates that we expect to commercialise, the laws and regulations of the PRC with respect to insurance reimbursement caps on pharmaceuticals are particularly important to us. See "*Regulatory Overview — Reimbursement Under the National Medical Insurance Programme*". Such policies may limit the prices that hospitals, clinics and other medical practitioners can charge for our products, which in turn would limit the prices that we can charge them and adversely affect our profitability. We will need to monitor the pricing policies of hospitals and other affected market participants and adjust our own pricing policy where appropriate in order to balance the competitiveness of our products with our profitability. As the PRC healthcare system as a whole has undergone continuous reform in recent years in respect of insurance coverage, access to medical products and services, and the role of the private sector in drug development, we cannot predict if or when the PRC government will change the retail price ceilings in the future, if additional pharmaceutical products may become subject to price controls and/or more stringent insurance reimbursement limits. Any negative developments in respect of the above could have a material adverse effect on our business, financial condition and results of operations.

**We have limited experience in manufacturing our drug candidates on a large commercial scale, which is a highly exacting and complex process.**

In 2016, we completed the construction of our Xuhui Facility with six 2,000L single-use bioreactors and four 500L single-use bioreactors, which we use to support clinical and commercial production of our products and drug candidates. We are currently constructing our Songjiang Facility. However, as we just recently began commercial manufacturing of our first product, HLX01 (漢利康), we have limited experience in large-scale production of our drugs for commercial use. Moreover, the manufacture of biologics is a highly exacting and complex process, due in part to strict regulatory requirements. If problems arise in the course of producing a batch of product, that batch may need to be discarded, which would result in additional expenses and may also lead to product shortages. If problems are not discovered before the product reaches the market, recall and product liability costs may also be incurred.

In the course of production, we may also face various other challenges such as, but not limited to:

- longer than expected lead up times to commence or ramp up production;
- failure to obtain sufficient work orders to efficiently utilise the full manufacturing capacity of the facility;
- supply shortages that prevent us from scaling up production;
- excess supplies that may expire and be written off; and
- low success rate of manufacturing products that meet regulatory requirements or our quality standards.

We cannot assure you that we will be able to resolve such issues if they arise in a cost-effective and timely manner.

In addition, the NMPA and other regulatory authorities require that our drug candidates and products be manufactured according to GMP standards, which we may not be able to achieve or maintain, in which case such regulators may issue a warning against us, withdraw approvals for drug candidates previously granted to us, or take other regulatory or legal action, including recall or seizure, total or partial suspension of production, suspension of ongoing clinical trials, refusal to approve pending applications or supplemental applications, halting of production and distribution, refusal to permit the import or export of products or imposing civil and criminal penalties. Such regulators may also withdraw approvals if unexpected problems occur with our drug candidates, including adverse events of unanticipated severity or frequency and side effects, which may lead to revisions to the approved labelling to add additional safety information, imposition of additional clinical studies to evaluate safety risks and/or other restrictions.

Furthermore, because of the complex nature of our products and drug candidates, we may not be able to manufacture them at a cost or in quantities or in a timely manner necessary to make commercially successful products. In addition, as our drug development pipeline increases and matures, we will have a greater need for clinical study and commercial manufacturing capacity. Any negative developments in respect of the above could have a material adverse effect on our business, financial condition and results of operations.

**We have limited direct experience in commercialising our drug candidates. If we are unable to establish marketing and sales capabilities through entering into agreements with third parties to market and sell our products and drug candidates or successfully building up our own in-house sales and marketing team, we may not be able to generate sales revenue through direct sales.**

As we have just commenced commercial sales of one product, HLX01 (漢利康), we do not have a proven track record of successfully marketing or selling our products. We are initially relying on a limited number of regional marketing and distribution partners to supply our drugs to specialist clinics, hospitals, pharmacies and other medical providers. For example, we have entered into an agreement with Fosun Pharma Industrial Development to commercialise HLX01 (漢利康) in China. See "*Business—Our Biosimilar Portfolio—HLX01 (for NHL)*" for further details. We cannot assure you that we will be able to maintain good relationships with such partners. Adverse developments in such partnerships include, but are not limited to, the following:

- our partners may underperform or fail in their obligations to market and sell our products;
- our partners may fail to pay us for successful sales on a timely basis;
- our partners may choose to distribute competing products, whether or not in violation of any exclusivity arrangements;
- our partners may negotiate lower pricing or less favourable payment terms;
- we may not be able to renew partnerships or terms on a commercially favourable basis or at all;
- we may not be able to replace an underperforming partner easily or at all;
- some of the more capable partners may not work with us due to exclusivity arrangements with other companies;
- some partners may lose their capabilities in certain geographic regions, which could reduce the scope of our marketing and distribution network;
- distributors may purchase our products based on their own estimates and forecasts, which we cannot control and may have limited visibility on, and may materially reduce their orders without any notice to us; and
- we have limited ability to manage the activities of our partners, and our reputation, sales and business prospects may be adversely affected by actions taken by them, whether in violation of our contracts with them or otherwise.

We also intend to expand our in-house marketing and sales force, which will require significant capital expenditure, training resources, management oversight and time commitments. We will have to compete with other companies in the biologics and pharmaceutical industry generally to recruit, hire, train and retain talented marketing and sales personnel, which we may not be able to achieve or maintain, particularly given that many players in such industry have substantially greater resources and brand recognition than us. As we grow our operations, we also intend to market and sell our products globally. However, given our limited sales and marketing experience, as we have commercially launched only one product to date, as well as the considerable resources needed to establish an international sales network, our plan to expand our global presence may not be successful.As a result, whether we decide to commercialise and sell our products and drug candidates ourselves or rely on third parties, we cannot assure you that we will be able to do so successfully, and any failure in these respects could have a material adverse effect on our business, financial condition and results of operations.

## RISKS RELATING TO INTELLECTUAL PROPERTY

**We are developing a number of biosimilar product candidates and may be subject to intellectual property infringement or misappropriation claims or other legal challenges, which could cause us to incur significant expenses, pay substantial damages and delay or prevent us from selling our biosimilar products.**

Our success depends, in part, upon our intellectual property, drug candidates and operations not infringing, misappropriating or violating intellectual property rights owned by others and being able to resolve claims of intellectual property infringement and/or misappropriation expeditiously without major financial expenditures or adverse consequences. Many pharmaceutical companies, including the ones that developed the reference drugs for which we are developing biosimilars, have developed worldwide patent portfolios of varying sizes and breadth. Many patents may cover a marketed product, including but not limited to the composition of the product, methods of use, formulations, cell line constructions, vectors, growth media, production processes and purification processes. Not all such patents have expired globally, including potentially in the jurisdictions where we are developing and intend to commercialise our biosimilar drug candidates. Third parties may submit applications for patent term extensions in jurisdictions where extensions are available seeking to extend certain patent protection which, if approved, may interfere with or delay the launch of one or more of our biosimilar products. As the pharmaceutical biologics industry expands and more patents are issued, and as we expand our biosimilar candidates portfolio accordingly, we may be exposed to greater risk of claims of infringement of patent rights. Given the nature of the biologics industry, we may, in the ordinary course of business, be subject to intellectual property infringement or misappropriation claims in various jurisdictions where we operate and where our biosimilar products are ultimately sold. Patent and trademark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against us, whether successful or not, can be complex and time-consuming and could result in substantial costs, negative publicity and harm to our reputation and market position. Such claims and proceedings can also distract and divert our management and key personnel from other tasks important to the success of our business. Moreover, the legal threshold for initiating such claims and proceedings is low, so that even claims with a low probability of success could be initiated

and require significant resources and attention to defend. We could also be subject to intellectual property claims related to alleged infringements by our third party partners, such as suppliers. Intellectual property litigation or disputes could force us to do one or more of the following:

- cease developing, manufacturing or selling products that incorporate the challenged intellectual property;
- cease the use and registration of certain names, domain names, brands or trademarks in connection with some or all of our products and business activities in some or all jurisdictions throughout the world;
- obtain and pay for licences from the holder of the infringed intellectual property right, which licences may not be available on reasonable terms, or at all;
- redesign or reengineer products;
- change our business processes; and
- pay substantial damages, court costs and attorneys' fees, including potentially increased damages for any infringement or violation found to be willful.

Any intellectual property-related disputes or litigation, regardless of outcome or merit, could result in substantial costs and expenses, adverse publicity or diversion of management resources, any of which could have a material adverse effect on our business, financial condition and results of operations.

**A portion of our intellectual property portfolio currently comprises pending patent applications that have not yet been issued as granted patents, and if our pending patent applications fail to receive approval, our business will be adversely affected. If we are unable to obtain, maintain and adequately protect our intellectual property rights, our business could suffer.**

Our business relies on, and will continue to rely on, various intellectual property rights arising throughout the world, including patents, trademarks, trade secrets, copyright and designs to protect our product and research findings, brand name, reputation, product appearance and technology. We have sought to protect our proprietary position by filing patent applications in the United States, China Mainland, Taiwan and other jurisdictions related to novel technologies and drug candidates that we consider are important to our business. However, the patent and other intellectual property position of biotechnology and pharmaceutical companies is generally highly uncertain, involves complex legal and factual considerations, and is subject to frequent litigation. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications are typically not published until at least several months after filing, or in some cases not at all. Industry players cannot be certain that they were the first to make the inventions claimed in their patents or pending patent applications, or that they were the first to file for patent protection of such inventions. As a result, the

issuance, scope, validity, enforceability and commercial value of any intellectual property rights is highly uncertain. Moreover, changes in either the patent laws or interpretation of the patent laws in various countries where our applications or patents are filed may diminish the value of our patents or narrow the scope of our patent protection.

Effective intellectual property protection is expensive to develop and maintain, and the costs of defending and maintaining our rights may also be significant. To the extent that we become involved in patent disputes, any adverse determination against us could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialise our technology or drug candidates and compete directly with us, or result in our inability to manufacture or commercialise drug candidates without infringing third-party patent rights. As we intend to sell our successfully commercialised drugs in various jurisdictions including Greater China, Europe, Southeast Asia and elsewhere, we are dependent on the laws of a wide range of jurisdictions to protect, maintain and enforce our intellectual property rights throughout the world. We have not yet sought intellectual property protection in all jurisdictions where we ultimately intend to sell our products, and as a result of commercial pressures or otherwise, we may significantly expand our business into such jurisdictions without the benefit of clear, enforceable intellectual property protections. The laws of these jurisdictions may also be insufficient to protect our intellectual property rights to the same extent or in the same manner as the laws of the jurisdictions in which we currently have sought intellectual property protections or of the jurisdictions where investors may be located.

Many companies have encountered significant problems in protecting, obtaining and defending intellectual property rights in certain jurisdictions. In particular, the legal systems of certain developing countries do not favour or consistently enforce patents, trade secrets, trademarks and other forms of intellectual property protection, which could make it difficult and time-consuming to stop the infringement, misappropriation or other violation of our intellectual property rights. Competitors may be able to use our proprietary technology and other intellectual property rights in jurisdictions where intellectual property protection may not be prioritised by the relevant legal systems. Furthermore, we cannot assure you as to the degree and scope of protection which our existing or future patents may afford us over our drug candidate portfolio. Likewise, we cannot assure you that:

- any of our current or future patent applications will result in issued patents;
- competitors will not develop similar or superior products outside the protection of our patents;
- competitors will not infringe on our patents;
- we will have adequate resources to enforce our patents; or
- we will obtain sufficient remedies in the case of infringement, misappropriation, or other violations of our patents.

We cannot assure you that we, or our partners from whom we license-in drug candidates, will be able to file, prosecute, transfer and maintain all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner, or that we will always be able to identify patentable aspects of our research and development output before it is too late to obtain patent protection. If we are unable to obtain and maintain patent and other intellectual property protection for our products, drug candidates and other technologies, our competitors could develop and commercialise technology and drugs similar or identical to ours, and our ability to successfully commercialise our technology and drugs may be adversely affected, which in turn could have a material adverse effect on our business, financial condition and results of operations.

**We depend on patents, trademarks, trade secrets and other forms of intellectual property protections, but these protections may not be adequate.**

We rely on a combination of patent, trademark, trade secret and other intellectual property laws in China Mainland, Taiwan, the United States and elsewhere to protect our intellectual property. However, these protections may not prove meaningful against competitive offerings or otherwise be commercially valuable. For example, even if we do obtain issued patents that purport to provide adequate protection for our products, the issuance of a patent is not conclusive as to its ownership, scope, validity or enforceability and, as such, our patents may be challenged in courts and patent offices throughout the world. We may not be successful in bringing or defending such patent infringement challenges. Such challenges may result in our patents being narrowed in scope, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercialising similar or identical technology and drug candidates, or limit the duration for the patent protection of our technology and drug candidate. As a result of actual or threatened patent infringement claims, we could also be prevented from entering into licences on commercially acceptable terms or at all. In addition to infringement claims against us, we may become a party to other patent litigation and other proceedings, including interference, inter partes review, derivation or post-grant proceedings regarding intellectual property rights with respect to our current or future products. An adverse determination in any such proceeding could reduce the scope of, or invalidate, our patent rights. This could have a material adverse effect on our business, financial condition and results of operations. Moreover, successful patents may not issue in a form that will provide us with any meaningful protection against competitors who may be able to circumvent our patents by developing similar or alternative technologies or drug candidates in a non-infringing manner. Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialised. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercialising drug candidates similar or identical to ours.

In addition, we cannot assure you that we will be successful in obtaining additional intellectual property or enforcing our intellectual property rights against unauthorised users. We also rely on unregistered proprietary rights, including know-how and trade secrets related to development, manufacturing and distribution of biosimilars. Confidentiality agreements entered into between us and our employees and other third parties prohibiting them from disclosing proprietary information or technology may not provide meaningful protection for us, and may not effectively prevent leakage or unauthorised disclosure of trade secrets and other proprietary information. In addition, intellectual property enforcement may be unavailable in some countries. Furthermore, third parties who are not

party to our confidentiality agreements may obtain access to our trade secrets or know-how, and others may independently develop similar or equivalent trade secrets or know-how. The disclosure or use of our intellectual properties or technologies by others, including our competitors, could reduce or eliminate any competitive advantage we have developed, cause us to lose sales opportunities or otherwise harm our competitive position, which could have a material adverse effect on our business, financial condition and results of operations.

## RISKS RELATING TO THE DEVELOPMENT, APPROVAL AND COMMERCIALISATION OF BIOSIMILARS

In addition to the above risk factors which are applicable to us as a drug developer which has just commenced commercial sales of one product, the following risk factors are specifically applicable to our development of biosimilars.

**The approval pathway for biosimilars in China remains fluid, which may adversely affect the regulatory approval of our biosimilar drug candidates.**

The Biosimilar Guidelines, which are the prevailing PRC regulation on biosimilar evaluation and marketing approval, outline the regulatory framework for biosimilars, aiming to move toward a clear industry structure for the development of biosimilars. The Biosimilar Guidelines do not offer an alternative pathway for launching biosimilar products in China; rather, biosimilars are essentially subject to the same approval pathway as novel biologics, only with a different set of data requirements. Applicants must mark in their IND applications and NDAs that submissions are intended to be reviewed as biosimilars. HLX01 (漢利康) is the first product to receive approval in China under the Biosimilar Guidelines. In addition, various uncertainties surrounding the application and interpretation of the Biosimilars Guidelines could adversely affect the regulatory approval of our existing biosimilar drug candidates, including all of our Core Products, as well as certain other products in our pipeline and any other biosimilars we may develop in the future. Uncertainties surrounding the approval pathway for biosimilars in China include:

- the Biosimilar Guidelines serve as a technical guidance only and cannot address several fundamental issues for the administration of biosimilars in the absence of a clear legislative authorisation, such as interchangeability with reference products, naming rules and labelling requirements for biosimilars;

- although the Biosimilar Guidelines adopt a stepwise comparability approach, they do not contain sufficient details to be regarded as overarching guidelines and it is also not clear whether the NMPA will take further steps to develop product-specific guidelines and guidelines addressing issues such as immunogenicity assessment;

- while under the Biosimilar Guidelines, biosimilars are subject to the same approval pathway as innovative biologics with a different set of technical review criteria, it remains unclear if the time to market for biosimilars will be reduced compared with the lengthy review process for innovative biologics; and

- since changes in regulatory requirements and guidance may occur, it is unpredictable whether the NMPA and other regulatory authorities will issue updated policies or guidelines on biosimilars to replace or supplement the Biosimilar Guidelines, or whether such updated policies or guidelines will bring additional compliance costs or substantial impediments for our biosimilar candidates to obtain regulatory approvals.

As such, we cannot assure you that, aside from HLX01 (漢利康), our biosimilar candidates will be approved under the Biosimilar Guidelines or any further updated policies or guidelines in the future, in a timely manner or at all, and we may not ultimately be able to develop and market any or all of them successfully.

**Certain of our biosimilar Core Products are not as advanced in development as the equivalent biosimilar candidates being developed by our competitors, which may result in our competitors capturing significant first-entrant advantages with respect to their products.**

We are developing HLX03 as a Humira biosimilar and HLX04 as an Avastin biosimilar. As at the Latest Practicable Date, HLX04 was undergoing Phase 3 clinical trials, but one competitor had filed an NDA with the NMPA prior to us for its recombinant humanised anti-HER2 monoclonal antibody candidate and one had filed an NDA with the NMPA for its Avastin biosimilar candidate. With respect to HLX03, which has completed Phase 3 clinical trials and for which our NDA was accepted by the NMPA in January 2019, three competitors had filed NDAs with the NMPA for their Humira biosimilar candidates prior to us and may obtain approval before us. See "*Industry Overview—Competitive Landscape*" for further details. It is likely that these competitor candidates will ultimately be approved and commercialised before our candidates, which may enable them to capture significant first-entrant advantages in establishing market presence and brand awareness. This in turn could place our HLX03 and HLX04 at a major commercial disadvantage at the time of launch, from which we may not be able to recover. In particular, under the Prescription Management Regulation (《處方管理辦法》), PRC hospitals may not procure more than two drugs of the same generic name, which in practice means that for each generic drug, a hospital will only procure the original drug and one biosimilar. Unlike new or innovative drugs, biosimilar candidates are approved based on their bioequivalence to the reference drugs, and as such, biosimilars to the same reference drug as developed by different companies are generally not expected to have meaningful differences in efficacy or safety compared to each other. Consequently, we do not expect to be able to compete and gain market shares from the first-entrant products on those bases. We may instead seek to compete on pricing or product quality and reliability (perceived or otherwise), which we may not be able to do successfully. As a result, even assuming that we are able to obtain regulatory approvals for HLX03, HLX04 or any other biosimilar candidate that we may develop in the future, we cannot assure you that they will be able to achieve commercial success, whether due to established first-entrants or otherwise. This in turn could have a material adverse effect on our business, financial condition and results of operations.

## RISKS RELATING TO OUR OPERATIONS

**We operate in a competitive industry and may fail to compete effectively.**

The biologics market, including the mAb subsegment of the biologics market to which many of our drug candidates belong, is highly competitive, characterised by extensive research and development, technological change, frequent modifications and enhancements, innovations, new applications, evolving industry standards and changes in consumer behaviour and preferences. We expect this high level of competition to increase over time as our industry continues to develop. Our ability to remain competitive depends in large part upon our ability to innovate, develop and market new products and technologies that meet the needs of treatment providers in a timely manner.

We face competition across several bases, including, but not limited to, treatment indication, drug novelty, drug quality and reputation, prevalence of adverse side effects, breadth of our drug portfolio, manufacturing and distribution capacity, ability to protect intellectual property or other confidential information, research and development pipeline, drug price, coverage and depth of customer and supplier relationships. We compete against both domestic and international companies in the biologics space. See "*Industry Overview—Competitive Landscape*" for further details on competition faced by our Core Products. As we continue to invest in discovering and developing a broader and more complex portfolio, we may face competition in new therapeutic areas, and competitors in that space may be significantly further along in the development of such therapeutics. Moreover, we expect increased competition as additional companies enter our market and as more advanced technologies become available. Some of our competitors may have greater financial, research and other resources, greater pricing flexibility, more extensive technical capabilities, greater sales and marketing efforts, longer track record of successfully commercialising new drugs and greater name recognition. These may include foreign competitors whose products have already received approval overseas and are seeking to obtain approval in the PRC. Such competitors may be able to leverage existing approvals to obtain PRC approval more quickly than domestic developers, and may also be able to leverage international brand recognition to capture market share. Furthermore, our competitors may improve the quality of their products, introduce new products at lower cost and with improved efficacy or safety characteristics, or adapt more quickly to new or emerging technologies and changes in demand and requirements. If we are unable to timely and regularly introduce new drugs and enhancements on an ongoing basis, our drugs, even if successfully commercialised, may become obsolete over time and lose market share.

If we do not successfully introduce new competitive drugs in a timely manner, or if our competitors develop products with the same indication as ours before we are able to do so, or if prices of reference drugs to which our biosimilar drug candidates relate decrease, we could face significant pricing pressure on our drugs or find it commercially unfeasible to even bring such drugs to market, which in turn would result in us being unable to generate our target profits for such drugs, if at all, and render us unable to recover our investment. Biologics companies may be able to secure a first-entrant advantage in the market. Immediately following commercial launch, first-entrants can also obtain post-marketing clinical data from end-customers before competitors that can help confirm

the biosimilar product's benefits, effectiveness and safety, which further elevates the barrier of entry for second-movers. As a result of such first-entrant advantages, if other biosimilars of such products are approved and successfully commercialised before our product candidates of the same originator products, we may not be able to achieve significant market share for these products.

We cannot assure you that we will be able to compete effectively with existing competitors or maintain our competitive position over time. Any of the above developments could have a material adverse effect on our business, results of operations, financial condition and prospects.

**Failure to retain the services of our senior management and key scientific personnel could severely disrupt our business and growth.**

Our success significantly depends upon the continued service of our senior management and key scientific personnel. If we lose any of our senior management and key scientific personnel, including Dr. LIU and Dr. JIANG, we may not be able to identify, hire and train suitable qualified replacements and may incur additional expenses and time to recruit and train new personnel, which could severely disrupt our business and growth. In addition, although each member of our senior management and key scientific personnel has signed a non-compete agreement with us, we may not always be able to successfully enforce these provisions should any of them leave us. Any of the above developments could have a material adverse effect on our business, financial condition and results of operations.

**We invest substantial resources in research and development in order to develop, enhance or adapt to new technologies and methodologies, which we may not be able to do successfully.**

The global biologics market is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. In 2017, 2018 and the three months ended 31 March 2019, our R&D expenses amounted to RMB257.1 million, RMB365.4 million and RMB100.1 million, respectively, and our overall R&D expenditure (representing both capitalised and expensed R&D costs and expenses) amounted to RMB637.1 million, RMB972.5 million and RMB225.4 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our services. We intend to continue to enhance our technical capabilities in drug discovery, development, and manufacturing, which are capital and time intensive. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve market acceptance. Any failure to do so may render our technologies obsolete, which could significantly reduce demand for our services and harm our business and prospects.

**If an improved version of an originator product is developed by the originator company or if the market acceptance for the treatment regimen involving the originator product significantly declines, sales or potential sales of our biosimilar products may suffer.**

Originator companies may develop improved versions of an originator product as part of a life cycle extension strategy and may obtain regulatory approval of the improved version under a new or supplemental application filed with the applicable regulatory authority. Should the originator company succeed in obtaining an approval of an improved biological product, it may capture a significant share of the originator product market in the applicable jurisdiction and thereby significantly reduce the market for our potential biosimilar drugs and drug candidates.

Moreover, originator products face competition as technological advances are made, or as new products are introduced, that may offer patients a more convenient form of administration or increased efficacy. As new products are approved that compete with the originator products, sales of the originator products and in turn, our biosimilars to such originators, may be significantly and adversely impacted. Any of the above developments could have a material adverse effect on our business, financial condition and results of operations.

**Our success depends on our ability to attract, train, motivate and retain highly skilled scientists and other technical personnel.**

Our success depends on our team of scientists and other technical personnel and their ability to keep pace with cutting-edge technologies and developments in biologics. In particular, scientists with education, training and experience at renowned research universities and pharmaceutical or biotechnology companies are in particularly high demand both in China and globally. As a result, such scientists are well-sought after by our competitors and we may face challenges in attracting and retaining skilled scientists and other technical personnel. We compete vigorously with pharmaceutical and biotechnology companies, other biologics outsourcing services providers and research and not be able to hire and retain enough skilled and experienced scientists or other technical personnel at the current level of wages. To compete effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with changes in customer needs and technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition and results of operations.

**Our current manufacturing facility and our Songjiang Facility are located in Shanghai, which expose us to geographic concentration risk.**

We currently have one manufacturing facility located in Shanghai, the Xuhui Facility, which we rely on for all of our product manufacturing needs. As a result, we are exposed to a risk of supply disruption if production at the Xuhui Facility is interrupted. In addition, substantially all of our inventory of drug substance and drug products are stored in the same area, and our Songjiang Facility,

which is currently under construction, is also located in the same municipality. As a result, contaminations, power failures, the breakdown or substandard performance of equipment, the destruction of equipment and other property due to natural disasters (including but not limited to flooding, typhoons, earthquakes and mudslides), acts of terror or other third party interference (in each case, whether affecting our facility directly or the Shanghai geographical area generally) could severely impact our ability to maintain quality inventories or receive adequate and timely supplies. Moreover, while our Xuhui Facility and Songjiang Facility are not within the vicinity of any other facilities handling dangerous goods and chemicals, we utilise various hazardous chemicals in the ordinary course of our R&D, quality control testing and workspace maintenance activities at our Xuhui Facility. While we generally maintain only small amounts of these hazardous chemicals, we cannot assure you that we will be able to, at all times, prevent dangerous incidents such as fires or explosions. If there is such an unexpected interruption in the supply of our products or damage to our inventory or facilities, we may be unable to manufacture sufficient products and satisfy customer orders on a timely basis, if at all. As a result, we could suffer loss of market share which may not be recaptured and incur other penalties, and our reputation could be harmed, which could materially and adversely affect our business, financial condition and results of operations.

**Our efforts to expand our manufacturing capacity may not be successful, and we may not be able to precisely anticipate market demand.**

With the commercialisation of HLX01 (漢利康), and in anticipation of commercialisation of more drug candidates, we aim to significantly expand our manufacturing capacity, mainly through completing the construction of our Songjiang Facility, which is currently under construction. However, the success of these plans, particularly the timetable and progress of the construction, are subject to significant uncertainty. In particular, such plans are capital intensive and require significant upfront investment. Since we intend to finance the construction of the Songjiang Facility through various channels, including with debt financing and expected cash flows from commercial sales of products which we have just commenced or have yet to commence, we cannot assure you that we will be able to timely obtain such financing, if at all.

Furthermore, given the size of our new facilities, we may not be able to fully utilise them immediately or within a reasonable period of time after we commence operation. During the construction and ramp up period, there may be significant changes in the macroeconomics of the biologics industry, including, among other things, market demand, product and supply pricing trends and customer preferences. Any adverse trends in these respects could result in operational inefficiency and unused capacity in our facilities. We may also experience various unfavourable events in the course of developing our new manufacturing facilities, such as:

- unforeseen delays due to construction, land use rights or regulatory issues, which could result in loss of business opportunities;

- construction cost overruns, which may require diverting resources and management's attention from other projects; and

- difficulty finding sufficient numbers of trained and qualified staff.

The success of our business expansion also depends on our ability to advance drug candidates through the development, regulatory approval and commercialisation stages. Any delay, suspension or termination in such respects would harm our ability to generate satisfactory returns on our investment in manufacturing expansion, if at all, which in turn could have a material adverse effect on our business, financial condition and results of operations.

**We may not be able to effectively manage our anticipated growth or execute our growth strategies.**

Our growth strategies include, among other things, developing and expanding our drug candidate pipeline expanding our drug manufacturing capacity, and commercialising our products across various jurisdictions. Pursuing such strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive global biologics market, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute our growth strategies or realise our anticipated growth could adversely affect our business, financial condition and results of operations.

**We may not be able to maintain effective quality control over our products.**

The quality of our products depends significantly on the effectiveness of our quality control and quality assurance, which in turn depends on factors such as the production processes used in our manufacturing facilities, the quality and reliability of equipment used, the quality of our staff and related training programmes and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. See "*Business — Quality Assurance and Quality Control*". However, we cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards. Any significant failure or deterioration of our quality control and quality assurance protocol could render our products unsuitable for use, jeopardise any GMP certifications we may have and/or harm our market reputation and relationship with business partners. Any such developments may have a material adverse effect on our business, financial condition and results of operations.

**Any failure to comply with existing regulations and industry standards or any adverse actions by the drug approval authorities against us could negatively impact us.**

In many jurisdictions where we intend to commercialise our products, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how we develop and manufacture such drug. For example, we may need to obtain clearance from the NMPA, FDA, EMA or other relevant regulatory

authorities in the event that pre-clinical studies are filed as part of an IND application to seek authorisation to begin clinical trials, or clinical trials are filed as part of a NDA, biologic licence application or other filing to seek marketing approval. These regulatory authorities may conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. We cannot assure you that we will be able to pass all inspections and obtain or maintain all necessary clearance in relation to biologics discovery, development and manufacturing from the regulatory authorities.

In addition, the biologics industry in China as well as other jurisdictions we intend to expand into in the future are highly regulated and constantly evolving, with laws, regulations and policies that are subject to change. If we fail to comply or keep abreast with laws and regulations, industry standards and policies, we could be subject to fines or other punitive actions against us. In addition, our ongoing biologics development projects could be terminated and any data we submitted to regulatory authorities could be disqualified, each of which could have a material adverse impact on our reputation, business, financial condition and results of operations and prospects. In addition, any action against us for violation of the relevant regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business.

**Our failure to obtain or renew certain approvals, licences, permits and certificates required for our business may materially and adversely affect us.**

We are required to obtain and maintain various approvals, licences, permits and certificates from relevant authorities to operate our business. Any failure to obtain any approvals, licences, permits and certificates necessary for our operations may result in enforcement actions thereunder, including the relevant regulatory authorities ordering us to cease operations, implement potentially costly corrective measures or any other action which could materially disrupt our business operations.

In addition, some of these approvals, permits, licences and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. We cannot assure you that we will be able to successfully procure such renewals and/or reassessment when due, and any failure to do so could severely disrupt our business.

Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licences or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain them, which in turn could restrict our scope of permitted business activities and constrain our drug development and revenue generation capability.

Any of the above developments could have a material adverse effect on our business, financial condition and results of operations.

**We depend on a stable and adequate supply of quality materials, including reagents and consumables and R&D and manufacturing equipment, from our suppliers, and price increases or interruptions of such supply could have an adverse impact on our business.**

Our business operations require a substantial amount of raw materials, such as reagents, culture media and other materials needed for research and development purposes. In 2017, 2018 and the three months ended 31 March 2019, the reagents and consumables component of our total R&D expenditure amounted to RMB66.9 million, RMB93.2 million and RMB17.1 million, respectively. We also utilise advanced technologies in our R&D and manufacturing processes and rely on well-known suppliers in the pharmaceutical industry for our procurement needs. In the event of significant price increases for such materials, we cannot assure you that we will be able to raise the prices of our products and services sufficiently to cover the increased costs. As a result, any significant price increase for our needed materials may have an adverse effect on our profitability.

In addition, any significant disruption in our supplier relationships could harm our business. For example, we require a stable supply of materials for our drug candidates in the course of our research and development activities, and such needs would increase significantly once we enter commercial production of drugs once they receive marketing approval. Any significant delay in receiving such materials in the quantity and quality that we need could delay the completion of our clinical studies, regulatory approval of our drug candidates or our ability to timely meet market demand for our commercialised products, as applicable. Our suppliers may not be able to keep up with our growth needs or may reduce or cease their supply of materials to us at any time. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licences, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operation, which in turn may result in shortage of materials supplied to us. Furthermore, some of our suppliers are based overseas and may need to maintain export or import licences to continue supplying to us. Any interruption in our supply of materials due to any of the above or for any other reason would force us to procure supplies from replacement suppliers, which may not be available to us on commercially favourable terms or at all. This in turn could have a material adverse effect on our business, financial condition and results of operations.

**We are exposed to product liability and other liability risks.**

Given the nature of our business in developing biologics to treat complex diseases, we are exposed to inherent risks of being subject to product liability claims alleging that our drugs, whether used in clinical trials or commercially, have resulted in or could result in an unsafe condition or injury to patients. We may also be exposed to other liability lawsuits, such as other tort or regulatory claims. Such lawsuits could be costly to defend and could result in significant damages in excess of any applicable insurance caps, reduced sales, significant liabilities and diversion of management's time, attention and resources. Even claims without merit could subject us to adverse publicity, harm our reputation among customers and require us to incur significant legal fees to defend. Consequently, product liability claims and lawsuits, regardless of their ultimate outcome, could have a material adverse effect on our business, financial condition and results of operations.

**We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.**

We maintain insurance coverage which we believe to be in line with the industry norm in the jurisdictions where we operate, such as property and business interruption insurance, insurance for death or work-related injury and product liability insurance relating to the use of our biologics. However, our insurance coverage may be insufficient to cover any such claims relating to the above or such claims may be excluded from insurance coverage, which in turn may result in us incurring substantial costs and a diversion of resources, and the occurrence of such incidents may lead to an increase in our insurance premiums.

**We are subject to environmental protection, health and safety laws and regulations, and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological hazards or personal injuries.**

Our business operations are subject to national and local laws and regulations pertaining to environmental protection and health and safety, including but not limited to the treatment and discharge of pollutants into the environment and the use of toxic and hazardous chemicals in our biologics discovery, development and manufacturing process. Due to the nature of biologics development and manufacturing activities, we cannot fully eliminate the risk of accidental contamination or exposure to biological hazards in the course of our operations. In the event of any such accidents, we could be held liable for damages, clean-up costs, and administrative actions against us, in addition to suffering potentially significant disruptions to our manufacturing capability (see "—*Our current manufacturing facility and our Songjiang Facility are located in Shanghai, which expose us to geographic concentration risk*" for further details). In addition, both our existing and planned manufacturing facilities can only begin operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved such facilities. In 2017, 2018 and the three months ended 31 March 2019, our total cost of compliance with environmental and workplace health and safety laws and regulations was approximately RMB0.9 million, RMB1.1 million and RMB0.1 million, respectively.

As the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may have difficulties complying with, or accurately predicting the potentially substantial cost of complying with, these laws and regulations, which may subject us to rectification orders, substantial fines, monetary damages and suspension or cessation of research activities and other business operations. If such authorities implement regulations which restrict or prohibit the use of single-use bioreactors or other disposable production supplies, we may have to revert to more traditional production methods, which may be more costly and less efficient. Any of the above negative developments could have a material and adverse impact on our business, financial condition and results of operations and prospects.

**Our reputation is key to our business success. Negative news or publicity about us, any of our Controlling Shareholders or any member of them, Directors or our management may adversely affect our reputation, business and growth prospects.**

Any negative news or publicity concerning us, our Controlling Shareholder, co-founders, Directors, management, affiliates or any entity that shares the Henlius or Fosun Pharma brand name, even if proven untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicity about us or any of our affiliates or any entity that shares such names would not damage our brand image. Given our specialised industry and market, negative publicity and word of mouth could travel quickly and negatively impact our relationships with third parties, which could have a material adverse effect on our business, financial condition and results of operations.

**We may be involved in litigation, legal disputes, claims or administrative proceedings which could be costly and time-consuming to resolve.**

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Any litigation or proceeding to which we become a party might result in substantial costs and divert management's attention and resources. For example, we have been subject to several labour disputes initiated by former employees of the Company, which were resolved or settled as at the Latest Practicable Date. While the amounts involved in the labour disputes were immaterial, there is no assurance that similar labour disputes may not arise in the future. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Our insurance might not cover claims brought against us, provide sufficient payments to financially cover all of the costs to resolve such claims or continue to be available on terms acceptable to us.

**Failure to comply with anti-corruption laws could subject us to investigations, sanctions or fines, which may harm our reputation and materially and adversely affect us.**

We have adopted policies and procedures designed to ensure that we and our researchers, marketing and sales personnel and other staff comply with anti-bribery and anti-corruption laws in the course of sales and marketing, drug research and development. See "*Business—Internal Controls and Risk Management*". However, the healthcare sector in China generally poses elevated risks of violations of anti-bribery and anti-corruption laws, particularly in the context of improper payments to facilitate improved outcomes in research studies or drug supply negotiations, as well as securing sales opportunities at hospitals and other medical institutions. The PRC government has implemented various anti-bribery and anti-corruption regulations to address and mitigate such practices, including requiring market participants to adopt internal controls and risk management measures addressing bribery and corruption risks and undergo periodic inspections from relevant regulatory authorities as to their anti-bribery and corruption status. We cannot assure you that our researchers, marketing and sales personnel and other staff, as well as third parties that we collaborate with, such as CROs, PIs, hospitals and medical professionals, will fully comply with anti-bribery and anti-corruption regulations at all times, or that we or they will be able to detect and identify all instances of improper

practices in respect of our clinical trials and other parts of our business. In the event of any bribery or corruption incidents involving our employees or parties otherwise associated with us, we may be subject to investigations, sanctions or fines, and our reputation could be significantly harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition, results of operations and prospects.

**If our products and supplies are not stored and shipped properly, the products and supplies could be damaged, which could negatively affect us.**

Our biologics and related supplies may become unuseable or unsafe for use when exposed to unfavourable environmental conditions or when stored or shipped improperly. If we or any applicable third party fails to provide and maintain proper storage and shipping for our research and development supplies and ingredients, our products or drug candidates, such products could become unsuited for further use and require replacement orders, which could be costly and delay our operating activities and in turn, have a material adverse effect on our business, financial condition and results of operations.

**We could be exposed to risks related to our management of the medical data of subjects enroled in our clinical trials.**

Our clinical trials routinely collect and maintain medical data treatment records and other personal details of enroled subjects. Laws and regulations of the various jurisdictions in which we conduct our clinical trials generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enroled subjects and prohibit unauthorised disclosure of personal information. Such institutions and personnel will be liable for damage caused by divulging the subjects' private or medical records without consent. We have taken measures to maintain the confidentiality of the medical records and personal data of subjects enroled in our clinical trials, including encrypting such information in our information technology system so that it cannot be viewed without proper authorisation, and setting internal rules requiring our employees to maintain the confidentiality of our subjects' medical records. However, these measures may not be always effective. For example, our information technology systems could be breached through hacking activities, and personal information could be leaked due to theft or misuse of personal information arising from misconduct or negligence. In addition, our clinical trials frequently also involve professionals from third party institutions working on-site with our staff and enroled subjects. We cannot ensure that such persons will always comply with our data privacy measures. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure to protect the confidentiality of subjects' medical records and personal data, or any restriction on or liability as a result of, our use of medical data, could have a material adverse effect on our business, financial condition and results of operations.

**We depend on information technology and other infrastructure that are exposed to certain risks, including cyber security risks.**

We rely on a variety of information technology and automated operating systems to manage or support our operations, including protecting our intellectual property. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Our systems and those of third-party providers may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorised access, cyber-attacks and thefts. We cannot assure you that the measures and steps we take to secure our systems and electronic information are adequate. Any significant disruption to our systems could result in unauthorised disclosure of confidential information and adversely affect our business and operating results.

**We may face penalties for the non-registration of our lease agreements in China.**

As at the Latest Practicable Date, none of our lease agreements for properties leased in the PRC had completed lease registration with relevant regulatory authorities. Non-registration of lease agreements does not affect the validity of such lease agreements. However, pursuant to the requirements of the Administrative Measures for Commodity House Leasing and relevant local rules, we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations imposed by local authorities. As at the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. However, we cannot assure you that we would not be subject to any penalties and/or requests from local authorities to fulfil the registration requirements, which may increase our cost, in the future.

## RISKS RELATING TO DOING BUSINESS IN THE PRC

**We are subject to political, economic and social developments as well as the laws, rules, regulations and licensing requirements in the PRC, and any disruptions in these respects may materially affect us.**

Most of our businesses, assets and operations are located in or derived from our activities in the PRC, and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. We are unable to accurately predict the precise nature of all the risks and uncertainties that we face and many of these risks are beyond our control.

The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. The PRC economy has been undergoing a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, however a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency denominated liabilities, setting monetary policy and providing preferential treatment to particular industries or enterprises.

Our performance will continue to be affected by the PRC economy, which in turn is influenced by the global economy. Continued uncertainties global economic slowdown and the turmoil in the global financial markets that began in the second half of 2008 continue to add downward pressure to economic growth in the PRC. Moreover, trade wars among major economies may affect the availability and cost of various imported goods, including potentially equipment and materials which we rely on in our operations. Most notably, the United States government has recently made significant changes in its trade policy and has taken certain actions that may materially impact international trade, such as announcing import tariffs which have led to other countries, including China and members of the EU, imposing tariffs against the United States in response. These trade wars may escalate going forward and may result in certain types of goods, such as advanced R&D equipment and materials, becoming significantly more expensive for us to procure from overseas suppliers or even becoming illegal to export. Accordingly, our ability to maintain and utilize our R&D facility in California may be adversely affected as we may not be able to procure the equipment and materials necessary for such facility or transfer data or materials from such facility out of the United States or into China in a timely manner or at all. The various license-in and license-out arrangements that we have, and may continue to seek out, with overseas partners may similarly be impacted, which could result in such arrangements becoming unprofitable to maintain or dissolved due to a material adverse change. In addition, trade tension among the countries may also lead to changes in laws and policy, which could make it more costly, difficult or time-consuming for us to obtain regulatory approval for our drug candidates in the United States. Similarly, our patent applications that are currently pending in the United States could also be negatively impacted by escalations in the trade wars.

Any of the above factors may materially and adversely affect our business, financial condition and results of operations.

**Uncertainties with respect to the PRC legal system could have a material adverse effect on us.**

Our business and operations are conducted in the PRC and governed principally by the PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance,

commerce, taxation, finance, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China, or may be unclear or inconsistent.

In particular, since the PRC biologics industry is experiencing ongoing development and reform, the laws and regulations relating to this industry are sometimes unspecific and may be incomprehensive. Recent regulatory initiatives in China include (i) the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》) released by the NMPA in November 2015, which clarified and optimised the review and approval regime for clinical trial applications and accelerated the approval of drugs in urgent clinical need, (ii) Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation of Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) promulgated in October 2017 by the General Offices of the CPC Central Committee and the State Council, which seeks to streamline the clinical trial process and shorten the time line, and provided for special fast-track approval for new drugs and devices in urgent clinical need for and drugs and devices for rare diseases, (iii) the Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation (《關於鼓勵藥品創新實行優先審評審批的意見》) promulgated by the NMPA in December 2017, which further clarified that a fast track clinical trial approval or drug registration pathway will be available to innovative drugs and (iv) the Circular on Issues Concerning Optimising Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》) jointly promulgated by the NMPA and NHC in May 2018, which further simplified and accelerated the clinical trial approval process. In order to ensure the reform measures have legal ground, the Standing Committee of the NPC issued the Drug Administrative Law of the PRC (Revised in 2019) (中華人民共和國藥品管理法(2019修訂)) (the "**Revised Drug Administration Law**") on 26 August 2019 to solicit public comments. According to the Revised Drug Administration Law, the major changes include the following: (i) improvement of the whole-process supervision system of drugs; (ii) clarification and improvement of regulatory responsibilities and measures for drugs by requiring drug regulatory authorities to inspect the implementation of GMP by marketing authorisation holders as well as production and operation processes, establishing a new system for the appointment of professional drug inspectors and maintenance and publicly disclosing drug safety credit records; (iii) significantly increase the penalties for violations; (iv) official implementation of the marketing authorisation holder system; (v) reform of the drug approval system; (vi) cancellation of the GMP certifications for drugs and GSP for pharmaceutical products; and (vii) replacement of approval by registration of clinical trial organisations and improvement of the approval procedure for clinical trials, etc. Certain changes under the Revised Drug Administration Law include cancelling the requirement that drug manufacturers obtain GMP certification, while introducing the requirement that companies establish a quality management system to ensure ongoing compliance of manufacturing processes, and also be subject to supervision and inspection of drug regulatory authorities for their ongoing compliance with relevant requirements. The transition from certification to ongoing compliance imposes higher and stricter requirements for the GMP practices of companies.

However, there remains a limited volume of published decisions, often of a non-binding nature, and the interpretation and enforcement of PRC laws and regulations involve uncertainties and can be inconsistent, and such difficulties may be exacerbated by contradictory provincial or local regulations. Moreover, PRC laws and regulations relating to the biologics industry could further intensify and add to the burden of interpretation and compliance for companies operating in the changing environment. Even where adequate laws exist in China, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement of a judgement by a court. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management's attention. We cannot predict future developments in the PRC legal system or the effects of such developments, and the materialisation of all or any of these uncertainties could have a material adverse effect on our financial position and results of operations.

**You may experience difficulties in effecting service of legal process and enforcing judgements against us and our management.**

Most of our Directors and officers reside within the PRC, and most of our assets and their respective assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors and officers, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Furthermore, the PRC does not have treaties providing for the reciprocal enforcement of judgements of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgements with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgements of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

Under the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and Hong Kong SAR Pursuant to Agreed Jurisdiction by Parties Concerned (the "**Arrangement**") effective on 1 August 2008, in the case of an enforceable final judgement made by a PRC court or Hong Kong court concerning a civil and commercial case under a written agreement on jurisdiction, in which payment must be made, the party concerned may, under the Arrangement, apply to a PRC court or a Hong Kong court for recognition and enforcement. The term "written agreement on jurisdiction" as mentioned in the present Arrangement refers to agreements clearly stipulated in written form by parties concerned that a PRC court or Hong Kong court has sole jurisdiction as to the effectiveness of the Arrangement, so as to settle disputes relevant to a certain legal relationship that has either arisen or might arise. In addition, the Arrangement contains specific definitions of the terms "enforceable final judgement", "certain legal relationship" and "written form". Final judgements that are not compliant with the Arrangement may not be recognised or enforced by a PRC court. Moreover, we cannot assure you that all final judgements that are compliant with the Arrangement will be recognised and effectively enforced by a PRC court.

**The discontinuation of any of the financial incentives currently available to us in China could adversely affect us.**

We have historically benefited from government grants as incentives for our research and development activities. We had government grants under deferred income of RMB33.7 million, RMB38.1 million and RMB37.5 million as at 31 December 2017 and 2018 and 31 March 2019, respectively, which reflect grants received for which the related expenditure has not yet been undertaken. Moreover, we also enjoy preferential tax treatment as a high-tech enterprise with respect to certain of our operations in China, though as a loss-making company we did not incur significant tax expenses during the Track Record Period. See "*Financial Information — Description of Major Line Items in Our Consolidated Statement of Profit or Loss and Review of Historical Results of Operations — Income Tax Expense*" for further details. Our eligibility to receive these financial incentives requires that we continue to qualify for them. The incentives are subject to the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce these financial incentives, generally with prospective effect. Since our receipt of the financial incentives is subject to periodic time lags and inconsistent government practice, as long as we continue to receive these financial incentives, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. The discontinuation of financial incentives currently available to us could have a material adverse effect on our business, financial condition and results of operations.

**We may be restricted from transferring our scientific data abroad.**

In March 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》) (the "**Scientific Data Measures**"), which provides a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term state secret is not clearly defined, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our pre-clinical studies or clinical trials conducted within China) abroad or to any foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our research and development of drug candidates may be hindered, which may materially and adversely affect our business, results of operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

**Fluctuation in the value of the Renminbi may have a material adverse effect on our business.**

We conduct most of all our business in Renminbi, which is our reporting currency. However, following the Global Offering, we may also maintain a significant portion of the proceeds from the offering in Hong Kong dollars before they are used in our PRC operations. The value of the Renminbi against the US dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC's policies and international economic and political developments. As a result of these and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. In 2017, 2018 and the three months ended 31 March 2019, we had exchange losses of RMB0.2 million, exchange gains of RMB8.9 million and exchange losses of RMB16.8 million, respectively. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our cash flows, revenues, earnings and financial position. For example, an appreciation of the Renminbi against the US dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert US dollars or Hong Kong dollars into Renminbi for such purposes.

**Governmental control of currency conversion may adversely affect the value of your investment.**

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from the transaction, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, approval from appropriate governmental authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. Further, the PRC government may also restrict access to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay certain of our expenses as they come due.

**Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.**

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of our Company ("**non-PRC resident individual holders**") are subject to PRC individual income tax on dividends received from us. The tax on dividends must be withheld at source.

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國税發 [1993]045號文件廢止後有關個人所得税徵管問題的通知) (Guo Shui Han [2011] No. 348) dated 28 June 2011 issued by the SAT, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. See "*Appendix III — Taxation and Foreign Exchange — 1. Taxation in the PRC*." In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realised upon sale or other disposition of H Shares. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得税的通知) issued by the MOF and the SAT on 30 March 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. To our knowledge, as at the Latest Practicable Date, in practice the PRC tax authorities had not sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to a Notice promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC enterprise holders' investments in H Shares may be materially and adversely affected.

## RISKS RELATING TO THE GLOBAL OFFERING

### There has been no prior public market for our H Shares.

Prior to the Global Offering, there was no public market for our H Shares. The initial Offer Price for our H Shares to the public was the result of negotiations between us and the Joint Representatives on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in,

our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering.

**The trading volume and market price of our H Shares may be volatile, which may result in substantial losses for investors subscribing for or purchasing our H Shares pursuant to the Global Offering.**

The price and trading volume of our H Shares may be highly volatile as a result of various factors. Some of these factors are beyond our control, including:

- actual or anticipated fluctuations in our results of operations (including variations arising from foreign exchange rate fluctuations);
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- changes in general economic conditions or other developments affecting us or our industry;
- changes in any relevant government policies or regulations;
- price movements on international stock markets, the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by the Controlling Shareholder or other Shareholders.

**Future sales or perceived sales or conversion of substantial amounts of our Shares in the public market, including any future offering of H Shares or conversion of our unlisted Shares into H Shares, could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.**

The market price of our H Shares could decline as a result of future sales or issuances of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or perceived sales may also adversely affect the prevailing market price of our H Shares and our ability to raise

capital in the future at a favourable time and price. The H Shares held by the Controlling Shareholder are subject to certain lock-up undertakings for a period of up to twelve months after the Listing Date. See "*Underwriting — Underwriting Arrangements and Expenses*". We cannot assure you that they will not dispose of their Shares they may own now or in the future.

Immediately upon the completion of the Global Offering, we will have three classes of ordinary shares, H Shares, unlisted foreign Shares and Domestic Shares. All of our unlisted foreign Shares and Domestic Shares are unlisted Shares which are not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange provided that prior to the conversion and trading of such converted H Shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Furthermore, if additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership for such Shareholders may be reduced. Such new securities may also confer rights and privileges that take priority over those conferred by the H Shares.

**You will incur immediate and significant dilution and may face further dilution if we issue additional Shares in the future.**

The Offer Price for our H Shares is higher than the net tangible assets book value per H Share initially issued to our Shareholders prior to the Global Offering. Consequently, purchasers of our H Shares in the Global Offering will face an immediate dilution in the pro forma combined net tangible assets book value of RMB6.36 (HK$7.04) per H Share based on the maximum Offer Price of HK$57.80, and our Shareholders prior to the Global Offering will experience an increase in the pro forma combined net tangible assets book value per H Share of their H Shares. Moreover, we may in the future consider seeking a listing of our Shares in jurisdictions other than Hong Kong, which would similarly dilute the holdings of our H Share investors.

**The market price of our H Shares when trading begins could be lower than the Offer Price.**

The Offer Price will be determined on the Price Determination Date. However, the Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be on the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Offer Shares during that period. Accordingly, holders of the Offer Shares are subject to the risk that the price of the Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**We cannot assure you that the H Shares will remain listed on the Stock Exchange.**

Although it is currently intended that the H Shares will remain listed on the Stock Exchange, there is no guarantee of the continued listing of the H Shares. Among other factors, the Company may not continue to satisfy the listing requirements of the Stock Exchange. Holders of H Shares would not be able to sell their H Shares through trading on the Stock Exchange if the H Shares were no longer listed on the Stock Exchange.

**Our Controlling Shareholders have substantial control over the Company and their interests may not be aligned with the interests of the other Shareholders.**

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will remain having substantial control over our Company. Subject to the Articles of Association, the Companies Ordinance and the PRC Company Law, the Controlling Shareholders will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to us and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interest of the Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

**We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.**

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our shareholders. We plan to use the net proceeds from the Global Offering to, among other things, progress the clinical development of our products, expand our product pipeline and invest in expanding our commercialisation resources and capability. See "*Future Plans and Use of Proceeds*" for further details. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgement you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

**Certain facts and other statistics with respect to the biologics industry and market in this prospectus may not be fully reliable.**

Certain facts and other statistics in this prospectus relating to the biologics industry and market have been derived from various sources and publicly available data. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us or any of the Relevant Persons and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result,

prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics. Investors should read the entire prospectus carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this prospectus.

**There may be coverage in the media or other publications regarding the Global Offering and our operations.**

We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media or other publications. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should read the entire prospectus carefully and should not rely on any of the information in press articles or other media or research analyst coverage. Prospective investors should only rely on the information contained in this prospectus and the Application Forms to make investment decisions about us.

**We may not declare dividends on our H Shares in the future.**

The amount of dividends actually distributed to our Shareholders will depend upon our earnings and financial position, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. There is no assurance that dividends of any amount will be declared or distributed in any year.

The members of the Board of Directors are as follows:

| Name | Address | Nationality |
|---|---|---|
| **Executive Director** | | |
| Scott Shi-Kau Liu | Room 202, No. 20, Lane 2151<br>Lianhua Road<br>Minhang District<br>Shanghai<br>PRC | American |
| **Non-executive Directors** | | |
| Qiyu Chen (陳啟宇) | Room 8D, No. 98<br>West Guangyuan Road<br>Shanghai<br>PRC | Chinese |
| Yifang Wu (吳以芳) | Room 302, Unit 2, Block 22<br>Fenghua Garden<br>Quanshan District<br>Xuzhou City<br>Jiangsu Province<br>PRC | Chinese |
| Jiemin Fu (傅潔民) | No. 4-3, 570 Tushan Road<br>Nan'an District<br>Chongqing<br>PRC | Chinese |
| Aimin Hui | 1 Payson Street<br>Lexington, MA02421<br>United States | American |
| Xiaohui Guan (關曉暉) | Room 201, No. 26, Lane 1001<br>South Henan Road<br>Huangpu District<br>Shanghai<br>PRC | Chinese |

| Name | Address | Nationality |
|---|---|---|
| **Independent Non-executive Directors** | | |
| Tak Young So (蘇德揚) | 6A, Tower 7, Residence Bel Air<br>South Tower<br>38 Bel Air Avenue<br>Island South<br>Hong Kong | Chinese |
| Lik Yuen Chan (陳力元) | Flat 9B, University Residence No. 15<br>The Chinese University of Hong Kong<br>Shatin<br>Hong Kong | Chinese |
| Guoping Zhao (趙國屏) | No. 30, Lane 250<br>Guiping Road<br>Xuhui District<br>Shanghai<br>PRC | Chinese |
| Ruilin Song (宋瑞霖) | No. 202, Room No. 4, Building 3,<br>Courtyard<br>No. 28, Guangqumenwai Street<br>Chaoyang District<br>Beijing<br>PRC | Chinese |

The members of the Board of Supervisors are as follows:

| Name | Address | Nationality |
|---|---|---|
| Yong Zhou (周勇) | Room 402<br>No.15 Tianlinsicun<br>Xuhui District<br>Shanghai<br>PRC | Chinese |
| Deli Kong (孔德力) | Room 501<br>No. 208 Huagongercun<br>Xuhui District<br>Shanghai<br>PRC | Chinese |
| Jingyi Wang (王靜怡) | Room 1505<br>No. 150 Tongge Road<br>Zhabei District<br>Shanghai<br>PRC | Chinese |

See "*Directors, Supervisors and Senior Management*" for further details.

| | |
|---|---|
| **Joint Sponsors** | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **Merrill Lynch Far East Limited**<br>Level 55 Cheung Kong Center<br>2 Queen's Road Central<br>Central<br>Hong Kong |
| | **CMB International Capital Limited**<br>45/F, Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **Fosun Hani Securities Limited**<br>Suite 2101-2105 21/F Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **Citigroup Global Markets Asia Limited**<br>50th Floor, Champion Tower<br>Three Garden Road<br>Central<br>Hong Kong |
| **Joint Global Coordinators** | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **Merrill Lynch (Asia Pacific) Limited**<br>Level 55 Cheung Kong Center<br>2 Queen's Road Central<br>Central<br>Hong Kong |

**BOCI Asia Limited**
26th Floor, Bank of China Tower
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Central
Hong Kong

**UBS AG Hong Kong Branch**
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8 Finance Street
Central
Hong Kong

**CMB International Capital Limited**
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**Fosun Hani Securities Limited**
Suite 2101-2105 21/F Champion Tower
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Central
Hong Kong

**Citigroup Global Markets Asia Limited**
50th Floor, Champion Tower
Three Garden Road
Central
Hong Kong

**Joint Representatives**

**China International Capital Corporation Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Merrill Lynch (Asia Pacific) Limited**
Level 55 Cheung Kong Center
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| | **Fosun Hani Securities Limited**<br>Suite 2101-2105 21/F Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **Citigroup Global Markets Asia Limited**<br>50th Floor, Champion Tower<br>Three Garden Road<br>Central<br>Hong Kong |
| **Joint Bookrunners** | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **Merrill Lynch (Asia Pacific) Limited**<br>Level 55 Cheung Kong Center<br>2 Queen's Road Central<br>Central<br>Hong Kong |
| | **BOCI Asia Limited**<br>26th Floor, Bank of China Tower<br>1 Garden Road<br>Central<br>Hong Kong |
| | **UBS AG Hong Kong Branch**<br>52/F, Two International Finance Centre<br>8 Finance Street<br>Central<br>Hong Kong |
| | **CMB International Capital Limited**<br>45/F, Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |

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**Citigroup Global Markets Limited**
*(in relation to the International Offering only)*
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**Haitong International Securities Company Limited**
22/F Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**AMTD Global Markets Limited**
23/F-25/F Nexxus Building
41 Connaught Road Central
Hong Kong

**BNP Paribas Securities (Asia) Limited**
59/F to 63/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

**ICBC International Capital Limited**
37/F ICBC Tower
3 Garden Road
Hong Kong

**Zhongtai International Securities Limited**
19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

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|---|---|
| | **ABCI Capital Limited**<br>11/F, Agricultural Bank of China Tower<br>50 Connaught Road Central<br>Hong Kong |
| | **China Everbright Securities (HK) Limited**<br>24/F, Lee Garden One<br>33 Hysan Avenue<br>Causeway Bay<br>Hong Kong |
| | **SBI China Capital Financial Services Limited**<br>Unit A2 32/F United Centre<br>95 Queensway<br>Hong Kong |
| **Joint Lead Managers** | **China International Capital Corporation Hong Kong Securities Limited**<br>29th Floor, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **Merrill Lynch (Asia Pacific) Limited**<br>Level 55 Cheung Kong Center<br>2 Queen's Road Central<br>Central<br>Hong Kong |
| | **BOCI Asia Limited**<br>26th Floor, Bank of China Tower<br>1 Garden Road<br>Central<br>Hong Kong |
| | **UBS AG Hong Kong Branch**<br>52/F, Two International Finance Centre<br>8 Finance Street<br>Central<br>Hong Kong |
| | **CMB International Capital Limited**<br>45/F, Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |
| | **Fosun Hani Securities Limited**<br>Suite 2101-2105 21/F Champion Tower<br>3 Garden Road<br>Central<br>Hong Kong |

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189 Des Voeux Road Central
Hong Kong

**ABCI Securities Company Limited**
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

| | |
|---|---|
| | **China Everbright Securities (HK) Limited**<br>24/F, Lee Garden One<br>33 Hysan Avenue<br>Causeway Bay<br>Hong Kong |
| | **SBI China Capital Financial Services Limited**<br>Unit A2 32/F United Centre<br>95 Queensway<br>Hong Kong |
| **Financial Adviser** | UBS AG Hong Kong Branch<br>52/F, Two International Finance Centre<br>8 Finance Street<br>Central<br>Hong Kong |
| **Legal Advisers to the Company** | *As to Hong Kong and U.S. laws:*<br>Freshfields Bruckhaus Deringer<br>55th Floor, One Island East<br>Taikoo Place<br>Quarry Bay<br>Hong Kong |
| | *As to PRC laws:*<br>Llinks Law Offices<br>19/F and 16/F, One Lujiazui<br>68 Yin Cheng Road Middle<br>Shanghai<br>PRC |
| | *As to Taiwan laws:*<br>Meridian Attorneys-at-Law<br>9F., No. 563, Section 4<br>Zhongxiao East Road<br>Xinyi District<br>Taipei City 110<br>Taiwan |
| **Legal Advisers to the Joint Sponsors and the Underwriters** | *As to Hong Kong and U.S. laws:*<br>Sidley Austin<br>39/F, Two International Finance Centre<br>8 Finance Street<br>Central<br>Hong Kong |

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|---|---|
| | *As to PRC laws:*<br>Jia Yuan Law Offices<br>F408 Ocean Plaza<br>158 Fuxingmennei Avenue<br>Xicheng District<br>Beijing<br>PRC |
| **Auditor and Reporting Accountants** | Ernst & Young<br>*Certified Public Accountants*<br>22nd Floor, CITIC Tower<br>1 Tim Mei Avenue<br>Central<br>Hong Kong |
| **Industry Consultant** | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.<br>Room 1018, Tower B<br>No. 500 Yunjin Road<br>Xuhui District<br>Shanghai<br>PRC |
| **Receiving Banks** | Bank of China (Hong Kong) Limited<br>1 Garden Road<br>Hong Kong |
| | CMB Wing Lung Bank Limited<br>45 Des Voeux Road<br>Central, Hong Kong |

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| **Registered Office** | Room 303, 304, Block 7<br>No. 1999 Zhangheng Road<br>China (Shanghai) Pilot Free Trade Zone<br>PRC |
| **Head Office** | 9th Floor, Block A, Innov Tower<br>1801 Hongmei Road<br>Xuhui District<br>Shanghai<br>PRC |
| **Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance** | Level 54, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong |
| **Joint Company Secretaries** | Xinjun Guo<br>Ching Ching Leung *(Member of the Hong Kong Institute of Chartered Secretaries)* |
| **Authorised Representatives** | Ching Ching Leung<br>Level 54, Hopewell Centre<br>183 Queen's Road East<br>Hong Kong<br><br>Scott Shi-Kau Liu<br>Room 202, No. 20, Lane 2151 Lianhua Road<br>Minhang District<br>Shanghai<br>PRC |
| **Strategy Committee** | Qiyu Chen (*Chairman*)<br>Jiemin Fu<br>Yifang Wu<br>Scott Shi-Kau Liu<br>Aimin Hui<br>Tak Young So<br>Ruilin Song |
| **Audit Committee** | Tak Young So (*Chairman*)<br>Lik Yuen Chan<br>Xiaohui Guan |
| **Remuneration Committee** | Ruilin Song (*Chairman*)<br>Lik Yuen Chan<br>Yifang Wu |

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| **Nomination Committee** | Qiyu Chen (*Chairman*)<br>Guoping Zhao<br>Ruilin Song |
| **Compliance Adviser** | Haitong International Capital Limited<br>8/F Li Po Chun Chambers<br>189 Des Voeux Road<br>Central<br>Hong Kong |
| **Principal Bankers** | Bank of China, Shanghai Branch, Caohejing Development Sub-branch<br>No. 900 Yishan Road<br>Xuhui District<br>Shanghai<br>PRC<br><br>Bank of Shanghai, Pudong Branch<br>No. 699 Zhangyang Road<br>Pudong District<br>Shanghai<br>PRC<br><br>Shanghai Pudong Development Bank, Changning Branch<br>No. 855 Changning Road<br>Changning District<br>Shanghai<br>PRC |
| **H Share Registrar** | Computershare Hong Kong Investor Services Limited<br>Shops 1712-1716, 17th Floor<br>Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **Company's Website** | **www.henlius.com**<br>*(A copy of this prospectus is available on the Company's website. Except for the information contained in this prospectus, none of the other information contained on the Company's website forms part of this prospectus)* |

## HISTORY

The Company was established in Shanghai on 24 February 2010 as a limited liability company under the PRC Company Law with the corporate name of Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司) and has been a non-wholly owned subsidiary of Fosun Pharma since its establishment.

On 29 August 2016, the promoters of the Company entered into a promoters' agreement, pursuant to which, the promoters of the Company agreed to convert the Company into a joint stock limited company with a registered capital of RMB350,000,000. The conversion was completed on 26 September 2016.

Since the Group's establishment, it has been mainly focused on research and development of mAbs and the provision of related technical services.

## KEY MILESTONES

The following is a summary of the Group's key corporate and business development milestones.

| Year | Event |
|---|---|
| **2010** | The Company was established in Shanghai. |
| **2011** | The Company filed an IND application with the NMPA for HLX01 for NHL. |
| **2012** | The Company filed an IND application with the NMPA for HLX02 for breast cancer. |
| **2013** | The Company filed an IND application with the NMPA for HLX03 for rheumatoid arthritis. |
| **2014** | Taiwan Henlius became a non-wholly owned subsidiary of the Company. It is primarily engaged in mid-to-late stage research, enabling the Company to access the deep biotech talent pool in Taiwan. |
| | The Company received approval from the NMPA to conduct Phase 1 clinical trials for HLX01 for NHL. |
| | The Company commenced the construction of the Xuhui Facility in December. |
| | The Company filed an IND application with the NMPA for HLX04 for metastatic colorectal cancer. |
| **2015** | Hengenix, a wholly-owned subsidiary of the Company, was incorporated in California, United States. It mainly focuses on early stage R&D as well as provides the Group with better access to the latest developments in the mAb market and cutting-edge technologies. |
| | The Company filed an IND application with the NMPA for HLX07 for solid tumours. |
| **2016** | The Company received approval from the NMPA to conduct Phase 1 clinical trials for (i) HLX02 for gastric cancer, and (ii) HLX04 for non-squamous, non small cell lung cancer (nsNSCLC). |

| Year | Event |
|---|---|
| **2017** | The Company obtained the Drug Manufacturing Certificate for HLX01 from NMPA Shanghai Bureau. |
| | The Company filed an NDA with the NMPA for HLX01 for NHL. |
| | The Company submitted an IND application with the NMPA for HLX10 for solid tumours. |
| **2018** | The Company acquired the remaining equity interest in Taiwan Henlius and Taiwan Henlius became a wholly-owned subsidiary of the Company. |
| **2019** | The Company received NDA approval for its HLX01 for NHL, becoming the first biopharmaceutical company to receive NDA approval from NMPA for a biosimilar product. |

**Acquisition of the Remaining Interest in Taiwan Henlius**

Taiwan Henlius was incorporated in Taiwan in October 2010 and was wholly-owned by Dr. LIU.

In November 2014, the Company, through its wholly-owned subsidiary, subscribed for new shares issued by Taiwan Henlius, representing approximately 96.43% of the equity interest in Taiwan Henlius, following completion of which, Taiwan Henlius became a non-wholly owned subsidiary of the Company. Since becoming a subsidiary of the Company, Taiwan Henlius has issued shares to employees of the Company (including Dr. JIANG) and Independent Third Party investors in 2015, certain Independent Third Party investors in 2016 and HenLink in 2017, respectively. Immediately following these share issuances as described above, the total number of issued shares of Taiwan Henlius was 78,051,149. The Company, Dr. LIU and Dr. JIANG held 30.75%, 1.14% and 0.27% of the equity interest in Taiwan Henlius, respectively, with the remaining 67.84% equity interest being directly or indirectly held by certain employees of the Company and other Independent Third Party investors.

In November 2017, the Company entered into share purchase agreements with Dr. LIU, Dr. JIANG, HenLink and other shareholders of Taiwan Henlius for the acquisition of collectively 69.25% of the equity interest in Taiwan Henlius at a purchase price of US$1.7937 per share and the total purchase price of US$96,951,547 (the "**Taiwan Henlius Acquisition**"). The purchase price was determined with reference to the valuation of Taiwan Henlius as at 31 December 2016 as stated in a valuation report prepared by an independent valuer and was fully settled in cash by the Company in June 2018. Following the completion of the Taiwan Henlius Acquisition, Taiwan Henlius became a wholly-owned subsidiary of the Company.

As advised by Meridian Attorneys-at-Law and Llinks Law Offices, the Taiwan and China Mainland legal advisers to the Company, respectively, all applicable approvals required for the completion of the Taiwan Henlius Acquisition in Taiwan and China Mainland have been obtained by the Group.

**MAJOR SHAREHOLDING CHANGES OF THE COMPANY**

As at the date of the establishment of the Company in February 2010, the registered capital of the Company was US$8,000,000, with Fosun New Medicine, Cayman Henlius, Dr. LIU and Dr. JIANG holding 74%, 25%, 0.375% and 0.25% of the equity interest in the Company, respectively, and an Independent Third Party holding the remaining 0.375% equity interest. In March 2012, such Independent Third Party transferred all his interest in the Company to Dr. LIU and ceased to be a Shareholder of the Company. Fosun New Medicine, Cayman Henlius, Dr. LIU and Dr. JIANG are collectively referred to as the "**Initial Shareholders**".

Since the establishment of the Company, the Company has undertaken a series of capital increases to raise funds for the development of its business and to bring in new shareholders to the Company. The major shareholding changes of the Company are set out below:

(a) pursuant to a capital increase agreement entered into between the Initial Shareholders and the Company on 6 January 2014, Fosun New Medicine and Dr. LIU subscribed for the increased registered capital of the Company of US$5,079,284 and US$38,383 for a total subscription price of US$9,925,000 and US$75,000, respectively. The subscription price was determined based on arm's length negotiation between the parties and was fully paid by March 2014;

(b) pursuant to a capital increase agreement entered into between the Initial Shareholders and the Company on 29 October 2014, Fosun New Medicine agreed to subscribe for the increased registered capital of the Company of US$9,862,467 for a subscription price of US$23,304,000, which was determined based on arm's length negotiation between the parties and was fully paid by July 2015;

(c) pursuant to a capital increase agreement entered into among the Initial Shareholders, Shanghai Guoyou, Shanghai Guohong, Shanghai Guozhi and the Company on 26 April 2016, Cayman Henlius, Dr. LIU, Dr. JIANG, Shanghai Guoyou, Shanghai Guohong and Shanghai Guozhi subscribed for the increased registered capital of the Company of US$1,037,965, US$95,221, US$27,115, US$478,139, US$478,139 and US$717,209 for a total subscription price of US$2,452,651, US$224,997, US$64,069, US$1,129,795, US$1,129,795 and US$1,694,693, respectively. The subscription price was determined based on arm's length negotiation between the parties and was fully paid by June 2016. Shanghai Guoyou, Shanghai Guohong and Shanghai Guozhi are partnership enterprises established in the PRC (the "**Relevant Limited Partnerships**");

When the Shares were issued to the Relevant Limited Partnerships, certain Company employees (including advisers), representing an aggregate of 91 individuals (the "**Employee Beneficiaries**"), were indirectly beneficially interested in the Shares through

their interests in the Relevant Limited Partnerships. The general partner and certain limited partners of the Relevant Limited Partnerships (the "**Trustees**") held such interests on behalf of the Employee Beneficiaries and such trust arrangements were terminated following the completion of the Shanghai Guozhi Transfer and the 2018 Second Share Transfer. The proceeds from the relevant transfers, after deduction and payment of applicable income tax, were paid to the relevant Employee Beneficiaries. Based on its review of the relevant taxation laws and regulations and the relevant tax payment certificates for each of the Shanghai Guozhi Transfer and the 2018 Second Share Transfer, Llinks Law Offices believes that relevant income tax had been paid and that those payments have been confirmed by the relevant PRC tax authorities. Accordingly, Llinks Law Offices considers that there is no violation of any PRC taxation laws and regulations. As at the Latest Practicable Date, the Relevant Limited Partnerships held an aggregate of 2,337,596 Shares, representing 0.48% of the total number of issued Shares in the Company. The general partner of the Relevant Limited Partnerships is Mr. Xinjun Guo, and the limited partners of Shanghai Guohong, Shanghai Guoyou and Shanghai Guozhi comprise two, one and two individuals, respectively, all being existing employees of the Company. The Shares held by the Relevant Limited Partnerships will constitute domestic Shares immediately following the completion of the Global Offering;

(d) pursuant to a capital increase agreement entered into among seven investors (the "**2016 Pre-IPO Investors**"), the Initial Shareholders, Shanghai Guoyou, Shanghai Guohong, Shanghai Guozhi and the Company on 27 May 2016, the 2016 Pre-IPO Investors subscribed for the increased registered capital of an aggregate of US$4,250,146 at a subscription price of US$9.41 per registered capital (being an aggregate subscription price of approximately US$40.00 million), which was determined based on arm's length negotiation between the parties (the "**2016 Capital Increase**"). See "— *The Pre-IPO Investments*";

(e) on 23 June 2017, Shanghai Guozhi entered into a share transfer agreement with each of Wuxi Shanyi Management Consultancy Enterprise (Limited Partnership) (無錫市善宜管理諮詢企業(有限合夥)) ("**Wuxi Shanyi**") and Wuxi Tongshan Investment Enterprise (Limited Partnership)* (無錫市通善投資企業(有限合夥)) ("**Wuxi Tongshan**"), pursuant to which Shanghai Guozhi agreed to transfer, and Wuxi Shangyi and Wuxi Tongshan agreed to acquire, 45,752 Shares and 4,666,667 Shares for a consideration of RMB1,000,000 and RMB102,000,000, respectively (the "**Shanghai Guozhi Transfer**"). The consideration was determined based on arm's length negotiation between the parties. On the same date, Shanghai Guozhi also entered into a supplemental agreement with each of Wuxi Shanyi and Wuxi Tongshan, pursuant to which the parties agreed that the consideration to be paid by Wuxi Shangyi and Wuxi Tongshang under the Shanghai Guozhi Transfer will be subject to certain adjustment with reference to the valuation of the Company determined in the next round pre-IPO investment. See "— *The Pre-IPO Investments*";

(f) pursuant to a capital increase agreement entered into between Shanghai Guoyun and the Company on 14 August 2017, Shanghai Guoyun subscribed for 22,750,000 Shares at a subscription price of RMB9.21 per Share (being an aggregate subscription price of

approximately RMB209.53 million). Shanghai Guoyun is a partnership enterprise established in the PRC and beneficially owned by certain employees of the Group who are PRC citizens. See "— *Subscription of Shares by Shanghai Guoyun Pursuant to the 2018 Share Award Scheme*";

(g) Fosun New Medicine, one of the Initial Shareholders, entered into a capital increase agreement with the Company on 24 September 2017, pursuant to which Fosun New Medicine subscribed for 16,286,644 Shares for a total subscription price of RMB150 million, which was determined based on arm's length negotiation between the parties and was fully paid by November 2017;

(h) pursuant to a capital increase agreement entered into between HenLink and the Company on 17 November 2017, HenLink subscribed for 4,841,344 Shares for a total subscription price of US$14 million. HenLink is beneficially owned by certain employees of the Group who are not PRC citizens. See "— *Subscription of Shares by HenLink Pursuant to the 2017 Share Award Scheme*";

(i) pursuant to the capital increase agreements entered into on 20 December 2017 among eight investors (the "**2017 Pre-IPO Investors**"), all of the then existing Shareholders of the Company (being the Initial Shareholders, Shanghai Guoyou, Shanghai Guozhi, Shanghai Guohong, Shanghai Guoyun, HenLink, the 2016 Pre-IPO Investors, Wuxi Shanyi and Wuxi Tongshan) and the Company, the 2017 Pre-IPO Investors subscribed for an aggregate of 55,434,678 Shares at a subscription price of RMB22.71 per Share, which was determined after arm's length negotiation between the parties, and taking into account the research and development progress of the product candidates of the Company (the "**2017 Capital Increase**"). See "— *The Pre-IPO Investments*";

(j) on 12 July 2018, Fosun Pharma Industrial Development, one of the 2017 Pre-IPO Investors and a Controlling Shareholder, entered into a share transfer agreement with each of Suzhou Industrial Park New Metabiology Venture Capital Investment Enterprise (Limited Partnership) (蘇州工業園區新建元生物創業投資企業(有限合夥)) ("**New Metabiology**"), Ningbo FTZ Yifei Investment Partnership Enterprise (Limited Partnership) (寧波保稅區益飛投資合夥企業(有限合夥)) ("**Yifei Investment**") and Shanghai Orient Securities Innovation Investment Company Limited (上海東方證券創新投資有限公司) ("**Shanghai Orient Securities**"), all being the 2016 Pre-IPO Investors, pursuant to which Fosun Pharma Industrial Development agreed to acquire all of the Shares held by New Metabiology, Yifei Investment and Shanghai Orient Securities for a total purchase price of US$17,493,423, US$9,214,150 and US$16,692,192, respectively, which was determined based on arm's length negotiation between the parties (the "**2018 Share Transfer**"). See "— *The Pre-IPO Investments*";

(k) pursuant to a capital increase agreement entered into on 17 July 2018 among 9 investors (the "**2018 Pre-IPO Investors**"), all of the then existing Shareholders of the Company (being the Initial Shareholders, Shanghai Guoyou, Shanghai Guozhi, Shanghai Guohong, Shanghai Guoyun, HenLink, the 2016 Pre-IPO Investors (excluding New Metabiology, Yifei Investment and Shanghai Orient Securities), Wuxi Shanyi, Wuxi Tongshan, the 2017

Pre-IPO Investors, Shanghai Qiangang and Shanghai Tanying) and the Company, the 2018 Pre-IPO Investors subscribed for an aggregate of 25,120,387 Shares at a subscription price of US$6.23 per Share, which was determined based on arm's length negotiation (the "**2018 Capital Increase**"). See "— *The Pre-IPO Investments*"; and

(l) on 25 July 2018, Shanghai Guoyou, Shanghai Guohong, Shanghai Qiangang Investment Management Partnership Enterprise (Limited Partnership) (上海乾剛投資管理合夥企業(有限合夥)) ("**Shanghai Qiangang**") and Shanghai Tanying Investment Partnership Enterprise (Limited Partnership) (上海檀英投資合夥企業(有限合夥)) ("**Shanghai Tanying**") entered into a share transfer agreement pursuant to which Shanghai Guoyou agreed to transfer a total of 150,000 Shares to Shanghai Qiangang at the price of RMB38.61 per Share, and Shanghai Guoyou and Shanghai Guohong agreed to transfer 1,950,000 Shares and 2,100,000 Shares, respectively, to Shanghai Tanying, at the price of RMB38.61 per Share (the "**2018 Second Share Transfer**"). The transfer price was determined based on arm's length negotiation between the parties. See "— *The Pre-IPO Investments*".

The 2016 Capital Increase, the Shanghai Guozhi Transfer, the 2017 Capital Increase, the 2018 Share Transfer, the 2018 Capital Increase and the 2018 Second Share Transfer are collectively referred to as the "**Pre-IPO Investments**", and the 2016 Pre-IPO Investors, Wuxi Shangyi, Wuxi Tongshan, the 2017 Pre-IPO Investors, the 2018 Pre-IPO Investors, Shanghai Qiangang and Shanghai Tanying are collectively referred to as the "**Pre-IPO Investors**".

As advised by Llinks Law Offices, the PRC legal advisers to the Company, the Company has complied with applicable PRC laws and regulations in relation to the changes of shareholdings as set out above.

## SUBSCRIPTION OF SHARES BY HENLINK PURSUANT TO THE 2017 SHARE AWARD SCHEME

In order to attract, retain and motivate the employees of the Group, and to align the interests of the Group, the Shareholders and the employees of the Group, the Company adopted a share award scheme (the "**2017 Share Award Scheme**") in November 2017. See "*Appendix VI — Statutory and General Information*" for details of the 2017 Share Award Scheme.

As part of the arrangement in relation to the 2017 Share Award Scheme, employees who are not PRC citizens had subscribed for shares in HenLink, which then used such subscription funds to subscribe for the shares in Taiwan Henlius. Following the Taiwan Henlius Acquisition by the Company in 2017 referred to above, pursuant to the 2017 Share Award Scheme, the Company issued a total of 4,841,344 Shares to HenLink in November 2017 for a total consideration of US$14 million. Such capital contribution was fully settled by HenLink in July 2018, using the funds it received from the Company for transferring the shares in Taiwan Henlius to the Company.

## SUBSCRIPTION OF SHARES BY SHANGHAI GUOYUN PURSUANT TO THE 2018 SHARE AWARD SCHEME

In preparation for the application for quotation of the Shares on the National Equities Exchange and Quotations System ("**NEEQ**"), details of which are set out in "— *Contemplated Application for*

*Quotation of the Shares on the NEEQ*" below (the "**Contemplated NEEQ Application**"), in order to attract, retain and motivate the employees of the Group, and to align the interests of the Group, the Shareholders and the employees of the Group, the Company adopted a share option scheme in 2017 (the "**Share Option Scheme**"), which was approved by Fosun International and Fosun Pharma at their respective shareholders' meetings held on 6 June 2017 and 29 June 2017, respectively. No options have been granted by the Company to the employees of the Group, but a total of 22,750,000 Shares were issued to Shanghai Guoyun at the price of RMB9.21 per Share, being the initial exercise price of the options under the Share Option Scheme, in August 2017 in anticipation of the grant of the options pursuant to the Share Option Scheme.

As the Company decided not to proceed with the Contemplated NEEQ Application, the Company terminated the Share Option Scheme and adopted a share award scheme in April 2018 (the "**2018 Share Award Scheme**"). See "*Appendix VI — Statutory and General Information*" for details of the 2018 Share Award Scheme. Employees of the Group who had previously been notified by the Company in relation to the potential grant of options pursuant to the Share Option Scheme agreed to participate in the 2018 Share Award Scheme by subscribing for shares in Shanghai Guoyun (in respect of employees who are PRC citizens) and HenLink (in respect of employees who are not PRC citizens), and thereby becoming indirect Shareholders of the Company. In July 2018, for the purpose of implementing the 2018 Share Award Scheme, Shanghai Guoyun transferred 11,035,350 Shares to HenLink. Shanghai Guoyun and HenLink have settled their respective capital contribution to the Company in September 2018 using funds contributed by the relevant employees of the Group.

## THE PRE-IPO INVESTMENTS

Details of the Pre-IPO Investments are set out below:

| Name of Pre-IPO Investors | Date of Investment | Number of Shares or Registered capital acquired | Share held immediately after the Global Offering[1] | Cost per Share | Total consideration | Corresponding valuation of the Company | Date on which investment was fully settled | Discount to the mid-point of the Offer Price Range[2] | Shareholding in the Company upon Listing (assuming the Over-allotment Option is not exercised) |
|---|---|---|---|---|---|---|---|---|---|
| ***The 2016 Capital Increase*** | | | | | | | | | |
| Shanghai Qingke Pien Tze Huang Investment Management Centre (Limited Partnership)* (上海清科片仔癀投資管理中心(有限合夥)) . . . | 27 May 2016 | US$903,155 | Domestic Shares | US$1.40[3] (HK$10.98) | US$8,498,689 | US$490 million | 3 June 2016 | 79.6% | 1.13% |
| Huagai Medical Investment Management Beijing Co., Ltd.* (華蓋醫療投資管理(北京)有限公司) . | 27 May 2016 | US$956,282 | Domestic Shares | US$1.40[3] (HK$10.98) | US$8,998,614 | US$490 million | 30 June 2016 | 79.6% | 1.19% |
| Huagai Medical Health Venture Capital Investment Chengdu Partnership Enterprise (Limited Partnership)* (華蓋醫療健康創業投資成都合夥企業(有限合夥)) . . . . . | 27 May 2016 | US$159,384 | Domestic Shares | US$1.40[3] (HK$10.98) | US$1,499,803 | US$490 million | 3 June 2016 | 79.6% | 0.20% |

| Name of Pre-IPO Investors | Date of Investment | Number of Shares or Registered capital acquired | Share held immediately after the Global Offering[1] | Cost per Share | Total consideration | Corresponding valuation of the Company | Date on which investment was fully settled | Discount to the mid-point of the Offer Price Range[2] | Shareholding in the Company upon Listing (assuming the Over-allotment Option is not exercised) |
|---|---|---|---|---|---|---|---|---|---|
| Shanghai Founder KIP Equity Investment Partnership (Limited Partnership)* (上海方正韓投股權投資合夥企業(有限合夥)) . . | 27 May 2016 | US$850,029 | Domestic Shares | US$1.40[3] (HK$10.98) | US$7,998,773 | US$490 million | 3 June 2016 | 79.6% | 1.06% |
| New Metabiology . . . . . | 27 May 2016 | US$556,768 | —[4] | US$1.40[3] (HK$10.98) | US$5,239,187 | US$490 million | 3 June 2016 | 79.6% | —[4] |
| Yifei Investment . . . . . | 27 May 2016 | US$293,261 | —[4] | US$1.40[3] (HK$10.98) | US$2,759,586 | US$490 million | 6 June 2016 | 79.6% | —[4] |
| Shanghai Orient Securities | 27 May 2016 | US$531,267 | —[4] | US$1.40[3] (HK$10.98) | US$4,999,222 | US$490 million | 3 June 2016 | 79.6% | —[4] |
| ***The Shanghai Guozhi Transfer*** | | | | | | | | | |
| Wuxi Shanyi . . . . . | 23 June 2017 | 45,752 | Domestic Shares | approximately RMB21.86 (HK$24.20) | RMB1,000,000 | N/A | 13 July 2017 | 54.9% | 0.01% |
| Wuxi Tongshan . . . . . | 23 June 2017 | 4,666,667 | Domestic Shares | approximately RMB21.86 (HK$24.20) | RMB102,000,000 | N/A | 23 June 2017 | 54.9% | 0.87% |

| Name of Pre-IPO Investors | Date of Investment | Number of Shares or Registered capital acquired | Share held immediately after the Global Offering[1] | Cost per Share | Total consideration | Corresponding valuation of the Company | Date on which investment was fully settled | Discount to the mid-point of the Offer Price Range[2] | Shareholding in the Company upon Listing (assuming the Over-allotment Option is not exercised) |
|---|---|---|---|---|---|---|---|---|---|
| ***The 2017 Capital Increase*** | | | | | | | | | |
| Fosun Pharma Industrial Development . . . . . | 20 December 2017 | 14,588,073 | Domestic Shares | RMB22.71 (HK$25.14) | RMB331,295,138 | US$1,540 million | 10 January 2018 | 53.2% | 4.43% |
| Chongqing Gaotejia Ruian Equity Investment Fund Partnership Enterprise (Limited Partnership)* (重慶高特佳睿安股權投資基金合夥企業(有限合夥)) (Chongqing Gaotejia). . . . . | 20 December 2017 | 6,605,019 | Domestic Shares | RMB22.71 (HK$25.14) | RMB149,999,981 | US$1,540 million | 29 January 2018 | 53.2% | 1.23% |
| Shenzhen Gaotejia Ruiyi Investment Partnership Enterprise (Limited Partnership)* (深圳高特佳睿益投資合夥企業(有限合夥)) (Shenzhen Gaotejia). . . | 20 December 2017 | 10,900,669 | Domestic Shares | RMB22.71 (HK$25.14) | RMB247,554,193 | US$1,540 million | 30 March 2018 | 53.2% | 2.02% |
| Jiaxing Shenmao No.8 Equity Investment Partnership Enterprise (Limited Enterprise)* (嘉興申貿捌號股權投資合夥企業(有限合夥)) . . | 20 December 2017 | 5,835,229 | Domestic Shares | RMB22.71 (HK$25.14) | RMB132,518,051 | US$1,540 million | 29 March 2018 | 53.2% | 1.08% |

| Name of Pre-IPO Investors | Date of Investment | Number of Shares or Registered capital acquired | Share held immediately after the Global Offering[1] | Cost per Share | Total consideration | Corresponding valuation of the Company | Date on which investment was fully settled | Discount to the mid-point of the Offer Price Range[2] | Shareholding in the Company upon Listing (assuming the Over-allotment Option is not exercised) |
|---|---|---|---|---|---|---|---|---|---|
| Joyful Ascent Limited . . . | 20 December 2017 | 4,376,422 | H Shares | RMB22.71 (HK$25.14) | RMB99,388,544 | US$1,540 million | 31 January 2018 | 53.2% | 0.81% |
| Green Tomato Asia Limited ("**Green Tomato**") . . . | 20 December 2017 | 4,376,422 | H Shares | RMB22.71 (HK$25.14) | RMB99,388,544 | US$1,540 million | 31 January 2018 | 53.2% | 1.26%[5] |
| Gongqingcheng Yingshuo Henlius Investment Fund Partnership Enterprise (Limited Partnership)* (共青城英碩漢霖投資基金合夥企業(有限合夥)) . . . . . | 20 December 2017 | 4,376,422 | Domestic Shares | RMB22.71 (HK$25.14) | RMB99,388,544 | US$1,540 million | 3 January 2018 | 53.2% | 0.81% |
| Shenzhen Yinxun Investment Consultancy Enterprise (General Partnership)* (深圳市銀迅投資諮詢企業(普通合夥)) . . . . . | 20 December 2017 | 4,376,422 | Domestic Shares | RMB22.71 (HK$25.14) | RMB99,388,544 | US$1,540 million | 5 January 2018 | 53.2% | 0.81% |
| ***The 2018 Share Transfer*** | | | | | | | | | |
| Fosun Pharma Industrial Development . . . . . | 12 July 2018 | 9,285,745 | Domestic Shares | US$4.6738 (HK$36.64) | US$43,399,765 | N/A | 13 July 2018 | 31.8% | 4.43% |
| ***The 2018 Second Share Transfer*** | | | | | | | | | |
| Shanghai Qiangang . . . . | 25 July 2018 | 150,000 | Domestic Shares | RMB38.61 (HK$42.74) | RMB5,791,500 | N/A | 30 July 2018 | 20.4% | 0.03% |

| Name of Pre-IPO Investors | Date of Investment | Number of Shares or Registered capital acquired | Share held immediately after the Global Offering[1] | Cost per Share | Total consideration | Corresponding valuation of the Company | Date on which investment was fully settled | Discount to the mid-point of the Offer Price Range[2] | Shareholding in the Company upon Listing (assuming the Over-allotment Option is not exercised) |
|---|---|---|---|---|---|---|---|---|---|
| Shanghai Tanying . . . . . | 25 July 2018 | 4,050,000 | Domestic Shares | RMB38.61 (HK$42.74) | RMB156,370,500 | N/A | 30 July 2018 | 20.4% | 0.75% |
| ***The 2018 Capital Increase*** | | | | | | | | | |
| New China Innovation Fund SPC (acting for and on behalf of New China Innovation Fund 16 Segregated Portfolio) . . . . . | 17 July 2018 | 2,086,677 | H Shares | US$6.23 (HK$48.85) | US$12,999,997.71 | US$2,956.5 million | 2 November 2018 | 9.0% | 0.39% |
| New China Innovation Fund SPC (acting for and on behalf of New China Innovation Fund 17 Segregated Portfolio) . . . . . | 17 July 2018 | 1,605,137 | H Shares | US$6.23 (HK$48.85) | US$10,000,003.51 | US$2,956.5 million | 2 November 2018 | 9.0% | 0.30% |
| IS Investment Fund Segregated Portfolio Company — CIS New China Ever Growing Fund Segregated Portfolio. . . . . | 17 July 2018 | 2,728,732 | H Shares | US$6.23 (HK$48.85) | US$17,000,000.36 | US$2,956.5 million | 2 November 2018 | 9.0% | 0.51% |
| Loyal Valley Capital Advantage Fund LP . . . | 17 July 2018 | 6,832,450 | H Shares | US$6.23 (HK$48.85) | US$42,566,163.50 | US$2,956.5 million | 2 November 2018 | 9.0% | 1.27% |
| Golden Valley Global Limited . . . . . | 17 July 2018 | 1,193,232 | H Shares | US$6.23 (HK$48.85) | US$7,433,835.36 | US$2,956.5 million | 2 November 2018 | 9.0% | 0.22% |

| Name of Pre-IPO Investors | Date of Investment | Number of Shares or Registered capital acquired | Share held immediately after the Global Offering[1] | Cost per Share | Total consideration | Corresponding valuation of the Company | Date on which investment was fully settled | Discount to the mid-point of the Offer Price Range[2] | Shareholding in the Company upon Listing (assuming the Over-allotment Option is not exercised) |
|---|---|---|---|---|---|---|---|---|---|
| FULLGOAL CHINA ACCESS RQFII FUND SPC (acting on behalf of and for the account of Fullgoal-BPP New Healthcare Fund SP) . . | 17 July 2018 | 3,210,273 | H Shares | US$6.23 (HK$48.85) | US$20,000,000.79 | US$2,956.5 million | 2 November 2018 | 9.0% | 0.60% |
| Gortune Deepmind Inv. Limited . . . . . | 17 July 2018 | 4,012,842 | H Shares | US$6.23 (HK$48.85) | US$25,000,005.66 | US$2,956.5 million | 2 November 2018 | 9.0% | 0.74% |
| Green Tomato . . . . . | 17 July 2018 | 2,407,705 | H Shares | US$6.23 (HK$48.85) | US$15,000,002.15 | US$2,956.5 million | 2 November 2018 | 9.0% | 1.26%[5] |
| CICC Alternative Investment Holding Limited . . . . . | 17 July 2018 | 1,043,339 | H Shares | US$6.23 (HK$48.85) | US$6,500,001.97 | US$2,956.5 million | 2 November 2018 | 9.0% | 0.19% |

*Notes:*

1. For purpose of Rule 8.08 of the Listing Rules, immediately following the completion of the Global Offering, the domestic Shares held by the relevant Pre-IPO Investors will not constitute part of the public float while the H Shares held by the relevant Pre-IPO Investors will be counted as part of the public float. Please also refer to "*Share Capital*" for more information in relation to the public float of the Company upon Listing.
2. The discount was calculated without taking into account the subsequently enlarged capital of the Company.
3. The Company was converted into a joint stock limited company following the completion of the 2016 Pre-IPO Investment, converting its total equity of approximately RMB542,832,000 into share capital with an amount of RMB350,000,000 and share premium with an amount of RMB192,832,000. The 2016 Pre-IPO Investors subscribed for the registered capital of the Company at the subscription price of US$9.41 per registered capital, which equals to approximately US$1.40 per Share of the Company, assuming the registered capital of the Company was converted into Shares on the same basis.
4. Following the completion of the 2018 Share Transfer, New Metabiology, Yifei Investment and Shanghai Orient Securities ceased to be Shareholders of the Company in July 2018.
5. Green Tomato, one of the 2017 Pre-IPO Investors, is also one of the 2018 Pre-IPO Investors. The shareholding of 1.26% set out above represented the aggregate shareholding held by Green Tomato in the Company immediately upon Listing (assuming the Over-allotment Option is not exercised).

The Shares held by the Pre-IPO Investors are not subject to any lock-up pursuant to the terms of the Pre-IPO Investments and no special rights were granted to the Pre-IPO Investors pursuant to the Pre-IPO Investments. For the avoidance of doubt, the Shares held by Fosun Pharma Industrial Development, one Controlling Shareholder, will be subject to the lock-up pursuant to Rule 10.07 of the Listing Rules and according to the PRC Company Law, Shares issued by the Company prior to the Listing Date shall not be transferred for a period of one year after the Listing Date.

In relation to Shares held by the Pre-IPO Investors, unlisted foreign Shares held by Joyful Ascent Limited (one of the 2017 Pre-IPO Investors) and the 2018 Pre-IPO Investors, after converted into H Shares immediately upon the completion of the Global Offering, will be counted as part of the public float for purposes of Rule 8.08 of the Listing Rules. The Domestic Shares held by other Pre-IPO Investors will not constitute part of the public float for purposes of Rule 8.08 of the Listing Rules. Please refer to "*Share Capital*" for more information in relation to the public float of the Company upon Listing. Taking into consideration the valuation of the Company immediately following the completion of the 2018 Capital Increase, the Company expects that the Shares to be held by the public immediately following the completion of the Global Offering will have a market capitalisation of at least HK$375 million, without taking into account any Offer Shares to be subscribed by the Cornerstone Investors and/or existing Shareholders.

Of the Pre-IPO Investments, the Company received proceeds from the 2016 Capital Increase, the 2017 Capital Increase and the 2018 Capital Increase. The Company utilised the proceeds from the Pre-IPO Investments to finance its R&D activities. As at the Latest Practicable Date, approximately RMB81 million of the net proceeds raised by the Company from the Pre-IPO Investments had not been utilised.

Our Directors were of the view that the Company would benefit from the capital raised through the Pre-IPO Investments, the Pre-IPO Investors' knowledge and experience, and the endorsement of the Company's performance, strength and prospects reflected by the Pre-IPO Investments.

***Background Information about the Existing Pre-IPO Investors***

| Name of Pre-IPO Investors | Background |
|---|---|
| ***The 2016 Capital Increase*** | |
| Shanghai Qingke Pien Tze Huang Investment Management Centre (Limited Partnership)* (上海清科片仔癀投資管理中心(有限合夥)) | A limited partnership established in the PRC, the general partner of which is Shanghai Qingke Hongkai Investment Management Partnership Enterprise (Limited Partnership)* (上海清科宏鎧投資管理合夥企業(有限合夥)) |
| Huagai Medical Investment Management (Beijing) Co., Ltd.* (華蓋醫療投資管理(北京)有限公司) | A company established in the PRC which is engaged in, among others, asset management, investment management and investment consulting businesses. It is owned as to 80% by Huagai Capital Co., Ltd.* (華蓋資本有限責任公司) ("**Huagai Capital**") and 20% by Jiachen Weiye Investment (Beijing) Co., Ltd.* (嘉宸偉業投資(北京)有限公司). Huagai capital is a company established in the PRC, the largest shareholder of which is Liaoning Chengda Co., Ltd.* (遼寧成大股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 600739), holding 30% of Huagai Capital's equity interest |
| Huagai Medical Health Venture Capital Investment Chengdu Partnership Enterprise (Limited Partnership)* (華蓋醫療健康創業投資成都合夥企業(有限合夥)) | A limited partnership established in the PRC, the general partner of which is Huagai Medical Investment Management (Beijing) Co., Ltd.* (華蓋醫療投資管理(北京)有限公司) |
| Shanghai Founder KIP Equity Investment Partnership (Limited Partnership)* (上海方正韓投股權投資合夥企業(有限合夥)) | A limited partnership established in the PRC, the general partner of which is Shanghai Founder KIP Equity Investment Management Partnership (Limited Partnership)* (上海方正韓投股權投資管理合夥企業(有限合夥)) |
| ***The Shanghai Guozhi Transfer*** | |
| Wuxi Shanyi | A limited partnership established in the PRC, the general partner of which is Yixing Shanying Trading Consultancy Co., Ltd.* (宜興善盈貿易諮詢有限公司) |
| Wuxi Tongshan | A limited partnership established in the PRC, the general partner of which is Tongde Equity Investment Management (Shanghai) Co., Ltd.* (通德股權投資管理(上海)有限公司) |

| Name of Pre-IPO Investors | Background |
|---|---|
| ***The 2017 Capital Increase*** | |
| Fosun Pharma Industrial Development | One of the Controlling Shareholders of the Company |
| Chongqing Gaotejia Ruian Equity Investment Partnership Enterprise (Limited Partnership)* (重慶高特佳睿安股權投資基金合夥企業(有限合夥)) ("**Chongqing Gaotejia**") | A limited partnership established in the PRC, the general partner of which is Chongqing Gaotejia Equity Investment Fund Management Co., Ltd.* (重慶高特佳股權投資基金管理有限公司) |
| Shenzhen Gaotejia Ruiyi Investment Partnership Enterprise (Limited Partnership)* (深圳高特佳睿益投資合夥企業(有限合夥)) ("**Shenzhen Gaotejia**") | A limited partnership established in the PRC, the general partner of which is Shenzhen Gaotejia Hongrui Investment Co., Ltd.* (深圳市高特佳弘瑞投資有限公司). Chongqing Gaotejia and Shenzhen Gaotejia are both limited partnerships principally engaged in equity investments. Their major investment areas include pharmaceutical and related fields. Both Chongqing Gaotejia and Shenzhen Gaotejia are controlled by Shenzhen Gaotejia Investment Group Co., Ltd.* (深圳市高特佳投資集團有限公司) ("**Gaotejia**"). Gaotejia, a company established in Shenzhen with assets under management of over RMB20 billion and 24 funds devoted to the healthcare industry as at the Latest Practicable Date. Gaotejia has invested in more than 140 companies, among which, more than 70 companies are principally engaged in the healthcare industry. Jiangxi Boya Bio-pharmaceutical Co., Ltd. (江西博雅生物製藥股份有限公司), currently known as Boya Bio-pharmaceutical Group Co. Ltd (博雅生物製藥集團股份有限公司), a company controlled by Gaotejia, is listed on the Shenzhen Stock Exchange (stock code: 300294). |
| Jiaxing Shenmao No.8 Equity Investment Partnership Enterprise (Limited Enterprise)* (嘉興申貿捌號股權投資合夥企業(有限合夥)) | A limited partnership established in the PRC, the general partner of which is Shanghai FTZ Equity Investment Fund Management Co., Ltd.* (上海自貿區股權投資基金管理有限公司) |
| Joyful Ascent Limited | A company incorporated in Hong Kong and a wholly-owned subsidiary of Jacobson Pharma Corporation Limited (a company listed on the Stock Exchange, stock code: 2633) |
| Green Tomato | A company incorporated in British Virgin Islands with Mr. Cheung Shun Ching, an Independent Third Party, controlling 85% of its equity interest |

| Name of Pre-IPO Investors | Background |
|---|---|
| Gongqingcheng Yingshuo Henlius Investment Fund Partnership Enterprise (Limited Partnership)* (共青城英碩漢霖投資基金合夥企業(有限合夥)) | A limited partnership established in the PRC, the general partner of which is Shanghai Yingshuo Investment Centre (Limited Partnership)* (上海英碩投資中心(有限合夥)) |
| Shenzhen Yinxun Investment Consultancy Enterprise (General Partnership)* (深圳市銀迅投資諮詢企業(普通合夥)) | A general partnership established in the PRC, the general partner of which are Mr. Yan Jitang, Mr. Yan Jifa and Ms. Pan Liqi, all are PRC individuals and Independent Third Parties |
| ***The 2018 Share Transfer*** | |
| Fosun Pharma Industrial Development | A Controlling Shareholder of the Company |
| ***The 2018 Second Share Transfer*** | |
| Shanghai Qiangang | A limited partnership established in the PRC, the general partner of which is Shanghai Shengge Investment Management Co., Ltd.* (上海盛歌投資管理有限公司) |
| Shanghai Tanying | A limited partnership established in the PRC, the general partner of which is Shanghai Shengge Investment Management Co., Ltd.* (上海盛歌投資管理有限公司) |
| ***The 2018 Capital Increase*** | |
| New China Innovation Fund SPC (acting for and on behalf of New China Innovation Fund 16 Segregated Portfolio) | A segregated investment portfolio of New China Innovation Fund SPC, which was incorporated in Cayman Islands on 10 June 2015 and is principally engaged in equity investments |
| New China Innovation Fund SPC (acting for and on behalf of New China Innovation Fund 17 Segregated Portfolio) | A segregated investment portfolio of New China Innovation Fund SPC, which was incorporated in Cayman Islands on 10 June 2015 and is principally engaged in equity investments |
| IS Investment Fund Segregated Portfolio Company — CIS New China Ever Growing Fund Segregated Portfolio | A segregated investment portfolio of IS Investment Fund Segregated Portfolio Company, which was incorporated in Cayman Islands on 14 November 2013 and is principally engaged in equity investments |
| Loyal Valley Capital Advantage Fund LP | A US dollar fund established under the Loyal Valley Capital on 14 November 2017 and is principally engaged in equity investments |

| Name of Pre-IPO Investors | Background |
|---|---|
| Golden Valley Global Limited | An investment company incorporated in British Virgin Islands on 5 January 2016 and a wholly-owned subsidiary of Shanghai Yuehong Investment Partnership Enterprise (Limited Partnership)* (上海樂泓投資合夥企業(有限合夥)), the general partner of which is Shanghai Shengge Investment Management Co., Ltd.* (上海盛歌投資管理有限公司) |
| FULLGOAL CHINA ACCESS RQFII FUND SPC (acting on behalf of and for the account of Fullgoal-BPP New Healthcare Fund SP) | A segregated investment portfolio of FULLGOAL CHINA ACCESS RQFII FUND SPC, which was incorporated in Cayman Islands on 10 July 2013 and is principally engaged in equity investments |
| Gortune Deepmind Inv. Limited | A company incorporated in British Virgin Islands on 6 January 2017 and is indirectly controlled by Guangdong Privately-owned Investment Co., Ltd.* (廣東民營投資股份有限公司) |
| Green Tomato | One of the 2017 Pre-IPO Investors |
| CICC Alternative Investment Holding Limited | A company incorporated in Cayman Islands and a wholly-owned subsidiary of China International Capital Corporation Limited (a company listed on the Stock Exchange, stock code: 3908) |

Except for Fosun Pharma Industrial Development, a Controlling Shareholder of the Company, all other Pre-IPO Investors are Independent Third Parties.

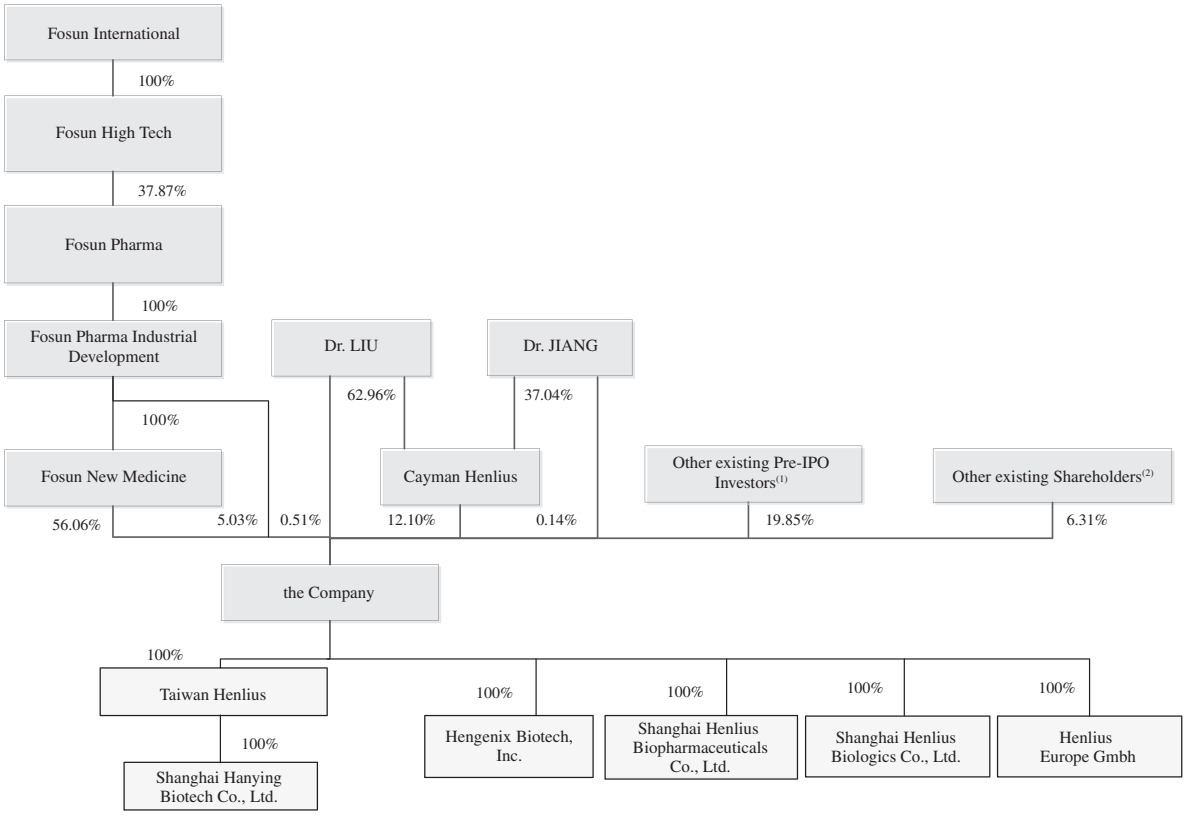
***Sponsors' Confirmation***

On the basis that (i) the consideration for each of the Pre-IPO Investments was settled at least 28 clear days prior to the date of the first submission of the listing application form to the Stock Exchange and (ii) no special right was granted to any Pre-IPO Investor pursuant to the terms of the Pre-IPO Investments, the Joint Sponsors are of the view that the Pre-IPO Investments are in compliance with Guidance Letters HKEx-GL29-12, HKEx-GL43-12 and HKEx-GL44-12.

## CORPORATE STRUCTURE

### Corporate structure as at the Latest Practicable Date

A simplified corporate structure of the Group as at the Latest Practicable Date is as follows:



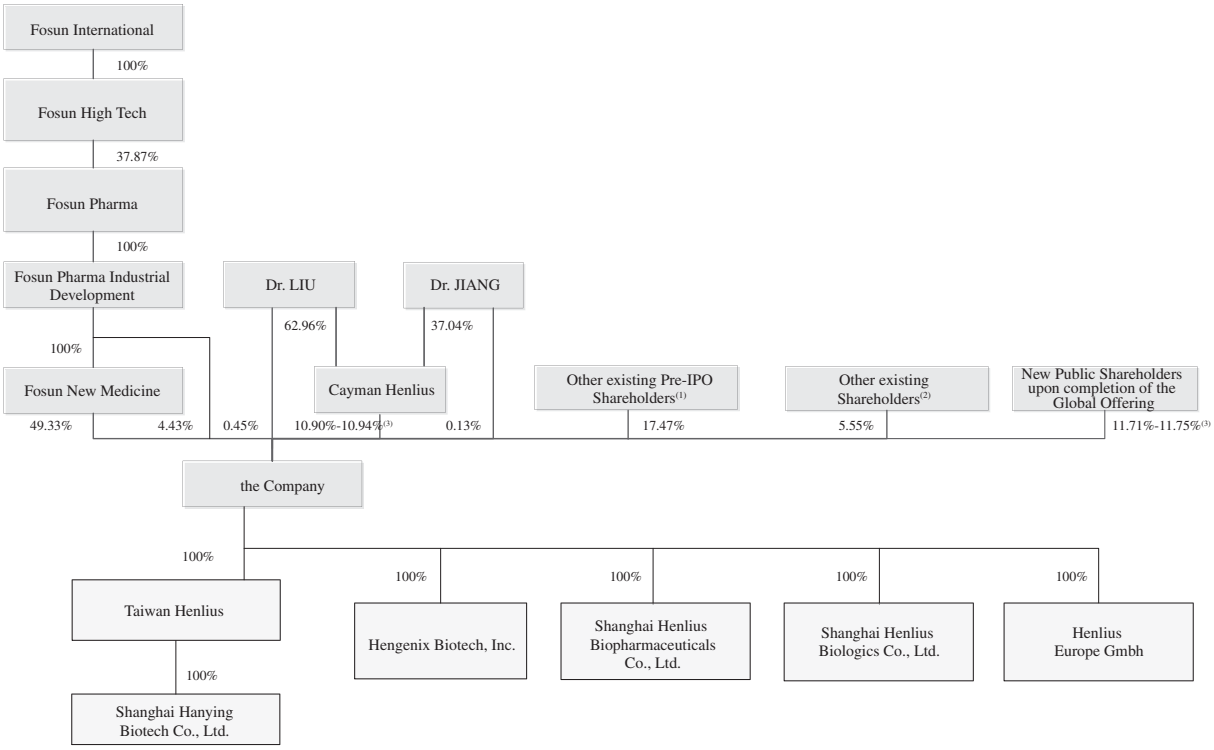

*Notes:*

(1) Other existing Pre-IPO Investors are existing Pre-IPO Investors other than Fosun Pharma Industrial Development. Please refer to "— *Background Information about the Existing Pre-IPO Investors*" above for further details.

(2) Other existing Shareholders are companies whose beneficial owners are employees of the Group, comprising Shanghai Guoyou, Shanghai Guohong, Shanghai Guozhi, Shanghai Guoyun and HenLink, holding approximately 0.23%, 0.23%, 0.02%, 2.47% and 3.35% of the equity interests of the Company as at the Latest Practicable Date, respectively.

**Corporate structure immediately following the completion of the Global Offering**

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), a simplified corporate structure of the Group will be as follows:




*Notes:*

(1) Other existing Pre-IPO Investors are existing Pre-IPO Investors other than Fosun Pharma Industrial Development. Please refer to "— *Background Information about the Existing Pre-IPO Investors*" above for further details.

(2) Other existing Shareholders are companies whose beneficial owners are employees of the Group, comprising Shanghai Guoyou, Shanghai Guohong, Shanghai Guozhi, Shanghai Guoyun and HenLink.

(3) Of the H Shares to be issued pursuant to the Global Offering, Cayman Henlius proposed to subscribe for certain amount of the Offer Shares as a cornerstone investor. Please see "*Cornerstone Investments*".

## CONTEMPLATED APPLICATION FOR QUOTATION OF THE SHARES ON THE NEEQ

In December 2016, the Company submitted the Contemplated NEEQ Application to The National Equities Exchange And Quotations Co., Ltd. ("**NEEQC**"). However, in 2017, the Company decided, ahead of completing the regulatory review process with NEEQC, to suspend the Contemplated NEEQ Application due to market conditions and commercial reasons. As part of the Contemplated NEEQ Application process, the Company submitted the application documents, including a draft quotation statement (the "**Quotation Statement**"), to the NEEQC for its review. As part of the NEEQC's review process, the Company received the first round comments in January 2017. Material comments from the NEEQC in the first round comments included clarification queries on compliance with the quotation conditions, certain parts of the business of the Company, including the timetable for

commercialisation of the Company's products and the Company's ability to generate profit and the basis for determining the issuance price in relation to the capital increases of the Company. The Company addressed the NEEQC's comments by explaining or clarifying to the NEEQC in its written response and including disclosure to the Quotation Statement as requested by the NEEQC. In March 2017, the Company received the second round comments from the NEEQC containing two questions, namely, asking the Company to supplement any subsequent events and disclose whether the controlling shareholders and controllers of the Company and their respective related parties have misappropriated the Company's funds as the Company had made an advance payment of RMB300,000 on behalf of Fosun Pharma in relation to a government sponsored drug R&D project. The Company did not respond to the second round comments as the Company had by then decided to suspend the Contemplated NEEQ Application. However the Company believed that it would have no difficulty in addressing these comments as the Company did not have any material subsequent events and Fosun Pharma has settled such advance payment and there was no misappropriation of funds of the Company by the controlling shareholders or controllers of the Company or their respective related parties as at the end of the reporting period in relation to the Contemplated NEEQ Application. On 27 September 2018, the Company and Fosun Pharma resolved to withdraw the Contemplated NEEQ Application and on 10 October 2018, NEEQC has acknowledged its receipt of the withdrawal application and the termination of its review of the Contemplated NEEQ Application.

All correspondence with the NEEQC, including the Quotation Statement, the comments from the NEEQC and the responses to the first round comments from the NEEQC, had been made public on the website of NEEQC until 10 October 2018 in accordance with relevant laws and rules of the PRC.

There was no disagreement between the Company and the NEEQC or other professional parties in relation to the Contemplated NEEQ Application. The Directors are of the view that there is no matter in relation to the Contemplated NEEQ Application relevant to the Listing which would affect the Company's suitability for the Listing.

## SPIN-OFF OF THE GROUP FROM FOSUN INTERNATIONAL AND FOSUN PHARMA

Each of Fosun International and Fosun Pharma considers that the spin-off and separate listing of the Group from Fosun International and Fosun Pharma (the "**Spin-off**") will be commercially beneficial to Fosun International, Fosun Pharma and the Company for the following reasons:

(a) the Spin-off will provide Fosun International and Fosun Pharma and their respective shareholders an opportunity to realise the fair value of their investment in the Company;

(b) the Spin-off will separate the Group's business from those of the Remaining Fosun International Group and the Remaining Fosun Pharma Group. Such separation will enable shareholders and investors to appraise the strategies, success factors, functional exposure, risks and returns of each group separately and to make or refine their investment decisions accordingly. Investors will have the choice to invest in either one or all of the business models;

(c) the Spin-off will allow the management teams of Fosun International, Fosun Pharma and the Company to focus more effectively on their respective businesses with a clearly delineated business objective and improve the Company's ability to recruit, motivate and retain key management personnel as well as to expediently and effectively capitalise on any business opportunities in the Group's business that may arise;

(d) the Spin-off will provide a separate fund-raising platform for the Company, thereby enabling it to raise the capital required to finance its future growth and expansion without reliance on Fosun International and/or Fosun Pharma. Such platform would allow the Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion, thereby accelerating its development and improving its operating and financial performance, which in turn will provide better reward for the shareholders of Fosun International, Fosun Pharma and the Company;

(e) the Spin-off would enable more focused development, strategy planning and better allocation of resources for the Remaining Fosun International Group, the Remaining Fosun Pharma Group and the Company with respect to their respective businesses, and the Remaining Fosun International Group, the Remaining Fosun Pharma Group and the Group would benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities;

(f) the Spin-off will increase the operational and financial transparency and improve the corporate governance of the Company and provide shareholders, investors, financial institutions and rating agencies with greater clarity on the businesses and financial status of each of the Remaining Fosun International Group, the Remaining Fosun Pharma Group and the Group on a standalone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of each of the Remaining Fosun International Group, the Remaining Fosun Pharma Group and the Group;

(g) the Spin-off will enable the Company to enhance its corporate profile, thereby increasing its ability to attract strategic investors, who can produce synergy for the Company, for investment in and forming strategic partnerships directly with the Company. The Remaining Fosun International Group and the Remaining Fosun Pharma Group will benefit from such investments without further capital commitment;

(h) the financial results of the Group will continue to be consolidated in the financial statements of Fosun International and Fosun Pharma following the Spin-off, which will allow Fosun International and Fosun Pharma to benefit from any future growth in the Group's financial performance; and

(i) the Spin-off will create a new investor base for the Company as it will be able to attract new investors who are seeking investments specifically in the biopharmaceuticals sector.

The Spin-off, if it proceeds, will not constitute a notifiable transaction for Fosun International or Fosun Pharma under the Listing Rules. As required under applicable PRC laws and regulations, the approval of the shareholders of Fosun Pharma for the Spin-off was obtained at the extraordinary general meeting of Fosun Pharma held on 27 November 2018.

The proposal in relation to the Spin-off was submitted by Fosun International and Fosun Pharma to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules ("**Practice Note 15**"), and the Stock Exchange has confirmed that Fosun International and Fosun Pharma may proceed with the proposed Spin-off. Practice Note 15 requires Fosun International and Fosun Pharma to have due regard to the interests of their respective existing shareholders by providing them with an assured entitlement to the Shares, either by way of a distribution in specie of existing Shares or by way of a preferred application in the offering of existing or new Shares ("**Assured Entitlement**"). Practice Note 15 provides that the respective minority shareholders of Fosun International and Fosun Pharma may by resolution in general meeting resolve to waive the Assured Entitlement.

In relation to Fosun Pharma, due to the provisions of certain PRC laws and regulations, Fosun Pharma is restricted from providing the Assured Entitlement to its A shareholders on an equal basis. In addition, due to the restrictions on profit distribution under PRC laws and the articles of association of Fosun Pharma, Fosun Pharma will not be able to, by way of distribution in specie, distribute the Shares to its A shareholders in order to provide them with the Assured Entitlement. At such, a shareholders' meeting of all shareholders of Fosun Pharma and class shareholders' meetings of each of the A shareholders and H shareholders of Fosun Pharma were held on 27 November 2018, pursuant to which the proposed Spin-off and to provide the Assured Entitlement to Fosun Pharma H Shareholders only has been approved. As a result, Fosun Pharma will provide the Assured Entitlement to the Qualifying Fosun Pharma H Shareholders by way of the Preferential Offering.

In relation to Fosun International, it will provide the Assured Entitlement to the Qualifying Fosun International Shareholders by way of the Preferential Offering.

In respect of the Preferential Offering, the Company has been advised by the Company's PRC legal adviser that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), China Securities Depository and Clearing Co., Ltd. does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial Fosun International Shareholders who hold Fosun International Shares or Beneficial Fosun Pharma H Shareholders who hold Fosun Pharma H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect. See "*Structure of the Global Offering*" for further details of the Preferential Offering.

*This section contains information relating to our markets. Certain facts, statistics and data presented in this section and elsewhere in this prospectus have been derived, in part, from various publicly available government and official sources, industry statistics and publications. We also commissioned an independent industry consultant, Frost & Sullivan, to prepare an industry research report ("**Frost & Sullivan Report**") upon which this Industry Overview section is based. Unless otherwise indicated, all historical and forecast statistical information, including trends, sales, market share and growth is from the Frost & Sullivan Report. See "—Sources of Information" below.*

*While we have taken all reasonable care to ensure that the relevant official facts and statistics are accurately reproduced from these sources, such facts and statistics have not been independently verified by us or any of the Relevant Persons. Although we have no reason to believe that such information is false or misleading in any material respect, or that any fact has been omitted that would render such information false or misleading in any material respect, we make no representation as to the accuracy or completeness of such information, which may not be consistent with other information available. Accordingly, you should not place undue reliance on such information or statistics. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.*

## SOURCE OF INFORMATION

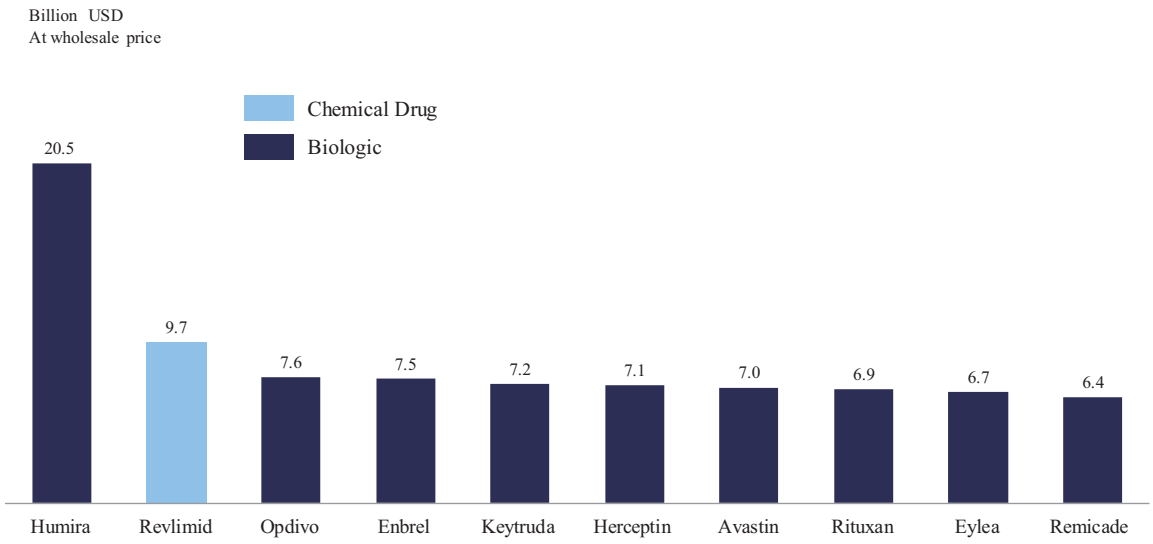
We engaged Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, the global biologics market, with a focus on the PRC market for use in this prospectus. Founded in 1961, Frost & Sullivan provides market research on various aspects of the pharmaceutical industry, among other services. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, which was commissioned by us for a fee of RMB920,000, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan Report was prepared through analysis of data compiled by Frost & Sullivan from a wide variety of public and proprietary sources. Public sources utilised include news articles, marketing materials and filings by other industry participants, as well as information from trade associations. Proprietary sources consist of Frost & Sullivan's own research database, survey data, industry analyst reports and exclusive interviews with industry participants, customers and other industry experts. Frost & Sullivan utilised its proprietary forecasting models to cross-check and synthesise the data to produce both qualitative and quantitative analyses and projections included in this prospectus.

## OVERVIEW OF THE GLOBAL BIOLOGICS MARKET

Biologics are pharmaceutical products which differ from traditional chemical drugs in several respects, with the main difference being that biologics are large molecule substances derived from living organisms, and are not chemically synthesised products. As such, biologics are complex and can have structural variations, even within and across production lots of the same product. Biologics include a wide range of products which can be broadly classified into four major classes: (1) mAbs, (2) recombinant therapeutic proteins, (3) vaccines and (4) others (which includes blood and blood components, allergenics, somatic cells, gene therapy and tissues).

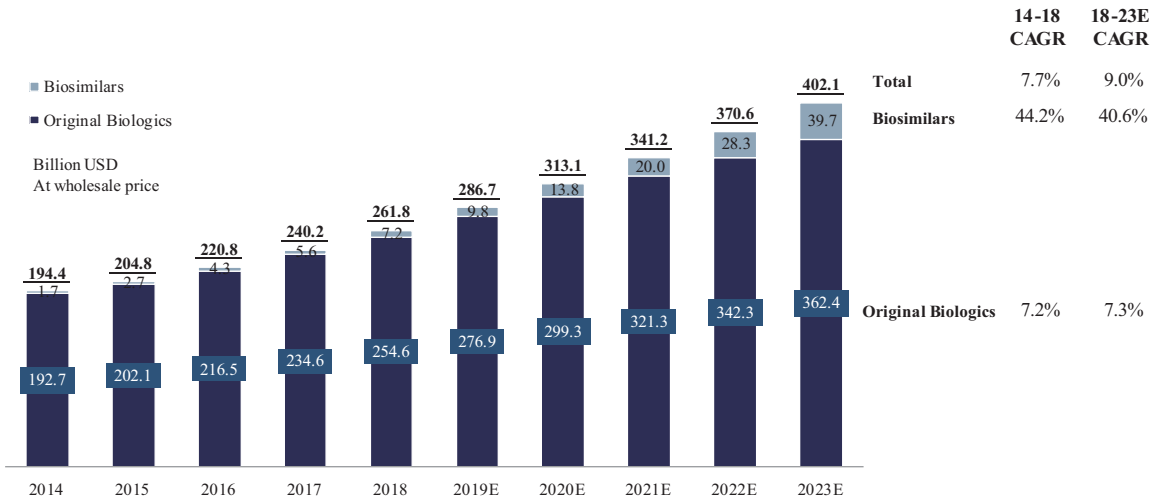
Biologic drugs are currently among many of the top-selling pharmaceutical products in the world. According to the Frost & Sullivan Report, the top-10 selling drugs globally in 2018 had combined sales revenue of US$86.6 billion. Of these top-10 drugs, nine were biologics, as set out in the graph below:

**Global Top 10 Drugs in Terms of Sales Revenue, 2018**




The global biologics market grew at a CAGR of 7.7% from US$194.4 billion in terms of sales revenue in 2014 to US$261.8 billion in 2018. This trend is expected to continue in the coming years with the global biologics market expected to grow at a CAGR of 9.0% from 2018 to 2023, reaching US$402.1 billion in terms of sales revenue. The following diagram illustrates the size of the global biologics market from 2014 to 2018 and the estimated market size from 2019 to 2023:

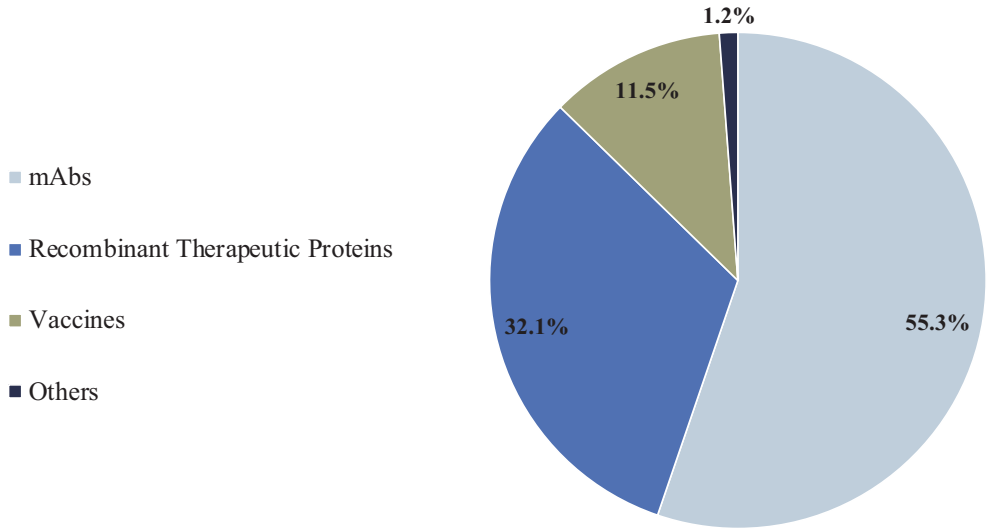
**Breakdown of Global Biologics Market (2014-2023E)**



**Global Biologics Market by Product Category**

Amongst all biologics, mAbs constitute the largest segment of the global biologics market, comprising 55.3% of sales revenue in 2018, according to the Frost & Sullivan Report. The following diagram illustrates the breakdown of the global biologics market in terms of sales revenue by product category in 2018:

**Breakdown of Global Biologics Market by Category, 2018**




Of the above categories, we focus primarily on the development of mAbs, which are widely used in different therapeutic areas, including oncology, auto-immune diseases, neurology and ophthalmology. mAbs are made from identical immune cells that are all clones of a unique parent cell. mAbs generally have specificity and affinity, in that they act by binding to the same part of the antigen that is recognised by the antibody.

The global sales revenue of mAbs (including fusion proteins) was US$144.8 billion in 2018 according to the Frost & Sullivan Report. Auto-immune diseases and oncology are the two largest therapeutic areas of mAbs, accounting for approximately 48.7% and 34.5% of the total mAbs market, respectively.

**Entry Barriers to the Biologics Market**

According to the Frost & Sullivan Report, entry barriers of biologics development and manufacturing include the following:

- *Knowledge intensive* — the development and production process of biologics is very complex and requires multi-disciplinary knowledge and specialised skill sets.

- *Long-term & complex development process* — it typically takes approximately 10-15 years on average to bring a biologics candidate from the discovery and clinical trial stages to market launch.

- *Difficult to replicate* — biologics are more difficult to replicate than traditional small-molecule pharmaceuticals, due to their large and complex molecular structures which are influenced by the specifics of the manufacturing process.

- *Challenging manufacturing & supply chain management* — the living cells used to manufacture biologics are fragile and sensitive to external environmental factors, making biologics more difficult to manufacture. Supply chain management is also more complex for biologics as new technologies such as continuous manufacturing are introduced, and manufacturers and logistics suppliers may experience difficulties timely producing and delivering sufficient amounts of biologics to meet rapidly rising demand.

- *Heavy capital investment* — large-scale biologics-manufacturing facilities require US$200-US$700 million or more to build, compared with small-molecule facilities of a similar scale that may cost only US$30-US$100 million.

- *Stringent regulation* — regulators impose stricter regulations on biologics than chemical drugs, requiring more comprehensive clinical data, a complex registration process and on-going market surveillance.

**Growth Drivers of the Global Biologics Market**

According to the Frost & Sullivan Report, the growth of the global biologics market is primarily driven by the following factors:

*Superior efficacy of biologics* — as a result of the ability to engage molecular targets with greater specificity than chemical drugs, biologics have shown high efficacy in treating a broad spectrum of diseases that lacked effective therapies in the past, such as cancers and autoimmune diseases, with faster onset and fewer side effects. Such superior efficacy has resulted in growing acceptance among patients and doctors, which stimulates demand and drives market growth.

*Significant development in biotechnology* — the application of biotechnology in pharmaceutical science has brought a series of breakthroughs in the development of new drugs. Technological innovation and progress in areas such as genetics and biochemistry have enhanced biotechnology companies' capabilities in research and development. Advancement in biotechnology may also help to increase the production yield of some biologics, leading to substantially lower production costs.

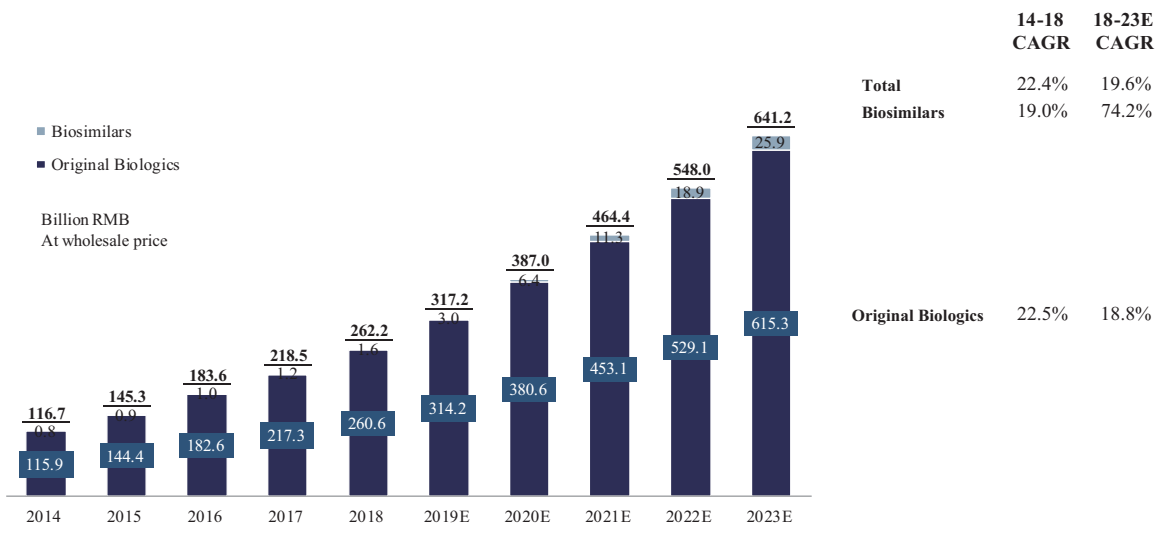
*Increasing investment in research and development* — biologics R&D is the key to industry growth. Discovering and developing new biologics is typically expensive and time-consuming due to the knowledge-intensive nature of the process. However, given the potential size of market opportunities, there have been increases in global investment in the research and development of biologics, resulting in a rapid expansion of the biologics pipeline in the industry.

*Growing biosimilar market* — the global biologics industry is expected to benefit from the development of the global biosimilar market. Patents for many branded biologics will expire in the next few years, paving the way for manufacturers to develop and produce biosimilars for these agents, which are expected to improve affordability and promote wider access to critical life-saving therapies. In addition, cost pressures on both the government and private payers create a demand for biosimilars, which are cost-effective alternatives to higher-priced branded biologics. Major emerging economies such as China and countries in South America, Eastern Europe and Southeast Asia are expected to offer significant market opportunities due to the substantial unmet demand for medical products. These regions feature large and ageing populations, with increased prevalence of chronic diseases and cancer. The biologics industry standards in these regions are not well established due to generally underdeveloped centralised drug evaluation systems, resulting in heavy reliance on imported drugs. However, given that many of the countries in these regions have significant low- to middle-income populations with low healthcare expenditure, medical accessibility is poor and clinical demand is largely unsatisfied.

## OVERVIEW OF CHINA'S BIOLOGICS MARKET

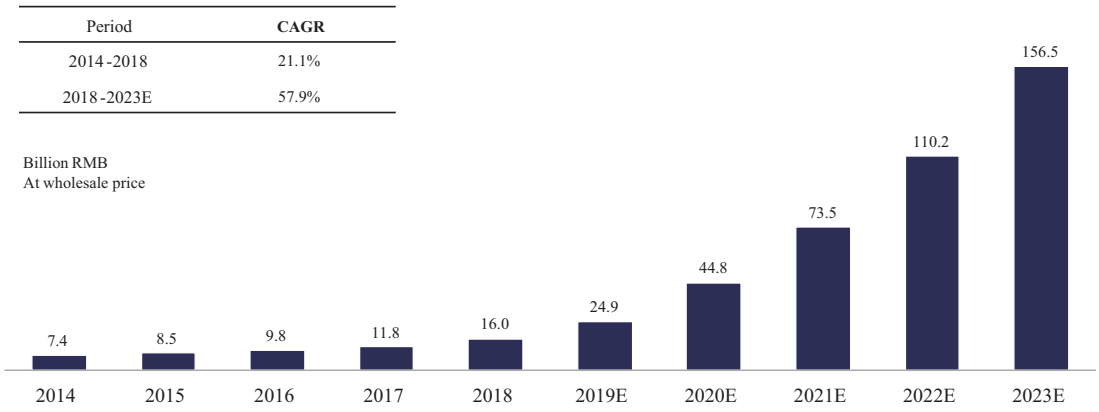
Driven by a growing but underserved demand of the cancer patient population, increasing affordability and healthcare awareness, favourable government policies and increased capital investment in research and development, China's biologics market has experienced rapid growth in the past few years, faster than the global average. While chemical drugs are the largest segment in China's pharmaceutical market, accounting for 51.4% of total sales revenue in 2018, this segment recorded a substantially lower growth rate compared to that of biologics. Despite being a smaller segment in China's pharmaceutical market in terms of sales revenue, China's biologics market grew from RMB116.7 billion in 2014 to RMB262.2 billion in 2018 in terms of sales revenue, representing a CAGR of 22.4%. The market is expected to further grow at a CAGR of 19.6% from 2018 to 2023, reaching RMB641.2 billion in terms of sales revenue. The diagram below illustrates the size of China's biologics market from 2014 to 2018 and the estimated market size from 2019 to 2023:

**Breakdown of China Biologics Market (2014-2023E)**



mAbs (including fusion proteins) only accounted for 6.1% of China's biologics market in 2018, while globally the figure was 55.3% in the same year, representing a sizable market potential. According to the Frost & Sullivan Report, with the inclusion of more mAbs into the NRDL, sales revenue of China's mAbs market is expected to grow to RMB156.5 billion in 2023, representing a CAGR of 57.9% from 2018 to 2023, which will outpace the growth of China's overall biologics market. The diagram below illustrates the size of China's mAb market from 2014 to 2018 and the estimated market size from 2019 to 2023:

**China mAbs Drug Market Size and Forecast, 2014-2023E**




**Growth Drivers of China's Biologics Market**

According to the Frost & Sullivan Report, the growth of China's biologics market is primarily driven by the following factors:

*Growing disease incidence* — China has experienced significant increase in diseases such as cancer and chronic diseases. For example, China's cancer patient population has been increasing at a faster pace compared with the US. The incidence of cancer in China reached 4.3 million cases in 2018 and is projected to reach 4.9 million cases in 2023, representing a CAGR of 2.6%, while cancer incidence in the US is expected to grow only at a CAGR of 0.7% from 2018 to 2023. However, much of the growing cancer patient population in China is underserved. According to the National Bureau of Statistics of China, the per capita disposable income in China in 2018 was RMB28,228, which is considerably less than the cost of treatment regimens involving biologics such as the originator drugs for our Core Products. Even for drugs that are available for reimbursement under the NRDL, the total cost of treatment may still comprise a substantial majority of the average person's income in the PRC. This has resulted in low penetration rates for such originator drugs and significant unmet demand. See "*Business—Our Biosimilar Portfolio*" for further details on the treatment costs of originator drugs for our Core Products. Given that biologics have proven to have superior efficacy for cancer treatment and the increasing prevalence of chronic diseases such as RA and PS, which need long-term medication, demand for biologics is likely to increase.

*Increasing capital investment* — the pharmaceutical industry, particularly the biologics industry, is capital intensive and requires substantial investment in research and development as well as the manufacturing process. Capital investment in China's pharmaceutical industry in 2017 was US$24.9 billion, accounting for 22.2% of global investment in the pharmaceutical industry. This has provided substantial capital for biologics R&D and the construction of biologics manufacturing facilities.

*Regulatory reform and favourable government policies* — the Chinese government has established a set of regulations and policies to support the development of biologics, including by (i) allowing priority review and approval for innovative drugs such as biologics which have the potential to address urgent clinical need, (ii) enhancing patent protection and rewarding innovation, (iii) harmonising regulatory pathways with international standards and (iv) imposing heighted product quality standards. These developments are expected to lead to more multinational pharmaceutical companies seeking to market innovative biologics in China as well as stimulate domestic investment in biologics R&D, both of which are expected to diversify the availability of biologics on the market and boost patient use. See "*Regulatory Overview*".

*Increasing affordability and healthcare awareness* — driven by China's steady economic growth, total heath expenditure has been increasing steadily with improved awareness of healthcare issues. In 2017, China ranked the second globally in terms of total healthcare expenditure at US$778.4 billion, behind the US at US$3,492.1 billion. As spending power increases, more households can afford more expensive medical treatments, particularly for life-threatening diseases. As biologics become more affordable to a larger proportion of the population, they will be used more commonly as a treatment for oncology and auto-immune diseases, thereby driving the growth of the biologics industry in China.

*Establishment of a Biosimilar Pathway* — to create a standardised regulation on the development and evaluation of biosimilars in China, the NMPA issued the Biosimilar Guidelines in 2015, which clarified the definition of biosimilar drugs and determined the standards for pre-clinical R&D, clinical trials and manufacturing process. Furthermore, it aims to verify the proven similarity between biosimilar and its reference drug, which lays the foundation of rapid growth of China's biosimilar industry.

**Medical Insurance in China**

Medical insurance schemes provided by the PRC government, including urban and rural medical insurance, are the largest payors of pharmaceutical expenditures in China. Chinese healthcare consumers are also increasingly purchasing commercial medical insurance to supplement the insurance coverage provided by the PRC government, and this trend is expected to continue as healthcare awareness grows.

China's NRDL is managed by regulatory authorities such as the Ministry of Human Resources and Social Security and the State Administration for Medical Insurance ("**SAMI**") which was established in 2018. The NRDL consists of two drug catalogues, namely Category A and Category B. Drugs that fall into Category A are fully reimbursable and must be included in the provincial government reimbursement drug lists. Drugs with a higher price typically fall into Category B which generally require a 10% to 30% co-payment by patients. Inclusion in the NRDL typically results in a much higher sales volume and a significant sales growth despite a reduction in the price.

Historically, in terms of cancer treatment, only chemotherapy drugs were included in the NRDL, and the biologics oncology drug market was essentially a users' self-pay market. The PRC government has made significant efforts in enhancing the affordability of biologics. The NRDL updates in February 2017 allowed for inclusion of more expensive anti-cancer drugs. In July 2017, 36 innovative, patented drugs were incorporated in Category B after price negotiations with the PRC government, including anti-cancer mAbs such as rituximab, trastuzumab and bevacizumab. As a result of price negotiations with the PRC government, prices of these 36 drugs have decreased by 44% on average, with the greatest price reduction surpassing 60%. Another 17 oncology-focused drugs were added to the NRDL in 2018. As more biologics are included in the NRDL, the affordability of biologics is expected to increase which allows greater market access. Given the PRC government's increasing attention to major public health issues, it is expected that more innovative drugs will be included in the NRDL in the future.

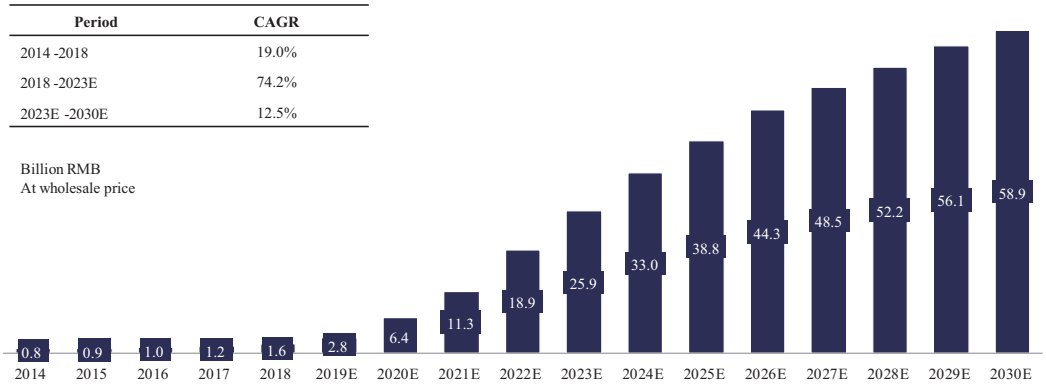
## OVERVIEW OF CHINA'S BIOSIMILARS MARKET

Under the Biosimilars Guidelines, a biosimilar product is a biological product that is proven, based on clinical results, to be highly similar to an approved biological product, known as an originator or reference product, and has no clinically meaningful differences in terms of safety and efficacy from the reference product. In addition, the regulatory pathway for biosimilars was established only recently, and there have been no biosimilars approved in China. Our HLX01 is the first mAb biosimilar developed in China to receive regulatory approval under the Biosimilar Guidelines and to commence commercial sales. With the recent establishment of regulatory pathways for biosimilars, increasing control of healthcare costs, better manufacturing capabilities and a larger number of "blockbuster" biologics with near-term and medium-term patent expiration (including the originator drugs for our Core Products; see "*Competitive Landscape*" for further details), biosimilars will become a key driver of future growth for the biologics market. See "*Summary—Biosimilars and Bio-Innovative Drugs*" for summary details on the regulatory regime in the PRC for biosimilars, as well as bio-innovative drugs which may include biosimilars developed for indications not previously approved in China.

### China's Biosimilar Market

According to the Frost & Sullivan Report, the sales revenue of China's biosimilars market is expected to grow at a CAGR of 74.2% from RMB1.6 billion in 2018 to RMB25.9 billion in 2023, and further grow at a CAGR of 12.5% to reach RMB58.9 billion in 2030, as set out in more detail in the graph below:

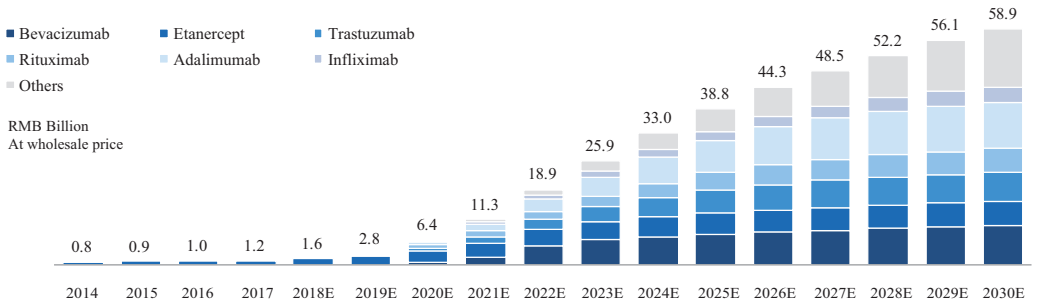
**China Biosimilars Market Size and Forecast, 2014-2030E**



Since the publication of the Biosimilar Guidelines in February 2015, no biosimilars in development have been approved in accordance with them in the PRC. Our HLX01 is the first mAb biosimilar developed in China to receive regulatory approval under the Biosimilar Guidelines and to commence commercial sales. However, the Biosimilar Guidelines define what constitutes a biosimilar, and accordingly three pre-existing generic drugs developed in the PRC (all Enbrel biosimilars) were included within the scope of such definition. These three drugs contributed to the sales of biosimilars in China in 2014 through 2018, though are not projected to continue to be major contributors to the overall PRC biosimilar market once new mAb biosimilars receive approval and are launched in China. We also do not expect to compete with these biosimilars as we do not currently have an Enbrel biosimilar under development in our drug pipeline.

According to the Frost & Sullivan Report, of the five largest biosimilars in China by projected sales revenue from 2023 to 2030, we are developing or have developed four as our Core Products, namely HLX01 (漢利康) (a MabThera (rituximab) biosimilar that commenced commercial sales in May 2019), HLX02 (a Herceptin (trastuzumab) biosimilar), HLX03 (a Humira (adalimumab) biosimilar) and HLX04 (an Avastin (bevacizumab) biosimilar). The graph below sets out this projected growth in more detail:

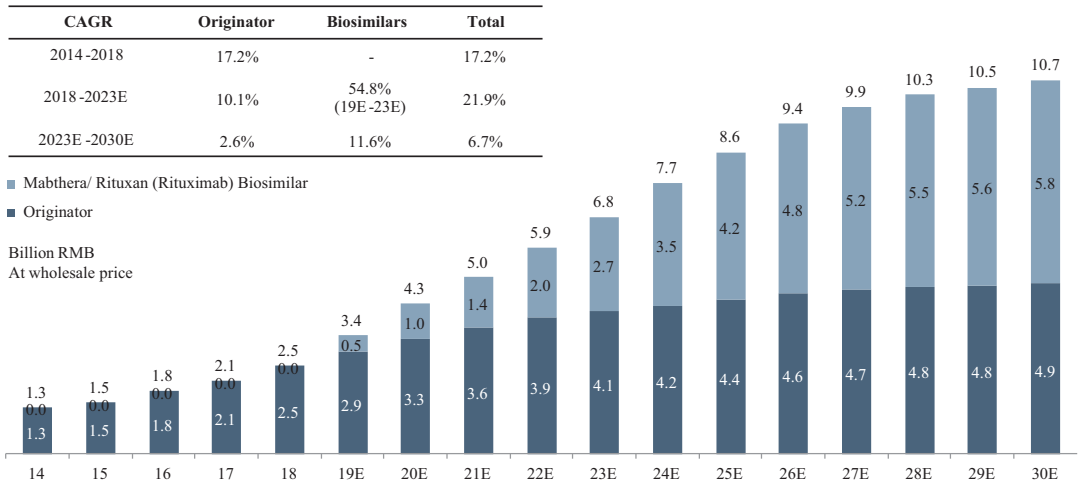
**Breakdown of China Biosimilars Market by International Nonproprietary Name, 2014-2030E**




***Market size of MabThera (rituximab) in China***

Our HLX01 (漢利康) received NDA approval from the NMPA on 22 February 2019 for the non-Hodgkin lymphoma indication, becoming the first biosimilar drug approved in China in accordance with the Biosimilar Guidelines. According to the Frost & Sullivan Report, the sales revenue of China's MabThera (rituximab) biosimilar market is expected to grow at a CAGR of 54.8% from 2019 to approximately RMB2.7 billion in 2023, and further grow at a CAGR of 11.6% to reach RMB5.8 billion in 2030. Rituximab was added to the NRDL in 2017 and to the NEDL in November 2018.

**Breakdown of China MabThera (Rituximab) Market by Originator and Biosimilars, 2014-2030E**

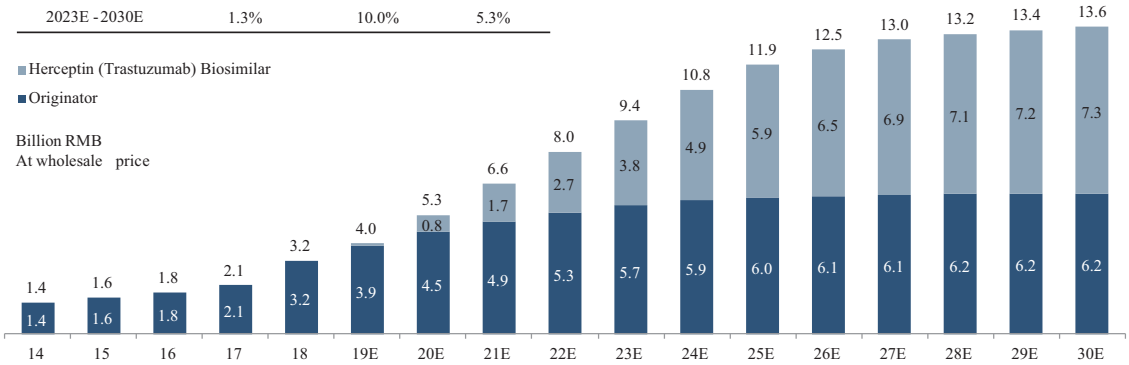



| CAGR | Originator | Biosimilars | Total |
|---|---|---|---|
| 2014-2018 | 17.2% | - | 17.2% |
| 2018-2023E | 10.1% | 54.8% (19E-23E) | 21.9% |
| 2023E-2030E | 2.6% | 11.6% | 6.7% |

***Market size of Herceptin (trastuzumab) in China***

We have entered a multi-jurisdictional Phase 3 clinical trial for HLX02 with respect to the HER2$^{+}$ metastatic breast cancer indication. Our NDA for HLX02 was accepted by the NMPA in April 2019 and is currently under priority review. The marketing authorisation application ("**MAA**") filed by our commercialisation partner Accord was accepted by the EMA in June 2019. The first Herceptin (trastuzumab) biosimilar is expected to go to market by 2019. According to the Frost & Sullivan Report, the sales revenue of China's Herceptin (trastuzumab) biosimilar market is expected to grow at a CAGR of 146.6% from 2019 to approximately RMB3.8 billion in 2023, and further grow at a CAGR of 10.0% to reach RMB7.3 billion in 2030. Trastuzumab was added to the NRDL in 2017 and to the NEDL in November 2018.

**Breakdown of China Herceptin (Trastuzumab) Market by Originator and Biosimilars, 2014-2030E**

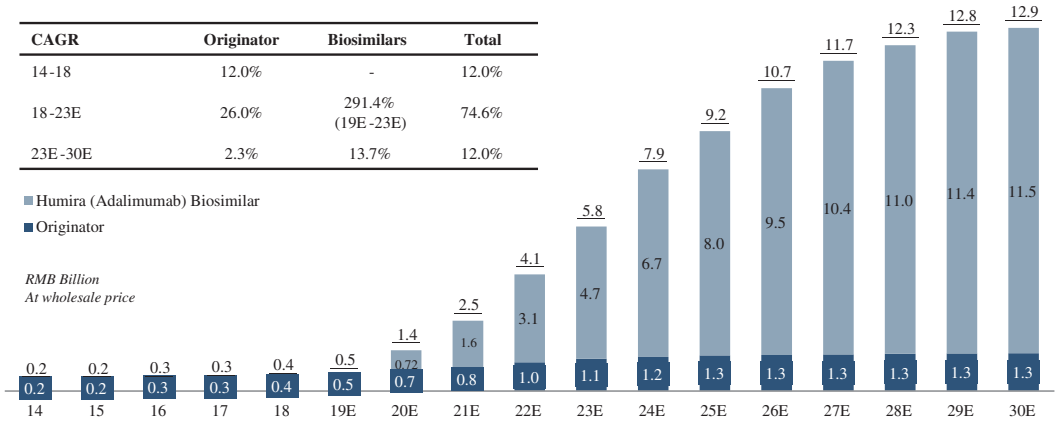



| CAGR | Originator | Biosimilars | Total |
|---|---|---|---|
| 2014-2018 | 23.9% | - | 23.9% |
| 2018-2023E | 11.9% | 146.6% (19-23E) | 23.9% |
| 2023E-2030E | 1.3% | 10.0% | 5.3% |

***Market size of Humira (adalimumab) in China***

We have completed the Phase 3 clinical trial for HLX03 with respect to the plaque psoriasis indication. Our NDA for HLX03 was accepted by the NMPA in January 2019 and is currently under priority review. The first Humira (adalimumab) biosimilar is expected to go to market by 2019. According to the Frost & Sullivan Report, the sales revenue of China's Humira (adalimumab) biosimilar market is expected to grow at a CAGR of 291.4% from 2019 to 2023, and further grow at a CAGR of 13.7% from 2023 to 2030 to reach RMB11.5 billion in 2030.

**Breakdown of China Adalimumab (Humira) Market by Originator and Biosimilars, 2014-2030E**

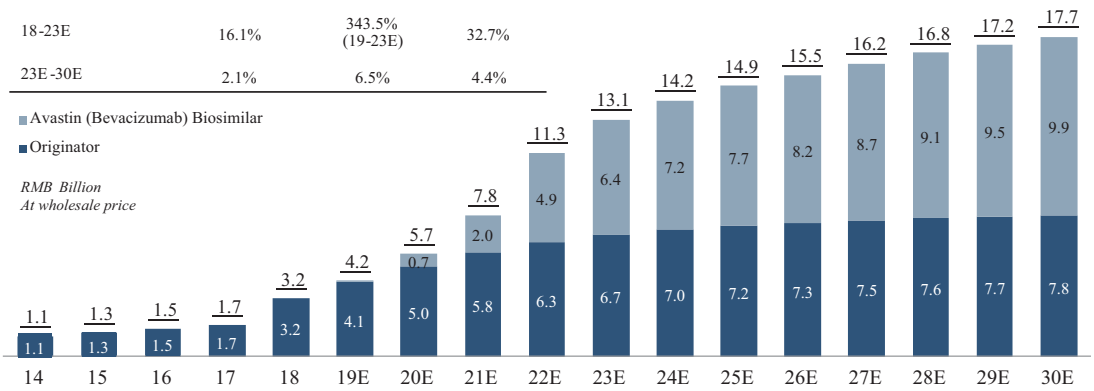



| CAGR | Originator | Biosimilars | Total |
|---|---|---|---|
| 14-18 | 12.0% | - | 12.0% |
| 18-23E | 26.0% | 291.4% (19E-23E) | 74.6% |
| 23E-30E | 2.3% | 13.7% | 12.0% |

***Market size of Avastin (bevacizumab) in China***

We have entered a Phase 3 clinical trial for HLX04 with respect to the metastatic colorectal cancer indication. The first Avastin (bevacizumab) biosimilar is expected to go to market by 2019. According to the Frost & Sullivan Report, the sales revenue of China's Avastin (bevacizumab) biosimilar market is expected to grow at a CAGR of 343.5% from 2019 to approximately RMB6.4 billion in 2023, and further grow at a CAGR of 6.5% to reach RMB9.9 billion in 2030. Bevacizumab was added to the NRDL in 2017.

**Breakdown of China Avastin (Bevacizumab) Market by Originator and Biosimilars, 2014-2030E**




| CAGR | Originator | Biosimilars | Total |
|---|---|---|---|
| 14-18 | 29.7% | - | 29.7% |
| 18-23E | 16.1% | 343.5% (19-23E) | 32.7% |
| 23E-30E | 2.1% | 6.5% | 4.4% |

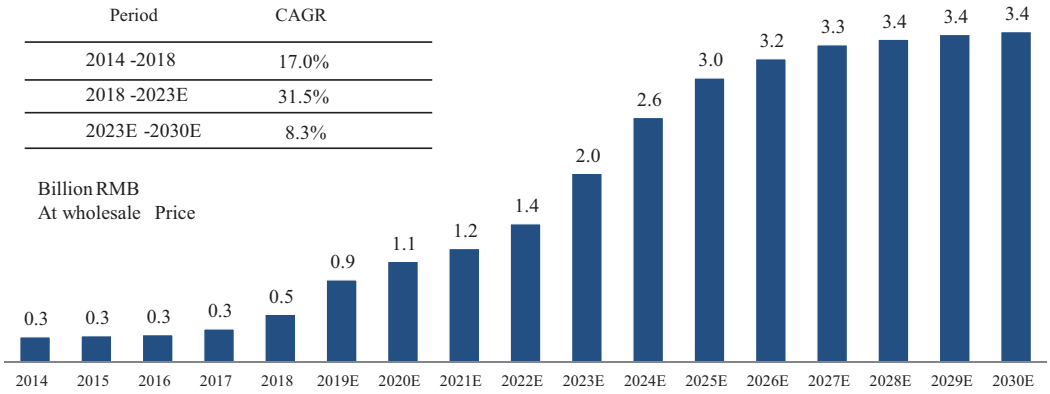
## OVERVIEW OF OTHER THERAPEUTIC AREAS

In addition to biosimilars, we are developing a number of bio-innovative drugs, including HLX07, a cetuximab biobetter targeting EGFR, and HLX10, a novel PD-1 inhibitor. Moreover, we are also developing combination therapies involving our drug candidates, for example HLX10.

### Market Size of Cetuximab in China

We have entered Phase 1b/2 clinical trials for HLX07. China sales revenue for cetuximab remained stable at approximately RMB0.3 billion in recent years, primarily due to its high price. After Erbitux (cetuximab) biosimilars (or in our case, a cetuximab biobetter) are launched in China, and with ongoing additions of new drugs to the NRDL, the cetuximab market is expected to grow significantly. According to the Frost & Sullivan Report, cetuximab sales revenue in China is expected to grow at a CAGR of 31.5% from 2018 to approximately RMB2.0 billion in 2023, and further grow at a CAGR of 8.3% to reach RMB3.4 billion in 2030.

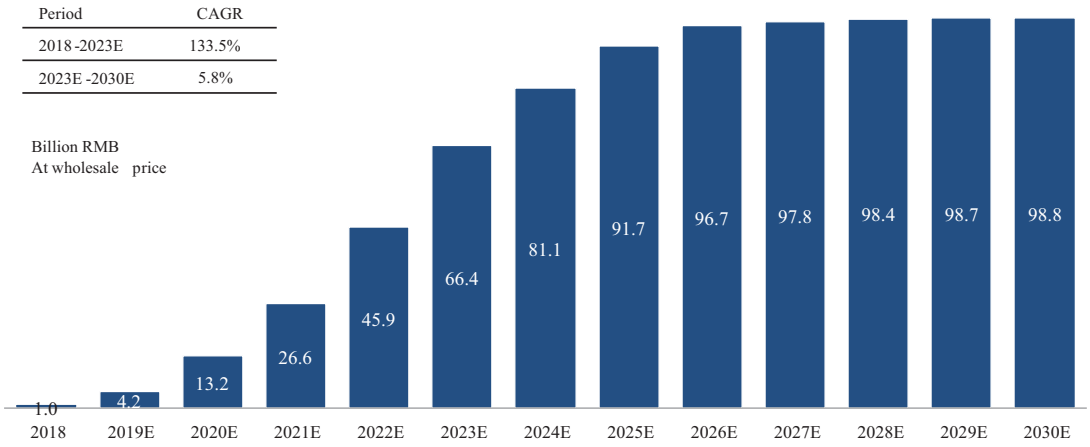
**Historical and Forecasted China Cetuximab Market Size, 2014-2030E**




### Market Size of PD-1/PD-L1 Inhibitors in China

We have entered a Phase 2 clinical trial for HLX10. According to the Frost & Sullivan Report, as at 31 May 2019, five PD-1 inhibitors had been approved in China, namely Opdivo from Bristol Myers Squibb, Keytruda from Merck, Tyvyt from Innovent, Ailituo from Hengrui and Tuoyi from Junshi, and one NDA had been filed in China. The PD-1/PD-L1 market in China is expected to grow rapidly in the coming years as more of such drugs become commercialised and available. PD-1/PD-L1 sales revenue in China is expected to grow at a CAGR of 136.6% from 2018 to RMB66.4 billion in 2023, and further grow at a CAGR of 3.2% to reach RMB82.6 billion in 2030.

**Forecast China PD-1 & PD-L1 Inhibitors Market Size 2018-2030E**




**Combination Therapies**

Relatively new immuno-oncology therapies, such as inhibitors which block the PD-1/PD-L1 pathway as described in the paragraph above, have been shown to be an effective monotherapy for some forms of cancer. Improved response and extended survival rates as observed with such immunotherapies have led investigators to explore the synergistic potential of combination immunotherapy to inhibit complementary immunosuppressive pathways simultaneously. With its established anti-tumour activity and favourable toxicity profile, PD-1/PD-L1 inhibition has served as the foundation for many new combination immunotherapy strategies. In December 2018, the FDA approved a combination therapy from Roche for Tecentriq (a PD-L1 inhibitor) plus Avastin (bevacizumab) and the chemotherapy agents paclitaxel and carboplatin for the first-line treatment of NSCLC with no EGFR or ALK genomic tumour aberrations. The approval was based on the Phase 3 IMpower 150 study which demonstrated a significant improvement of overall survival for the combo treatment versus Avastin plus chemotherapy alone (median overall survival = 19.2 months vs. 14.7 months, respectively). See "*Business—Immuno-oncology Combination Therapies*" for further details.

While combo therapies have been shown to significantly improve efficacy, potential drawbacks are those inherently associated with the use of multiple drugs, including the higher cost and the higher possibility of adverse side effects. However, according to the Frost & Sullivan Report, combo therapies thus far have not demonstrated significant increases in adverse side effects, and the cost of such therapies has generally been lower than the accumulated cost of separate monotherapies involving the same drugs due to the more potent efficacy of combo therapies, which may reduce the duration of treatment needed.

## COMPETITIVE LANDSCAPE

The table below sets forth a summary of the key competitors to our Core Products (undergoing Phase 3 clinical trials or in a more advanced stage), according to the Frost & Sullivan Report.

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)[1] | Regulatory filing/ development status as at 31 March 2019 | Relevant filing/approval date[2] |
|---|---|---|---|---|---|---|---|---|
| MabThera (rituximab, Roche)[3] | PRC: 2013 | NHL | 375 mg/m$^2$ initially and subsequently | once weekly | RMB2,294 per 100 mg | **HLX01 (漢利康) (Henlius)** | **NDA approved** | **February 2019** |
| | US: 2016 | | | | RMB7,866 per 500 mg | SCT400 (SinoCelltech) | Phase 3 | June 2016 |
| | EU: 2013 | | | | | IBI301 (Innovent Biologics) | NDA filed | June 2019 |
| | | | | | | Chimeric Anti-CD20 mAb (Zhejiang Hisun Pharma and Beijing Mabworks Biotech) | Phase 3 | July 2018 |
| | | | | | | GB241 (Genor Biopharma) | Phase 3 | November 2018 |
| | | | | | | TQB2303 (Chiatai Tianqing) | Phase 3 | December 2018 |
| | | | | | | HL03 (Hualan Bio) | Phase 3 | April 2019 |
| | | RA[4] | 1,000 mg initially and subsequently | once weekly for 2 weeks, repeated every 6 to 9 months | | **HLX01 (漢利康) (Henlius)** | **Phase 3** | **June 2018** |
| Herceptin (trastuzumab, Roche)[3] | PRC: 2018 | BC | 4 mg/kg initially 2 mg/kg subsequently | once weekly | RMB7,270 per 440 mg | **HLX02 (Henlius)** | **NDA accepted** | **April 2019** |
| | US: 2019 | | | | | Trastuzumab Biosimilar (Anhui Anke Biotechnology) | Phase 3 | May 2019 |
| | EU: 2014 | | | | | GB221 (Genor Biopharma) | Phase 3 | September 2016 |

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)[1] | Regulatory filing/ development status as at 31 March 2019 | Relevant filing/approval date[2] |
|---|---|---|---|---|---|---|---|---|
| | | | | | | HS022 (Zhejiang Hisun) | Phase 3 | April 2018 |
| | | | | | | CMAB-302 (Sunshine Guojian) | NDA filed | September 2018 |
| | | | | | | TQ-B211 (Chiatai Tianqing) | Phase 3 | October 2018 |
| | | mGC | 8 mg/kg initially 6 mg/kg subsequently | once every 3 weeks | | **HLX02 (Henlius)** | **Phase 1[5]** | **December 2015** |
| Humira (adalimumab, AbbVie) | PRC: 2017 | PS | 80 mg initially 40 mg subsequently | once every 2 weeks | RMB7,593 per 40 mg[6] | **HLX03 (Henlius)** | **NDA accepted** | **January 2019** |
| | | | | | | DB101 (Dongbao Pharmaceutical) | Phase 3 | February 2019 |
| | US: 2016 | RA | 40 mg initially and subsequently | once every 2 weeks | | **HLX03 (Henlius)** | **Phase 1** | **December 2016** |
| | EU: 2018 | | | | | UBP1211 (Jiangsu Union Biopharma) | Phase 3 | May 2017 |
| | | AS | 40mg initially and subsequently | once every 2 weeks | | BAT1406 (Bio-Thera Solutions) | NDA filed | August 2018 |
| | | | | | | HS016 (Zhejiang Hisun) | NDA filed | September 2018 |
| | | | | | | IBI303 (Innovent Biologics) | NDA filed | November 2018 |
| Avastin (bevacizumab, Roche)[3] | PRC: 2018 | mCRC | 5 mg/kg initially and subsequently | once every 2 weeks | RMB1,934 per 100 mg | **HLX04 (Henlius)** | **Phase 3** | **March 2018** |
| | US: 2017 | nsNSCLC | 15 mg/kg initially and subsequently | once every 3 weeks | | **HLX04 (Henlius)** | **Phase 1[5]** | **December 2016** |
| | EU: 2018 | | | | | IBI305 (Innovent Biologics) | NDA filed | January 2019 |
| | | | | | | TAB008 (TOT Biopharm) | Phase 3 | May 2017 |

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)(1) | Regulatory filing/ development status as at 31 March 2019 | Relevant filing/approval date(2) |
|---|---|---|---|---|---|---|---|---|
| | | | | | | MIL60 (Beijing mAbworks Biotechnology) | Phase 3 | August 2017 |
| | | | | | | BAT1706 (Bio-Thera Solutions) | Phase 3 | October 2017 |
| | | | | | | GB222 (Genor Biopharma) | Phase 3 | December 2017 |
| | | | | | | LY01008 (Shandong Boan Biological Technology) | Phase 3 | January 2018 |
| | | | | | | BP102 (Shanghai Hengrui Pharmaceutical) | Phase 3 | March 2018 |
| | | | | | | QL1101 (Qilu Pharmaceutical) | NDA filed | August 2018 |
| | | | | | | TQ-B2302 (Chiatai Tianqing) | Phase 3 | July 2018 |
| | | | | | | WBP-264 (Hualan Genetic Engineering) | Phase 3 | August 2018 |
| | | | | | | SCT510 (Sinocelltech) | Phase 3 | December 2018 |
| | | | | | | AK-3008 (Anhui Anke Biotechnology) | Phase 3 | April 2019 |

*Notes:*

(1) Due to inherent uncertainties in clinical development, this table includes only PRC-based competitors which have reached Phase 3 clinical trials. As the PRC is expected to be the key initial market for our Core Products, we generally consider other PRC-based biopharmaceutical companies to be our key competitors. Moreover, each reference drug is also considered a key competitor if such drug has been approved in China for the relevant indication.

(2) Denotes the date on which the relevant status was publicly disclosed.

(3) Has been added to the NRDL. The reimbursement percentage for each of rituximab, trastuzumab and bevacizumab under the NRDL ranges from 70% to 90%, depending on the province.

(4) MabThera has not been approved in China for the RA indication.

(5) Eligible for potential indication expansion. See "*Business — Our Bio-Innovative Drugs*" for further details.

(6) In several provinces, such as Shanxi and Jiangxi, the price of Humira decreased to RMB3,160 per 40 mg in 2019.

See "*Business — Our Biosimilar Portfolio*" for details on how we intend for each of our Core Products to effectively compete against existing and potential competitors. As biosimilar candidates are approved based on their bioequivalence to the reference drugs, biosimilars to the same reference drug as developed by different companies are generally not expected to have meaningful differences in efficacy or safety compared to each other. Instead, differences among biosimilars may arise with respect to product pricing and product quality and reliability (perceived or otherwise).

In addition to the above expected competitors in the PRC, the table below sets forth a summary of biosimilars approved in the US and/or the EU, according to the Frost & Sullivan Report.

| Reference drug | Biosimilar | Developer | Jurisdiction(s) of approval (date of approval) |
|---|---|---|---|
| MabThera . . . . . | Truxima | Celltrion and Teva Pharmaceutical Industries | US (28 November 2018)<br>EU (17 February 2017) |
| | Rixathon | Sandoz and Novartis | EU (15 June 2017) |
| Herceptin . . . . . | Ogivri | Mylan GmbH and Biocon | US (1 December 2017)<br>EU (12 December 2018) |
| | Ontruzant | Samsung Bioepis | EU (15 November 2017)<br>US (18 January 2019) |
| | Herzuma | Celltrion and Teva Pharmaceutical Industries | EU (8 February 2018)<br>US (14 December 2018) |
| | Kanjinti | Amgen, Breda and Allergan | EU (16 May 2018) |
| Humira . . . . . | Amjevita | Amgen | US (23 September 2016)<br>EU (21 March 2017) |
| | Cyltezo | Boehringer-Ingelheim | US (25 August 2017)<br>EU (10 November 2017) |
| | Hyrimoz | Sandoz | US (30 October 2018) |
| | Imraldi | Samsung Bioepis | EU (24 August 2017) |
| | Hulio | Mylan and Fresenius Kabi | EU (16 September 2018) |
| Avastin . . . . . | Mvasi | Amgen | US (14 September 2017)<br>EU (14 January 2018) |

As the above biosimilars have not been approved nor filed for approval in the PRC, we do not expect our Core Products to directly compete with them in the near future. In order for such biosimilars to be sold in the PRC, they must also undergo a regulatory application and approval process in the PRC. See "*Regulatory Overview—A. Regulatory Overview of the China Mainland Laws—Regulations Related to the Clinical Trials and Registration of Drugs—Applications for Biosimilars*" for further details. However, even if approved in the PRC, overseas biosimilar manufacturers may face economic entry barriers in profitably accessing the PRC market, according to the Frost & Sullivan Report. For example, biosimilar manufacturers in the US and EU typically face higher labour costs for production. When considered together with the costs associated with the import of biosimilars into the PRC and the fixed price reimbursement regime set out by the NRDL, overseas biosimilar manufacturers may face the prospect of thin profit margins in the PRC. See "*Risk Factors—Risks Relating to Our Operations—We operate in a competitive industry and may fail to compete effectively*" for further details.

*The following is a brief summary of the laws and regulations in China Mainland and Taiwan that currently may materially affect the Group and its operations. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to the Group. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to the business and operations of the Group and/or which may be important to potential investors. Investors should note that the following summary is based on the laws and regulations in force as at the date of this prospectus, which may be subject to change.*

## A. REGULATORY OVERVIEW OF CHINA MAINLAND LAWS

This section summarises the primary China Mainland laws, regulations and normative documents that are relevant to our business.

## REGULATIONS RELATED TO PHARMACEUTICAL PRODUCT DEVELOPMENT AND APPROVAL

### Regulatory Authorities

The pharmaceutical industry in the PRC is mainly administered by three governmental agencies: the National Medical Products Administration ("**NMPA**"), the National Health Commission ("**NHC**") and SAMI.

The NMPA is the primary drug regulator responsible for managing the policies, standards, safety, registrations, quality, post-marketing risks, and inspection of pharmaceutical products, cosmetics and medical devices, as well as overseeing international exchanges and cooperation and supervising the local drug administration agencies. In August 1998, the State Drug Administration ("**SDA**") was established. The SDA was replaced by the State Food and Drug Administration ("**SFDA**") in March 2003 and was later reorganised into the China Food and Drug Administration ("**CFDA**") in March 2013. After the institutional reform of the State Council in 2018, the duties of the CFDA were consolidated into the State Administration for Market Regulation ("**SAMR**"), and the NMPA was established, which is a department under the SAMR.

The NHC, formerly known as the National Health and Family Planning Commission ("**NHFPC**") is an authority at the ministerial level under the State Council and is primarily responsible for national public health. The Ministry of Health ("**MOH**") was reorganised into the NHFPC following the institutional reform of the State Council in March 2013. The duties of the NHFPC were consolidated into the NHC following the institutional reform of the State Council in 2018.

The SAMI, a new authority established in May 2018, is primarily responsible for (1) drafting and implementing policies, plans and standards on medical insurance, maternity insurance and medical assistance; (2) administering healthcare fund; (3) formulating a uniform medical insurance catalogue and payment standards on drugs, medical disposables and healthcare services; and (4) formulating and administering the bidding and tendering policies for drugs and medical disposables.

**CMC Regulation**

According to Good Manufacturing Practice for Drugs (2010 Revision) (《藥品生產質量管理規範（2010年修訂）》) promulgated by the MOH in January 2011, the provisions are basic requirements for manufacturing and quality management of drugs. Special requirements for sterile products, biologics and blood products, etc., or the manufacturing and quality management activities, shall be separately enacted as annexes by the SFDA. Subsequently, in February 2011, the SFDA issued five annexes with detailed requirements for the manufacturing of sterile drugs, APIs, biologics, blood products and traditional Chinese medicine. The main provisions of the annexes for biologics are as follows:

***(1) Personnel***

Related personnel should receive training, be vaccinated and have regular health checks. Unauthorized personnel and personnel who could potentially affect the quality and safety of the products should be excluded from production areas. During the manufacturing period, personnel should not pass from areas where exposure to live organisms or animals to areas where other products or organisms are handled unless they complied with clearly defined decontamination measures. Production personnel should not engage in animal care.

***(2) Premises and Equipment***

Air cleanliness classification for production environment should be adapted to the requirements of products and operation, and the premises and facilities for production should not result in any potential contamination risk to raw materials, intermediates and final products. Facilities such as HVAC should meet specific requirements when high-risk pathogenic factors involved in the production. During those stages of the manufacturing process in which live organisms are used, relevant precautions are required to prevent the risk of cross-contamination. The production areas and equipment used for processing live organisms should be cleaned up and decontaminated easily, and be validated. Equipment used during handling of live organisms should be able to maintain cultures uncontaminated by external sources during processing. Isolated and closed systems involved in exposure of toxic species of bacteria and products should be tested regularly and be demonstrated freedom from leakage risk. Items and equipment contaminated by pathogen during processing should be separated from unused sterilized items and equipment, and be marked clearly.

***(3) Animal Quarters and Relatives***

Quarters for animals used in production, quarters for animals used in quality and production areas should be separated from each other. For animals used for production and testing, their health state should be monitored and recorded in detail. Animals chosen for production and testing use should meet the requirements of Pharmacopoeia of the People's Republic of China (《中華人民共和國藥典》).

***(4) Production Management***

Where the necessary tests of raw materials take a long time, it may be permissible to process materials before the results of the tests are available, and in such cases, release of a finished product is conditional on satisfactory results of these tests. A perfect system of cell banks for cells used in production and testing and a perfect system of seed lots for bacterial and viral strains used in production and testing should be established. The suitability of seed lots and cell banks should be demonstrated by consistency of the characteristics and quality of the successive batches of products, and seed lots and cell banks should be established, stored and used in such a way as to avoid the risks of contamination or alteration. The number of generations between the seed lot or cell bank and the finished products should be consistent with registered and approved dossiers. Establishment of the seed lot and cell bank should be performed in a suitably controlled environment and during the establishment of them, no other living or infectious material should be handled by operator simultaneously in the same area. Unauthorized person should not access the seed lot and cell bank. Evidence of resources, production, storage, the stability and recovery of the seed lot and cell bank should be documented, any deviation from set limits and any corrective action taken should be recorded, and the inventory record should keep for long time. Different seed lots or cell banks should be stored in such a way to avoid errors, confusion or cross-contamination. The suitability of culture media should be tested and culture media used in production should not contain any materials which are not approved. While adding materials or taking samples, it should be carried out under carefully controlled conditions, and care should be taken to ensure that vessels are correctly connected. Containment of centrifugation and blending activities of products should be implemented to prevent diffuse of live micro-organisms resulting from suspended particles during the process. "Sterilize in place" used in culture media should be encouraged. Equipment used for chromatography should be dedicated to the purification of one product and should be sterilized or sanitized between batches. Strict cleaning and sterilization procedures should be established to prevent from cross-contamination for apparatus and equipment used in sampling, testing, or routine monitoring, and assessment should be performed for them based on the risk level of production, when necessary, dedicated apparatus or equipment should be used exclusively in special area.

***(5) Quality Management***

Raw materials, original solution, intermediate products and finished products should be tested strictly. When the tests of intermediate products take a long time, it may be permissible to carry onto next process before the results of the tests are available, and in such cases, release of a finished product is conditional of satisfactory results of these tests. It may be necessary to retain samples of intermediate products in sufficient quantities and under appropriate storage conditions. Continuous monitoring of certain production processes is necessary and such data should form part of the batch record. Where a continuous culture is used, special consideration should be given to the quality control requirements according to the nature of the process method.

## REGULATIONS RELATED TO THE CLINICAL TRIALS AND REGISTRATION OF DRUGS

### Examination and Approval of NDA

On 10 July 2007, the SFDA promulgated the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), which became effective on 1 October 2007. Under the Administrative Measures for Drug Registration, applications for drug registration include new drug applications, generic drug applications, imported drug applications, and supplementary applications and re-registration applications. The applications for drug registration by domestic applicants shall be handled in accordance with the procedures and requirements for new drug applications and generic drug applications, and the applications for registration of imported drugs by overseas applicants shall be handled in accordance with the procedures and requirements for the applications for imported drugs. A new drug application refers to an application for registration of a drug that has not yet been marketed for sale in China. In addition, the registration of drugs that change the dosage form of the marketed drugs, change the route of administration, and increase the new indications shall be reported in accordance with the application procedures for new drugs. According to the Administrative Measures for Drug Registration, the approval of new drugs requires the following steps:

- pre-clinical studies including *in vitro* laboratory evaluation as well as *in vivo* animal studies of the drug candidate, which are conducted to assess the potential safety and efficacy of the drug candidate. Pre-clinical studies should be conducted in compliance with relevant administrative regulations, among which the safety evaluation research must comply with the Quality Management Practices on Non-Clinical Research of Drugs (《藥物非臨床研究質量管理規範》);

- upon completion of the pre-clinical studies, the applicant should complete the Application Form for Drug Registration (《藥品註冊申請表》) and accurately submit relevant information to the drug regulatory authorities at provincial, autonomous regional or municipal level where it is located. The drug regulatory authorities at provincial, autonomous regional or municipal level should conduct formal review over the application material. If the requirements are satisfied, they will issue an acceptance notice of the drug registration application; if the requirements are not satisfied, they will issue a non-acceptance notice of the drug registration application and explain the reason within five days from the date of acceptance of the application. The drug regulatory authorities at provincial, autonomous regional or municipal level should organise an on-site verification of the development situation and original data of drugs, conduct a preliminary review of the application materials and give review opinions. If the drugs being applied for registration are biological products, it is necessary to take three production batches of samples for inspection and send a registration inspection notice to the drug examination institute;

- the drug regulatory authorities at provincial level will then submit the review opinions, verification reports and application materials to the Centre for Drug Evaluation ("**CDE**") of the NMPA and notify the applicant;

- after receiving the application materials, the CDE of the NMPA shall arrange for pharmaceutical, medical and other professionals to conduct a technical review on the application materials within the prescribed time, and require the applicant to supplement information and explain the reason, if necessary. After completion of the technical review, it will give the technical review opinion and submit such opinion to the NMPA, along with the relevant materials;

- after receiving the technical opinion from the CDE, the NMPA will assess whether to grant the approval for conducting clinical trials on the new drug candidate. The NMPA will make the approval decision based on the technical review opinion, and issue the Approval for Drug Clinical Trials (《藥物臨床試驗批件》) if it meets the requirements. According to The Decision on Adjusting the Examination and Approval procedures for Some Administrative Examination and Approval Items on Drug by the SFDA (《國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定》), being effective on 1 May 2017, the clinical trial approval can be directly issued by the CDE on behalf of the NMPA. This delegation of authority can shorten the approval timeline of a clinical trial application. In July 2018, the NMPA promulgated the Announcement of the NMPA on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《國家藥品監督管理局關於調整藥物臨床試驗審評審批程序的公告》), which further adjusted the application process of drug clinical trials in China. If an applicant does not receive any negative or questioning opinions from the NMPA within 60 days after the date of accepting the application and the payment of the fee, drug clinical trials may be conducted in accordance with the plan being submitted;

- after obtaining the approval for conducting clinical trials, the applicant may proceed with the relevant clinical trial at institutions with appropriate qualifications, and the clinical trials would be conducted in phases 1, 2, 3 and 4 in accordance with the Administrative Measures for Drug Registration:

    - Phase 1 clinical trial refers to the preliminary evaluation test of clinical pharmacology and body safety. It observes the human body tolerance for the new medicine and pharmacokinetics, to provide a basis for formulating the dosage regimen;

    - Phase 2 clinical trial refers to the stage of preliminary evaluation of treatment. It aims to preliminarily evaluate the therapeutic effect and safety of the drug on patients with targeted indication, as well as to provide a basis for determining the phase 3 clinical trial research design and the dosage regimen. The study design at this stage can take a variety of forms, including the randomised blinded controlled clinical trials, according to the specific research purpose;

    - Phase 3 clinical trial refers to the stage of confirmation of therapeutic effect. It aims to further verify the therapeutic effect and safety of the drug on patients with targeted indication, to evaluate its benefit and risk relationships, and eventually to provide sufficient basis for review of the medicine registration application. The trial should generally be a randomised blinded controlled trial with sufficient sample size; and

  - Phase 4 clinical trial refers to the new drug's post-marketing applied research stage. It aims to inspect the therapeutic effect and adverse reactions of the drug once widely used, to evaluate the benefit and risk relationships when used among the general or special population and to improve the dosage, etc.

- after completion of the clinical trials of drugs, the applicant should complete the Application Form for Drug Registration, and submit the application materials for production to the drug regulatory authorities at provincial, autonomous regional, or municipal level where it is located, and at the same time, submit the raw materials used for the production of standard product and the related research data of standard materials to the National Institute for Food and Drug Control ("NIFDC");

- the drug regulatory authorities at provincial level should conduct formal review over the application materials. If the requirements are satisfied, they will issue an acceptance notice of the drug registration application, and should organise an on-site verification of the clinical trial and related original data, conduct a preliminary review of the application materials and give review opinions, all within five days from the date of acceptance of the application. For other drugs in addition to the biological products, it is necessary to take three batches of samples and send a standard review notice to the drug examination institute;

- the drug regulatory authorities at provincial level will then submit the review opinion, verification reports and the application materials to the CDE of the NMPA and notify the applicant within the prescribed time;

- the drug examination institute should review the declared drug standards and submit the review opinions to the CDE of the NMPA within the prescribed time, and at the same time, send copies to the competent provincial drug regulatory authority and the applicant;

- after receiving the application materials, the CDE of the NMPA will arrange for pharmaceutical, medical or other professionals to conduct a technical review on the application materials and request for supplemental materials and explanations, if necessary. After completion of the technical review and if all the requirements are satisfied, the CDE of the NMPA will report to the Drug Certification Administration Centre of the NMPA and notify the applicant that it may apply for a production site inspection to the Drug Certification Administration Center of the NMPA;

- the applicant should apply to the Drug Certification Administration Centre of the NMPA for a site inspection within six months after receiving the notice of production site inspection;

- the Drug Certification and Management Centre of the NMPA will arrange an on-site inspection of the facilities for the mass production of the new drug within 30 days after receiving the application for inspection of the production site, to confirm the feasibility of the approved production process. The Drug Certification and Management Centre of the

NMPA will also take one batch of samples (three batches of samples for the biological products) and send to the drug examination institute that conducts standard review of the drug for inspection, and send the report on production site inspection to the CDE of the NMPA within 10 days after completion of the site inspection;

- the drug examination institute should inspect the collected samples according to approved drug standards, and submit the drug registration and inspection report to the CDE of the NMPA within the prescribed time, and at the same time, send a copy to the drug regulatory authorities at provincial, autonomous regional or municipal level and the applicants; and

- the CDE of the NMPA will form a comprehensive opinion based on the technical review opinion, the report on sample production site inspection and the result of sample examination, and submit to the NMPA together with relevant materials. The NMPA will make an approval decision based on the comprehensive opinion.

If all the regulatory requirements are satisfied, the NMPA will grant a New Drug Certificate, and if the applicant has held a valid Drug Manufacturing Certificate (《藥品生產許可證》) and meets the requisite production conditions, the NMPA will grant a drug approval number. All pharmaceutical products that are produced in China must bear drug approval numbers issued by the NMPA, with the exception of certain Chinese herbs and Chinese herbal medicines in soluble form. Drug manufacturing enterprises must obtain the drug approval numbers before manufacturing any drug. A drug approval number issued by the NMPA is valid for five years and the applicant shall apply for renewal six months prior to its expiration date.

The CFDA released the revised Administrative Measures for Drug Registration (Revised Draft) (《藥品註冊管理辦法(修訂稿)》) on 22 July 2016 and 23 October 2017 respectively, to seek comments from the public, which as compared to the current Administrative Measures for Drug Registration, mainly includes the following key highlights:

- encourage clinically oriented drug innovation, under which innovative drugs should have definite clinical value and modified drugs should present obvious clinical advantages over the drugs being modified;

- broaden the definition of applicants for marketing authorisation from domestic institutions to domestic entities to cover both the drug research and development institutions and the scientific researchers;

- on-site inspections and sample taking are not compulsory prerequisites for NMPA approval, and the NMPA may determine whether to take such steps based on the results of regulatory review of drug registration applications;

- clinical trials can be conducted in the sequence of Phase 1, 2 and 3, or in flexible manners based on the characteristics and indication of drugs and existing information;

- the NMPA should establish a priority review system and the applicants can apply for the priority rights for those drugs eligible for the conditions;

- remove the section of "application and approval of generic drugs" and set out all relevant provisions in the section of "drug marketing authorisation";

- change the regulatory review process of bioequivalence study from approval to a more simplified record process; and

- adjust and stipulate the functions of the NMPA and its branches.

Although The Administrative Measures for Drug Registration (Revised Version) (《藥品註冊管理辦法(修訂稿)》) have not been officially promulgated yet, it embodies a regulatory trend of promoting drug innovation, accelerating the drug registration process and setting forth higher quality and technical requirements.

According to the Circular on Adjusting the Acceptance of Drug Registration (2017 No.134) (《關於調整藥品註冊受理工作的公告》) promulgated by the CFDA, the drug registration applications shall be under the centralised acceptance of the NMPA instead of being handled by the provincial branches under the NMPA and reviewed and approved by the NMPA, effective from 1 December 2017. Upon the implementation of centralised acceptance, for drug registration applications newly accepted by the NMPA, the CDE of the NMPA shall organise the national drug registration inspection resources to conduct a site inspection in line with the drug technical evaluation, and shall cease to be listed in the scope of self-examination of data from clinical trials of drugs that is carried out by the NMPA since July 2015. Where registration testing is required or sample inspection is deemed necessary during the examination, the examination authorities shall take and submit samples to NIFDC or provincial medical examination institute for inspection. Examination reports, inspection reports and other documents shall be submitted to the CDE according to the provisions.

**Applications for Biosimilars**

Biosimilars refer to therapeutic biological products that are similar to approved and registered reference drugs in terms of quality, safety and efficacy. According to the CFDA's Circular on the Release of the Technical Guidelines for R&D and Evaluation of Biosimilars (《國家食品藥品監督管理總局關於發佈<生物類似藥研發與評價技術指導原則>的通告》) on 28 February 2015, biosimilars shall be filed under the application procedures for new drugs. Based on product nature and preparation methods, biosimilars shall be filed according to the registration categories (such as Category 2, 10, 15) for therapeutic biological products set out in Appendix 3 to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》). Application materials for therapeutic biological products shall be submitted following specific requirements in the Biosimilar Guidelines. According to Guidelines on the Acceptance and Review for Registration of Therapeutic Biological Products (Trial) (《治療用生物製品註冊受理審查指南(試行)》). In general, therapeutic biological products under Categories 13 to 15 shall conduct Phase 3 clinical trial only and may submit plans for Phase 3 clinical trial and relevant clinical application materials.

In February 2015, the CFDA released the Biosimilar Guidelines, which outline the regulatory framework for biosimilars in China and provide the basic principles for the evaluation and management of biosimilars. It sets forth the definition of biosimilars and reference drugs, the requirements in relation to the selection of reference drugs, the basic principles for the technical review, the criteria for comparability, and the conditions under which extrapolations of indications would be permissible. According to the Biosimilar Guidelines, a biosimilar drug should in principle have the same amino acid sequence as the reference drug, and the R&D and evaluation of biosimilars should be carried out in accordance with basic principles (i.e. comparison principle, dose-escalation principle, consistency principle and equivalence principle) and should cover pharmaceutical, non-clinical and clinical research and evaluation. The Biosimilar Guidelines set out provisions for the expansion of indications of biosimilars. When similarities are proved in comparative trials, the indications of biosimilars may be expanded to include other indications of reference drugs. The expanded indications shall be those with same pathological mechanisms and/or receptors and the same action mechanisms and targets. In comparative trials, appropriate indications shall be selected and subsequent evaluation shall be made on the safety and immunogenicity of the expanded indications. The expansion of indications shall be considered according to product features on case basis. However, caution shall be taken in expanding indications for groups with combined medication, patients with different combined diseases and different recommended dosage.

With respect to the application and approval process for imported biosimilars developed overseas, according to the PRC Drug Administration Law (《中華人民共和國藥品管理法》), the importation of biosimilars which have been approved overseas shall be examined by the drug regulatory authority of the State Council. Import approval shall be granted only after the examination confirms that the drugs comply with quality standards and are safe for use. A Registration Certificate for Imported Drugs shall then be issued. According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》), the Decision of the CFDA on the Adjustment of Matters Relating to Registration and Administration of Imported Drugs (《國家食品藥品監督管理總局關於調整進口藥品註冊管理有關事項的決定》), the approval procedures for the import drug registration are as follows: (i) the applicant should submit the application to the NMPA, which will then conduct preliminary review of the application dossiers, and issue an acceptance notice of drug registration application and notify the National Institute for the Control of Pharmaceutical and Biological Products to conduct testing for registration samples from three batches if requirements are met; (ii) the National Institute for the Control of Pharmaceutical and Biological Products will organise the drug examination institute to conduct the testing for drug registration, organize experts to conduct technical review after receiving the certificate of analysis for drug registration and the verified import specifications and submit the verified specifications, certificate of analysis and opinions thereof to the CDE of the NMPA after completing the testing for import drug registration; (iii) the CDE of the NMPA will organize technical review, make a general opinion and report to the NMPA; (iv) the NMPA will make an approval decision and issue a Clinical Trial Approval (《藥品臨床試驗批件》) if regulations are met; (v) after the clinical trial application is approved, the applicant should conduct the trial and apply for drug registration; (vi) the CDE of the NMPA will organize comprehensive review, then the NMPA will make an approval decision and issue an Import Drug License (《進口藥品註冊證》) if regulations are met.

**Drug Clinical Practice Certification and Compliance with the Administration of Quality of Drug Clinical Practice**

To improve the quality of clinical trials, the SFDA promulgated the Administration of Quality of Drug Clinical Practice (《藥物臨床試驗質量管理規範》) on 6 August 2003. On 19 February 2004, the SFDA issued the Circular on Measures for Certification of Drug Clinical Practice (Trial) (《藥物臨床試驗機構資格認定辦法(試行)》), providing that the NMPA is responsible for certification of clinical trial institutions, and that the MOH is responsible for certification of clinical trial institutions within its duties. Under the Circular on Measures for Certification of Drug Clinical Practice (Trial) (《藥物臨床試驗機構資格認定辦法(試行)》), the NMPA and the MOH decide whether an institution is qualified for undertaking pharmaceutical clinical trials upon the evaluation of the institution's organisational administration, its research personnel, its equipment and facilities, its management system and its standard operational rules. If all requirements are met, a certification will be issued by the NMPA and the result will be published on the NMPA's website.

The conduct of clinical trials must adhere to the Administration of Quality of Drug Clinical Practice (《藥物臨床試驗質量管理規範》) and the protocols approved by the ethics committees of each study site. Since 2015, the NMPA has strengthened the enforcement against widespread data integrity issues associated with clinical trials in China. To ensure authenticity and reliability of the clinical data, the NMPA mandates applicants of the pending drug registration submissions to conduct self-inspection and verification of their clinical trial data. Based on the submitted self-inspection results, the NMPA also regularly launches onsite clinical trial audits over selected applications and rejects those found with data forgery.

On 30 January 2015, the CFDA promulgated the Notice on Issuing the International Multi-Centre Clinical Trial Guidelines (Trial) (《國際多中心藥物臨床試驗指南(試行)》), to provide guidance for the regulation of application, implementation and administration of international multi-centre clinical trials. The international multi-centre clinical trials shall satisfy the requirements set forth in the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) for their data to be used for an NDA. On 6 July 2018, the NMPA issued the Technical Guiding Principles for the Acceptance of the Overseas Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》), which provides that overseas clinical data can be submitted for registration applications in China, including the clinical trial authorisation and the NDA.

**Special Examination and Approval for Registration of New Drugs**

According to the Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》) (the "Special Examination and Approval Provisions"), which was implemented since 7 January 2009, the NMPA conducts special examination and approval for new drug registration applications when: (1) the effective constituent of a drug is extracted from plants, animals, minerals, etc., as well as the preparations thereof, have never been marketed in China, and the material medicines and the preparations thereof are newly discovered; (2) the chemical raw materials for medicines as well as the preparations thereof and the biological products have not been approved for marketing, either in China or abroad; (3) the new drugs are for treating AIDS, malignant tumours and rare diseases, etc., and have obvious advantages in clinic treatment; or (4) the new drugs are for treating diseases with no effective methods of treatment.

The Special Examination and Approval Provisions provide that, in case of case (1) or (2), the registered applicants of drug candidates may file for special examination and approval at the clinical trial application stage. In case of case (3) or (4), the application for special examination and approval cannot be made until filing for production.

**Fast Approval for Clinical Trial and Registration of Drugs**

On 11 November 2015, the CFDA released the Circular Concerning Several Policies on Drug Registration Review and Approval (《關於藥品註冊審評審批若干政策的公告》), which clarified optimising the review and approval of clinical trial applications and accelerating the approval of drugs in urgent clinical need.

On 8 October 2017, the general offices of the Chinese Communist Party Central Committee and the state council promulgated the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation of Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》), which seeks to streamline the clinical trial process and shorten the time line, and provide special fast-track approval for new drugs and devices in urgent clinical need, and drugs and devices for rare diseases.

On 21 December 2017, the CFDA promulgated the Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation (《關於鼓勵藥品創新實行優先審評審批的意見》), which further clarified that a fast track clinical trial approval or drug registration pathway will be available to innovative drugs.

On 17 May 2018, the NMPA and NHC jointly promulgated the Circular on Issues Concerning Optimising Drug Registration Review and Approval (《關於優化藥品註冊審評審批有關事宜的公告》), which further simplified and accelerated the clinical trial approval process.

**Administrative Protection and Monitoring Periods for New Drugs**

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) and the Implementing Regulations of the Drug Administration Law (《藥品管理法實施條例》), the NMPA may, for the purpose of protecting public health, provide for a monitoring period for new drugs approved to be manufactured. The monitoring period shall not exceed five years commencing from the date of approval. During the monitoring period of a new drug, the NMPA will not approve the production, change dosage forms and import of such new drug by other enterprises. This renders an actual exclusivity protection for new drugs. The only exception is that the NMPA will continue to handle any application if, prior to the commencement of the monitoring period, the NMPA has already approved the applicant's clinical trial for a similar new drug. If such application conforms to the relevant provisions, the NMPA may approve such applicant to manufacture or import the similar new drug during the remainder of the monitoring period.

**Regulations Related to Pilot Plan for the Marketing Authorisation Holder System**

Under the authorisation of the Standing Committee of the National People's Congress ("**NPCSC**"), the State Council issued the Circular on the Issuance of Pilot Plan for the Drug Marketing Authorisation Holder Mechanism (《關於印發藥品上市許可持有人制度試點方案的通知》) on 26 May 2016, which provides a detailed pilot plan for the marketing authorisation holder system, or the MAH System, for drugs in 10 provinces or municipalities in China. Drug research and development institutions or researchers in the pilot regions may submit applications for drug clinical trials and drug marketing as the registered applicants of drugs. The applicants may become the drug marketing authorisation holders upon receiving drug marketing permits and approval numbers. If the holders are not qualified for manufacturing, they shall entrust qualified drug manufacturers in the pilot regions to manufacture the drugs approved for marketing. If the holders are qualified for manufacturing, they may either manufacture the drugs on their own or entrust qualified drug manufacturers to manufacture the drugs. In accordance with the Decision of the NPCSC on Extending the Authorization of the State Council to carry out pilot plan for the Drug Marketing Authorisation Holder Mechanism in some regions (《全國人民代表大會常務委員會關於延長授權國務院在部分地方開展藥品上市許可持有人制度試點期限的決定》), which was implemented on 5 November 2018, the three-year limit of authorisation of the State Council to carry out pilot plan for the Drug Marketing Authorisation Holder Mechanism in some regions will be extended for one year.

On 15 August 2017, the CFDA issued the Circular on Issues concerning the Promotion of the Drug Marketing Authorisation Holder Mechanism in the Pilot Areas (《關於推進藥品上市許可持有人制度試點工作有關事項的通知》) according to which, holders of drug marketing authorisations can entrust more than one pharmaceutical manufacturing enterprises with Drug Manufacturing Certificate to conduct the manufacturing activities, can sell such drugs by themselves or engage the entrusted pharmaceutical manufacturing enterprises or pharmaceutical trading enterprises with Pharmaceutical Trading Permit to sell such drugs.

**REGULATIONS RELATED TO PERMITS AND LICENCES FOR MANUFACTURING DRUGS**

**Drug Manufacturing Certificate**

The PRC Drug Administration Law (《中華人民共和國藥品管理法》) as promulgated by the NPCSC on 20 September 1984 and the Implementing Measures of the PRC Drug Administration Law (《中華人民共和國藥品管理法實施辦法》) as promulgated by the MOH on 27 February 1989 have laid down the legal framework for the administration of pharmaceutical manufacturers enterprises and pharmaceutical products. The current PRC Drug Administration Law (revised in 2015) (《中華人民共和國藥品管理法(2015修訂)》) applies to entities or individuals engaged in the research, production, operation, application, supervision and administration of pharmaceutical products in China. It regulates and prescribes a framework for the administration of pharmaceutical manufacturers, pharmaceutical trading companies, and medicinal institutions and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products.

The current PRC Implementing Regulations of the Drug Administration Law (revised in 2019) (《中華人民共和國藥品管理法實施條例(2019修訂)》) serve to provide detailed implementation regulations for the PRC Drug Administration Law.

On 26 August 2019, the NPCSC promulgated The PRC Drug Administration Law (revised in 2019) (《中華人民共和國藥品管理法(2019修訂)》), aiming at further strengthening supervision, reforming and improving the drug review and approval system and encouraging drug innovation. The PRC Drug Administration Law (revised in 2019) will come into effect on 1 December 2019.

According to the current PRC Drug Administration Law (revised in 2015) (《中華人民共和國藥品管理法(2015修訂)》) the establishment of a pharmaceutical manufacturer shall be approved and granted with the Drug Manufacturing Certificate by the drug supervision and administration departments in provinces, autonomous regions and municipalities directly under the central government where the enterprise is located. Any enterprise without the Drug Manufacturing Certificate is not allowed to produce drugs.

Each Drug Manufacturing Certificate is effective for a period of five years. Such enterprise is required to apply for renewal of the certificate within six months prior to its expiration date.

**Business Licences**

In addition to a Drug Manufacturing Certificate, a manufacturing enterprise must also obtain a business licence.

According to the Administration Measures for the Supervision of Pharmaceutical Manufacturing (revised in 2017) (《藥品生產監督管理辦法》), the name, legal representative, registered address and type of the enterprise specified in the Drug Manufacturing Certificate shall be identical to that set forth in the business licence as approved and issued by the industrial and commercial administrative department.

**GMP Certificates**

The World Health Organisation encourages the adoption of GMP standards in pharmaceutical production in order to minimise the pharmaceutical production risks that cannot be eliminated through testing of the final products.

The Guidelines on Good Manufacturing Practices (revised in 1998) (《藥品生產質量管理規範(1998年修訂)》) (the "**GMP Guidelines**") promulgated by the SFDA, took effect on 1 August 1999 and set the basic standards for the manufacture of pharmaceuticals. The GMP Guidelines cover matters such as the production facilities, the qualification of the personnel at the management level, production plant and facilities, documentation, material packaging and labelling, inspection, production management, sales and return of products and customer complaints. On 17 January 2011, the MOH issued revised Good Manufacturing Practice for Drugs (《藥品生產質量管理規範》) which became effective on 1 March 2011. A GMP Certificate is valid for a term of five years and application for renewal must be submitted six months prior to its expiration date.

## REGULATIONS RELATED TO DRUG TECHNOLOGY TRANSFER

On 19 August 2009, the SFDA promulgated the Administrative Regulations for Technology Transfer Registration of Drugs 《(藥品技術轉讓註冊管理規定》) (the "Technology Transfer Regulations"), to standardise the registration process of drug technology transfer, which includes application for, and review, approval and supervision and administration of, drug technology transfer registration. Drug technology transfer refers to the transfer of drug production technology by the owner to a drug manufacturer as the transferee and the application for drug registration by the drug manufacturer as the transferee according to the provisions under Technology Transfer Regulations. Drug technology transfer includes new drug technology transfer and drug production technology transfer.

### Conditions for the Application for New Drug Technology Transfer Registration

Applications for new drug technology transfer may be submitted prior to the expiration date of the monitoring period of the new drugs with respect to: (1) drugs with New Drug Certificates; or (2) drugs with New Drug Certificates and drug approval numbers.

For drugs with new drug certificates only and not yet in the monitoring period, or drug substances with new drug certificates, applications for new drug technology transfer should be submitted prior to the respective expiration date of the monitoring periods for each drug registration category set forth in the attachment of the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) and after the issue date of the new drug certificates.

### Conditions for the Application for Drug Production Technology Transfer Registration

Applications for drug production technology transfer may be submitted if: (1) the transferor holds New Drug Certificates or both New Drug Certificates and drug approval numbers, and the monitoring period has expired or there is no monitoring period; or (2) with respect to drugs without New Drug Certificates, both the transferor and the transferee are legally qualified drug manufacturing enterprises, one of which holds over 50% of the equity interests in the other, or both of which are over-50%-owned subsidiaries of the same drug manufacturing enterprise; or (3) with respect to drugs with Imported Drug Licences, the original applicant for the imported drug registration may transfer such drug production technology to domestic drug manufacturing enterprises.

### Application for, and Approval of Drug Technology Transfer Registration

To apply for drug technology transfer, a Supplementary Application Form for Drugs shall be completed, and relevant materials and explanations shall be submitted to the drug supervision and administration departments in provinces, autonomous regions and municipalities directly under the central government where the transferee is located in accordance with the procedures and requirements for supplementary applications as well as the annexes to Technology Transfer Regulations. The CDE shall conduct evaluation on the application for drug technology transfer, provide opinion on technical review, and form a comprehensive opinion based on the report on

production site inspection of the sample and the result of sample examination. The SDFA will make the approval decision based on the comprehensive opinion from the CDE. The Drug Approval Supplement and drug approval number will be issued to those comply with the relevant regulations.

## HEALTHCARE SYSTEM REFORM

On 17 March 2009, the Central Committee of the PRC Communist Party and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System (《關於深化醫藥衛生體制改革的意見》). The State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (《關於印發"十三五"深化醫藥衛生體制改革規劃的通知》) on 27 December 2016. The General Office of the State Council issued the main tasks of healthcare system reform. Highlights of these healthcare reform policies and regulations include the following:

- One of the main objectives of the reform was to establish a basic healthcare system to cover both urban and rural residents and provide the Chinese people with safe, effective, convenient and affordable healthcare services. By 2020, a basic healthcare system covering both urban and rural residents should be established.

- Another main objective of reform was to improve the healthcare system, through the reform and development of a graded diagnosis and treatment system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision.

- The reforms aimed to promote orderly market competition and improve the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population. In the meantime, the reforms also encouraged innovations by pharmaceutical companies.

## REIMBURSEMENT UNDER THE NATIONAL MEDICAL INSURANCE PROGRAMME

The national medical insurance programme was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Programme (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on 14 December 1998, under which all employers in urban cities are required to enrol their employees in the basic medical insurance programme and the insurance premium is jointly contributed by the employers and employees.

Participants of the national medical insurance programme and their employers, if any, are required to contribute to the payment of insurance premia on a monthly basis. Programme participants are eligible for full or partial reimbursement of the cost of medicines included in the Medical Insurance Catalogue. The Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知》), jointly issued by several authorities including the Ministry of Labour and Social Security and the Ministry of Finance, or the MOF, among others, on 12 May 1999, provides that a pharmaceutical product listed in the Medical Insurance

Catalogue must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: (1) it is set forth in the Pharmacopoeia of the PRC; (2) it meets the standards promulgated by the NMPA; and (3) if imported, it is approved by the NMPA for import.

Factors that affect the inclusion of a pharmaceutical product in the Medical Insurance Catalogue include whether the product is consumed in large volumes and commonly prescribed for clinical use in the PRC and whether it is considered to be important in meeting the basic healthcare needs of the general public.

The PRC Ministry of Human Resources and Social Security, together with the SAMI newly established in 2018 and other government authorities, has the power to determine the medicines included in the NRDL. On 21 February 2017, the PRC Ministry of Human Resources and Social Security released the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2017 Version) (the "2017 NRDL"). The 2017 NRDL expands its scope and covers 2,535 drugs in total, including 339 drugs that are newly added. The 2017 NRDL reflects an emphasis on innovative drugs and drugs that treat cancer and other serious diseases. On 13 July 2017, the Ministry of Human Resources and Social Security issued the Notice on Incorporating 36 Drugs into Category B of the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《關於將36種抗癌藥物納入國家基本醫療保險、工傷保險和生育保險藥品目錄乙類範圍的通知》) which incorporated 36 drugs in Category B of the 2017 NRDL. On 30 September 2018, the SAMI issued the Notice on Incorporating 17 Oncology Drugs into Category B of the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《關於將17種抗癌藥物納入國家基本醫療保險、工傷保險和生育保險藥品目錄乙類範圍的通知》) which incorporated 17 drugs into Category B of the 2017 NRDL. On 20 August 2019, the SAMI and the Ministry of Human Resources and Social Security issued the National Insurance Drug List for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, which will come into effect on 1 January, 2020.

Medicines included in the NRDL are divided into two parts, Category A and Category B. Provincial governments are required to include all Category A medicines listed on the NRDL in their provincial Medical Insurance Catalogue, but have the discretion to adjust upwards or downwards by no more than 15% from the number of Category B medicines listed in the NRDL. As a result, the contents of Category B of the provincial Medical Insurance Catalogues may differ from region to region in the PRC.

Patients purchasing medicines included in Category A of the NRDL are entitled to reimbursement of the entire amount of the purchase price. Patients purchasing medicines included in Category B of NRDL are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price. The percentage of reimbursement for Category B medicines differs from region to region.

The total amount of reimbursement for the cost of medicines and other medical expenses for an individual participant under the national medical insurance programme in a calendar year is capped at the amounts in such participant's individual account under such programme. The amount in a participant's account varies, depending on the amount of contributions from the participant and his or her employer.

## NATIONAL ESSENTIAL DRUG LIST

On 18 August 2009, the MOH and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National Essential Drug List (《國家基本藥物目錄管理辦法(暫行)》) and the Guidelines on the Implementation of the National Essential Drug List System (《關於建立國家基本藥物制度的實施意見》), which aim to promote essential drugs sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs included in the National Essential Drug List.

The MOH promulgated the National Essential Drug List (Catalogue for the Basic Healthcare Institutions) (《國家基本藥物目錄(基層醫療衛生機構配備使用部分)》) on 18 August 2009, and promulgated the revised National Essential Drug List on 13 March 2013 and 30 September 2018. According to these regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs included in National Essential Drug List. The drugs included in National Essential Drug List shall be purchased by centralised tender process and shall be subject to the price control by the National Development and Reform Commission. Remedial drugs in the National Essential Drug List are all listed in the Medical Insurance Catalogue and the entire amount of the purchase price of such drugs is entitled to reimbursement. The National Essential Drug List (2018 Edition) published on 30 September 2018 incorporated 6 targeted cancer drugs, including Rituximab and Trastuzumab.

## COMMERCIAL INSURANCE

On 25 October 2016, the State Council and the Communist Party of China jointly issued the Plan for Healthy China 2030 (《「健康中國2030」規劃綱要》). According to the Plan, the country will establish a multi-level medical security system built around basic medical insurance, with other forms of insurance as supplements, including serious illness insurance for urban and rural residents, commercial health insurance and medical assistance. Furthermore, the Plan encourages enterprises and individuals to participate in commercial health insurance and various forms of supplementary insurance.

## PRICE CONTROLS

Instead of direct price controls which were historically used but abolished in June 2015, the government regulates prices mainly by establishing a centralised procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of and tenders medical and pricing practices.

### Centralised Procurement and Tenders

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralised Tender Procurement of Drugs by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》) promulgated on 7 July 2000 and the Notice on Further Improvement

on the Implementation of Centralised Tender Procurement of Drugs by Medical Institutions (《關於進一步做好醫療機構藥品集中招標採購工作的通知》) promulgated on 23 July 2001, medical institutions established by county or higher level government or state-owned enterprises (including state-controlled enterprises) are required to implement centralised tender procurement of drugs.

The MOH promulgated the Working Regulations of Medical Institutions for Procurement of Drugs by Centralised Tender and Price Negotiations (for Trial Implementation) (《醫療機構藥品集中招標採購和集中議價採購工作規範 (試行)》), or the Centralised Procurement Regulations, on 13 March 2002, providing rules for the tender process and negotiations of the prices of drugs, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices. On 17 January 2009, the MOH, the SFDA and other four national departments jointly promulgated the Notice on the Issuance of the Opinions on Further Regulating Centralised Procurement of Drugs by Medical Institutions (《關於印發<進一步規範醫療機構藥品集中採購工作的意見>的通知》). According to the Notice, public medical institutions owned by the government at the county level or higher or owned by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products by online centralised procurement. Each provincial government shall formulate its catalogue of drugs subject to centralised procurement. Except for drugs in the National Essential Drug List, certain pharmaceutical products which are under the national government's special control, such as toxic, radioactive and narcotic drugs and traditional Chinese medicines, in principle, all drugs used by public medical institutions shall be covered by the catalogue of drugs subject to centralised procurement. On 7 July 2010, the MOH and six other ministries and commissions jointly promulgated the Notice on Printing and Distributing the Working Regulations of Medical Institutions for Centralised Procurement of Drugs (《關於印發醫療機構藥品集中採購工作規範的通知》) to further regulate the centralised procurement of drugs and clarify the code of conduct of the parties in centralised drug procurement. On 9 February 2015, the General Office of the State Council promulgated the Guidance Opinion of the General Office of the State Council on the Improvement of the Drug Centralized Procurement Work of Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》), which provides regulations for classified purchase of drugs. On 24 January 2017, the General Office of the State Council promulgated the Opinions of the General Office of the State Council on Further Reform and Improvement of the Policy on Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》) which provides regulations for implementation of "Dual invoicing system" for drug purchase and sales and the improvement of drug purchase mechanism.

The centralised tender process takes the form of public tender operated and organised by provincial or municipal government agencies. The centralised tender process is in principle conducted once every year in the relevant province or city in China. The bids are assessed by a committee composed of pharmaceutical and medical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, product safety, qualifications and reputation of the manufacturer, after-sale services and innovation. Only pharmaceuticals that have won in the centralised tender process may be purchased by public medical institutions funded by the government or state-owned enterprises (including state-controlled enterprises) in the relevant region.

On 1 January 2019, the General Office of the State Council promulgated the Pilot Program of Centralized Drug Purchase and Use Organized by the State (《國家組織藥品集中採購和使用試點方案》) to carry out pilot programs of centralized drug purchase and use organized by the state and further improve the pricing mechanism of drugs.

## REGULATIONS IN RELATION TO COMMERCIAL BRIBERIES WITH RESPECT TO PHARMACEUTICAL INDUSTRY

According to the Regulations on the Establishment of Adverse-effect Records with Respect to Commercial Bribery During Medicine Purchase and Sale (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) which was issued by NHFPC on 25 December 2013 and became effective on 1 March 2014, all the following activities regarding the manufacturers of the drugs, medical devices and medical consumes, and an operating enterprise or an agent or an individual shall be contained in the adverse-effect records by provincial regulations with respect to commercial bribery if such manufacturer, enterprise, agent or individual gives any working staff of a medical institution any forms of valuable items or other benefits. If a drug manufacturer and its agency are listed in such adverse-effect record with respect to commercial bribery for one time, no public medical institutions or any other medical institutions which receive public subsidy at the provincial administrative area where such manufacturer is located may purchase any products from such manufacturer within two years after the adverse-effect record has been published, while other public medical institutions or any other medical institutions which receive public subsidy in any other provincial administrative area will reduce scores with respect to such manufacturer when an evaluation is made in respect of any tender for or purchase of any drugs. If a drug manufacturer and its agency are listed in such adverse-effect record with respect to commercial bribery for more than twice (including two times) in a period of five years, no public medical institutions or any other medical institutions which receive public subsidy throughout the PRC may purchase products from such manufacturer within two years after adverse-effect record has been published.

## OTHER DRUG ADMINISTRATION REGULATION

### Advertising of Pharmaceutical Products

Pursuant to the Provisions for Drug Advertisement Examination (《藥品廣告審查辦法》), which were promulgated on 13 March 2007 and came into effect on 1 May 2007 and were further amended on 21 December 2018, an enterprise seeking to advertise its drugs must apply for an advertising approval code. The validity term of an advertisement approval number for pharmaceutical drugs is one year. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the content of the advertisement is needed, a new advertisement approval number shall be obtained by submitting a reapplication. On 26 October 2018, the NPCSC promulgated the PRC Advertising Law (《中華人民共和國廣告法》) (as amended in 2018), according to which certain contents shall not be included in advertisement of drugs, such as an assertion or guarantee on the efficacy or the safety, stating a cure rate or effective rate.

### Insert Sheet and Labels of Pharmaceutical Products

According to the Measures for the Administration of the Insert Sheets and Labels of Drugs (《藥品說明書和標籤管理規定》) effective on 1 June 2006, the insert sheets and labels of drugs should be reviewed and approved by the China Food and Drug Administration. A drug insert sheet should include the scientific data, conclusions and information concerning drug safety and efficacy in order to direct

the safe and rational use of drugs. The inner label of a drug should bear such information as the drug's name, indication or function, strength, dose and usage, production date, batch number, expiry date and drug manufacturer, and the outer label of a drug should indicate such information as the drug's name, ingredients, description, indication or function, strength, dose and usage and adverse reaction.

**Packaging of Pharmaceutical Products**

According to the Measures for The Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》) effective on 1 September 1988, pharmaceutical packaging must comply with the national and professional standards. If no national or professional standards are available, the enterprise can formulate its own standards and put into implementation after obtaining the approval of the food and drug administration or bureau of standards at provincial level. The enterprise shall reapply with the relevant authorities if it needs to change its own packaging standard. Drugs that have not developed and received approval for packing standards must not be sold or traded in PRC (except for drugs for the military).

**REGULATIONS IN RELATION TO PATENTS**

Pursuant to the Patent Law of the PRC promulgated by the Standing Committee of the National People's Congress on 12 March 1984, (《中華人民共和國專利法》) as latest amended on 27 December 2008 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on 15 June 2001 and latest amended on 9 January 2010, there are three types of patents in the PRC: invention patent, utility model patent and design patent. In addition, a patent must have novelty, creativity and practical applicability and a patent application shall be submitted to the National Intellectual Property Administration, PRC ("**CNIPA**"). The protection period is 20 years for invention patent and 10 years for utility model patent and design patent, commencing from their respective application dates. Implementation of a patent without licensing of the patentee shall represent an infringement of patent rights, in which case the compensation amount for infringement of patent rights shall be determined according to the actual losses suffered by the patentee due to the infringement; where it is difficult to determine the actual losses, the compensation amount shall be determined according to the gains derived by the infringer from the infringement. Where it is difficult to determine the losses of the patentee or the gains derived by the infringer, the compensation amount shall be determined reasonably according to a multiple of the royalties of such patent. The compensation amount shall also include the reasonable expenses incurred by the holder of patent rights in the course of stopping the infringement. Where it is difficult to determine the losses of the patentee, the gains derived by the infringer and the royalties of the patent, a people's court may determine a compensation amount ranging from RMB10,000 to RMB1 million according to the type of patent rights, the nature of infringement and the circumstances, etc. For the purpose of public health, the CNIPA may grant mandatory licensing for patented drugs manufactured and exported to countries or regions which comply with the provisions of the relevant international treaty participated by the PRC.

## B. REGULATORY OVERVIEW OF TAIWAN LAWS

This section summarises the primary Taiwanese laws, regulations, and normative documents related to our business.

### REGULATORY AUTHORITIES

Taiwan Food and Drug Administration (TFDA) manages the food, drugs, emerging biotechnology products, cosmetics and risk assessment of related products. TFDA's main objectives are to implement the source management, complete the management system of the imported food, develop core testing technology and improve its standards of management, testing and research.

### CLINICAL TRIAL

The clinical trial system can be divided into investigational new drug (IND) and bridging studies evaluation (BSE). To apply for a drug clinical trial in Taiwan, the relevant documents should be prepared in accordance with the *Application Instructions for Drug Clinical Trials* (《藥品臨床試驗申請須知》) promulgated by the Ministry of Health and Welfare of Taiwan. According to *Regulations for Registration of Medicinal Products* (《藥品查驗登記審查準則》), as from January 2019, new chemical entities (NCE), genetic engineer drugs, vaccine, plasma derivatives of new molecular entities, and allergen extracts of new molecular entities should be applied for the bridging study evaluation prior to or together with the applications of drug registration. The remaining drugs that are not with new ingredients or that have not been announced and required by the central health authority to conduct the bridging study evaluation are not required to apply for the bridging study evaluation.

All drug clinical trials for examination and registration should meet the *Guidance for Industry: Good Clinical Practice* (《藥品優良臨床實驗規範》), and the same applies to drug clinical trials for academic research and other relevant clinical research for the safety and welfare of mankind.

### DRUG REGISTRATION

#### New Drug Application (NDA)

According to Center for Drug Evaluation in Taiwan, the new drugs are categorized into the drugs with new ingredients, biological drugs, drugs of new therapies, drugs with new compounds, drugs with new delivery methods, drugs with new dosage forms, drugs with new doses/new unit content, and prodrugs. In order to conform to the development of biotechnology industry, enhance the transparency of the review, and conform to the future development of regulations and science, TFDA set its focus for the examination process mainly based on international and local regulations. The NDA must be submitted in accordance with *the Regulations for Registration of Medicinal Products* and the requirements promulgated by TFDA.

**Examination and Registration of Biosimilars**

Referring to EU regulations, Taiwan promulgated *the Guideline for the Examination and Registration of Biosimilars* (《生物相似性藥品查驗登記基準》), or the Guideline (《基準》), in 2015. The Guideline incorporated various risk factors which may affect the drug safety. According to the definition in Article 1 of the Guideline, biosimilars refer to the biological drugs derived from the biotechnology which are similar, in terms of quality, safety and efficacy, to the reference drug that has already been marketed in Taiwan. The biosimilars currently applied to the examination and registration are the drugs derived from the biotechnology of taking the recombinant peptide and recombinant protein as active ingredients.

**Streamlined, Fast-track and Expedited Review Mechanism**

The streamlined review mechanism is applicable to drugs which have been approved for marketing by FDA and EMA but still fall into the category of new drugs with new ingredients in Taiwan. Under this mechanism, the timeline of review process will be shortened to half of the original maximum period. The key points of the review are limited to whether the new drug is ethnically different (as assessed by the bridging studies evaluation) and the risk management for launch.

The fast-track review mechanism is applicable to innovative drugs with new therapies, new compounds, new delivery methods, new dosage forms, new unit content or new doses that are manufactured in Taiwan or commissioned to the manufacturing factories in Taiwan. Rapid review mechanism is not applicable to biological drugs, botanical new drugs, and new drugs with new ingredients. Manufacturing factories must comply with the PIC/S GMP requirements under this mechanism and the timeline of review process will be shortened to half of the original maximum period.

The expedited review mechanism is applicable to drugs targeting severe and life-threatening diseases that lack adequate treatment method. Under this mechanism, marketing of drugs can be expedited with the support of scientific evidence and by selecting alternative variables to measure the efficacy of the drugs.

**Administrative Protection and Monitoring Period for New Drugs**

The Article 40-2 of the *Pharmaceutical Affairs Act* (《藥事法》) in Taiwan stipulates as follows. Upon the issuance of a new drug licence, the central competent health authority shall publish the patent numbers or file numbers that have already been disclosed as submitted by the applicant. Within 3 years after the issuance of a licence for new drug of a new ingredients, no other pharmaceutical firm may apply for registration by citing the application data submitted by said licence holder without such holder's consent. The central competent health authority may only issue another drug licence after 5 years from the issuance to the original new drugs with new ingredients and this is the 5-year exclusive period.

## PHARMACEUTICAL MANUFACTURING

### Good Manufacturing Practices

In 2007, in order to ensure that the standard of pharmaceutical manufacturing in Taiwan is in line with international standard, TFDA promulgated to implement the international GMP standards (PIC/S GMP). Since 1 January 2015, all western medicine preparations manufacturing factories have been upgraded to meet the international PIC/S GMP pharmaceutical standards.

### Drug GMP Certificate

The Ministry of Health and Welfare promulgated the *Regulations of Issuing the Certificate of Pharmaceutical Manufacturing and Good Manufacturing Practices* (《藥物製造許可及優良製造證明文件核發辦法》) in August 2003. Currently the GMP certificates are divided into three categories including the GMP Certificate, GMP Certificate in English and GMP Written Confirmation for APIs Exported to the EU.

### Imported Drug Manufacturing Management

In terms of the imported drug manufacturing management, the current GMP management system adopts "document review" and "onsite inspection".

***(1) Document Review***

TFDA revised and promulgated the *Notes on the Preparation of Documents for Foreign Pharmaceutical Manufacturing Factories* (《國外藥廠工廠資料準備須知》)in 2003, which reasonably adjusted the Pharmaceutical Manufacturing Factories (PMF) review intensity on the pharmaceutical manufacturing factories in PIC/S member countries and stipulated the review criteria and regulations and the documents to be reviewed and the precautions. The relevant application requirements are detailed illustrated in the PMF application.

***(2) Onsite Inspection***

At present, there are two types of onsite inspections: new cases inspection and follow-up regular inspection. The new cases inspection is mainly for the application for new PMF and new dosage forms. The follow-up regular inspection is for the foreign manufacturers of the imported drugs who are informed and required to receive regular inspections.

### Pharmaceutical Manufacturing Licence

According to Article 3 of the *Standards for Medicament Factory Establishments* (《藥物製造工廠設廠標準》), if the manufacturer meets the requirements of the *Pharmaceutical Good Manufacturing Practice Regulations* (《藥物優良製造準則》), the central health authorities will issue the Good Manufacturing Practices for Drugs or the Good Manufacturing Practices for Medical Devices for the items passed the inspection.

Those who hold a Pharmaceutical Manufacturing Licence in Taiwan may entrust other factories to manufacture the drugs, but it should meet the requirements of the Article 64 of the *Regulations for Registration of Medicinal Products* and the provisions of the *Regulations for Medicament Contract Manufacture and Analysis* (《藥物委託製造及檢驗作業準則》).

**Transfer of Drug Technology**

For technologies relevant to research and development, manufacturing and processing under Taiwan pharmaceutical manufacturing industry, there is no such regulatory requirement of the application or report for the pharmaceutical manufacturing technology transfer. The transfer of biotechnology and drug manufacturing technology is a routine transfer of rights which is usually completed by contracts between the transferor and the transferee.

**Encourage the Development of Biotech Pharmaceutical Industry**

The *Patent Act* (《專利法》) has been amended continuously to allow the biopharmaceutical industry to get more protection of intellectual properties in Taiwan. In addition, a number of laws such as the *Statute for Industrial Innovation* (《產業創新條例》), the *Incentives for the Development of Pharmaceutical Research and Technology* (《藥品研究科技發展獎勵辦法》) and the *Act for the Development of Biotech and New Pharmaceuticals Industry* (《生技新藥產業發展條例》)have been introduced to provide incentives and to provide a favourable development environment for the biotech pharmaceutical industry.

**National Health Insurance System**

The National Health Insurance is a compulsory insurance and a welfare policy. The main legal basis is *the National Health Insurance Act* (《全民健康保險法》). The Health Administration of the Executive Yuan established the Central Health Insurance Bureau on 1 January 1995, and the National Health Insurance has been fully implemented on 1 March in the same year. The Second Generation of National Health Insurance was formally implemented on 1 January 2013.

**Drug Payment under National Health Insurance**

The health insurance payment in Taiwan is divided into the payment to the general public and the payment to the medical institutions. The direct payees are the medical institutions contracted with the health insurance. Relevant payment items and payment regulations in health insurance are all included in the *National Health Insurance Pharmaceutical Benefits and Reimbursement Schedule* (《全民健康保險藥物給付項目及支付標準》) and the *Regulations on the National Health Insurance Drug Price Adjustment* (《全民健康保險藥品價格調整作業辦法》) prescribed under the Article 51 of the *National Health Insurance Act*.

***(1) Payment for New Drugs***

According to Article 17 to Article 21 of the *National Health Insurance Pharmaceutical Benefits and Reimbursement Schedule*, the National Health Insurance Administration shall refer to the international drug price, the payment of drugs in the same category, and the calculation of treatment period and treatment costs by proportion and decide the prices for various new drugs. According to the definition of new drug in health insurance related laws and regulations, there are four categories of new drugs, including new ingredient(s), new dosage forms, new delivery methods, and new therapies with the same active ingredients in the Schedule. In the health insurance market, there are also successive orders in the same kind of new dosage forms manufactured by different manufacturers. Typically, the reference drugs with new ingredient(s) or new dosage forms will be included in the health insurance payment as priority.

***(2) Payment for Patent Expired or Generic Drugs***

When the patents of reference drugs expired or their patent approval is not granted in Taiwan, as long as the drugs are marketable in Taiwan, it is the National Insurance Administration's discretion as to whether to include these generic drugs in the health insurance payment list.

**Price Control**

The *Regulations on the National Health Insurance Drug Price Adjustment* has been promulgated pursuant to the Item 2 in Article 46 of *the National Health Insurance Act*. After the new drugs or generic drugs have been included in the health insurance payment, the pharmaceutical companies shall report every transaction with the contracted medical institutions quarterly. The Health Insurance Administration will decide whether to adjust the drug price.

**Drug Procurement**

Procurement process of the medical institutions affiliated to the Ministry of Health and Welfare: According to the *Operation Procedures of the Application for the Newly Procured Drug by the Medical Institutions affiliated to the Ministry of Health and Welfare* (《衛生福利部所屬醫療機構新進藥品申請作業流程》) in Taiwan, when the doctors apply for newly procured drugs, the application form and related materials should be attached with, and it should be reviewed and approved by the Pharmacy Committee, and the meeting minutes should be reviewed and approved by the medical superintendent of the hospital.

**OTHER REGULATIONS RELATING TO HEALTH CARE**

**Drug Advertisement**

In Taiwan, the drug advertising shall accord with the stipulations relating to the drug advertising management in Article 4, 24, 65, 66, 66-1, 67, 68, 69 and 70 of the *Pharmaceutical Affairs Act*. Entities other than pharmaceutical firms are not allowed to make advertisements for medicaments.

Before publishing or broadcasting medicament advertisement, pharmaceutical firms shall, before publishing or broadcasting, submit all texts, drawings or pictures constituting an advertisement to the central or municipal competent health authority for approval. If the medicaments are required to have the prescriptions of physicians or to have been specifically designated by public notice(s) made by the central competent health authority, the advertisements thereof shall be published only in academic medical journals.

**Package Inserts and Product Labels**

According to the Article 20 of the *Regulations for Registration of Medicinal Products*, the package inserts generally refer to the catalogue, instruction for use, operation manual etc. which are provided by the manufacturer for declaring the product uses, precautions, model and specifications, drawings and the like.

Drug labels and packaging can contain only the information approved by the central health competent authority and the print should be easy to read.

**PATENTS**

**Protection for Patented Drugs**

The main regulations relating to the drug patents in Taiwan are *the Patent Act* (《專利法》) and *the Enforcement Rules of the Patent Act* (《專利法施行細則》). *The Patent Act* gives the inventors exclusive rights for a certain period of time and encourages the pharmaceutical research and development. The term of protection for the invention patents is 20 years from the date of filing, and according to Articles 53 to Article 57 of *the Patent Act*, the patent term may be extended. In accordance with the second paragraph of Article 40-2 of *the Pharmaceutical Affairs Act, within five years of the issuance of a patent drug certificate, the application materials cannot be cited and apply for the examination and registration of the generic drug.*

**Patent Exemption**

Giving consideration to both encouraging the research and development of new drugs and promoting the early market entrance of generic drugs, Article 60 of *the Patent Act* adopts a test exemption system, so that the essential research, teaching or testing activity conducted by generic drugs companies during the research and development phase will not constitute a patent infringement.

**OTHERS**

For jurisdictions other than set out above, the requirements governing the conduct of R&D, drug licensing, pricing and reimbursement vary from country to country. In all cases, the clinical trials must be conducted in accordance with applicable regulatory principles.

## OVERVIEW

We are a leading biopharmaceutical company in China with the vision to offer high-quality, affordable and innovative drugs for patients worldwide. We are the first biopharmaceutical company to receive NDA approval from the NMPA for a monoclonal antibody biosimilar in accordance with the Biosimilar Guidelines, the prevailing PRC regulation on biosimilar evaluation and marketing approval, and the first to commercially launch a biosimilar product in China.

Since our inception in 2010, we have established, and continue to expand, a comprehensive product pipeline of both biosimilars and bio-innovative drugs. As at the Latest Practicable Date, in addition to the biosimilar product we had commercially launched, namely HLX01 (漢利康), we had developed in-house over 20 biologic drug candidates and several immuno-oncology combination therapies in our pipeline, including (i) two mAb candidates with NDA accepted by the NMPA, including one mAb candidate with MAA accepted by the EMA, (ii) two mAb candidates undergoing Phase 3 clinical trials and six mAb candidates undergoing Phase 1/2 clinical trials, and two immuno-oncology combination therapies undergoing Phase 3 clinical trials and (iii) 31 IND approvals received across different jurisdictions.

Our co-founders, Dr. Scott Shi-Kau Liu and Dr. Wei-Dong Jiang, each possesses approximately 25 years of hands-on experience in developing therapeutic drugs and held leadership positions in R&D, manufacturing and quality management at top international biopharmaceutical companies. Inspired by our co-founders, we have assembled a high-calibre team of experts working closely with each other towards our vision.

As a fully-integrated biopharmaceutical company headquartered in Shanghai, we distinguish ourselves from Chinese biotech companies with our efficient and innovative in-house capabilities throughout the entire biologics value chain, including:

- **An integrated and productive global research and development platform** spanning our three R&D facilities located in Shanghai, Taipei and California with 239 R&D employees as at 31 March 2019, led by industry veterans.

- **Global regulatory registration and clinical development capability** with 11 concurrent clinical trials in six different jurisdictions and over 100 clinical medical affairs staff.

- **Robust quality management systems** laying the foundation for regulatory approval and commercialisation of our products worldwide.

- **Large-scale and cost-efficient manufacturing facilities** located in Shanghai with 14,000L capacity, using highly efficient single-use production technology.

- **Strong global commercialisation capabilities** demonstrated by our rapidly-growing marketing team and close partnerships with reputable global pharmaceutical companies.

Through our efficient and innovative in-house capabilities, we have commercialised one product and developed a diversified, advanced and high-quality drug pipeline with a focus on oncology and autoimmune diseases, including:

***(1) mAb biosimilar product and advanced mAb biosimilar candidates with near-term commercial visibility***

- *HLX01 (漢利康)*. Rituximab Injection, a MabThera biosimilar. HLX01 (漢利康) received NDA approval from the NMPA on 22 February 2019 for the non-Hodgkin lymphoma ("**NHL**") indication, becoming the first biosimilar drug approved and commercially launched in China in accordance with the Biosimilar Guidelines. The first prescription for HLX01 (漢利康) was issued on 16 May 2019 and we commenced commercial sales of HLX01 (漢利康) in May 2019. The Chinese Pharmacopoeia Commission has granted HLX01 (漢利康) the use of the generic name "Rituximab Injection" in China, which is included in the NRDL and the NEDL. We are also conducting a Phase 3 clinical trial for the rheumatoid arthritis ("**RA**") indication for HLX01 in China;

- *HLX02*. A Herceptin (trastuzumab) biosimilar, which is the first biosimilar developed in China to enter a global Phase 3 clinical trial in China, Poland, Ukraine and the Philippines. We completed subject enrolment for the Phase 3 clinical trial in June 2018. Our NDA was accepted by the NMPA in April 2019 for $HER2^+$ early-stage breast cancer ("**eBC**"), metastatic breast cancer ("**mBC**") and metastatic gastric cancer ("**mGC**") indications, and it is currently under priority review. Our commercialisation partner Accord filed an MAA with the EMA, which was accepted in June 2019. HLX02 has the potential to become the first PRC-developed mAb biosimilar to launch in the EU, according to the Frost & Sullivan Report. Trastuzumab is included in the NRDL and the NEDL;

- *HLX03*. A Humira (adalimumab) biosimilar, which has completed a Phase 3 clinical trial in China. Our NDA for the plaque psoriasis ("**PS**"), RA and ankylosing spondylitis ("**AS**") indications was accepted by the NMPA in January 2019, and it is currently under priority review; and

- *HLX04*. An Avastin (bevacizumab) biosimilar, which entered a Phase 3 clinical trial in China in Q2 2018. We plan to file NDA for the metastatic colorectal cancer ("**mCRC**") and non-squamous non-small cell lung cancer ("**nsNSCLC**") indications in 2020. Bevacizumab is included in the NRDL. We also plan to further expand its indications in combination with immuno-oncology therapy.

Our three near-commercial stage biosimilar candidates, together with HLX01 (漢利康), address an estimated aggregate market opportunity in China of RMB16.7 billion in 2020, according to the Frost & Sullivan Report. In addition, the inclusion of some of our drug candidates to the NRDL and NEDL will further increase market penetration and demand in basic health institutions funded by the PRC government.

***(2) Comprehensive bio-innovative pipeline driving long-term growth***

As at the Latest Practicable Date, our bio-innovative drug candidates which have entered Phase 1 and/or Phase 1b/2 clinical trials include HLX06 (a novel VEGFR2 inhibitor), HLX07 (an EGFR inhibitor), HLX10 (a novel PD-1 inhibitor), HLX20 (a novel PD-L1 inhibitor) and HLX22 (a novel HER2 inhibitor).

In addition, our other bio-innovative pipeline drug candidates include HLX55 (a cMET inhibitor), HLX09 (a CTLA-4 inhibitor), HLX23 (a CD73 inhibitor), HLX53 (a TIGIT inhibitor) and HLX24 (a CD47 inhibitor).

***(3) Versatile in-house combination therapy portfolio to capture future immuno-oncology opportunities***

We have formulated a combination therapy strategy, under which, we leveraged our comprehensive oncology-focused product pipeline to provide a strong foundation for the development of immuno-oncology combination therapies, including:

- *HLX04 (an Avastin biosimilar) + HLX10 (a novel PD-1 inhibitor)*. An immuno-oncology combination therapy for nsNSCLC and HCC, for which we're preparing for Phase 3 and Phase 2 clinical trials respectively.

- *HLX07 (an EGFR inhibitor) + HLX10*. An immuno-oncology combination therapy for SCCHN, for which we have completed pre-clinical studies. Our IND application has been accepted by the NMPA.

- *HLX10 + Chemo*. An immuno-oncology combination therapy for mESCC, sqNSCLC and SCLC, which has commenced Phase 3 clinical trials for the mESCC and sqNSCLC indications and is expected to commence a Phase 3 clinical trial for the SCLC indication in near future.

We created the robust product pipeline described above in a highly cost-efficient manner. In 2017, 2018 and the three months ended 31 March 2019, we had overall R&D expenditure (representing both capitalised and expensed R&D costs and expenses) of RMB637.1 million, RMB972.5 million and RMB225.4 million, respectively, which we believe reflects our emphasis on achieving a high degree of efficiency and productivity.

## OUR STRENGTHS

### Compelling business model with near-term visibility and long-term growth

Throughout the last two decades, the development of mAb has fundamentally transformed the biologics industry and created a US$261.8 billion market globally in terms of sales revenue in 2018, according to the Frost & Sullivan Report. As at 30 June 2019, 97 mAb products had been launched in the US and 35 mAb products had been launched in China, while we were in the process of developing over 20 mAb drug candidates in-house as at the Latest Practicable Date.

Our commercialised product, HLX01 (漢利康), was the first mAb biosimilar approved in China in accordance with the Biosimilar Guidelines. Our pipeline includes multiple advanced-stage biosimilar candidates. Supported by our strong manufacturing and commercialisation capabilities, their market launch will provide us with near-term commercial visibility, which will be reinforced by the continuous progress in other earlier stage biosimilar candidates and our in-house capability to expeditiously expand our biosimilar pipeline.

Our fully integrated R&D platform and high-calibre team have also developed in-house a diversified, innovative mAb and immuno-oncology combination therapy pipeline, which will drive our long-term growth.

Our achievements and market leadership are supported by our comprehensive platform across the Shanghai, Taipei and California R&D centres, the 14,000L production capacity of the Xuhui Facility and strong commercialisation capabilities leveraging both internal resources and global partners. These resources will continue to afford us the strategic flexibility and competitiveness to remain at the forefront of China's biologics market and to capitalise on the secular growth.

**Integrated and efficient global R&D platform generating a robust product pipeline**

We are an R&D driven and oriented biopharmaceutical company, and have built an integrated and efficient global R&D platform with key facilities in Shanghai, Taipei and California. Our global R&D platform, with extensive in-house R&D resources and end-to-end capabilities, enables us to closely control the entire product development process, ranging from discovery and process development to manufacturing and post-marketing clinical follow-up.

Our three R&D centres closely collaborate with each other to ensure a highly productive and cost-efficient R&D process. Our Taipei and California R&D centres are mainly responsible for early-stage R&D, providing us with quick access to the latest developments in the mAb field and cutting-edge technologies and enabling us to tap into the rich biotech talent pool. Our Shanghai facility is mainly in charge of R&D in later stages, such as process and formulation development, and enables us to leverage (i) the abundance of high-calibre talent in Shanghai and clinical trial resources across China, as well as (ii) its proximity to the Xuhui Facility, where we intend to manufacture our approved products on a commercial scale.

We believe that our R&D success stems from the talent and capabilities of our team and their dedication to our vision of offering high-quality, affordable and innovative drugs for patients worldwide. As at 31 March 2019, we had assembled a team of 239 well-trained R&D employees, a large number of whom possess a Ph.D or equivalent degree in immunology, biochemistry and pharmaceutical engineering or other relevant areas. Many of our R&D personnel have extensive working experience in global large pharmaceutical companies and specialise in developing biological drugs in accordance with international standards.

Supported by our strong talent base and our fully integrated R&D platform, we have developed, and continued to expand a comprehensive product pipeline of multiple late-stage biologics candidates and bio-innovative drugs, with significant potential for a variety of PD-1/PD-L1 based immuno-oncology combination therapies. As at the Latest Practicable Date, in addition to the biosimilar product we had commercially launched, namely HLX01 (漢利康), we had developed in-house over 20 biologic drug candidates and several immuno-oncology combination therapies in our pipeline, including (i) two mAb candidates with NDA accepted by the NMPA, including one mAb candidate with MAA accepted by the EMA, (ii) two mAb candidates undergoing Phase 3 clinical trials and six mAb candidates undergoing Phase 1/2 clinical trials, and two immuno-oncology combination therapies undergoing Phase 3 clinical trials and (iii) 31 IND approvals received across different jurisdictions for our product pipeline.

**Large-scale manufacturing capabilities with enhanced cost efficiencies and robust quality management systems**

We have one manufacturing facility in operation, the Xuhui Facility, which is located in Shanghai. The Xuhui Facility has received a Pharmaceutical Manufacturing Permit (《藥品生產許可證》) from the NMPA Shanghai Bureau, with a total area of approximately 11,000 square metres. The Xuhui Facility accommodates two independent production lines, comprising six 2,000L and four 500L single-use bioreactors for a total of 14,000L, along with ancillary purification equipment. We are currently constructing our second manufacturing facility in Shanghai, the Songjiang Facility.

We are a pioneer in adopting single-use technologies in China, particularly single-use bioreactors. According to the Frost & Sullivan Report, single-use bioreactors generally reduce capital expenditure by up to 50% and production costs by up to 25% to 30%, and saves the need for clean-up and disinfection after each production cycle, which reduces per-batch production time and decreases the risk of contamination.

We have established a robust quality management system that meets the quality standards set by the relevant regulatory authorities of the US, EU and China, which lays the foundation to commercialise our products in multiple jurisdictions and regions. In March 2019, we obtained a GMP Certificate for our HLX01 (漢利康), certifying its compliance with GMP standards. Our quality management system covers the entire product lifecycle, from research and development to material management, product manufacturing, quality control, product supply management and particularly, product post marketing surveillance. Managed by a team of overseas-trained experts with significant experience in pharmaceutical quality management, our Xuhui Facility and accompanying quality management systems have passed multiple on-site inspections and/or audits conducted by EU QP and our international commercial partners such as Accord and Cipla, in each case in accordance with exacting standards. As at 31 March 2019, our Global Quality Operations department, which operates our quality assurance and quality control functions, consisted of 125 employees. This headcount is equivalent to approximately 80% of the whole of our manufacturing department, which reflects our strong commitment to, and investment in, our quality control infrastructure and functions. We believe that this demonstrated commitment to quality management distinguishes us in the PRC market, and we intend to continue to pursue this commitment to establish a market reputation for quality and reliability.

**Strong global commercialisation capabilities**

As part of our domestic commercialisation efforts, we entered into commercial cooperation agreements with the Fosun Pharma Group. Under such cooperation agreements, we expect to benefit from Fosun Pharma's (i) decades of market experience and know-how in navigating through the rapidly-evolving China healthcare landscape, (ii) superior market access ability to provide umbrella coverage for a portfolio of products and (iii) extensive sales network covering both higher and lower tier markets to enable broad market penetration across China. We believe these collaborations will establish a solid foundation for our future commercialisation.

We have established a dedicated marketing team with extensive industry experience, which we plan to further expand in the near future. Through over five years of clinical trial experience accumulated at over 100 clinical study sites, mostly located at top medical institutions, we have gained access to a comprehensive KOL and physician network to prepare for the commercialisation of our products. We have also established a clinical development advisory committee comprising leading experts and KOLs in China as well as a scientific advisory board comprising leading experts in the US. These two advisory committees provide us with insights for clinical trial designs and product and target selections, as well as insights from leading healthcare providers and cutting-edge scientific researchers. Mr. Wenjie Zhang, an industry veteran and market expert, has joined us as our Senior Vice President, Chief Commercial Operation Officer and Chief Strategy Officer to oversee our sales and marketing and establish an in-house sales team to execute our commercial plans.

For our global commercialisation efforts, we have a proven track record of initiating strategic commercialisation collaborations with global leading pharmaceutical companies in advance of product approvals, which we believe will enable us to expeditiously capture market share through the established capabilities and resources of our partners. For example, to market and distribute HLX02 overseas, we have partnered with Accord for over 70 jurisdictions and regions in Europe, MENA and CIS, with Cipla for Australia, New Zealand, Colombia and Malaysia, and with Jacobson Medical for Hong Kong and Macau.

**Visionary co-founders and leadership team**

Our co-founders, Dr. LIU and Dr. JIANG, are seasoned scientists in the biopharmaceutical industry. Since their founding of the Company in 2010, they have worked diligently and passionately to achieve their shared vision to provide high-quality, affordable and innovative drugs for patients globally, and have the utmost faith and confidence in doing things that are right, challenging and take time to accumulate.

Dr. LIU has approximately 25 years of experience in biopharmaceutical R&D, manufacturing and quality management, as well as business development and corporate management. Prior to founding the Company, he held senior positions in a number of leading multinational pharmaceutical companies, including director of the quality analytical labs at Amgen, associate director of biologics quality control at Bristol-Myers Squibb and vice president of R&D in Asia at United Biomedical.

Dr. JIANG has approximately 25 years of experience in biopharmaceutical development and production with specialised expertise in antibody and protein engineering. Prior to co-founding the Company, he held senior researcher and director positions in several well-known, global pharmaceutical companies, including VasGene Therapeutics and Applied Molecular Evolution, an affiliate of Eli Lilly.

Under the leadership of Dr. LIU and Dr. JIANG, and inspired by their vision and ambition and attracted by our science-oriented, practical and meritocratic corporate culture that focuses on efficient execution, we have assembled a team of highly-skilled talents with shared goals. As at 31 March 2019, our core team comprised 79 industry experts, nearly 67% of which have more than 10 years of relevant experience in the industry, and more than 62% have worked overseas, with extensive experience across drug development, CMC, plant design, pharmaceutical production management, quality and compliance, clinical development, regulatory affairs, commercialisation and finance at leading multinational pharmaceutical companies.

## OUR STRATEGIES

Our vision is to become one of the world's most trusted and admired biopharmaceutical companies, offering innovative and affordable medicines to patients worldwide. To achieve this vision, we plan to implement the following strategies:

### Further strengthen our leading position and capitalise on first-entrant advantages in the continuous development of biosimilars

Our HLX01 (漢利康) is the first mAb biosimilar developed in China to receive regulatory approval under the Biosimilar Guidelines and to commence commercial sales, which offers substantial first-entrant advantages not only in terms of establishing our market position, but also with respect to our experience gained from navigating through the regulatory pathway and commercialisation process. We intend to apply this experience to rapidly and efficiently progress the development of our other biosimilar candidates, including our near-commercial stage Core Products.

We have submitted NDAs for HLX02 and HLX03 in China, both of which are currently under priority review by the NMPA, and we plan to submit NDA in China for HLX04 in the near future. In addition, our commercialisation partner Accord has filed an MAA for HLX02 in the European Union. We intend to utilise our large-scale manufacturing capabilities to rapidly commercialise these product candidates in order to fully capitalise on our leading position in the PRC biosimilars market, establish potential first-entrant advantages and generate steady revenues that will support our future operations, including the research and development of additional product candidates.

Considering the relatively lower risk in biosimilar development as compared to innovative drugs and the visible market potential, as well as taking into account our track record of in-depth experience with biosimilars in the PRC, we will continue to leverage our strong technical capabilities and know-how to develop new biosimilars in anticipation of upcoming major patent expiries for blockbuster drugs. This will further build up and diversify our product portfolio and provide long-term growth opportunities. We believe that we will be able to replicate HLX01 (漢利康)'s commercialisation success toward the development of new biosimilar candidates. We also plan to market our drug candidates to other emerging economies such as South America, Eastern Europe and Southeast Asia, where we believe there is substantial unmet demand for medical products.

**Develop an innovative product portfolio focusing on immuno-oncology combination therapy through leveraging our robust and comprehensive biologics pipeline and established mAb development platform**

By capitalising on the commercial benefits from our biosimilars and leveraging our comprehensive technology platforms and in-house R&D capabilities, we intend to continue progressing the development of our bio-innovative drug candidates and actively expand our pipeline by launching and advancing clinical studies for new programmes, including novel biologics and immuno-oncology combination therapies.

We plan to rapidly develop immuno-oncology combination therapies to deliver improved treatment solutions for patients. As illustrated in the chart below, we have developed an extensive portfolio across all three categories of targets for combination therapy, including tumour-specific targeted, angiogenesis-targeted and immunotherapeutic-targeted therapeutics. We can strategically and efficiently develop various immuno-oncology combination therapies covering a wide variety of indications. We also plan to explore other such potential therapies using our drug candidates (including PD-1/PD-L1 mAbs) as the backbone in combination with other mAbs, chemotherapy, radiotherapy or cancer vaccines.

| Tumour-specific targets | Angiogenesis targets | Immunotherapeutic targets |
|---|---|---|
| **CD20, HER2, EGFR, cMET, CD27, Claudin 18.2 etc.** | **VEGF, VEGFR2, etc.** | **PD-1, PD-L1, CTLA-4, TIM-3, LAG3, GPC3, TIGIT, OX40, etc.** |
| **No. of drug candidates in our pipeline ≥10** | **No. of drug candidates in our pipeline ≥ 3** | **No. of drug candidates in our pipeline ≥ 8** |

**Expand manufacturing capabilities and enhance cost effectiveness while maintaining high quality standards**

With the commercialisation of HLX01 (漢利康), and in anticipation of more upcoming product launches, including our near commercial Core Products, we intend to increase investments in our manufacturing facilities to optimise production processes, expand our manufacturing capacity and increase cost effectiveness.

In particular, as we continue to expand our portfolio of commercialised drugs over time, we are currently constructing a second manufacturing facility, the Songjiang Facility, to significantly increase our overall production capacity. Upon completion of the Songjiang Facility, we expect our manufacturing capacity to be able to accommodate simultaneous production of all our drug candidates.

In addition, we strive to achieve further cost efficiency through our focus on developing continuous process technologies in-house, which we expect will enable us to significantly reduce per-unit manufacturing costs and reduce liquid and solid wastes pollution, while at the same time significantly increasing productivity.

With the development and scaling-up of our continuous process technologies, we believe that we are one of the few biopharmaceutical companies in China with the capability and flexibility to develop and commercialise effective and affordable immuno-oncology combination therapies.

At the same time, we will continue to strictly adhere to the high quality standards of our manufacturing facilities, seeking accreditation by international regulatory agencies including the FDA and EMA.

**Strengthen commercialisation capabilities through in-house sales and marketing team and partnerships**

To further expand our market presence, we have established a marketing team with extensive industry experience and market insight. Going forward, we plan to grow the team with a focus on medical science liaisons and market entry capabilities. We are establishing a sales team to execute our commercialisation plans independently in China. We believe that having this in-house capability will complement our strong partnerships with Fosun Pharma and other global partners.

We plan to enter into additional strategic cooperation agreements with international partners, similar to those we already have with Accord, Cipla, Biosidus and Jacobson Medical, to extend our business presence into more international markets, particularly those which we believe have significant unmet medical needs for affordable biologics, such as Southeast Asian countries where clinical trial data from China are eligible to be submitted as part of the application process for regulatory approval.

**Selectively pursue strategic collaborations to expand our global presence**

We intend to continue to explore, evaluate and selectively pursue strategic collaborations with respect to other biopharmaceutical companies, products and product licences in order to enrich our products portfolio and to expand our global footprint. For example, we licensed in HLX22 from AbClon and exercised an option to expand the licence globally. While we intend to continue to rely primarily on our internal capabilities, we will also continue to look for additional technologies and assets to augment our platform and pipeline for continued success.

## OUR PRODUCTS

As at the Latest Practicable Date, in addition to the biosimilar product we had launched commercially, namely HLX01 (漢利康), we had developed in-house over 20 biologic drug candidates and several immuno-oncology combination therapies in our pipeline, including (i) two mAb candidates with NDA accepted by the NMPA, including one mAb candidate with MAA accepted by the EMA, (ii) two mAb candidates undergoing Phase 3 clinical trials and six mAb candidates undergoing Phase 1/2 clinical trials, and two immuno-oncology combination therapies undergoing Phase 3 clinical trials and (iii) 31 IND approvals received across different jurisdictions. Our drug candidates in development include biosimilars, bio-innovative drugs and immuno-oncology combination therapies. These immuno-oncology combination therapies consist of drug candidates which we believe have the potential to be combined with our immunotherapeutic antibodies (including antibodies against PD-1, PD-L1 and other immuno-oncology targeting drugs in our portfolio) to address unmet medical needs in China and beyond.

The following table summarises our product and drug candidate pipeline as at the Latest Practicable Date:

| | Product (Reference Drug) | Target | Indication | Commercial Rights | Partner (Territory) | Pre-clinical | IND | Phase 1 | Phase 2[2] | Phase 3 | NDA filed | NDA approved[1] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Biosimilar Portfolio | HLX01 (MabThera) | CD20 | NHL[3] | Worldwide | FOSUNPHARMA 复星医药 (China); BIOSIDUS (South America[4]) | | | | | | | |
| | HLX02 (Herceptin) | HER2 | BC/mGC[5] | Worldwide | accord (Europe, MENA and CIS[6]); Cipla (APAC and South America[7]); Jacobson (Hong Kong and Macau) | | | | | | | |
| | HLX03 (Humira) | TNF-α | PS/RA/AS[8] | Worldwide | FOSUNPHARMA 复星医药 (China) | | | | | | | |
| | HLX04 (Avastin) | VEGF | mCRC/nsNSCLC[9] | Worldwide | | | | | | | | |
| | HLX05 (Erbitux)[10] | EGFR | mCRC/SCCHN | Worldwide (ex-China) | Jingze | China Rights Licensed Out | | | | | | |
| | HLX12 (Cyramza) | VEGFR2 | Solid tumours[11] | Worldwide | | | | | | | | |
| | HLX11 (Perjeta) | HER2 | BC | Worldwide | | | | | | | | |
| | HLX14 (Xgeva) | RANK ligand | Solid tumours | Worldwide | | | | | | | | |
| | HLX13 (Yervoy) | CTLA-4 | Solid tumours | Worldwide | | | | | | | | |
| | HLX15 (Darzalex) | CD-38 | Multiple Myeloma | Worldwide | | | | | | | | |
| Bio-Innovative Portfolio | HLX01 | CD20 | RA[12] | Worldwide | | | | | | | | |
| | HLX04 | VEGF | wAMD/DR[12] | Worldwide | | | | | | | | |
| | HLX07[14] | EGFR | Solid tumours | Worldwide | | IND approved in the US, Taiwan, China Mainland | | | | | | |
| | HLX06 | VEGFR2 | Solid tumours | Worldwide | | IND approved in the US, Taiwan, China Mainland | | | | | | |
| | HLX10[14] | PD-1 | Solid tumours | Worldwide | | IND approved in the US, Taiwan, China Mainland | | | | | | |
| | HLX20 | PD-L1 | Solid tumours | Worldwide | | Australia and China Mainland | | | | | | |
| | HLX22 | HER2 | BC/GC | Worldwide | | In-Licensed | | | | | | |
| | HLX55 | cMET | Solid tumours | Asia[13] | | In-Licensed | | | | | | |
| | HLX56 | DR | Solid tumours | Greater China | | In-Licensed | | | | | | |
| | HLX09 | CTLA-4 | Solid tumours | Worldwide | | | | | | | | |
| | HLX23 | CD73 | Solid tumours | Worldwide | | | | | | | | |
| | HLX24 | CD47 | Solid tumours | Worldwide | | | | | | | | |
| | HLX26 | LAG3 | Solid tumours | Worldwide | | | | | | | | |
| | HLX59 | CD27 | Solid tumours | Worldwide | | | | | | | | |
| | HLX51 | OX40 | Solid tumours | Worldwide | | | | | | | | |
| | HLX52 | TIM-3 | Solid tumours | Worldwide | | | | | | | | |
| | HLX53 | TIGIT | Solid tumours | Worldwide | | | | | | | | |
| | HLX58 | Claudin 18.2 | Solid tumours | Worldwide | | | | | | | | |
| | HLX63 | GPC3 | Solid tumours | Worldwide | | | | | | | | |
| Combo Therapy | HLX04[14] + HLX10 | VEGF + PD-1 | nsNSCLC | Worldwide | | | | | | | | |
| | HLX04[14] + HLX10 | VEGF + PD-1 | HCC | Worldwide | | | | | | | | |
| | HLX07 + HLX10 | EGFR + PD-1 | SCCHN | Worldwide | | | | | | | | |
| | HLX10[14] + Chemo | PD-1 | mESCC | Worldwide | | | | | | | | |
| | | | sqNSCLC | Worldwide | | | | | | | | |
| | | | SCLC | Worldwide | | | | | | | | |

Core Products

*Notes:*

(1) HLX01 (漢利康) is one of our Core Products. We received the NDA approval for HLX01 (漢利康) in February 2019 and commenced commercial sales in May 2019.

(2) Phase 2 clinical trials are not required for biosimilars. See "—*Our Biosimilar Portfolio*" for further details.

(3) Our Phase 3 clinical trial for HLX01 focused on the treatment of DLBCL, which is the most common subtype of NHL. As HLX01's reference drug, MabThera, is approved in China for three NHL subtypes (namely DLBCL, relapsed or refractory follicular central lymphoma and previously-untreated CD20-positive stage III-IV follicular lymphoma), HLX01 is also approved for all three indications.

(4) Argentina, Paraguay, Uruguay and Bolivia.

(5) Our Phase 3 clinical trial for HLX02 focuses on the treatment of $HER2^+$ mBC. As HLX02's reference drug, Herceptin, is approved in China for $HER2^+$ eBC, $HER2^+$ mBC and $HER2^+$ mGC, our NDA for HLX02 seeks approval for all three indications for HLX02. Our commercialisation partner Accord filed an MAA with the EMA for these three indications and GEJ. Subject enrolment of the Phase 3 clinical trial for HLX02 has been completed. While HLX02 is still undergoing Phase 3 clinical trial, our NDA for HLX02 was accepted by the NMPA in April 2019 and is currently under its priority review.

(6) Over 70 jurisdictions and regions in Europe, MENA and CIS.

(7) Australia, New Zealand, Colombia and Malaysia.

(8) Our Phase 3 clinical trial for HLX03 focuses on the treatment of PS. As HLX03's reference drug, Humira, is approved in China for PS, RA and AS, we have filed for NDA approval for all three indications for HLX03. We have completed the Phase 3 clinical trial for HLX03. Our NDA for HLX03 was accepted by the NMPA in January 2019 and is currently under its priority review.

(9) Our Phase 3 clinical trial for HLX04 focuses on the treatment of mCRC. As HLX04's reference drug, Avastin, is approved in China for mCRC and unresectable, locally advanced, recurrent or metastatic nsNSCLC, we plan to seek NDA approval for both indications for HLX04.

(10) Licensed out to Shanghai Jingze. See "—*Licence Arrangements—Licence Agreement with Shanghai Jingze*" for further details.

(11) Includes advanced gastric cancer or gastroesophageal junction adenocarcinoma, metastatic NSCLC and mCRC.

(12) Considered a bio-innovative product because the originator product has not been approved for the relevant indication yet in China. See "—*Our Bio-Innovative Drugs—Overview*" for further details.

(13) Greater China and certain countries in Southeast, Central and South Asia.

(14) We do not consider HLX07, HLX10, HLX04 + HLX10 combination therapy and HLX10 + Chemo combination therapy to be our Core Products as (i) data on Phase 1 clinical trials for HLX07, HLX10 and HLX04 + HLX10 combination therapy have not become available, and (ii) data on Phase 3 clinical trials for HLX10 + Chemo, which do not require Phase 1 clinical trials, have not become available. We are also developing HLX10 to treat Hepatitis B virus.

## OUR BIOSIMILAR PORTFOLIO

### Overview

A biosimilar is a biologic pharmaceutical product which is a near-identical copy of a reference drug developed and manufactured by a different company. Biosimilar sponsors must develop the drug independently of the originator product, as they do not have access to the originator's molecular cloning (or a set of experimental methods in molecular biology that are used to assemble recombinant DNA molecules for the production of the biologic molecule), original cell bank, details of the production process nor the active drug substance(s). Generally, the development process requires that a biosimilar drug candidate undergoes clinical research and development to demonstrate that it is highly similar (in terms of both efficacy, safety and immunogenicity) to the reference originator already approved by certain regulatory authorities, including the NMPA, FDA and EMA, notwithstanding minor differences in clinically inactive components. The drug candidate must undergo this regulatory review process, which for the NMPA, FDA and EMA is specially adapted for biosimilars, in order to receive approval for commercialisation. See "*Regulatory Overview—Regulations Related to the Clinical Trials and Registration of Drugs*" for further details on the NMPA approval process.

Once approved and after expiry of the reference drug's major patents, the biosimilar can proceed to be commercialised. In order to be competitive against reference drugs, biosimilars are generally priced as affordable alternatives, enabling them to be potentially more widely-available, especially in markets where access to the reference drugs may be limited due to prohibitive pricing or other economic barriers. In the EU, which has had a biosimilar regulatory pathway since 2005, biosimilars (including biosimilar mAbs) have demonstrated strong potential to take market share from originator products and expand patient access.

In the PRC, which we expect to be a key market for all of our biosimilar candidates, the government has published a number of guidelines encouraging biosimilar research and development, including the Biosimilar Guidelines, which set out the regulatory framework for registering and evaluating new biosimilar candidates. In general, the NMPA requires that biosimilars match the relevant reference drugs in terms of indications, usage guidelines and safety information. In addition, the biosimilar approval pathway is established based on the scientific objective of proving that there are no clinically meaningful differences in the safety and efficacy of biosimilars when compared to the reference drug, whereas the scientific objective for the novel and innovative drug approval pathway is a full exploration of whether a medical strategy or treatment is safe and effective in humans. Based on this principle, there is generally no need to conduct a Phase 2 clinical trial for biosimilars since the proper dose assuring safety and efficacy has already been determined for the reference product. The Biosimilar Guidelines permit biosimilar sponsors to concurrently conduct clinical trials of different phases and drug developers are not required under PRC regulations to complete prior phases of clinical trials before commencing subsequent phases. Once the developer receives IND approval for a particular indication, the developer may, at its own discretion, choose to commence later trials, such as Phase 3 or Phase 1b, without completing the Phase 1 clinical trial. In our R&D activities, we commenced the Phase 3 clinical trial for HLX03 before completing the Phase 1 clinical trial. We believe that this approach expedites the R&D process for us and will facilitate more rapid approval and commercialisation of our products. See "*Risk Factors—Risks Relating to the Development, Clinical trials and Regulatory Approval of Our Drug Candidates—Clinical development involves a lengthy and expensive process with no assured outcome*" for further details.

Furthermore, in accordance with the Biosimilar Guidelines, if clinical similarity for a drug candidate has been demonstrated in comparative studies, regulators in the PRC may consider allowing extrapolation to other indications approved for the reference drug. In order to be eligible, the treatment for each indication should involve the same mechanism of action and target, as well as the same clinically relevant pathogenic mechanism and receptors. This similarity should be demonstrated by comparative clinical studies, and safety and immunogenicity for the extrapolated indications should be sufficiently assessed. Moreover, whether extrapolation of clinical indications is appropriate is assessed by reference to product characteristics and on a case by case basis. There are also circumstances where the appropriateness of extrapolation must be cautiously considered, such as in different combined disease populations or in populations with different recommended dosages. We are currently seeking indication expansion for our biosimilar Core Products.

Our commercialised or advanced biosimilars, each as described in more detail below, include HLX01 (漢利康), HLX02, HLX03 and HLX04.

**HLX01 (for NHL)**

***Overview***

We developed HLX01 (漢利康) as a MabThera biosimilar under the name Recombinant Human/Murine Chimeric Anti-CD20 Monoclonal Antibody Injection, which is our first commercialised monoclonal antibody drug product. HLX01 (漢利康) has been granted the use of the generic name Rituximab Injection in China by the Chinese Pharmacopoeia Commission. Rituximab is included in the most recent NRDL published on 20 August 2019. Rituximab is a monoclonal antibody drug approved for the treatment of NHL, most commonly the DLBCL subtype, and for moderate to severe RA. We completed a Phase 3 clinical trial in May 2018. Based on data collected and analysed from the Phase 3 clinical trial, we concluded that the trial achieved bioequivalence in both primary and secondary endpoints. We received regulatory approval for HLX01 (漢利康) from the NMPA on 22 February 2019. The first presciption for HLX01 (漢利康) was issued on 16 May 2019, and we commenced commercial sales of HLX01 (漢利康) in May 2019.

We are concurrently conducting a Phase 3 clinical trial for HLX01 for the RA indication. See "— *Our Bio-Innovative Drugs — HLX01 (for RA)*" for further details on the development of HLX01 for the RA indication and the current therapies and potential market opportunities for that indication. As we have entered Phase 3 clinical trials and the reference drug has not yet been approved for RA indication, we consider HLX01 for the RA indication to be a bio-innovative Core Product.

We launched HLX01 (漢利康) initially in China, where there is a significant and growing demand for affordable treatment of NHL, before exploring overseas opportunities. According to the Frost & Sullivan Report, in 2018, only approximately 25% of eligible NHL patients in China were able to afford the existing first-line therapy which includes MabThera, the reference drug for HLX01 (漢利康), while the number of new NHL cases in China is projected to grow from approximately 88,100 in 2018 to approximately 99,400 in 2023.

We have entered into an agreement with Fosun Pharma Industrial Development with respect to HLX01 (漢利康) in September 2015 (as amended) (the "**HLX01 Agreement**"), to establish a well-defined commercialisation strategy for HLX01 (漢利康) in China, such as utilising Fosun Pharma's market access and nationwide sales and marketing network to rapidly commercialise HLX01 (漢利康) on a large scale. We believe that HLX01 (漢利康), being the first biosimilar drug in China to receive regulatory approval in accordance with the Biosimilar Guidelines, is of great significance to both Chinese patients and the country as a whole. We have also entered into a licence agreement with Biosidus for the commercialisation of HLX01 (漢利康) in Argentina, Paraguay, Uruguay and Bolivia.

***Background of Reference Drug***

Rituximab, a human murine chimeric anti-CD20 monoclonal antibody, was originally developed by IDEC Pharmaceuticals and Genentech. It initially received FDA approval in 1997 under the brand name Rituxan, followed by the EMA approval in 1998 under the brand name MabThera for the treatment of NHL. MabThera was launched in China in 2001. Rituximab was added to the NRDL in 2017 and to the NEDL in 2018.

Depending on the jurisdiction of approval, rituximab may be included as a part of the first- or second-line therapy for numerous indications, including NHL, chronic lymphocytic leukaemia, RA, granulomatosis with polyangiitis, microscopic polyangiitis and moderate-to-severe pemphigus vulgaris. In China, MabThera has been approved for only three types of NHL: CD20-positive DLBCL, relapsed or refractory follicular central lymphoma (subtype B, C, and D of B cell NHL, as classified by the International Working Formulation) and previously-untreated CD20-positive stage III-IV follicular lymphoma.

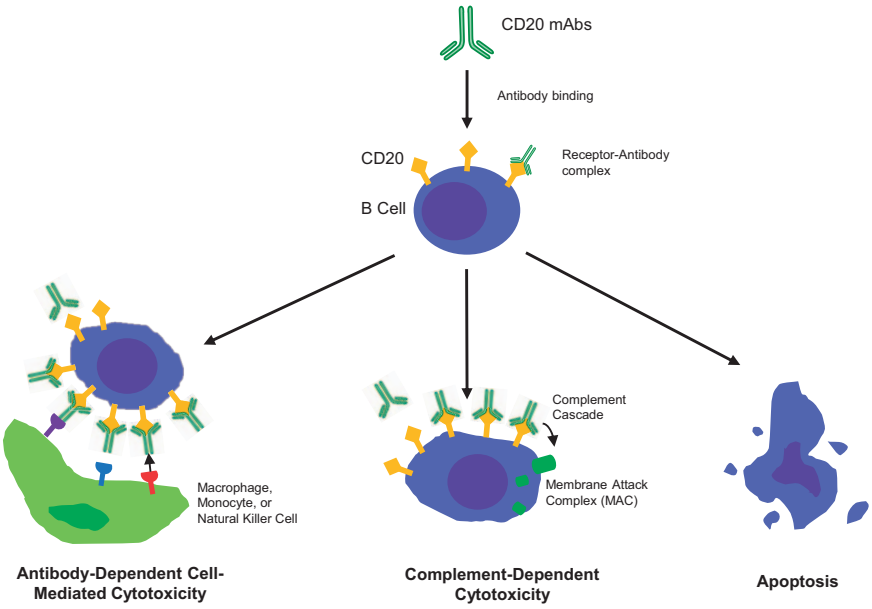
While major patents for rituximab have expired in most regions, including Europe in 2013 and the US in 2016, the drug continues to generate high sales and remains widely distributed across the world by different pharmaceutical companies. In China, MabThera is distributed by Roche. In 2018, according to Roche's annual report, global sales of MabThera/Rituxan amounted to CHF6.8 billion (approximately US$6.7 billion), while sales in China, according to the Frost & Sullivan Report, amounted to RMB2.5 billion. Rituximab, in conjunction with the chemotherapy regimen CHOP (consisting of the chemotherapy agents cyclophosphamide, doxorubicin, vincristine and prednisone), is widely regarded as the standard of care for the first-line treatment of DLBCL. To the best of our knowledge of current drug candidate pipelines, rituximab will likely continue to remain as the core drug for the standard of care for the first-line treatment of the named NHL indications for the foreseeable future.

***Mechanism of Action***

Rituximab is a human murine chimeric anti-CD20 monoclonal antibody, consisting of the IgG1 kappa immunoglobulin with murine light- and heavy-chain variable regions and human kappa and gamma-1 constant regions. Rituximab binds to CD20, which is a protein widely expressed on the surface of immune system B cells (both in precursor and mature form). Cancers such as NHL may arise from the malignant transformation of B cells and their precursors.

While research publications on rituximab have reported several mechanisms of action, in general rituximab acts by binding to the surface of B cells where CD20 is located and initiating an immune response via apoptosis, direct growth arrest, complement dependent cytotoxicity ("**CDC**") and antibody-dependent cellular cytotoxicity ("**ADCC**"), ultimately lowering B cells activities through B cell depletion. In particular, the binding of rituximab to B cell CD20 proteins induces polarisation of

B cells proteins (including CD20 itself) which augments the therapeutic function in natural killer cell-("**NK cells**") mediated ADCC. With the conjugated structure formed by the binding of rituximab to CD20 proteins on B cell surface, NK cells have a significantly higher kill rate against such malignant B cells when compared to the kill rate without Rituximab treatment.




***Current Therapies for NHL***

A common first-line therapy to treat previously-untreated CD20-positive DLBCL, which is a major subtype of NHL, is rituximab combined with CHOP ("**R-CHOP**"). The R-CHOP regimen is typically administered on day 1 of each cycle of chemotherapy for up to eight cycles. Typical side effects include chemotherapy-induced nausea, haemorrhagic cystitis, alopecia and neutropenia.

***Potential Market Opportunities and Competition for NHL Treatment***

Over 95% of cancer cells in B cell NHL express CD20, and B cell lymphomas make up approximately 85% of NHLs. According to the Frost & Sullivan Report, DLBCL is the most common subtype of NHL in China, accounting for approximately 46% of the overall NHL population and approximately 54% of the B cell NHL population. Abnormal B cell activity may also lead to autoimmune diseases such as RA.

According to the Frost & Sullivan Report, the number of new NHL cases in China is projected to grow from approximately 88,100 in 2018 to approximately 115,900 in 2030. While R-CHOP is generally well-regarded in terms of efficacy and safety in the treatment of DLBCL, its availability is limited by its cost. According to the NRDL, MabThera costs RMB2,294 per 10 mL/100 mg/vial and RMB7,866 per 50 mL/500 mg/vial in China in 2018, which is economically burdensome for most Chinese patients. As MabThera currently has no competitors or substitutes in China, and given the huge number of underserved Chinese NHL patients, we believe that there is a significant market opportunity for HLX01 (漢利康) as an affordable MabThera biosimilar.

Moreover, the addition of rituximab for NHL treatment to the NRDL since 2017 and to the National Essential Drug List in 2018 will increase market awareness for its application in the NHL indication and boost its penetration in China, which in turn will benefit us in our marketing of HLX01 (漢利康). However, while rituximab may become increasingly accessible, there will continue to be a significant gap between supply and demand. For example, even after its addition to the NRDL, the reimbursement available to patients varies from province to province and between cities, with wealthier provinces and cities reimbursing significantly higher percentages of patients' out-of-pocket cost for rituximab. As a result, despite its general admittance to the NRDL, patients in less prosperous regions will likely continue to face economic hurdles in obtaining rituximab therapy. As more medical practitioners and patients become familiar with rituximab, we believe they will also become increasingly familiar with HLX01 (漢利康) as a more affordable rituximab to bridge the supply-demand gap.

We expect competitors for HLX01 (漢利康) to primarily consist of the reference drug MabThera, as well as other MabThera biosimilars which have been launched elsewhere in the world or which are currently under development. According to the Frost & Sullivan Report, our expected major competitors for HLX01 (漢利康) include SinoCelltech, Innovent Biologics, Zhejiang Hisun/Mabworks Biotech, Genor Biopharma, Hualan Bio and Chiatai Tianqing in the PRC. We are the first to achieve commercial sales of our MabThera biosimilar product and to benefit from significant first-entrant advantages as a result. See "*Industry Overview — Competitive Landscape*" for further details.

HLX01 (漢利康)'s competitiveness is primarily based on our first-to-market advantages as the first biosimilar to receive NDA approval and to commercially launch in China, regional availability and product quality deriving from our reputation for effective quality control. Additionally, the inclusion of rituximab to the National Essential Drug List in November 2018 will further increase its market penetration and demand in basic healthcare institutions funded by the PRC government. We also expect to be competitive on manufacturing cost and reliability of supply, given our projected capability to manufacture HLX01 (漢利康) on a large scale and in accordance with GMP quality standards, while maintaining sound cost control measures (including through adopting and developing cost-effective technologies such as single-use technologies, proprietary cell culture media, and high-titre production cell line technologies, which we have already implemented for our production of HLX01 (漢利康). According to the Frost & Sullivan Report, such cost-effective technologies, particularly single-use bioreactors, are not commonly used in the PRC biologics industry, other than by CMOs and emergent biotech companies. The industrialisation of biologics production in China lags behind many developed countries. Accordingly, traditional stainless steel bioreactors remain more commonly used for mass production of biologics in China, while single-use bioreactors are primarily used for smaller scale production of biologics for clinical trials. However, as single-use bioreactors have demonstrated cost efficiency for mass production of biologics in developed countries such as the US, the overall penetration rate of single-use bioreactors in China is expected to increase going forward.

Moreover, unlike many of our competitors, we conduct substantially all of the processes for both drug R&D and drug manufacturing in-house, with end-to-end control of each process, which enables us to minimise outsourcing costs. We also expect to be able to achieve economies of scale with our substantial manufacturing capacity and extensive pipeline of drugs to produce in due course, assuming that we obtain regulatory approval for them. We believe that we will be able to leverage these advantages to achieve lower production costs compared to competitors who rely on third party manufacturers for their production needs.

***Summary of Clinical Development History and Results***

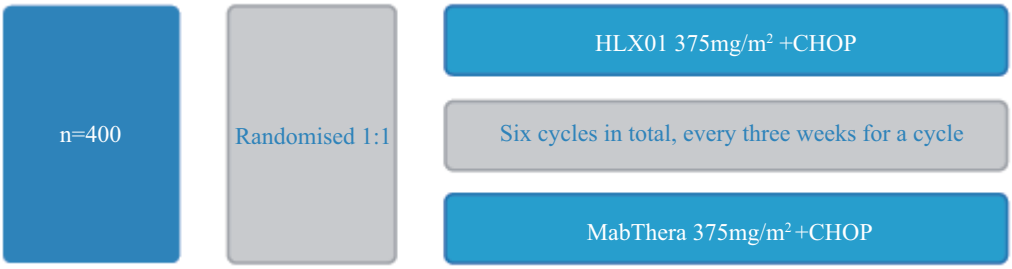
As at the Latest Practicable Date, we had completed our Phase 3 clinical trial for HLX01 with respect to the NHL indication. Based on the data collected and analysed, we concluded that the HLX01 Phase 3 clinical trial achieved bioequivalence in both primary and secondary endpoints between H-CHOP and R-CHOP.

*Clinical Development of HLX01 for NHL*

The chart below summarises the development timeline of HLX01 for NHL:

*Phase 3 Clinical Trial*

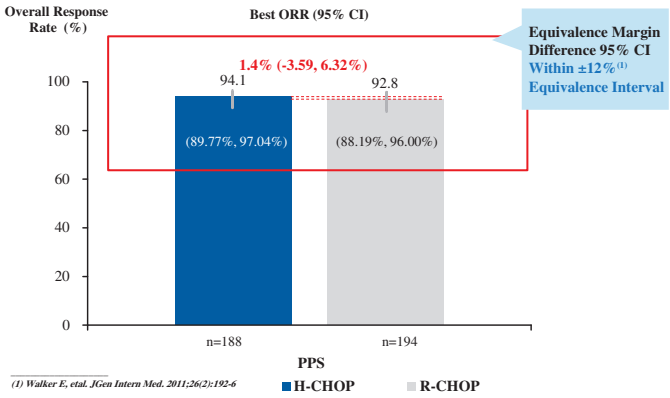
Study Design. The Phase 3 clinical trial was a multi-centre, randomised, double-blind, parallel study comparing the efficacy and safety of HLX01 combined with CHOP ("**H-CHOP**") to R-CHOP for previously untreated CD20-positive DLBCL patients. The Phase 3 clinical trial, which was completed in May 2018, enroled approximately 400 subjects (divided into two study groups of approximately 200 subjects each) across 36 hospitals in China. Each study group received a 375 mg/m$^2$ dosage of either H-CHOP or R-CHOP every three weeks for a total of six treatment cycles. Subject eligibility was based on diagnosis of CD20-positive DLBCL, which is the most common subtype of NHL, with clearance to receive first-line therapy.



The primary endpoint was the objective response rate ("**ORR**").

Secondary endpoints included: (i) complete response ("**CR**") rate; (ii) one year duration of response ("**DoR**"); (iii) one-year event-free survival rate ("**EFS**"); (iv) one-year progression-free survival rate ("**PFS**"); (v) one-year overall survival rate ("**OS**"); (vi) one-year disease-free survival rate ("**DFS**") and (vii) pharmacodynamics ("**PD**") parametres.

Efficacy. With respect to primary endpoint findings, based on the per protocol set ("**PPS**"), H-CHOP and R-CHOP exhibited similar best ORR of 94.1% and 92.8%, respectively, with a 1.4% equivalence margin difference, 95% confidence interval ("**CI**") of -3.6% to 6.3% and *p*-value = 0.608. The chart below sets out the ORR findings in more detail:



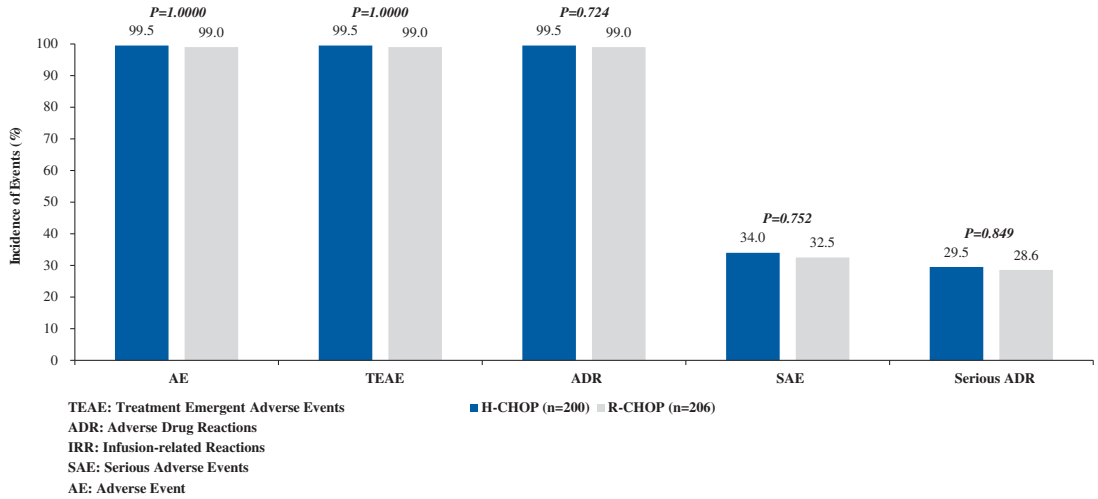

Secondary endpoint findings were as follows:

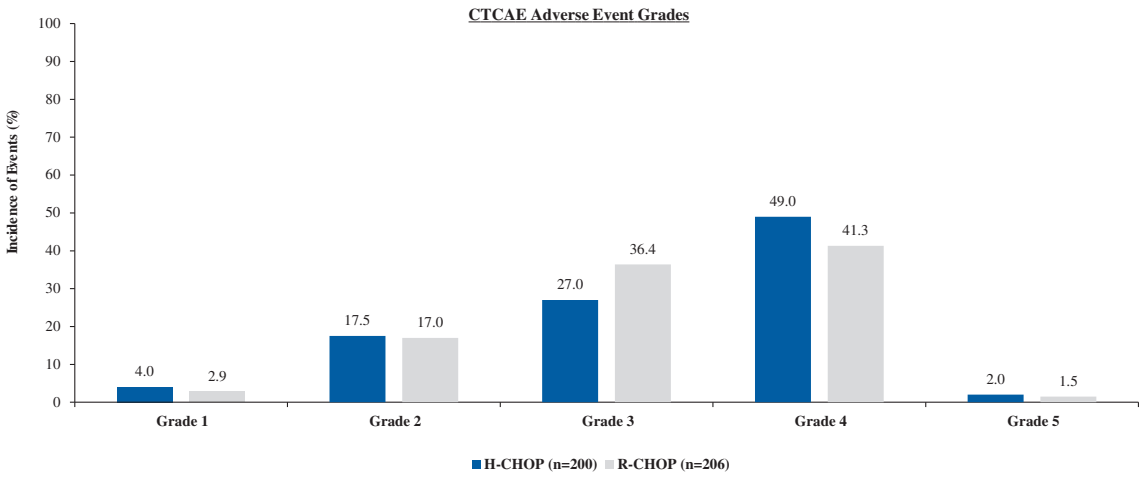
| Parametre | H-CHOP | R-CHOP | p-value |
|---|---|---|---|
| CR | 46.8% | 52.1% | 0.231 |
| EFS | 55.4% | 64.5% | 0.125 |
| PFS | 75.0% | 80.1% | 0.534 |
| OS | 91.8% | 92.4% | 0.661 |
| DFS | 77.4% | 83.0% | 0.462 |

The DoR for H-CHOP and R-CHOP also showed no statistically significant difference.

Safety. There was no statistically significant difference in the incidence of adverse events ("**AEs**"), adverse drug reactions ("**ADRs**"), serious adverse events ("**SAEs**"), serious ADRs, AEs leading to death and AEs or ADRs leading to treatment discontinuation between the H-CHOP group and R-CHOP group. The overall incidence rate of adverse reactions in the H-CHOP group and the R-CHOP group was 99.5% and 99.0%, respectively, while the incidence rate of serious adverse reactions was 29.5% and 28.6%, respectively. AEs primarily included Grade I and Grade II AEs,

including infusion-related reactions (such as itching, rash and nausea). During the course of the trial, no deaths or other serious adverse events occurred post-treatment. The charts below set forth the safety findings in more detail:




Immunogenicity. Immunogenicity findings, in terms of formation of anti-drug antibodies ("**ADA**"), which can impact pharmacokinetics ("**PK**") and clinical efficacy showed no statistical significant difference (p>0.05).

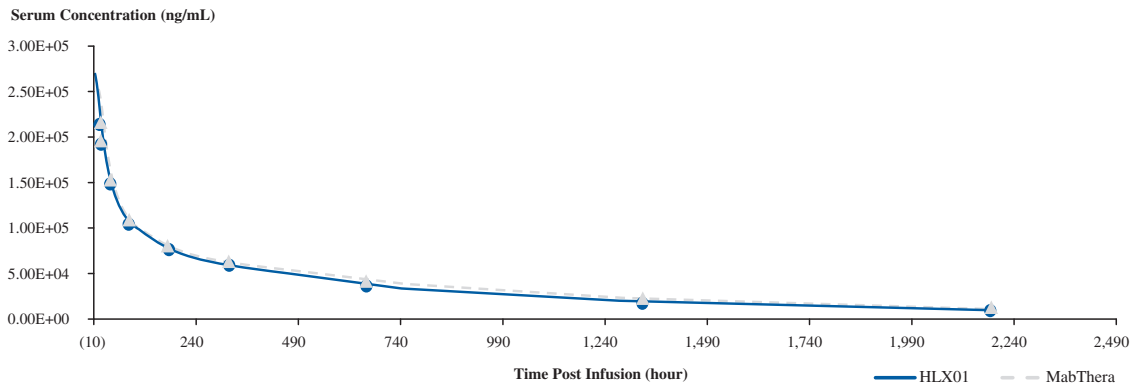
*Phase 1b Clinical Trial*

Study Design. The Phase 1b clinical trial was a multi-centre, randomised, double-blind, parallel-arm study evaluating the PK, PD and safety of HLX01 compared to MabThera in CD20-positive B cell lymphoma patients who have achieved CR or complete response uncertain ("**CRu**"). The Phase 1b clinical trial, which was completed in March 2017, enroled approximately 80 subjects (40 subjects in each study group) who received a single 375 mg/m$^2$ dose of either HLX01 or MabThera.

The primary endpoint was the area under the serum concentration-time curve ("**AUC**") from day 0 to day 91 ("**$AUC_{0\text{-}91D}$**").

The secondary endpoints consisted of AUC at week 1, 2, 4, 8, 13 and infinity ("**$AUC_{0\text{-}1wk}$**", "**$AUC_{0\text{-}2wk}$**", "**$AUC_{0\text{-}4wk}$**", "**$AUC_{0\text{-}8wk}$**", "**$AUC_{0\text{-}13wk}$**" and "**$AUC_{0\text{-}inf}$**", respectively), maximum observed plasma concentration ("**$C_{max}$**"), PD parametres (degree of depletion of CD19-positive B cells in the peripheral blood of subjects at respective time points) and ADA presence.

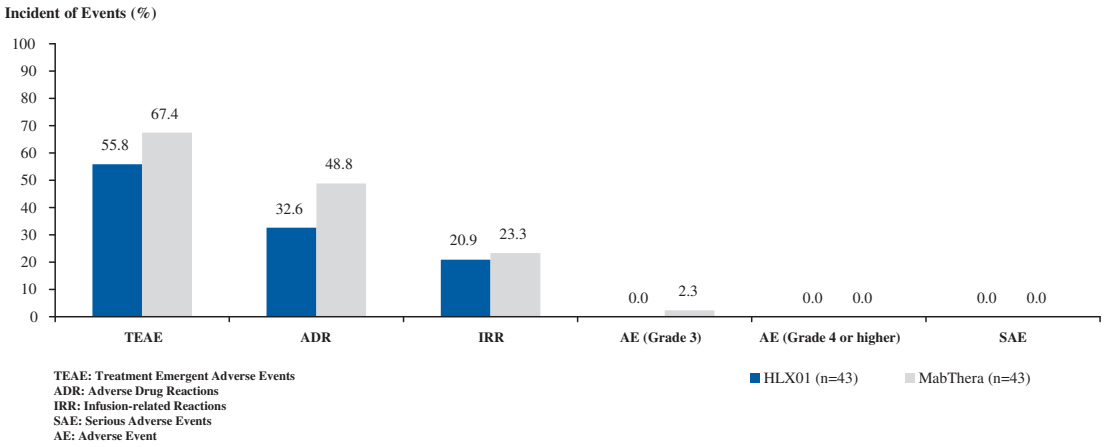
PD/PK. Both study groups exhibited a reduction in CD19-positive/CD20-positive B cell counts and remained at over 95% depletion for up to 91 days after a single infusion of either HLX01 or MabThera. The chart below sets out the AUC findings in more detail:



Both study groups also established equivalent PK profiles in $AUC_{0\text{-}91D}$, where PK equivalence was achieved if 90% confidence intervals ("**CI**") for the test-to-reference ratios of $AUC_{0\text{-}91D}$ fall within the pre-defined 80-125% equivalence margin. The table below sets out these findings in more detail:

| | Geometric Mean | | Geometric Ratio | 90%CI |
|---|---|---|---|---|
| **Parametres** | **HLX01** | **MabThera** | **(HLX01/MabThera)** | **(HLX01/MabThera)** |
| $AUC_{0\text{-}91D}$ ($x10^5$ h*ng/mL) . . . . | 637.93 | 711.90 | 89.61% | 80.56%-99.67% |

Safety. There was no statistically significant difference in the incidence and severity of adverse effects between HLX01 and MabThera. The overall incidence rate of adverse reactions in this study was 44.2%, 37.2% in the HLX01 group and 51.2% in the MabThera group. The incidence rates for treatment emergent AEs ("**TEAE**") after treatment in the HLX01 and the MabThera group were 55.8% and 67.4%, respectively. Infusion related reactions were the most common adverse reactions in both groups. The incidence rates for infusion-related reactions were 20.9% and 23.3%, respectively. The incidence rates for adverse drug reactions ("**ADR**") for HLX01 and MabThera were 32.6% and 48.8%, respectively. In the MabThera group, one subject discontinued the drug because of infusion-related reactions ("**IRR**") (Class I scalp itching and rash), and two subjects had adverse reactions that led to suspension of medication (one with Class II nasal congestion, cough, and rash; and one with Class II rash). No subjects in the HLX01 group suspended medication or discontinued the drug because of infusion-related reactions. ADRs experienced by subjects in both groups were primarily Class I and Class II. Two subjects in the HLX01 group experienced Class III adverse reactions, all of which were reduced neutrophil count. Two subjects in the MabThera group experienced Class III adverse reactions, including reduced white blood cell count and febrile neutropenia. In addition, no death, drug-related infections and SAEs occurred after treatment during the study. The chart below sets forth the safety findings in more detail:




Immunogenicity. Immunogenicity findings also showed no statistically significant difference ($p>0.05$).

*Phase 1a Clinical Trial*

Based on the Phase 1a clinical data, HLX01 was well-tolerated overall and adverse events were controllable in both single dose and multiple doses.

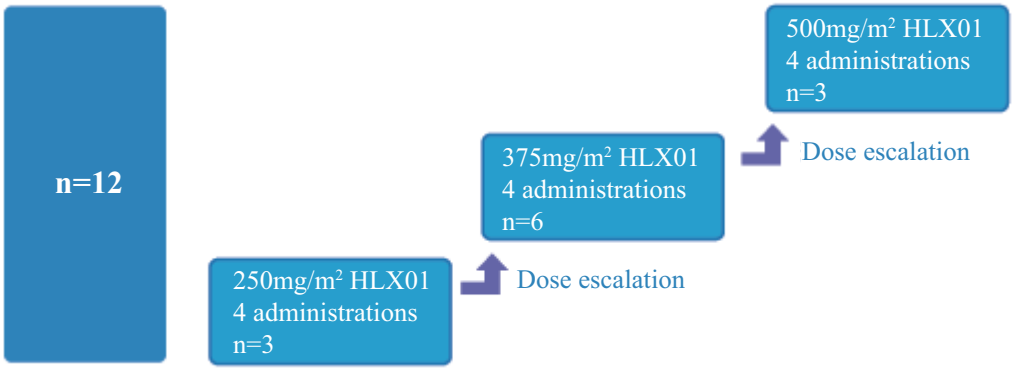
Study Design. The Phase 1a clinical trial was a multi-centre, open-label, dose-escalation study evaluating the safety, tolerability and PK/PD of HLX01 in previously treated patients with CD20-positive B cells lymphoma. The Phase 1a clinical trial, which was completed in November 2016, enroled 12 subjects, each of whom received one of three possible dosage levels of HLX01 by intravenous infusion:

(i) cohort A (three subjects): each subject received 250 mg/m$^2$ per dose;

(ii) cohort B (six subjects): each subject received 375 mg/m$^2$ per dose; and

(iii) cohort C (three subjects): each subject received 500 mg/m$^2$ per dose.

Cohort B represented the target dose, while cohorts A and C were prepared for dose escalation study purposes.

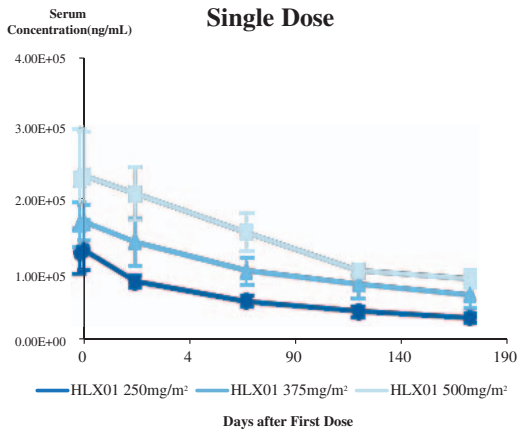


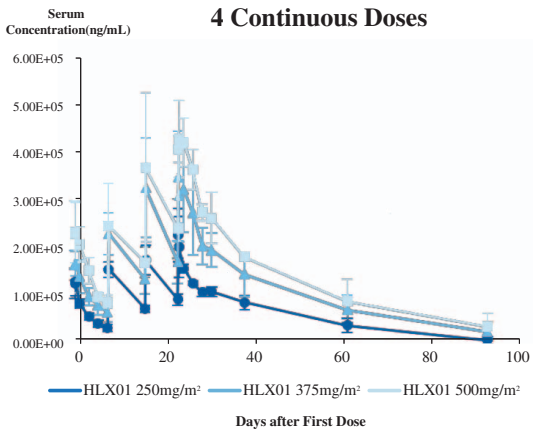

The primary endpoint was the safety tolerance of single dose escalation (including occurrence of DLTs and AEs).

Secondary endpoints were (i) safety and tolerability indicators of multiple doses (including physical examinations, AEs, adverse reactions, SAE and laboratory examination) (ii) PK parametres including $AUC_{0\text{-}inf}$, $C_{max}$, $t_{1/2}$ and CL; (iii) PD analysis (serum immunoglobulin levels of IgG and IgM, and counts for CD19 and CD20-positive B cells, and CD4 and CD8-positive T-cells in peripheral blood); (iv) ADA presence; and (v) primary efficacy based on a CT scan of the target tumour lesion on day 60 by reference to Response Evaluation Criteria in Solid Tumours ("**RECIST**") 1.1 criteria.

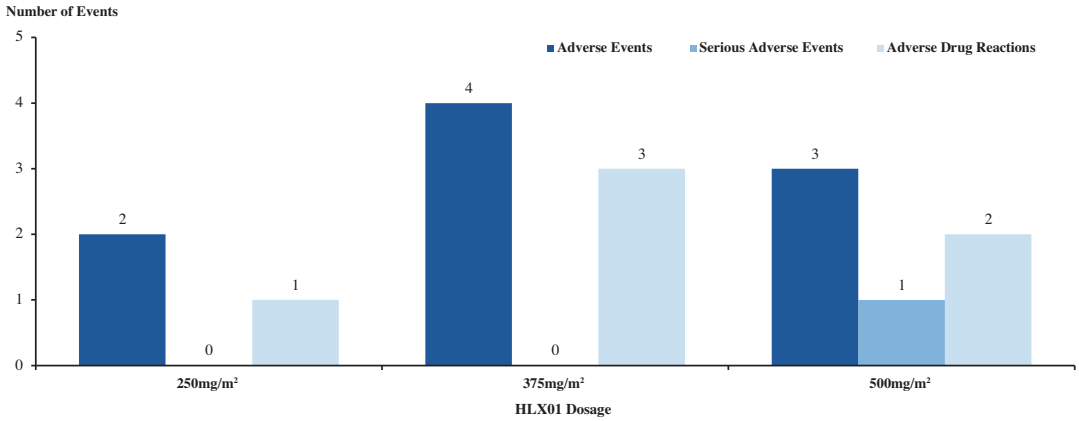
Efficacy. Preliminary efficacy was observed with HLX01 among seven subjects with target lesions (two exhibited a partial response and five exhibited stable disease) as determined in accordance with RECIST 1.1.

PK/PD. After single and multiple doses with HLX01 at 250 mg/m$^2$, 375 mg/m$^2$, and 500 mg/m$^2$, $AUC_{0-t}$ and $C_{max}$ generally showed linear increases with each dose. In addition, PD results showed a decrease in both CD20-positive and CD19-positive B cells which were consistent to those originally reported for MabThera. Following multiple administrations in the various dose groups, the peak concentration of HLX01 and systemic concentration were clearly greater than those after a single administration, indicating drug accumulation to a certain extent. The chart below sets forth the findings in more detail:




Safety. During the single dose study, one subject in the 250mg/m$^2$ group experienced a Common Terminology Criteria for Adverse Events ("**CTCAE**") Grade II AE, which did not lead to the discontinuation of the medication or death. During the multiple dose study, nine out of the 12 subjects experienced AEs, of whom two experienced significant AEs (CTCAE Grade III events). One subject also experienced an SAE that was unrelated to the study drug. The study showed that the tolerability and safety of HLX01 in CD20-positive B-cell lymphoma patients are controllable. The chart below sets forth the safety findings in more detail:




Immunogenicity. No samples tested ADA positive within 90 days after the infusion with HLX01.

*Pre-Clinical Research*

We achieved favourable pre-clinical testing results in respect of the above, with generally no significant differences compared to MabThera. We initially commenced the research and development of HLX01 in April 2010. Pre-clinical testing and studies included *in vitro* testing of the biological functions of HLX01 on Raji cells, and *in vivo* testing of the PK and toxicology effects of HLX01 in cynomolgus monkeys. Extensive head-to-head comparisons on the quality attributes of HLX01 as compared to those of the reference product MabThera were also conducted before filing of an IND application, and satisfactory results supporting bioequivalence were obtained.

***Material Communications***

We received NDA approval from the NMPA to commence marketing and commercialisation of HLX01 on 22 February 2019. Ahead of receiving such approval, we:

(i) obtained a manufacturing permit for HLX01 from the Shanghai NMPA in September 2017, which allows us to commence commercial production of HLX01 at our Xuhui Facility upon receiving regulatory approval from the NMPA and GMP certificate;

(ii) filed the NDA with the NMPA in October 2017 for the same NHL subtype indications as those approved for MabThera in China, namely DLBCL, relapsed or refractory follicular central lymphoma and previously untreated CD20-positive stage III-IV follicular lymphoma;

(iii) obtained the generic name "Rituximab Injection" from the Chinese Pharmacopoeia Commission in December 2017; and

(iv) obtained NDA priority technical review status for HLX01 from the Centre for Drug Evaluation ("**CDE**") of the NMPA in January 2018.

Following the completion of the Phase 3 clinical trial in May 2018, we collected, analysed and submitted the relevant findings from the trial to further support the applications above.

In preparation for the filing of our NDA for HLX01, we have had multiple rounds of communications with the CDE through electronic mail and in a scheduled meeting held on 15 June 2017. In these communications, we reported the Phase 3 clinical trial results of HLX01-NHL. The CDE confirmed that the data we submitted for NDA for HLX01-NHL complied with the relevant requirements.

Other than the above, we have not had any material regulatory communications with the NMPA or CDE for HLX01, and we are not aware of any material concern from the NMPA or the CDE in connection with HLX01. As at the Latest Practicable Date, no material adverse change has occurred with respect to our NDA approval for HLX01.

See "—*Intellectual Property*" for details of intellectual properties which we have registered, maintain, applied for or intend to apply for with respect to HLX01.

***Collaboration Arrangements and Commercialisation Plans***

To commercialise HLX01 (漢利康) in the PRC, we have collaborated with Fosun Pharma Industrial Development, our Controlling Shareholder and a wholly-owned subsidiary of Fosun Pharma, under the HLX01 Agreement. We believe that, given our currently limited sales and marketing capability and relatively low cost-benefit to devote our resources into sales and marketing efforts as a clinical-stage biopharmaceutical company, Fosun Pharma Group's resources, market access, nationwide sales and marketing network, including in respect of its demonstrated track record of successful drug reimbursement negotiations at the provincial and local government levels, are important to the commercial success of HLX01 (漢利康). Our marketing efforts have an initial focus on Grade A Class III hospitals (三甲醫院), followed by efforts to increase our product and brand awareness among doctors and other medical practitioners in small to medium sized hospitals in second and third tier cities. Under the terms of the HLX01 Agreement:

(i) we are responsible for all R&D activities, regulatory submission and completion of clinical trials in PRC as well as to manufacture and supply of HLX01 (漢利康) products in the PRC;

(ii) Fosun Pharma Industrial Development has the exclusive right to promote and commercialise HLX01 (漢利康) in the PRC;

(iii) Fosun Pharma Industrial Development will fully reimburse our clinical trial expenditure incurred for HLX01 following the execution of the HLX01 Agreement, as described below; and

(iv) we and Fosun Pharma Industrial Development will equally (50-50) share the net profit from all sales of HLX01 (漢利康) in the PRC. See "*Connected Transactions—C. Non-exempt Continuing Connected Transactions—1. Collaboration Arrangements under the HLX01 Agreement and the HLX03 Agreement*";

With respect to (iii) above, based on the timing of execution of the HLX01 Agreement, Fosun Pharma Industrial Development reimburses all of our HLX01 Phase 3 clinical trials for the NHL indication and all of our HLX01 clinical trials for the RA indication. This arrangement is not available under our cooperation agreements with independent partners because the territorial scope of the HLX01 Agreement is the PRC and we are responsible for carrying out the R&D and for obtaining regulatory approvals for the commercialisation of the HLX01 in the PRC. Conversely, the territorial scope of our cooperation agreements with independent business partners is for overseas markets, where we are not responsible for the R&D and regulatory approvals in those jurisdictions, with the

exception of approval from the EMA for HLX02. Accordingly, those independent business partners are not responsible for the clinical trial expenditure incurred by us in the PRC. The Company confirms that the clinical trial expenditure reimbursement arrangement with Fosun Pharma Industrial Development follows the industry practice.

We have been and are still responsible for all pre-Phase 3 clinical trial expenditure for NHL clinical trials and for all non-clinical trial R&D expenditure incurred in the course of developing HLX01, which includes expenses relating to: (i) discovery and characterisation of antibody candidates, (ii) development of appropriate biological, physiochemical and analytical methodologies/assays to evaluate antibody candidates, (iii) construction and identification of cell lines, (iv) pre-clinical studies, (v) formulation development, (vi) development and optimisation of scale-up manufacturing processes, (vii) manufacturing of drug substances and drug materials for clinical trials, (viii) the expenses of licensing relevant third party intellectual property ("**IP**") rights, filing and prosecution of our proprietary IP and (ix) the expenses of obtaining regulatory approvals. We would not be able to recover such expenditure in full or at all if we fail to generate enough revenue from the sales of HLX01 (漢利康). In addition, we have an extensive pipeline of other biosimilars and bio-innovative drugs, the R&D (including the clinical trials) of which requires significant capital investment. Our overall R&D expenditure (representing both capitalised and expensed R&D costs and expenses) in 2017, 2018 and the three months ended 31 March 2019 amounted to RMB637.1 million, RMB972.5 million and RMB225.4 million, respectively. As we continue to expand our drug candidate pipeline and further invest resources in progressing our existing drug candidates through the development and approval phases, our R&D expenditure and the risk of not being able to recover such expenditure if we fail to successfully commercialise those drug candidates may continue to increase. See "*Risk Factors—Risks Relating to Our Operations—We invest substantial resources in research and development in order to develop, enhance or adapt to new technologies and methodologies, which we may not be able to do successfully*" for further details.

Following the receipt of regulatory approval of HLX01 (漢利康) in February 2019, we began commercial manufacturing of HLX01 (漢利康) and commenced distribution initially in the PRC. In May 2019, we started to deliver finished HLX01 (漢利康) products to our commercialisation partners for sale. Given that our Xuhui Facility has an aggregate capacity of 14,000L across eight bioreactors, and taking into account our analysis and forecast of expected market demand for HLX01 (漢利康), we believe that our current manufacturing capacity for HLX01 (漢利康) is sufficient for our initial commercialisation plans in the PRC. See "*—Manufacturing*" for further details on the technologies utilised in the Xuhui Facility and the Songjiang Facility.

With HLX01 (漢利康) having officially become the first biosimilar mAb approved in accordance with the Biosimilar Guidelines, we are now fully positioned to capture first-entrant advantages and penetrate target markets. In China, we and Fosun Pharma have implemented and begun executing a thorough commercialisation strategy with the joint development and maintenance of a marketing strategy and financial planning for HLX01 (漢利康), while leveraging the deep expertise of both parties. In particular, we are in charge of regulatory affairs, manufacturing and supply chain management, pharmacovigilance, medical affairs, and new indication development and extrapolation. Meanwhile, Fosun Pharma, through its deep and extensive network embedded in the pharmaceutical industry, has the resources to bring HLX01 (漢利康) to a mass patient population by leveraging a

specialised and professional sales team of 200 seasoned sales personnel, efficient marketing operation capability, distribution management, execution ability for Phase 4 clinical trials for post-marketing surveillance, if desirable, and extensive market access. See "*—Commercialisation, Sales and Marketing*" for further details.

While we have commenced the commercial sales of HLX01 (漢利康) in the PRC, we intend to expand market access into other emerging markets where we believe there is substantial demand for affordable MabThera biosimilars. In particular, we intend to explore and evaluate market opportunities in Southeast Asia, South America and other emerging markets where we identify market need. We intend to apply for regulatory approval to commercialise HLX01 in those territories, identify reputable local partners, and enter into licence and commercialisation agreements with them.

To this end, in May 2018, we entered into a licence and commercialisation agreement with Biosidus under which Biosidus has exclusive licensing and commercialisation rights to HLX01 in Argentina, Paraguay, Uruguay and Bolivia, while we are entitled to receive milestone payments upon achieving regulatory approval for HLX01 in those territories and when reaching a certain amount of annual gross sales. Biosidus is responsible for obtaining regulatory approvals for commercialisation of HLX01 in these countries. Under a separate manufacturing and supply agreement with Biosidus, we are also responsible for manufacturing and supplying HLX01 products to Biosidus. The supply price on which we will provide HLX01 to Biosidus under the agreement will be the higher of (a) 50% of the net sales price or (b) the applicable pre-defined floor price.

We will continuously monitor market prices as more MabThera biosimilars enter the market as well as other developments as they occur, and in turn may adjust our pricing for HLX01 (漢利康) as appropriate. For example, while the NRDL has set the national price for rituximab at RMB2,294 per 10mL/100 mg/vial in 2018 and HLX01 (漢利康) will benefit from reimbursement opportunities for rituximab under the NRDL, we lowered the price per vial of HLX01 (漢利康) to RMB1,398 in certain provinces, and we expect to expand such price cut to other provinces by the end of 2019, after taking into account various factors such as expected demand for HLX01 (漢利康), potential competitor pricing, regulatory requirements and the affordability and accessibility of MabThera. The lower price will allow us to expand the availability of HLX01 (漢利康) for patients facing economic hardship.

**WE MAY NOT ULTIMATELY BE SUCCESSFUL IN THE COMMERCIAL SALES OF HLX01.**

**HLX02**

***Overview***

We are developing HLX02 as a Herceptin biosimilar under the name Recombinant Humanised Anti-Human Epidermal Growth Factor Receptor-2 ("**HER2**") Monoclonal Antibody Injection. Herceptin (generic name trastuzumab) is primarily used to treat HER2-positive ("**HER2$^+$**") eBC and mBC, as well as mGC. We began developing HLX02 in May 2011 and, as at the Latest Practicable Date, both NDA and MAA for HLX02 had been filed. According to the Frost & Sullivan Report,

HLX02 is the first biosimilar developed in China to conduct a Phase 3 global clinical trial concurrently across multiple continents (namely Asia with sites in China and the Philippines and Europe with sites in Poland and the Ukraine). In order to qualify HLX02 for EMA review and approval, our clinical studies were required to include an EU-sourced reference drug. We satisfied this requirement by using Herceptin sold in the EU ("**EU Herceptin**") as a reference drug in our HLX02 clinical trials. We also included clinical sites in Poland enroling EU citizens in order to facilitate the EMA's evaluation of any potential differences in study results based on the racial makeup of the subject pool. We conduct the Phase 3 clinical trial as a single multinational study with the same clinical protocol as agreed with the relevant authorities in each jurisdiction. Those authorities will subsequently review the entire set of data from all jurisdictions upon completion of the study in the course of evaluating HLX02 for approval. Our NDA for HLX02 was accepted by the NMPA in April 2019 for the treatment of $HER2^+$ eBC, $HER2^+$ mBC and $HER2^+$ mGC, which are the same indications as those approved for Herceptin in China. Our NDA for HLX02 is currently under priority review by the NMPA. The MAA filed by our commercialisation partner Accord was accepted by the EMA in June 2019 for $HER2^+$ eBc, $HER2^+$mBc, $HER2^+$mGC and gastroesophageal junction cancer ("**GEJ**"). Based on its current development timetable, we believe HLX02 has the potential to become the first PRC-developed mAb biosimilar to launch in the EU, according to the Frost & Sullivan Report.

We plan to commercialise HLX02 as an affordable alternative to Herceptin, which is an expensive drug globally. We have entered into agreements for the licensing and commercialisation of HLX02 in various jurisdictions, including with (i) Accord with respect to over 70 jurisdictions and regions located across Europe, MENA and CIS, (ii) Jacobson Medical with respect to Hong Kong and Macau, as well as certain strategic markets in Southeast Asia with the right of first negotiation and (iii) Cipla with respect to Australia, New Zealand, Colombia and Malaysia.

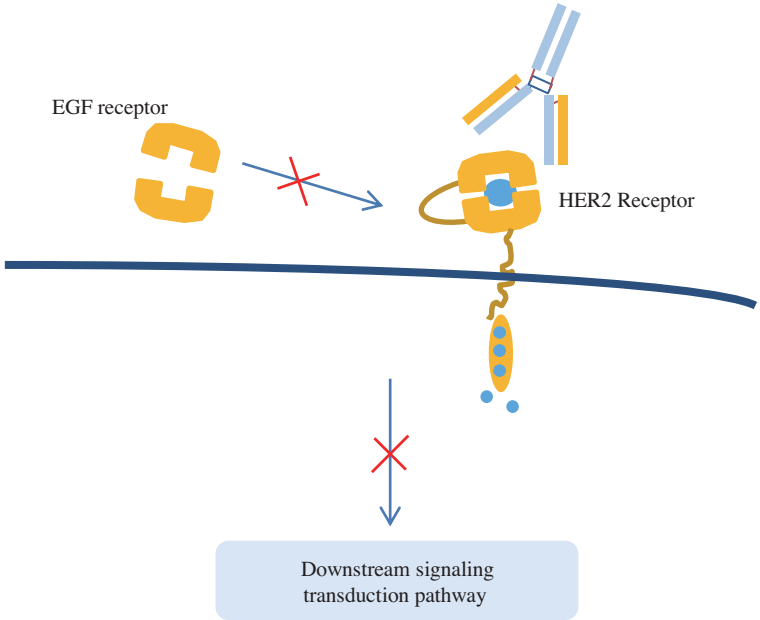
***Background of Reference Drug***

Herceptin (generic name trastuzumab) was developed by Genentech. It initially received FDA approval in 1998. Herceptin was launched in China in 2002. Trastuzumab is typically administered through intravenous infusion, either by itself or together with other chemotherapy agents, or subcutaneous injection by itself for maintenance therapies. Most major patents for Herceptin have expired globally, including in Europe in 2014. Major patents in the US are expiring in 2019. Herceptin remains widely distributed by Roche, and is listed on the WHO List of Essential Medicines. Trastuzumab was added to the NRDL in 2017 and the NEDL in 2018. In 2018, global sales of Herceptin amounted to CHF6.9 billion (approximately US$6.9 billion) according to Roche's 2018 annual report, while sales in China amounted to RMB3.2 billion according to the Frost & Sullivan Report. According to Roche's 2019 half year report, sales of Herceptin in China grew by 144% in the first half of 2019, compared to the corresponding period in 2018. Trastuzumab is widely regarded as the standard of care for first-line treatment of $HER2^+$ BC. To the best of our knowledge, trastuzumab will likely continue to be the core drug for the standard of care for the first-line treatment in its clinical applications for the foreseeable future.

Depending on the jurisdiction, approved indications of Herceptin may include HER2-overexpressing BC (whether early stage or metastatic) and HER2-overexpressing metastatic gastric or gastroesophageal junction adenocarcinoma. In China, Herceptin has been approved for adjuvant treatment of $HER2^+$ eBC, $HER2^+$ mBC and $HER2^+$ mGC.

***Mechanism of Action***

The HER2 signalling pathway promotes the acceleration of cell growth beyond its normal limits and can also deactivate growth checkpoints that normally keep cell division under control when it is overexpressed. Trastuzumab acts by targeting the overexpressed HER2 protein and binding to the HER2 receptor, resulting in reduced cell growth. Trastuzumab also helps activate certain enzyme inhibitors, which acts as a tumour suppressor by stopping or slowing down cell growth. Trastuzumab's cell binding activity may also have ADCC functions.




***Current Therapies***

HER2 testing is commonly performed in patients with BC or GC to assess prognosis and determine suitability for the trastuzumab therapy, as trastuzumab is generally effective only in cancers where the HER2 protein is amplified or overexpressed (*i.e.,* $HER2^+$), which account for approximately 20-30% of breast cancers and approximately 12% of gastric cancers, according to the Frost & Sullivan Report.

*mBC*: $HER2^+$ mBC patients often receive trastuzumab therapy in combination with chemotherapy. Trastuzumab-containing regimens have been shown to improve both overall survival and disease-free survival rates, and as such are widely recommended as a first-line therapy for $HER2^+$ breast cancer.

*eBC*: Treatment for eBC usually involves some combination of surgery, radiation therapy, chemotherapy, hormone therapy and/or targeted therapy. Whether before or after surgery, the typical standard of care to treat $HER2^+$ eBC is trastuzumab combined with chemotherapy.

*mGC*: Relative to mBC, the use of trastuzumab to treat mGC is more recent, having been approved by the FDA in 2010, and is generally more limited for patients with inoperable locally advanced or metastatic $HER2^+$ GC. The use of trastuzumab has been demonstrated to achieve higher ORR and longer median PFS compared to no treatment.

Common side effects of trastuzumab treatment include flu-like symptoms, nausea and diarrhoea. A rare but serious complication of trastuzumab usage is cardiac toxicity, including congestive heart failure ("**CHF**") and left ventricular ejection fraction ("**LVEF**") decline. As a result, HER2 overexpressed patients typically need to have no significant pre-existing heart disease in order to be eligible for trastuzumab treatment, and patients undergo regular cardiac screening during the treatment process. In addition, trastuzumab resistance is commonly observed in patients. Despite these limitations, trastuzumab is widely administered as a key treatment regimen for $HER2^+$ eBC, $HER2^+$ mBC and $HER2^+$ mGC.

***Potential Market Opportunities and Competition***

Whether used to treat eBC, mBC or mGC, Herceptin is an expensive drug globally. In 2018, a 440 mg (20 mL) vial of Herceptin cost approximately RMB7,270 in China, according to the NRDL, and ranged in cost from approximately US$4,500 to US$5,100 for the same dosage in the US, whereas in the European Union, Herceptin is presented in single dose formulation containing 150 mg, and the cost ranged from US$500 to US$700, according to the Frost & Sullivan Report.

As a result of the high cost, access to Herceptin remains limited. According to the Frost & Sullivan Report, in 2018, only approximately 25% of eligible patients in China were able to afford access to Herceptin. Meanwhile, new BC cases in China are projected to grow from approximately 320,700 in 2018 to approximately 373,200 in 2030, and new cases of BC globally are projected to grow from approximately 2,088,800 to 2,634,500 over the same years, respectively. For GC, new cases in China are projected to grow from 442,300 in 2018 to 613,800 in 2030, and new cases globally are projected to grow from 1,033,700 to 1,412,200 over the same years, respectively. Given the amount of underserved patients needing treatments, we believe that there is a significant market opportunity for HLX02 as an affordable Herceptin biosimilar.

Recognising the above market opportunities and given that most major Herceptin patents have expired, a number of companies outside the PRC have developed or are in the process of developing Herceptin biosimilars. Approved Herceptin biosimilars include Ogivri, which was developed by Mylan GmbH and Biocon and approved in the US in December 2017, and Ontruzant, which was developed by Samsung Bioepis and approved in the European Union in November 2017. In China, our currently expected competitors include Sunshine Guojian which has filed NDA for its respective drug candidate, as well as Genor Biopharma, Anke Biotechnology, Zhejiang Hisun and Chiatai Tianqing, all of which have entered Phase 3 clinical trials with their respective drug candidates, according to the Frost & Sullivan Report.

Furthermore, following the admission of trastuzumab to the NRDL in 2017 and the National Essential Drug List in November 2018 for $HER2^+$ mBC treatment, adjuvant treatment of $HER2^+$ eBC and mGC treatment, trastuzumab will become more widely available in China, resulting in greater market awareness and penetration, which we believe will benefit us. In particular, while trastuzumab may become increasingly accessible, there will continue to be a significant gap between supply and demand. As more medical practitioners and patients become familiar with trastuzumab, we believe they will also become increasingly familiar with HLX02 as a more affordable trastuzumab to bridge the supply-demand gap.

We plan to compete with other Herceptin biosimilars, primarily based on our first-to-market advantages, regional availability and product quality deriving from our reputation for effective quality control. We also expect to be competitive on pricing and reliability of supply, given our projected capability to manufacture HLX02 on a large scale and in accordance with international GMP quality standards, while maintaining sound cost control measures (including through adopting and developing cost-effective technologies such as single-use technologies, proprietary cell culture media, and high-titre production cell line technologies, which we have already implemented for our commercial-scale manufacturing of HLX01 (漢利康) and intend to implement for future commercial production of HLX02 as well upon receiving regulatory approval). While one competitor had filed an NDA with the NMPA for its recombinant humanised anti-HER2 monoclonal antibody candidate prior to us, we believe that we are still well-positioned to capture first-mover advantages across China as a whole due to the fact that we have conducted head to head clinical trials for HLX02 in accordance with the Biosimilar Guidelines and our ability to rapidly enter into large-scale production of HLX02 in accordance with quality standards as described above, combined with our ability to penetrate various key markets across China by leveraging the market access resources of Fosun Pharma. We believe that these factors will enable us to establish HLX02 as the first-to-market Herceptin biosimilar in various regions in China which in turn we intend to leverage to capture a significant share of the Herceptin biosimilar market. Furthermore, we believe that HLX02 will benefit from greater quality assurance and reputation compared to other Herceptin biosimilars developed in emerging markets due to the fact that we are conducting Phase 3 clinical trials globally, including in China, the Philippines, Poland and the Ukraine, under international good clinical practice ("**GCP**") and good manufacturing practice ("**GMP**") standards.

***Summary of Clinical Development History and Results***

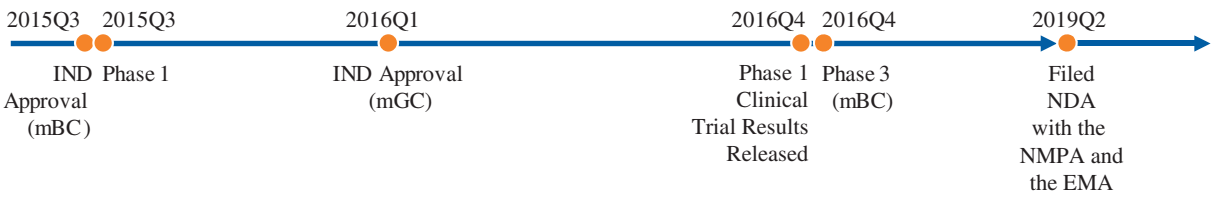
We completed subject recruitment for the Phase 3 HLX02 clinical trial for the mBC indication in June 2018.

*Clinical Development of HLX02 for Breast Cancer*

HLX02 is currently undergoing international, multi-centre Phase 3 clinical trials and had already completed a Phase 1 clinical trial. Based on the Phase 1 Part 1 clinical trial data collected and analysed, we concluded that (i) the PK features of HLX02 were positively correlated with dosage and (ii) HLX02 of different dosages showed favourable tolerability.

Based on the Phase 1 Part 2 clinical trial data collected and analysed, we concluded that (i) HLX02 achieved bioequivalence with respect to PK features with Herceptin, (ii) HLX02 showed comparable safety results with Herceptin and (iii) ADA in all treatment groups was negative.

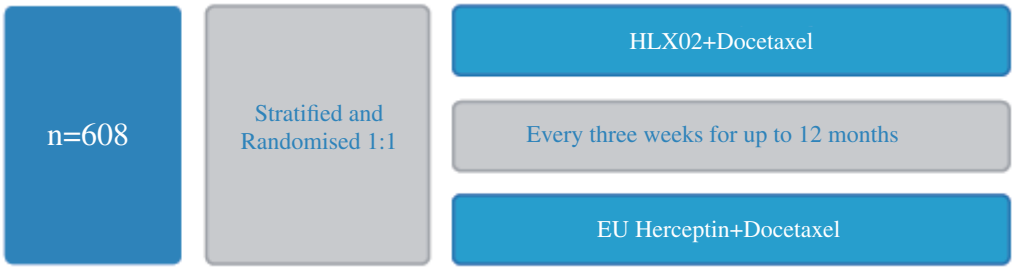
The chart below summarises the development timeline of HLX02 for mBC/mGC:




*Phase 3 Clinical Trial*

Study Design. The Phase 3 HLX02-BC clinical trial is a multi-national, multi-centre, randomised, double-blind study comparing the efficacy, safety and immunogenicity between HLX02 and EU Herceptin combined with docetaxel in recurrent or previously-untreated $HER2^+$ mBC patients with at least one measurable target lesion. We enroled approximately 608 subjects (approximately 304 subjects in each study group) across 89 clinical sites in China (57), Ukraine (23), the Philippines (7) and Poland (2).

Each study group receives either HLX02 or Herceptin at a loading dose of 8 mg/kg followed by a maintenance dose of 6 mg/kg every three weeks thereafter, up to a maximum of 12 months or until the occurrence of certain participation termination events, such as, disease progression, excessive toxicity and death. The chemotherapy agent, docetaxel, is co-administered at 75 $mg/m^2$ for each dose.




The primary endpoint is the ORR24, calculated as the proportion of patients with a best response of CR or PR from first assessment up to Week 24.

Secondary endpoints include: (i) ORR at Week 6, 12, 18, and 24 by CIR; (ii) DoR; (iii) DCR; (iv) CBR; (v) PFS up to 12 months; and (vi) OS at 12, 24 and 36 months.

Safety and Efficacy: As at the Latest Practicable Date, the Phase 3 global clinical trial for mBC indication was ongoing, and thus efficacy and safety findings were not yet available.

*Phase 1 Clinical Trial*

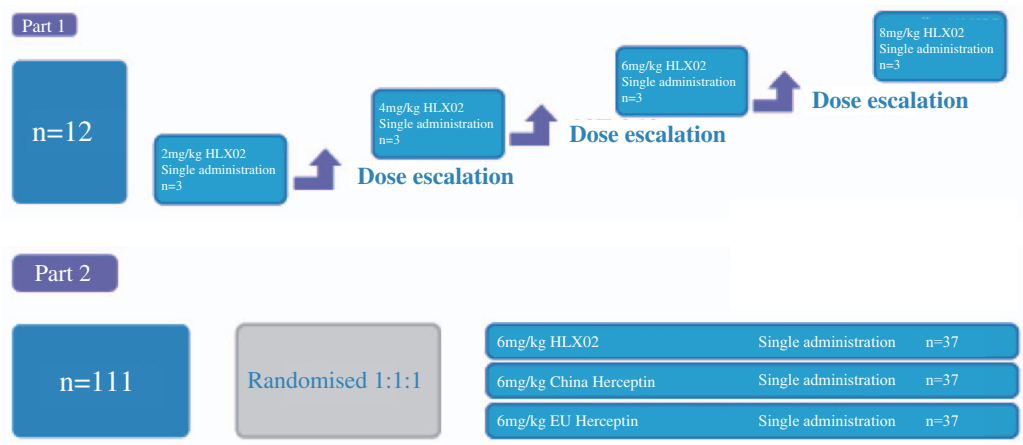
Based on the Phase 1 Part 1 clinical trial data collected and analysed, we concluded that (i) the PK features of HLX02 were positively correlated with dosage and (ii) HLX02 of different dosages showed favourable tolerability.

Based on the Phase 1 Part 2 clinical trial data collected and analysed, we concluded that (i) HLX02 achieved bioequivalence with respect to PK features with Herceptin, (ii) HLX02 showed comparable safety results with Herceptin and (iii) ADA in all treatment groups was negative.

Study Design*:* The Phase 1 HLX02 clinical trial consisted of two parts:

Part 1: This was an open-label, dose-escalation study evaluating the safety, tolerability, PK and immunogenicity of HLX02 at four different doses. We enroled 12 healthy Chinese males to receive a single infusion of HLX02 at 2, 4, 6 or 8 mg/kg (three subjects at each dose level). Each dose cohort was monitored for seven days for safety profiles. After satisfactory completion of the safety observation of all patients of the highest dose cohort, the Phase 1 study proceeded to part 2.

Part 2: This was a multi-centre, randomised, double-blind study comparing the PK profiles, safety, tolerability and immunogenicity of HLX02, Herceptin sold in China ("**China Herceptin**"), and EU Herceptin at 6 mg/kg in healthy Chinese males. We enroled a total of 111 subjects across three cohorts, with 37, 37 and 37 subjects assigned to receive a single 6 mg/kg dose of HLX02, EU Herceptin or China Herceptin, respectively.



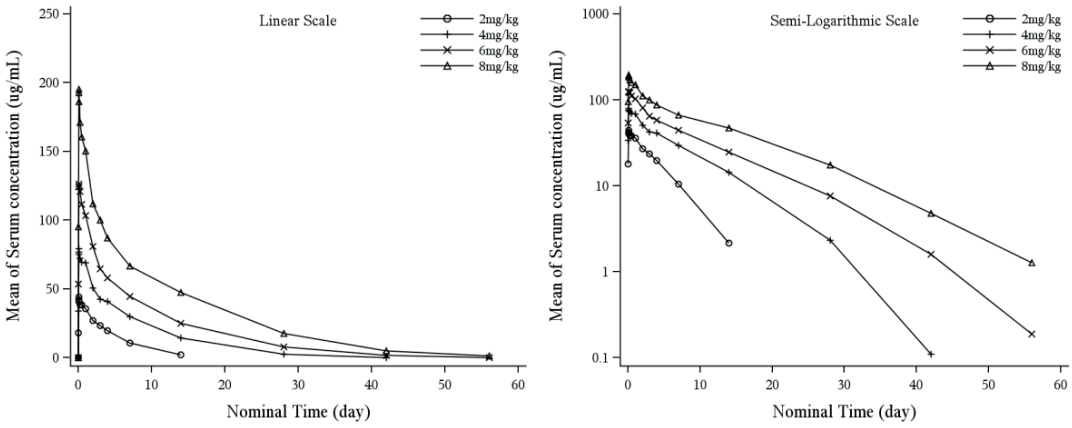

The primary endpoint for Phase 1 study was $AUC_{0\text{-}inf}$.

Secondary PK endpoints included observing (i) the AUC from time zero to the last concentration-quantifiable time point ("$\mathbf{AUC_{0\text{-}last}}$"); (ii) the AUC from time zero to the time of the last measurement regardless of whether it is quantifiable ("$\mathbf{AUC_{all}}$"); (iii) $C_{max}$; (iv) time to reach $C_{max}$ ("$\mathbf{t_{max}}$"), (v) volume of distribution during the terminal phase ("**Vz**") and (vi) individual estimate of the terminal rate constant ("**λz**"); (vii) terminal half-life ("$\mathbf{t_{½}}$"); (viii) total body clearance ("**CL**") and (ix) AUC extrapolated from time to infinity as a percentage of total AUC ("$\mathbf{\%AUC_{extrap}}$").

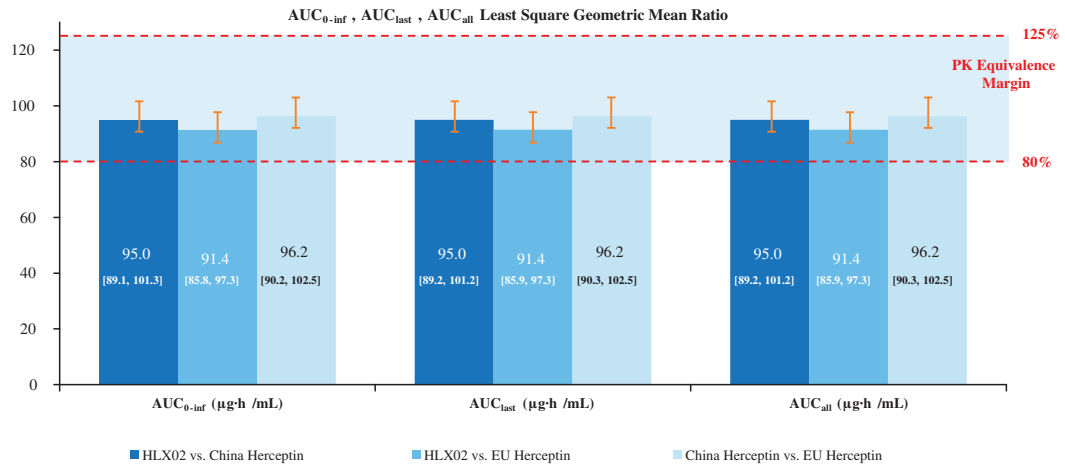
Safety endpoints consisted of (i) adverse events and serious adverse events and (ii) observations based on vital signs, physical examination, and clinical tests.

Immunogenicity was also evaluated based on the incidence of ADA-positive results and neutralising antibody ("**NAb**")-positive results.

PK: The results of the Phase 1 clinical trial demonstrated PK bioequivalence between HLX02, EU Herceptin and China Herceptin. In part 1 of the study, $AUC_{0\text{-}inf}$ showed linear increases with each dose after a single dose with HLX02 at 2, 4, 6 and 8 mg/kg. The mean ± standard deviation ("**SD**") of $AUC_{0\text{-}inf}$ was 4,940 ±819.6, 13,760 ±254.4, 23,760 ±2,834, and 41,070 ±9,494 μg•h/mL for the 2 mg/kg, 4 mg/kg, 6 mg/kg and 8 mg/kg, respectively. The graphs below set forth the observations over time of mean serum concentration by different dose level.

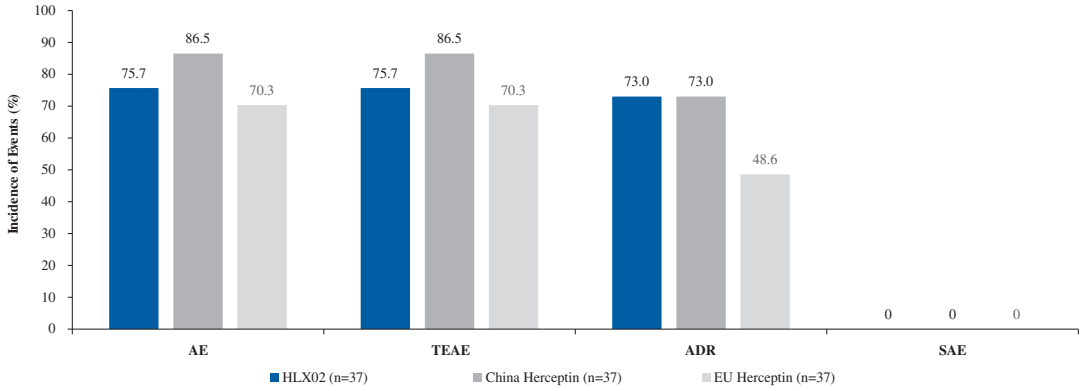


In part 2 of the study, 37, 37 and 37 subjects received HLX02, EU Herceptin and China Herceptin, respectively. Primary findings of geometric mean ratio of $AUC_{0\text{-inf}}$ (90% CIs) for HLX02 to EU Herceptin, HLX02 to China Herceptin and China Herceptin to EU Herceptin were 0.914, 0.950 and 0.962, respectively, and the 90% CIs of the means were all within the pre-defined margin of equivalence of 80%-125%, as set out in more detail in the graphs below:




Safety: In part 1 of the study, a total of eight AEs were reported, all of which were treatment-emergent adverse events ("**TEAEs**") and seven of which were ADRs. The most commonly reported AEs were elevated alanine aminotransferase, lethargy and dizziness, each of which had two incidences. There were no incidences of SAEs, treatment withdrawals or deaths.

In part 2 of the study, the safety profiles were comparable among the three treatment groups and the differences were not found to be statistically significant. In the HLX02, China Herceptin and EU Herceptin cohorts reported 28, 29 and 26 incidences, respectively, of mild to moderate AEs (of lower than CTCAE Grade III AEs). The China Herceptin cohort had three incidences of CTCAE Grade III AEs while no AEs of this grade were reported for the HLX02 and EU Herceptin cohorts. No higher grade CTCAE AEs, deaths or SAEs were reported in any cohort, and no treatment subjects were discontinued due to TEAEs. The chart below sets out the safety findings in more detail.




Immunogenicity. ADA results were negative in all three treatment groups in part 2 of the study.

*Indication Expansion of HLX02 for eBC and mGC*

In addition to mBC, we also plan to apply for regulatory approval for the HER2-overexpressed eBC and mGC indications. We filed an IND application with the NMPA in May 2014 and received approval to commence clinical trials in January 2016. However, according to the Biosimilar Guidelines, if clinical similarity has been demonstrated in the comparative studies, extrapolation to other indications of the reference product could be considered. Assuming that we achieve favourable biosimilarity and safety results for HLX02 clinical trials with respect to the mBC indication, we expect to be able to expand HLX02 indications to eBC and mGC without the need of full-length clinical trials. As HLX02's reference drug, Herceptin, is approved in China for $HER2^+$ eBC, $HER2^+$ mBC and $HER2^+$ mGC, conducting Phase 3 clinical trials for the mBC indication has enabled us to seek NDA approval for all three indications for HLX02.

*Pre-clinical Research*

We achieved favourable pre-clinical testing results, with generally no significant differences compared to Herceptin.

We commenced the research and development of HLX02 in May 2011. Pre-clinical testing and studies included *in vitro* studies comparing HLX02 and Herceptin of the inhibitory effect on human breast cancer and gastric cancer cells and *in vivo* animal studies of the anti-tumour efficacy of HLX02 on human tumour xeno-grafted mice, and PK and toxicology studies in cynomolgus monkeys.

***Material Communications and Next Steps***

We continue to conduct our Phase 3 clinical trial for the mBC indication, and will evaluate and submit the study results from this trial to the relevant regulators when available in order to obtain regulatory approvals. Our NDA was accepted by the NMPA in April 2019 and is currently under priority review. Our NDA for HLX02 seeks approval for the same indications as those approved for Herceptin in China, namely $HER2^+$ eBC, $HER2^+$ mBC and $HER2^+$ mGC. The MAA filed by our commercialisation partner Accord was accepted by the EMA in June 2019 for these three indications and GEJ.

In connection with our application to obtain regulatory approval to commercialise HLX02 in the EU, on 17 May 2016 we submitted a request for advice to the EMA with respect to our proposed pre-clinical and clinical study design for HLX02. The EMA considered our queries and supporting materials and responded to us on 21 July 2016. In its response, the EMA largely endorsed our proposals and provided recommendations to enhance certain aspects of our study design in line with applicable EU guidelines and risk management protocols. We accepted the EMA's recommendations and had no material difficulty in incorporating them into our HLX02 study design to the extent applicable.

In addition, in preparation for the Phase 3 clinical trial for HLX02, we scheduled a meeting with the CDE on 29 June 2016. In the meeting, we presented our trial design to the CDE and sought their feedback. The CDE did not raise any material comments.

Other than the above, we have not had any material regulatory communications with the NMPA or CDE for HLX02, and we are not aware of any material concern from the NMPA or the CDE in connection with our ongoing development of HLX02.

See "—*Intellectual Property*" for details of intellectual properties which we have registered, maintain, applied for or intend to apply for with respect to HLX02.

***Collaboration Arrangements and Commercialisation Plans***

Assuming that we successfully obtain regulatory approvals for HLX02, we initially intend to begin commercial manufacturing of HLX02 for sale in the PRC. We have also engaged international partners to potentially seek relevant local regulatory approvals and commercialise HLX02 in various overseas territories. We expect manufacturing of HLX02 to take place at our own facilities. We believe that our facilities have sufficient capacity to produce commercial quantities of HLX02 when also taking into consideration the production needs for HLX01 (漢利康). Depending on market demand, we may, if necessary, designate a backup third party manufacturer to assure continuous commercial supply to all partners. See "—*Manufacturing*" for further details on the technologies utilised in the Xuhui Facility and expansion plans with respect to the Songjiang Facility, which is currently under construction.

Mr. Wenjie Zhang, who has more than 25 years of commercial operation experience in the pharmaceutical industry, is in charge of the commercialisation plans of HLX02, including assembling a professional in-house marketing and sales team. We will collaborate with Fosun Pharma's market access team for future reimbursement negotiation for the marketing and sales of HLX02, given that trastuzumab has been included in the NRDL and NEDL.

For overseas jurisdictions, we intend to target markets where access to and affordability of trastuzumab may be challenging for most patients. To this end, we have entered into licence and commercialisation agreements with multiple partners, including Accord, Cipla, and Jacobson Medical. We believe that, given our current marketing and sales capability as a biopharmaceutical company, we will benefit significantly from our partners' strong marketing and sales expertise and network in their respective territories in successfully commercialising HLX02 outside the PRC, including Hong Kong, Macau, Malaysia, Australia, New Zealand, Colombia and more than 70 jurisdictions and regions in Europe, MENA and CIS.

With respect to our partnership with Accord, the key terms of the relevant agreements we entered into in June 2018 include:

(i) we are responsible for all R&D activities, preparing for regulatory submissions in China and Europe, completing ongoing Phase 3 clinical trial and the manufacture and supply of HLX02 product to the relevant territories;

(ii) Accord shall have exclusive commercial rights for HLX02 (including import, sales, distribution and other commercialisation activities) in over 70 jurisdictions and regions in Europe, MENA and CIS, subject to local regulatory approvals;

(iii) Accord shall make a US$8 million upfront payment and milestone payments upon the occurrence of certain events, such as successfully obtaining regulatory approval and marketing permits for HLX02 from the EMA, which requires us to successfully complete phase 3 clinical trials; and

(iv) after the commercialisation of HLX02 in relevant jurisdictions and regions, we will be entitled to commercial sales milestone payments and share profit based on a double digit percentage of net sales of the products supplied.

With respect to our partnership with Jacobson Medical, for which we entered into the relevant agreements in December 2017, the key terms include:

(i) we are responsible for carrying out all R&D activities, conducting pre-clinical and clinical studies, filing regulatory submissions and, following receipt of regulatory approval from regulatory authorities in China and European Union, supplying HLX02 to Jacobson Medical;

(ii) Jacobson Medical has the exclusive right to promote, distribute and sell HLX02 in Hong Kong and Macau;

(iii) Jacobson Medical has the right of first negotiation to enter into a definitive agreement with us to commercialise HLX02 in certain strategic markets in Southeast Asia;

(iv) Jacobson Medical will make non-refundable good faith payments to us in three instalments, namely (a) within 30 days of the execution of the HLX02 Agreement; (b) within 30 days of the execution of a definitive agreement between us and Jacobson Medical following the grant of approval by the NMPA or any other competent authority for us to commence commercial manufacturing of HLX02; and (c) within 30 days of obtaining approval from the Department of Health in Hong Kong for HLX02; and

(v) If a definitive agreement is entered into between us and Jacobson Medical in respect of HLX02 for certain strategic markets in Southeast Asia, Jacobson Medical also agrees to pay us licence fees determined by reference to prevailing market rates net of a commercially reasonable margin, with details to be set out in such a definitive agreement.

Furthermore, in June 2018, we entered into a licence and commercialisation agreement with Cipla which will have exclusive licensing and commercialisation rights to HLX02 in Australia, New Zealand, Colombia and Malaysia, including regulatory approval for HLX02 in those jurisdictions. Cipla is responsible for obtaining regulatory approvals for commercialisation of HLX02 in these countries and shall bear the cost of any further R&D activities required by such local regulators, such as conducting additional clinical trials. Under a separate manufacturing and supply agreement with Cipla, we are also responsible for manufacturing HLX02 products, which Cipla will then purchase from us for market distribution.

**WE MAY NOT ULTIMATELY BE SUCCESSFUL IN DEVELOPING AND COMMERCIALISING HLX02.**

**HLX03**

***Overview***

We are developing HLX03 as a Humira biosimilar under the name Recombinant Humanised Anti-Tumour Necrosis Factor-alpha ("**TNF-α**") Monoclonal Antibody Injection. Humira (generic name adalimumab) is primarily used to treat RA, AS, PS and Crohn's disease. We began developing HLX03 in January 2012, have received IND approvals for the RA and PS indications, and have completed a Phase 3 clinical trial for the PS indication. Our NDA was accepted by the NMPA in January 2019 for the treatment of PS, RA and AS, which are the same indications as those approved for Humira in China. HLX03 is currently under priority review for marketing authorisation by the NMPA. We plan to commercialise HLX03 as an affordable alternative to Humira primarily in the PRC, where there is a significant underserved population of RA, PS and AS patients who do not have access to Humira due to high costs of the treatment.

***Background of Reference Drug***

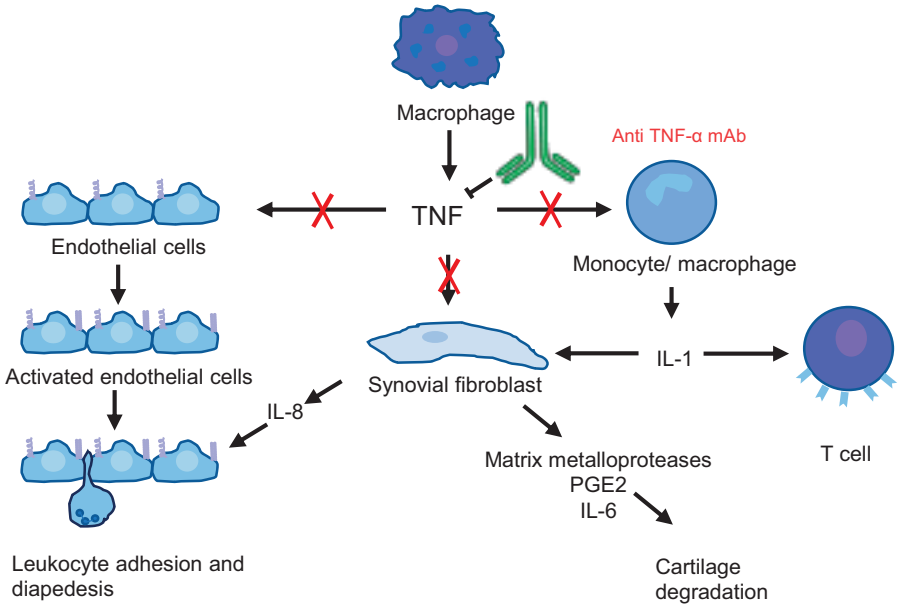
Adalimumab was originally developed by BASF (now Abbott). It initially received US FDA approval for the treatment of RA in 2002 under the brand name of Humira. Humira subsequently received FDA approval for PS in 2005. In 2010, Humira was launched in China. Adalimumab is typically administered through subcutaneous injection. Major patents for adalimumab have expired or are expiring in the near future, including 2018 in the US, 2017 in China and 2018 in the European Union. Adalimumab is primarily distributed by AbbVie under the brand name Humira. According to the Frost & Sullivan Report, in 2018, Humira was the highest-selling pharmaceutical product globally at US$20.5 billion in global sales, while sales in China amounted to only RMB0.4 billion.

Depending on the jurisdiction, approved indications of adalimumab may include RA, PS, juvenile idiopathic arthritis, AS, adult and paediatric Crohn's disease, ulcerative colitis, hidradenitis suppurativa and/or uveitis. In China, adalimumab has been approved for RA, PS and AS.

***Mechanism of Action***

Adalimumab is an immunosuppressant that acts by binding to TNF-α to inhibit the inflammatory responses that are mediated by TNF-α. TNF-α is a cell-signalling protein which regulates the immune response by binding to the TNF receptors of cells, including TNF receptor-1, which is expressed in most tissue cells, and TNF receptor-2, which is expressed in immune system cells. This binding action in turn triggers inflammatory response symptoms such as fever, cell death and cachexia as part of the

immune system's attempt to neutralise the disease. By binding to TNF-α, adalimumab restricts TNF-α's ability to activate T-cells, effectively neutralising TNF-α bioactivity and inducing the apoptosis of TNF-expressing cells.




***Current Therapies***

*PS*: Adalimumab is used to treat PS when other systemic therapeutic agents are resisted or contraindicated. The use of adalimumab has been shown to reduce inflammation arising from PS (often manifesting as skin lesions) and improve the patient's functional ability with respect to the affected areas. PS treatment with adalimumab generally lasts for 16 weeks, beginning with higher injection doses initially and lower doses later for maintenance purposes.

*RA*: Adalimumab is commonly used to treat moderate to severe RA, whether alone or in conjunction with antirheumatic agents such as methotrexate. The use of adalimumab has been shown to reduce the pain and inflammation associated with RA (primarily affecting the joints) and improve the patient's functional ability with respect to the affected areas. Treatment typically consists of ten subcutaneous injections of adalimumab spanning 16 weeks. Maintenance or repeat treatment may be needed when symptoms return.

*AS*: Adalimumab is commonly prescribed for AS patients as studies have shown that the use of adalimumab substantially reduce pain and other symptoms of AS. In addition, adalimumab treatment has been shown to lead to significant improvements in AS patients' physical functioning abilities, which consequently leads to better quality of life.

The most common AEs associated with adalimumab are injection-site reactions and a weakened immune system. Given TNF-α's core role in regulating the immune system and adalimumab's mechanism of action as a general TNF-inhibitor (without targeted cell specificity), patients taking adalimumab, especially on a long-term basis, may be more prone to various viral, bacterial and fungal infections, including reactivated infections which were previously latent, such as tuberculosis. Rare side effects of adalimumab include the developing of lymphoma and solid tissue cancers, serious liver injury, demyelinating central nervous system disorders and cardiac failure. Patients may also be allergic to adalimumab, which may lead to anaphylaxis and other serious reactions if not properly evaluated before treatment.

***Potential Market Opportunities and Competition***

According to the Frost & Sullivan Report, while Humira is the highest-selling biopharmaceutical product globally by revenue, only approximately 0.2% of such sales are in China in 2018. However, RA, PS and AS patients in China together account for approximately 9.0% of such cases globally, which reflects, in part, the prohibitive cost of Humira in China. According to the Frost & Sullivan Report, in 2018, a single injection (40 mg/vial) of Humira cost approximately RMB7,600 in China. There are also currently no approved biosimilars in the PRC. In addition, RA, PS and AS are often chronic conditions with recurring symptoms and patient relapse, which requires patients to regularly repeat the treatment course over a long period of time and further increases their economic burden. According to the Frost & Sullivan Report, in 2018, around 0.2% of RA, PS and AS patients in China were able to afford Humira treatment. As a result, we believe there are significant market opportunities in China for an affordable Humira biosimilar.

A number of companies have developed or are in the process of developing Humira biosimilars globally. Approved Humira biosimilars include Amjevita developed by Amgen, Cyltezo developed by Boehringer-Ingelheim and Hyrimoz developed by Sandoz, which were approved by the FDA in September 2016, August 2017 and October 2018, respectively. Amjevita and Cyltezo have also been approved by the EMA along with Solymbic from Amgen and Imraldi from Samsung Bioepis. In China, our current expected major competitors include Bio-Thera Solutions, Zhejiang Hisun and Innovent Biologics, all of which have filed NDAs for their respective drug candidates, as well as Jiangsu Union Biopharma and Dongbao Pharmaceutical, which are conducting Phase 3 clinical trials for their respective drug candidates.

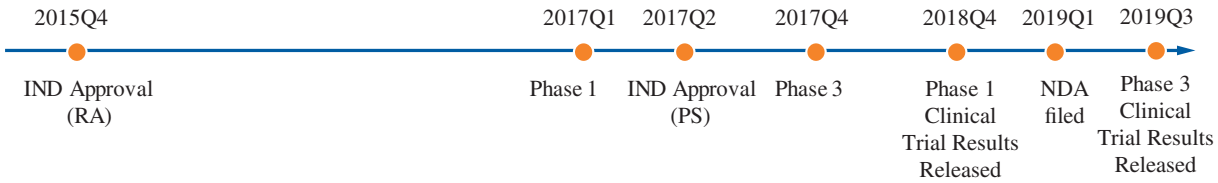
We plan to compete with other Humira biosimilars primarily based on manufacturing cost and reliability of supply, given our projected capability to manufacture HLX03 on a large scale and in accordance with international GMP quality standards, while maintaining sound cost control measures (including through adopting and developing cost-effective technologies such as single-use technologies, proprietary cell culture media and high-titre production cell line technologies, which we have already implemented for our commercial-scale manufacturing of HLX01 (漢利康) and intend to implement for future commercial production of HLX03 as well upon receiving regulatory approval).

***Summary of Clinical Development History and Results***

As at the Latest Practicable Date, we had completed our Phase 3 clinical trial for HLX03 for the PS indication. Based on the data collected and analysed, we concluded that the Phase 3 clinical trial achieved bioequivalence in both primary and secondary endpoints and the safety and immunogenicity profiles of HLX03 and the reference drug were comparable.

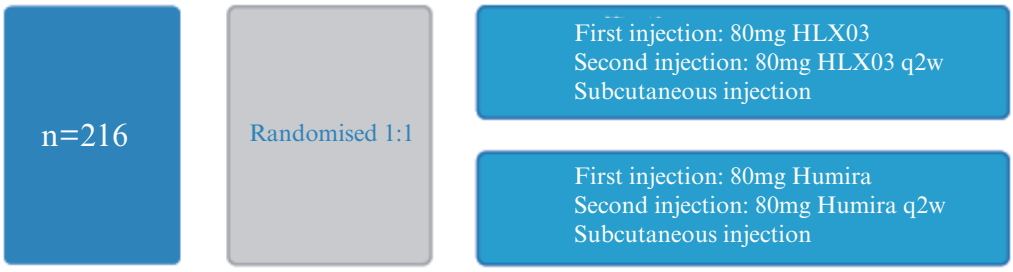
*Clinical Development of HLX03 for PS*

The chart below summarises the development timeline of HLX03 for PS:




*Phase 3 Clinical Trial*

Study Design. The Phase 3 HLX03-PS clinical trial is a multi-centre, randomised, double-blind, positive drug parallel study comparing efficacy and safety between HLX03 and Humira in patients with plaque psoriasis. It has enrolled 216 subjects (108 subjects in each study group) across 33 clinical sites in China. The subjects are randomly assigned to receive subcutaneous injections of either HLX03 or Humira according to the following 48-week treatment schedule: (i) an injection of 80 mg on the first day of the first week, (ii) a 40 mg injection on the first day of the second week and (iii) a 40 mg injection once every two weeks thereafter. The treatment phase is followed by a four-week follow-up period consisting of an efficacy evaluation at week 50 and a safety evaluation at week 52.




The primary endpoint consists of percentage improvement in psoriasis area severity index ("**PASI**") at week 16.

Secondary endpoints consist of (i) the proportion of subjects who have experienced a 75% improvement in PASI ("**PASI75**") at weeks 4, 8, 12, 16, 20, 32 and 50, (ii) the percentage of improvement in PASI at weeks 4, 8, 12, 20, 32 and 50, (iii) the proportion of subjects who achieved clearance or near elimination of PS symptoms ("**PGA=0**" or "**PGA=1**", respectively), and (iv) changes in the skin quality-of-life index ("**DLQI**") at weeks 4, 8, 12, 16, 20, 32 and 50.

Efficacy. The HLX03 and Humira study groups achieved equivalent PASI in both the full analysis set ("**FAS**") and PPS as the 95% CI fell within the pre-defined -15% - 15% margin. The table below sets out the findings in further detail:

| Data Set | HLX03 | | Humira | | Average difference (95% CI) |
|---|---|---|---|---|---|
| | Least squares means (SE) | 95% CI | Least squares means (SE) | 95% CI | |
| FAS. . . | 83.48 (2.82) | (77.94, 89.03) | 82.02 (2.84) | (76.43, 87.61) | 1.46 (-3.86, 6.79) |
| PPS . . . | 85.14 (2.24) | (80.72, 89.56) | 84.50 (2.22) | (80.13, 88.87) | 0.64 (-3.34, 4.62) |

Safety. There was no statistically significant difference in the incidence of AEs, ADRs, SAEs, AEs leading to death and AEs leading to treatment discontinuation between the two study groups. The overall incidence rate of ADRs in the HLX03 study group and the Humira study group was 51.91% and 56.92%, respectively, while the incidence rate of SAEs was 5.34% and 6.92%, respectively.

*Phase 1 Clinical Trial*

We have completed our Phase 1 clinical trial for HLX03. Based on the data collected and analysed, we concluded that the Phase 1 clinical trial achieved bioequivalence in PK profiles and the safety and immunigenicity profiles of HLX03 and the reference drug were comparable.

Study Design: The Phase 1 HLX03 clinical trial is a single-centre, randomised, double-blind, parallel study evaluating PK, safety, tolerability, and immunogenicity of a single subcutaneous injection of HLX03 or Humira at 40 mg/vial in healthy Chinese males. The Phase 1 clinical trial has finished subject enrolment and was completed in November 2018. It initially enroled approximately 148 subjects (74 subjects in each study group) but was subsequently increased to approximately 220 subjects (110 subjects in each study group) based on the results of an interim statistical analysis on the % CL.

Primary endpoints consist of $C_{max}$ and $AUC_{0-t}$.

Secondary endpoints consist of $AUC_{0-inf}$, $t_{1/2}$, time to peak ("**$T_{max}$**"), CL and apparent volume of distribution ("**Vd**").

Safety endpoints of the study include adverse events and serious adverse events and observations based on vital signs, physical examination and clinical tests, among others. Immunogenicity is also being evaluated based on the incidence of ADA-positive results and NAb-positive results.

Efficacy. The HLX03 and Humira study groups achieved equivalent PK profiles in $C_{max}$ and $AUC_{0-t}$ as the 90% CI fell within the pre-defined 80-125% equivalence margin. The table below sets out the findings in further detail:

| | Geometric Mean | | Geometric Ratio | 90% CI |
|---|---|---|---|---|
| **Parametres** | **HLX03** | **Humira** | **HLX03/ Humira** | **HLX03/ Humira** |
| $C_{max}$ (μg/mL) . . . . . | 3.31 | 3.23 | 102.22 | 96.20-108.61 |
| $AUC_{0-t}$ (μg•h/mL). . . . . | 1,823.32 | 1,724.59 | 105.72 | 97.07-115.15 |

Safety. Safety findings were similar between the two study groups, with no statistically significant differences. In the HLX03 group, 79 subjects experienced at least one TEAE, while 70 subjects in the Humira group experienced at least one TEAE. Of these, the HLX03 group had four subjects experiencing CTCAE 4.03 Grade III or IV AEs, while the Humira group had six subjects experiencing such AEs.

*Indication Expansion of HLX03 for RA and AS*

In addition to PS, we also applied for regulatory approval for the RA and AS indications. We filed an IND application for the RA indication to the NMPA in August 2013 and received approval to commence clinical trials in December 2015. We have not filed an IND application for the AS indication. However, according to the Biosimilar Guidelines, if clinical similarity has been demonstrated in comparative studies, extrapolation to other indications of the reference product could be considered. Given that we achieved favourable PK, efficacy and safety results from HLX03 clinical trials with respect to the PS indication, we expect to be able to expand HLX03 indications to RA and AS indications without the need of full-length clinical trials. As HLX03's reference drug, Humira, is approved in China for PS, RA and AS, the Phase 3 clinical trials for the PS indication enabled us to seek NDA approval for all three indications for HLX03.

*Pre-Clinical Research*

We achieved favourable CMC-quality and non-clinical testing results, with generally no significant differences compared to Humira.

We started research and development of HLX03 in January 2012, in accordance with EMA guidelines for biosimilar development, beginning with preliminary drug exploration, pharmacology and toxicology studies and pre-clinical and clinical development plans. Pre-clinical testing and studies included:

- Head-to-head comparison of all quality attributes of HLX03 with these of Humira;
- *In vitro* studies comparing HLX03 with Humira on their biological functions and cross-reactivities to human tissue samples; and
- *In vivo* animal studies of PK, PD, single and multi-dose toxicology, efficacy and immunogenicity, comparing HLX03 with Humira in transgenic mouse models and cynomolgus monkey models.

***Material Communications and Next Steps***

We have completed our Phase 3 clinical trial for HLX03 for the PS indication. Our NDA was accepted by the NMPA in January 2019 and is currently under priority review. We expect to receive regulatory approval to commence commercialisation in early 2020. Our NDA for HLX03 seeks approval for the same indications as those approved for Humira in China, namely PS, RA and AS.

We have not had any material regulatory communications with the NMPA or the CDE since the filing of our NDA for HLX03, and we are not aware of any material concern from the NMPA or the CDE in connection with our ongoing development of HLX03.

See "—*Intellectual Property*" for details of intellectual properties which we have registered, maintain, applied for or intend to apply for with respect to HLX03.

***Collaboration Arrangements and Commercialisation Plans***

To commercialise HLX03 in the PRC, we have collaborated with Jiangsu Wanbang, a wholly owned subsidiary of Fosun Pharma, under the HLX03 Agreement, which we entered into in September 2017 (as amended). We believe we will benefit from Jiangsu Wanbang's strong expertise and network in those respects for successfully commercialising HLX03 in the PRC. Under the terms of the HLX03 Agreement:

(i) we are responsible for all R&D activities and regulatory submissions, to complete ongoing clinical trials in PRC and to manufacture and supply of HLX03 products in the PRC;

(ii) Jiangsu Wanbang has the exclusive right to promote and commercialise HLX03 in the PRC;

(iii) Jiangsu Wanbang will reimburse our clinical trial expenditure incurred for HLX03 following the execution of the HLX03 Agreement, as described below; and

(iv) we and Jiangsu Wanbang will equally (50-50) share the net profit from all sales of HLX03 in the PRC. See *"Connected Transactions—C. Non-exempt Continuing Connected Transactions—1. Collaboration Arrangements under the HLX01 Agreement and the HLX03 Agreement"*.

With respect to (iii) above, based on the timing of the execution of the HLX03 Agreement, Jiangsu Wanbang reimburses all of our HLX03 clinical trials expenditure. Accordingly, the rationale for the clinical trial expenditure reimbursement arrangement, our view on this arrangement as an industry practice and the potential financial risks that we still bear in the course of developing and commercialising HLX03 are similar as well. See "*—HLX01—Collaboration Arrangements and Commercialisation Plans*" for further details.

Assuming that we successfully obtain regulatory approval for HLX03, we intend to begin commercial manufacturing of HLX03 for distribution in the PRC. See "*—Manufacturing*" for further details on the technologies utilised in the Xuhui Facility.

We will collaborate with Jiangsu Wanbang on the marketing strategies of HLX03 in the PRC, while Jiangsu Wanbang will handle the launch activities, promotion, distribution and sale of HLX03 in accordance with the HLX03 Agreement. Our marketing efforts primarily target hospitals and specialist clinics across the PRC.

**WE MAY NOT ULTIMATELY BE SUCCESSFUL IN DEVELOPING AND COMMERCIALISING HLX03.**

**HLX04**

***Overview***

We are developing HLX04 as an Avastin biosimilar under the name Recombinant Humanised Anti-VEGF Monoclonal Antibody. Avastin (generic name bevacizumab) is primarily used to treat patients with mCRC and nsNSCLC. We began developing HLX04 in January 2012 and are conducting a Phase 3 clinical trial for mCRC. We expect to file an NDA with the NMPA in 2020 for the treatment of mCRC and unresectable, locally advanced, recurrent or metastatic nsNSCLC, which are the same indications as those approved for Avastin in China. We plan to commercialise HLX04 as an affordable alternative to Avastin primarily in the PRC, where there is a significant underserved population of patients with mCRC and nsNSCLC.

We are also developing HLX04 + HLX10 as one of our key immuno-oncology combination therapies. As at the Latest Practicable Date, we were preparing for Phase 3 clinical trials for the nsNSCLC indication, and Phase 2 clinical trials for the HCC indication in China. See *"—Immuno-oncology Combination Therapies—HLX04 + HLX10"* for further details. In addition to the advantages offered by the immuno-oncology combination therapy in its own right, it will also help

increase and sustain sales for HLX04. In December 2018, the FDA approved a combination therapy from Roche for Tecentriq (a PD-L1 inhibitor) plus Avastin (bevacizumab) and the chemotherapy agents paclitaxel and carboplatin for the first-line treatment of metastatic nsNSCLC with no EGFR or ALK genomic tumour aberrations.

Furthermore, we have submitted IND applications for the indications of wAMD and DR. See "*—Our Products—Our Bio-innovative Drugs—HLX04*" for further details on the development of HLX04 for wAMD and DR indications, and for current therapies and potential market opportunities for these indications.

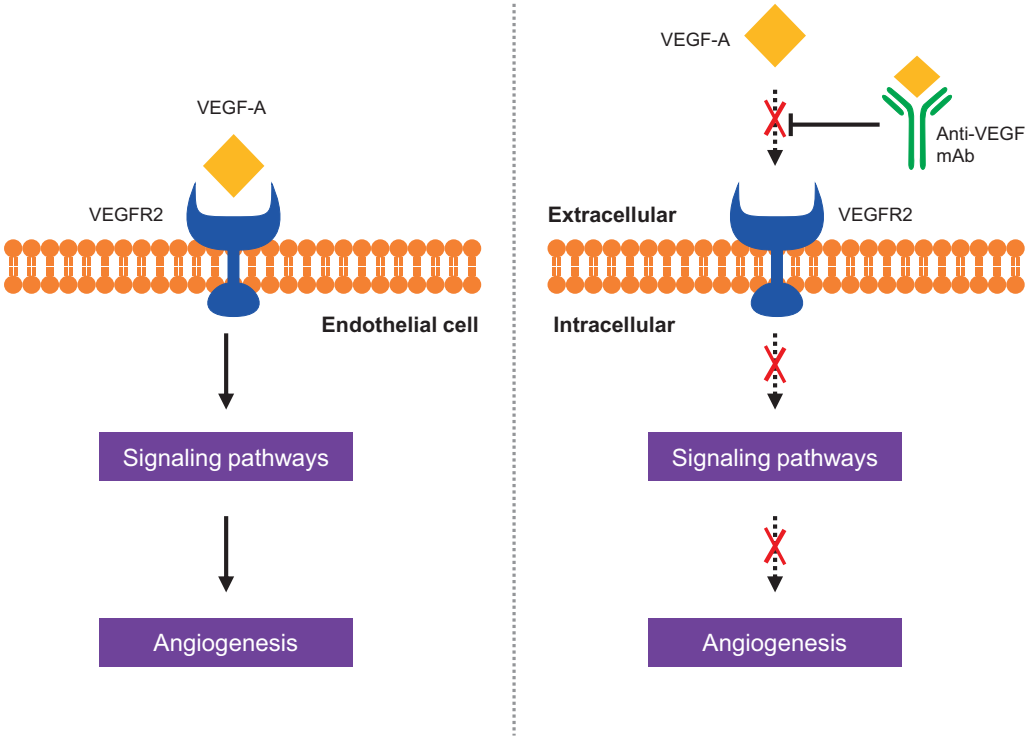
***Background of Reference Drug***

Bevacizumab was developed by Genentech. It initially received US FDA approval under the brand name of Avastin for the treatment of mCRC in 2004 and nsNSCLC in 2006. Avastin was launched in China in 2010. Bevacizumab is typically administered through intravenous infusion. Major patents for bevacizumab have expired or are expiring in the near future, including 2013 in the European Union, 2016 in the US and 2018 in China. Avastin is distributed globally by Roche, and is listed on the WHO List of Essential Medicines. In 2018, global sales of Avastin amounted to CHF6.8 billion (approximately US$6.7 billion) according to Roche's 2018 annual report, while sales in China amounted to RMB3.2 billion according to the Frost & Sullivan Report. According to Roche's 2019 half year report, sales of Avastin in China grew by 61% in the first half of 2019, compared to the corresponding period in 2018. Bevacizumab was added to the NRDL in 2017.

Depending on the jurisdiction, approved indications of Avastin may include mCRC, nsNSCLC (unresectable, locally advanced, recurrent or metastatic), recurrent glioblastoma in adults, metastatic renal cell carcinoma ("**mRCC**"), cervical cancer (persistent, recurrent or metastatic) and epithelial ovarian, fallopian tube or primary peritoneal cancer. In China, Avastin has been approved for mCRC and unresectable, locally advanced, recurrent or metastatic nsNSCLC.

***Mechanism of Action***

Bevacizumab blocks the function of vascular endothelial growth factor A ("**VEGF-A**"), a growth factor protein that stimulates angiogenesis in a variety of cells, and is thus considered a highly potent inducer of blood vessel growth. While angiogenesis is part of the human body's normal healing and maintenance functions, VEGF-A also stimulates angiogenesis in cancer, which facilitates tumour growth. Tumour cells release various pro-angiogenic factors with VEGF receptors to bind to VEGF-A. VEGF-targeted therapies, such as bevacizumab, exert their effects through a number of potential mechanisms, including (i) inhibition of new vessel growth; (ii) regression of newly formed tumour vasculature; (iii) alteration of vascular function and tumour blood flow; and (iv) direct effects on tumour cells.




***Current Therapies***

The dosage and regimen of bevacizumab vary by indication.

*mCRC*: As a first-line and second-line therapy for mCRC, the recommended dose when bevacizumab administered intravenously in combination with 5-fluorouracil-based chemotherapy (bolus-IFL: irinotecan, leucovorin and fluorouracil) is 5 mg/kg every two weeks, or in combination with fluoropyrimidine-irinotecan- or fluoropyrimidine-oxaliplatin-based chemotherapy is 5 mg/kg every two weeks or 7.5 mg/kg every three weeks, respectively. Bevacizumab is also used in second-line treatment of mCRC at a recommended dose of 10 mg/kg every two weeks intravenously in combination with FOLFOX4 (folinic acid (leucovorin), fluorouracil ("**5-FU**"), and oxaliplatin). In either setting, bevacizumab treatment has been shown to increase overall life expectancy.

*nsNSCLC*: As a first-line therapy for unresectable, locally advanced, recurrent or metastatic nsNSCLC, bevacizumab is administered at 15 mg/kg intravenously every three weeks in combination with carboplatin and paclitaxel.

Across studies, the most common adverse reactions observed in Avastin patients (incidence rate over 10%) were: epistaxis, headache, hypertension, rhinitis, proteinuria, taste alteration, dry skin, rectal haemorrhage, lacrimation disorder, pain and exfoliative dermatitis. Because bevacizumab inhibits blood vessel growth, which is a necessary part of the body's ability to heal wounds and develop collateral circulation solutions, its use may interfere with these normal functions and worsen existing conditions such as for patients with serious haemorrhaging or a recent history of haemoptysis. Therefore, potential patients are closely evaluated for eligibility to receive bevacizumab treatment.

***Potential Market Opportunities and Competition***

Despite its demonstrated value in treating mCRC and nsNSCLC, bevacizumab has limited market uptake and usage due to its high cost. For example, in 2018, in China, a 100 mg (4 mL) vial of Avastin cost RMB1,934, according to the NRDL. Although bevacizumab may extend the survival period of patients by several months, long-term prognosis in eligible patients is often poor, primarily because it is mostly used to treat late-stage cancer. Meanwhile, mCRC and nsNSCLC incidence remains high and bevacizumab penetration rate remains low, especially in emerging markets. According to the Frost & Sullivan Report, in China, new mCRC cases are projected to grow from approximately 145,100 in 2018 to approximately 170,100 in 2030, and new NSCLC cases are projected to grow from approximately 737,400 to approximately 1,041,700 over the same years.

In 2017, bevacizumab was included in the NRDL in China, resulting in greater market awareness and penetration, which we believe will benefit our efforts to market HLX04. While Avastin may become increasingly accessible, we expect that there will continue to be a significant gap between supply and demand. As more medical practitioners and patients become familiar with bevacizumab, we believe they will also become increasingly familiar with HLX04 as a more affordable bevacizumab to bridge the supply-demand gap.

As a result of the above, we believe there are significant market opportunities for an affordable Avastin biosimilar. So far, Mvasi, an Avastin biosimilar developed by Amgen, has been approved by the FDA in September 2017 and by the EMA in January 2018. In China, our current expected major competitors include Innovent Biologics and Qilu Pharmaceutical, which have filed NDAs for their respective drug candidates, while Genor Biopharma, Beijing mAbworks Biotechnology, Shandong Boan Biological Technology, Hengrui, TOT Biopharm, Bio-Thera Solutions, Chiatai Tianqing, Hualan Genetic Engineering, Sinocelltech and Anke Biotechnology have entered Phase 3 clinical trials with their respective drug candidates. Furthermore, the PRC market may become increasingly competitive over time as, according to the Frost & Sullivan Report, Avastin biosimilars are also being developed by several other PRC biotech firms at earlier clinical stages.

We plan to compete with other bevacizumab developers primarily based on our focus on product quality, manufacturing cost efficiency and reliability of supply, given our projected capability to manufacture HLX04 on a large scale and in accordance with international GMP quality standards, while maintaining sound cost control measures (including through adopting and developing cost-effective technologies such as single-use technologies, proprietary cell culture media, and high-titre production cell line technologies, which we have already implemented for our commercial-scale manufacturing of HLX01 (漢利康) and intend to implement for future commercial production of HLX04 as well upon receiving regulatory approval). We also aim to differentiate HLX04 by being the first Avastin biosimilar developer with Phase 3 clinical data for mCRC, while our competitors in the PRC have primarily conducted their Phase 3 clinical trials for the nsNSCLC indication. We believe this will enable a more favourable market perception of HLX04 for the treatment of mCRC compared to other Avastin biosimilars which do not have such supporting data. Furthermore, we believe that Avastin biosimilars may enjoy greater long-term prospects for mCRC

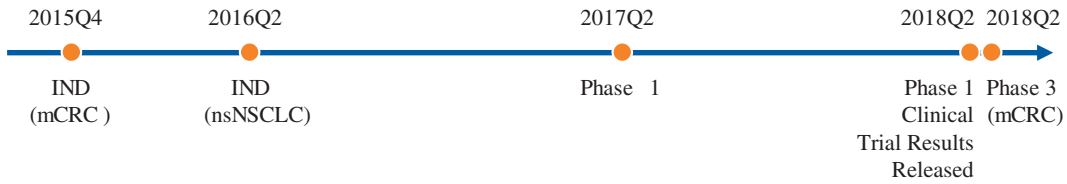
treatment than nsNSCLC as new therapies for nsNSCLC have been approved in recent years which have shown better efficacy than bevacizumab, including the PD-1 inhibitors Opdivo and Keytruda. In response, we have also begun separately developing PD-1/PD-L1 inhibitors of our own, including HLX10 and HLX20. See "*—Our Bio-Innovative Drugs*" for further details.

***Summary of Clinical Development History and Results***

As at the Latest Practicable Date, we were conducting a Phase 3 HLX04 clinical trial for the mCRC indication. We have completed our Phase 1 clinical trial for HLX04 in April 2018. Based on the data collected and analysed, we concluded that HLX04 is safe, and the Phase 1 clinical trial demonstrated bioequivalence in PK profile between HLX04 and the reference drug.

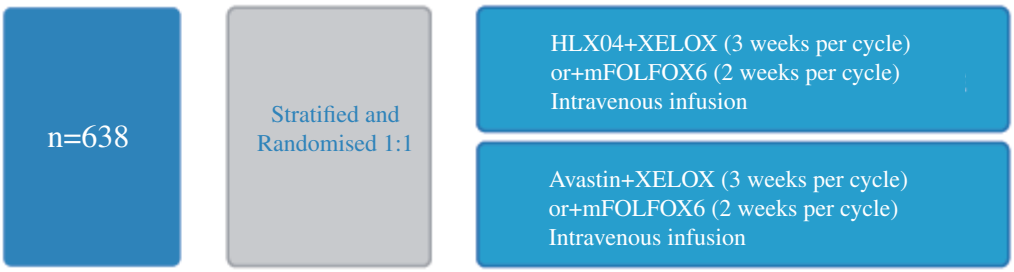
*Clinical Development of HLX04 for mCRC*

The chart below summarises the development timeline of HLX04 for mCRC:




*Phase 3 Clinical Trial*

Study Design. The Phase 3 HLX04-mCRC clinical trial is a multi-centre, randomised, double-blind, parallel study comparing efficacy, safety and immunogenicity between HLX04 and Avastin combined with chemotherapy regimens of either XELOX (oral capecitabine and oxaliplatin) or mFOLFOX6 (5-fluorouracil plus leucovorin and oxaliplatin) as the first line treatment in patients with mCRC. The Phase 3 clinical trial plans to enrol approximately 638 subjects (319 subjects in each study group), across approximately 60 clinical sites in China. We expect to complete the trial by 2020. One cohort receives HLX04 treatment either in combination with XELOX at a dosage of 7.5 mg/kg for HLX04, or in combination with mFOLFOX6 at a dosage of 5 mg/kg for HLX04 and the other cohort receives Avastin treatment either in combination with XELOX at a dosage of 7.5 mg/kg for Avastin or in combination with mFOLFOX6 at a dosage of 5mg/kg for Avastin.




The primary endpoint consists of the PFS rate at week 36 ("**$PFSR_{36w}$**").

Secondary endpoints include assessing the (i) BORR up to week 48, (ii) ORR at weeks 6, 12, 18, 24, 30, 36, 42 and 48, (iii) OS rate up to week 54, (iv) time to remission ("**TTR**") and (v) DoR.

Safety and Efficacy. As at the Latest Practicable Date, the Phase 3 clinical trial for mCRC indication was ongoing, and thus efficacy and safety findings were not yet available.

*Phase 1 Clinical Trial*

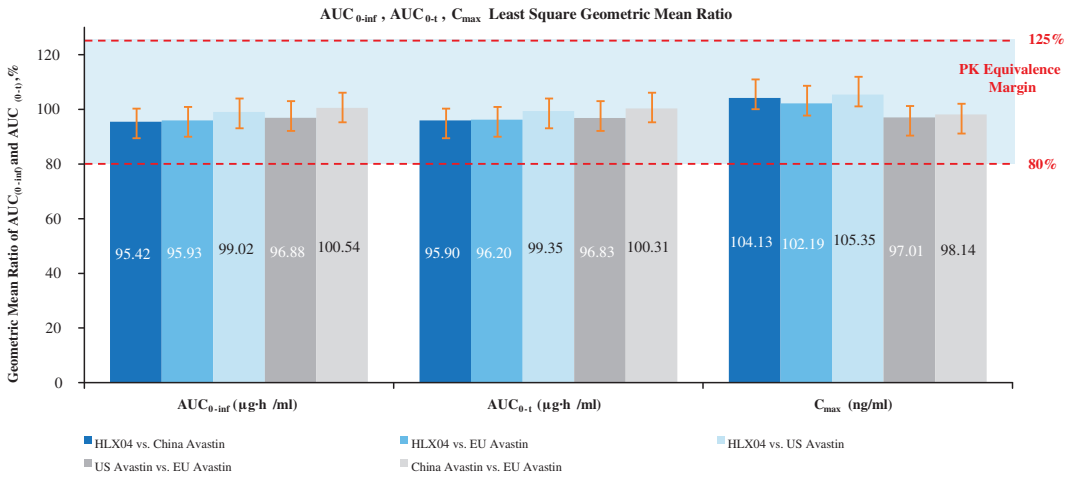
We have completed our Phase 1 clinical trial for HLX04 in April 2018. Based on the data collected and analysed, we concluded that HLX04 is safe, and the Phase 1 clinical trial demonstrated bioequivalence in PK profile between HLX04 and the reference drug.

Study Design. The Phase 1 clinical trial was a multi-centre, randomised, double-blind, four-arm parallel study comparing the PK, safety and immunogenicity of HLX04, Avastin sold in the US ("**US Avastin**"), Avastin sold in the EU ("**EU Avastin**") and Avastin sold in the PRC ("**China Avastin**") in healthy Chinese males. We included EU Avastin as a reference drug in order to qualify HLX04's study results for potential EMA approval, and we included US Avastin as a reference drug in order to qualify our immuno-oncology combination therapy HLX04 + HLX10 for potential FDA approval. We enroled a total of 208 subjects, of whom a single 3 mg/kg dose of HLX04, US Avastin, EU Avastin or China Avastin was given to 201 subjects. Subjects were followed up for up to 99 days after infusion.

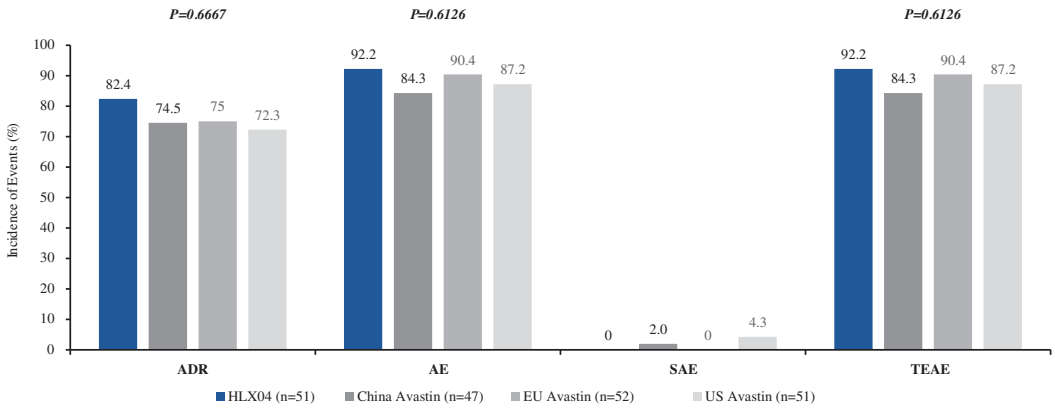
The primary endpoints consisted of $AUC_{0\text{-}inf}$ and $AUC_{0\text{-}t}$.

The secondary endpoints consisted of $C_{max}$; TEAE and SAE, $T_{max}$, $T_{1/2}$, λz, CL; Vss, Vz and ADA presence.

PK: The findings of the Phase 1 clinical trial demonstrated four-way PK bioequivalence among HLX04 and all three differently sourced Avastin. In particular, the 90% CI for the $AUC_{0\text{-}inf}$, $AUC_{0\text{-}t}$, and $C_{max}$ ratios of each cohort fell within the 80-125% equivalence margin, as laid out in more details below.




Safety. There was no statistically significant difference in safety profiles among HLX04 and Avastin from all three sources. Only one Grade 4 drug-related AE was observed in EU Avastin group, and no Grade 5 AEs were observed. The charts below set out the safety findings in more detail.




Immunogenicity. ADA results were negative in all four treatment groups.

*Indication Expansion of HLX04 for nsNSCLC*

In addition to mCRC, we have also applied for regulatory approval for nsNSCLC indication. We originally submitted the IND application to the NMPA in July 2015 and received approval to commence clinical trials in May 2016. However, according to the Biosimilar Guidelines, if clinical similarity has been demonstrated in the comparative studies, extrapolation to other indications of the reference product could be considered. Assuming that we achieve favourable bioequivalence and safety results for HLX04 clinical trials with respect to mCRC, we expect to be able to expand HLX04 indications to the nsNSCLC indication without the need of full-length clinical trials.

*Pre-Clinical Research*

We achieved favourable pre-clinical testing results, with no significant differences compared to Avastin.

We initiated research and development of HLX04 in January 2012, in accordance with EMA guidelines for biosimilar development, beginning with preliminary drug exploration, pharmacology and toxicology studies and pre-clinical and clinical development plans. Pre-clinical testing and studies included:

- Head-to-head comparison of all quality attributes of HLX04 with those of Avastin;
- *In vivo* studies comparing HLX04 and Avastin of the anti-tumour effect on mice xeno-grafted with human tumour cells; and
- *In vivo* studies of PK/PD, safety pharmacology, acute toxicity, chronic toxicity, immunogenicity, immunotoxicity, haemolysis and tolerability, comparing HLX04 and Avastin on cynomolgus monkeys.

***Material Communications and Next Steps***

We continue to conduct our Phase 3 clinical trial for the mCRC indication, and will evaluate and submit the study results from Phase 1 and Phase 3 clinical trials to the relevant regulators when available in order to obtain regulatory approvals. We plan to file the NDA with the NMPA in 2020 and expect to receive regulatory approval to commence commercialisation in 2021. We expect that our NDA for HLX04 will seek approval for the same indications as those approved for Avastin in China, namely mCRC and unresectable, locally advanced, recurrent or metastatic nsNSCLC.

In preparation for the Phase 3 clinical trial for HLX04, we had three rounds of communications with the CDE in scheduled meetings, which were held on 14 June 2017, 4 January 2018 and 31 January 2018, respectively. In these meetings, the CDE reviewed our trial design, reminded us on the associated risks and acknowledged that we had implemented certain effective control methods to address the potential risks. Based on these communications with the CDE, we finalised our trial design, which has been accepted by the CDE.

Other than the above, we have not had any material regulatory communications with the NMPA or CDE for HLX04, and we are not aware of any material concern from the NMPA or the CDE in connection with our ongoing development of HLX04.

See "—*Intellectual Property*" for details of intellectual properties which we have registered, maintained, applied for or intend to apply for with respect to HLX04.

***Collaboration Arrangements and Commercialisation Plans***

Assuming that we successfully obtain regulatory approval for HLX04, we intend to begin commercial manufacturing of HLX04 at our own manufacturing facilities for distribution in the PRC. See "—*Manufacturing*" for further details on the technologies utilised in the Xuhui Facility and expansion plans with respect to the Songjiang Facility, which is currently under construction.

Our marketing efforts will primarily target hospitals and specialist clinics across the PRC. We will also explore the possibility of expanding the availability of HLX04 to overseas markets, focusing on countries where access to Avastin and its biosimilars may be challenging for a significant portion of the affected population. In order to commercialise HLX04 in those countries, we plan to identify and enter into licence and commercialisation agreements with reputable local partners in due course. See "—*Commercialisation, Sales and Marketing*".

**WE MAY NOT ULTIMATELY BE SUCCESSFUL IN DEVELOPING AND COMMERCIALISING HLX04.**

**Other Biosimilar Candidates**

In addition to the above Core Products, we have a number of other biosimilar antibody candidates at an earlier stage of development in our pipeline, including the following:

- *HLX12*: a Cyramza (ramucirumab) biosimilar. Cyramza, which is sold by Eli Lilly, is an anti-VEGFR2 drug used to treat advanced gastric cancer, gastroesophageal junction adeno carinoma, aEG, metastatic NSCLC and mCRC. We have commenced a Phase 1 clinical trial for HLX12. We are also developing HLX06 as a VEGFR2 inhibitor, but intend to apply for different disease indications than HLX12, which we believe will minimise the likelihood of potential competition arising between HLX06 and HLX12. See "—*Our Bio-Innovative Drugs—HLX06*" for further details. Moreover, as HLX06 is being developed as a bio-innovative drug, it may face a longer regulatory approval pathway and be more costly to develop. By developing HLX12 in the meantime, we increase the likelihood of being able to introduce a VEGFR2 product to the market and potentially in an earlier timeframe.

- *HLX11*: a Perjeta (pertuzumab) biosimilar. Perjeta, which is sold by Roche, is an anti-HER2 drug administered in combination with trastuzumab and docetaxel to treat $HER2^+$ eBC and mBC. While we are also developing HLX02 as a $HER2^+$ inhibitor, we expect to differentiate HLX11 on the basis of different subtargets within HER2 for binding, in the same fashion that their originator drugs, Herceptin and Perjeta, are differentiated from each other. Different subtargets may lead to different treatment efficacies when administered, and as a

result Herceptin and Perjeta may be administered in combination therapy to further increase efficacy. In addition, patients who fail to respond to Herceptin treatment may respond to Perjeta treatment, and vice versa. Accordingly, we do not expect there to be substantial competition between HLX02 and HLX11. Furthermore, we are also developing HLX22 as a novel HER2 inhibitor, and similarly expect it to augment, rather than compete with, our HER2 inhibitor portfolio for the same reasons. See "*—Our Bio-Innovative Drugs—HLX22*" for further details.

- *HLX14*: a Xgeva (denosumab) biosimilar. Xgeva, which is sold by Amgen, acts by binding to and inhibiting receptor activator of nuclear factor-kappa B ligand ("**RANK ligand**") in order to treat bone-related diseases. HLX14 is currently undergoing pre-clinical studies.

- *HLX13*: a Yervoy (ipilimumab) biosimilar. Yervoy, which is sold by Bristol-Myers Squibb, is an anti-CTLA-4 drug used to treat solid tumours. HLX13 is currently undergoing pre-clinical studies.

- *HLX15*: a Darzalex (daratumumab) biosimilar. Darzalex, which is sold by Johnson & Johnson, is an anti-CD38 drug used to treat multiple myeloma. HLX15 is currently undergoing pre-clinical studies.

Furthermore, we filed an IND application for HLX05, an Erbitux (cetuximab) biosimilar, in August 2016 for the mCRC indication and in September 2016 for the SCCHN indication. In July 2016, we entered into a licence agreement under which we granted Shanghai Jingze an exclusive right to develop and commercialise HLX05 in China. See "*—License Arrangements—Licence Agreement with Shanghai Jingze*" for further details. As a result of the out-licensing, we do not consider HLX05 to be a component of our drug candidate portfolio.

## OUR BIO-INNOVATIVE DRUGS

### Overview

In addition to biosimilars, we also have a development portfolio of bio-innovative drugs, which are novel biologic drugs. According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) published by the NMPA, in China, administrative and intellectual property protections are available to products classified as novel drugs. In order to be eligible, biological drugs must fall into one of the following categories: (i) new drugs that are not marketed anywhere in the world or biosimilars for which the reference drugs are approved for certain indications in other jurisdictions but not in China ("**bio-innovative drugs**") or (ii) improved versions of existing drugs in terms of efficacy and/or safety ("**biobetters**"). The length of administrative and patent protections varies depending on the category. New drugs are subject to a rigorous regulatory review process under which the product candidate must demonstrate, through clinical and non-clinical evidence, favourable efficacy and safety

results to the satisfaction of the regulators. Biobetters and biosimilars for indications not previously approved in China are subject to substantially the same regulatory approval process as biosimilars generally, except that biobetters must also demonstrate some degree of superiority against the reference drug in terms of efficacy and/or safety.

**HLX07**

***Overview***

We are developing HLX07, which is a recombinant humanised anti-epidermal growth factor receptor ("**EGFR**") monoclonal antibody, as a cetuximab biobetter. Cetuximab is primarily used to treat mCRC and locally advanced head and neck cancer, including squamous cell carcinoma of the head and neck ("**SCCHN**"). We began developing HLX07 in January 2014 and are conducting Phase 1b/2 clinical trials in Mainland China and a Phase 1a clinical trial in Taiwan. As a biobetter, we believe HLX07 will be superior to cetuximab in terms of safety since HLX07 is a humanised monoclonal antibody rather than a chimeric human-murine antibody such as cetuximab. We aim to leverage this advantage, along with our aim to make HLX07 more affordable than cetuximab, to successfully commercialise HLX07. If we receive regulatory approval, we plan to launch HLX07 initially in China, where there is a significant underserved population of Chinese mCRC and SCCHN patients who do not have access to cetuximab, in large part due to its high cost.

***Background of Cetuximab***

Cetuximab was developed by Yeda Research and Development Company Ltd. It initially received FDA approval for the treatment of mCRC in 2004 and SCCHN in 2006. Use of cetuximab is not recommended for the treatment of mCRC with KRAS mutations. In China Mainland, cetuximab was approved by NMPA in 2006.

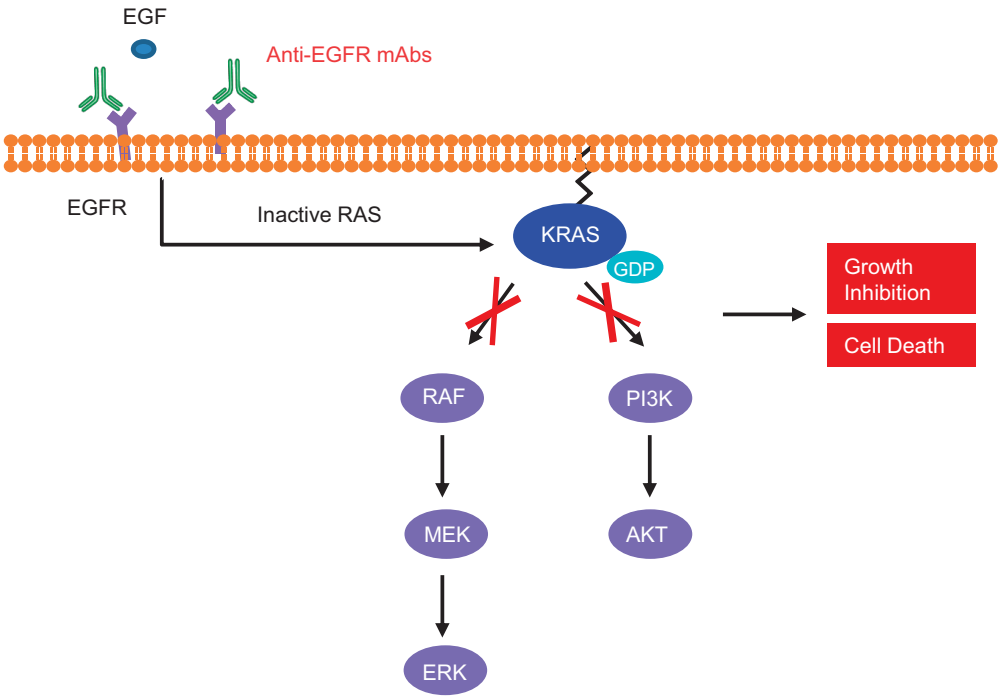
Depending on the jurisdiction of approval, approved indications of cetuximab may include locally or regionally advanced SCCHN, recurrent locoregional or metastatic SCCHN, recurrent or metastatic SCCHN progressing after platinum therapy and mCRC with wild-type KRAS and EGFR overexpression. In China, cetuximab is only approved for mCRC with wild-type KRAS and EGFR overexpression. Cetuximab is typically administered through intravenous infusion.

Erbitux is distributed by Bristol-Myers Squibb in the US and Canada and in most other countries by Merck KGaA. According to the Frost & Sullivan Report, in 2018, global sales of cetuximab amounted to US$1.50 billion, while sales in China amounted to RMB0.50 billion.

***Mechanism of Action***

HLX07 acts by binding to the extracellular domain of EGFR, which is a receptor that appears on both normal and cancerous cells, but is particularly overexpressed in many colorectal cancers. In normal cells, EGFR binds to, among other things, transforming growth factor alpha ("**TGF-α**"), which activates a signalling pathway for cell proliferation, differentiation and development. Cancer cells take advantage of this pathway by overexpressing EGFR, leading to constant activation of TGF-α and uncontrolled cell proliferation. It has been reported that expression of EGFR correlates with tumour

progression, resistance to chemotherapy and a poorer prognosis. EGFR plays an important role in initiating signal transduction, and therapeutic approaches directed towards interrupting this pathway have been shown to impair tumour cell proliferation. By binding to EGFR, HLX07 inhibits the TGF-α activation mechanism and reduces the cancer cells' ability to spread.




***Current Therapies***

*mCRC*: In mCRC patients with overexpressed EGFR and wild-type KRAS, cetuximab is approved for first-line therapy in combination with FOLFIRI (irinotecan, 5-fluorouracil, leucovorin) and second-line therapy in combination with irinotecan in patients who are refractory to irinotecan-based chemotherapy. Cetuximab is also approved as a single agent for patients who have failed oxaliplatin- and irinotecan-based chemotherapy or who are intolerant to irinotecan.

*SCCHN*: Cetuximab is approved for locally or regionally for advanced SCCHN in combination with radiation therapy, recurrent loco-regional disease or metastatic SCCHN in combination with platinum-based therapy with 5-FU, and recurrent or metastatic SCCHN progressing after platinum-based therapy.

As cetuximab (and other EGFR inhibitors) has not demonstrated efficacy against tumours without overexpressed EGFR or with KRAS gene mutation, screening for overexpressed EGFR or KRAS mutation is typically conducted before determining the proper course of treatment in order to rule out patients who are unlikely to respond to cetuximab and may instead be suitable for a different treatment option. mCRC patients with KRAS mutation may be treated with Avastin, to which our HLX04 is under development as a biosimilar. See "— *Our Biosimilar Portfolio — HLX04*" for further details.

The most common side effects of cetuximab are: cutaneous adverse reactions (including rash, pruritus, and nail changes), headache, diarrhea and infection.

***Potential Market Opportunities and Competition***

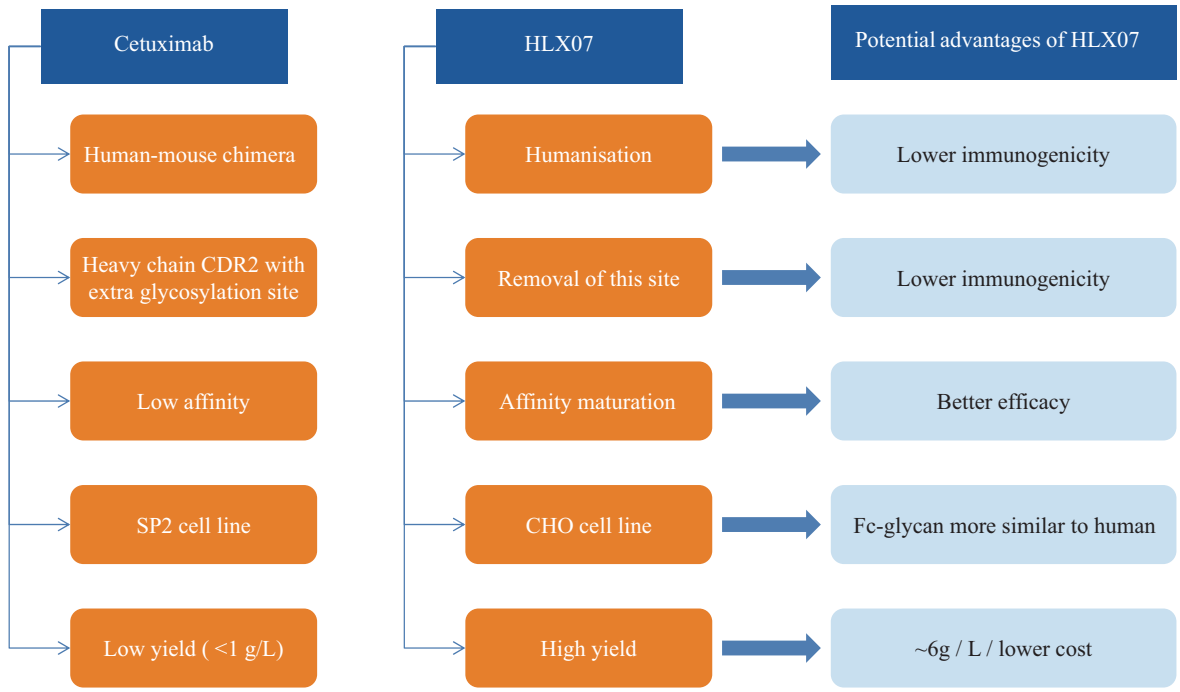
In general, EGFR inhibitors such as cetuximab command high market prices, in part due to being a relatively new class of monoclonal antibody drugs. According to the Frost & Sullivan Report, in 2018, cetuximab therapy for mCRC costs approximately US$120,000 per year in the US and approximately RMB272,240 per year in China, while cetuximab therapy for SCCHN costs approximately US$80,000 per year in the US and approximately RMB389,500 per year in China, which is beyond the means of most patients. After price negotiations in October 2018, cetuximab therapy for SCCHN costs approximately RMB85,988 per year for mCRC and approximately RMB123,025 per year for SCCHN patients in China. However, the incidence rates of mCRC and SCCHN remain high. In 2018, cetuximab was included in the NRDL in China with the price of a 100 mg (20mL) vial set at RMB1,295. According to the Frost & Sullivan Report, there were approximately 145,100 new mCRC cases and 123,300 new SCCHN cases in 2018 in China, with year-on-year growth in new patients of 2.6% and 2.2%, respectively. Based on observed incidence rates, most of these patients are expected to have overexpressed EGFR with wild-type KRAS.

In light of the significant market opportunities for EGFR inhibitors, a number of cetuximab biosimilars are in development globally, none of which have yet been approved for commercialisation in any jurisdiction. In China, cetuximab biosimilars are under development by Kelun and Sinomabtech, both of which are undergoing Phase 3 clinical trials. In addition, other anti-EGFR monoclonal antibodies which are available in certain markets, but are generally not as widely distributed as cetuximab, include panitumumab (brand name Vectibix) from Amgen in combination with the FOLFOX regimen, which received FDA approval in 2006 for EGFR-expressing mCRC, and nimotuzumab developed by the Centre of Molecular Immunology (and distributed by a variety of companies), which is approved for glioma in the US and EU as well as for SCCHN in China, India and certain other countries.

We plan to compete with cetuximab and other EGFR inhibitors primarily based on HLX07's clinical advantages as a cetuximab biobetter, as described in more detail below. In addition, we expect to be able to competitively price HLX07 against other market participants through leveraging our projected capability to produce HLX07 on a large scale while maintaining sound cost control measures, which we believe will allow us to supply significant quantities of HLX07 at lower cost and in turn, enable us to establish our presence and capture market share for HLX07. We expect to have commenced operations at our Songjiang Facility by the time that HLX07 is approved for commercial production.

***Potential Advantages of HLX07 as a Cetuximab Biobetter***

The chart below illustrates the key differences between HLX07 and cetuximab which we believe will establish HLX07 as a biobetter, based on our drug design and the preliminary findings achieved in pre-clinical studies:




***Summary of Clinical Development History and Results***

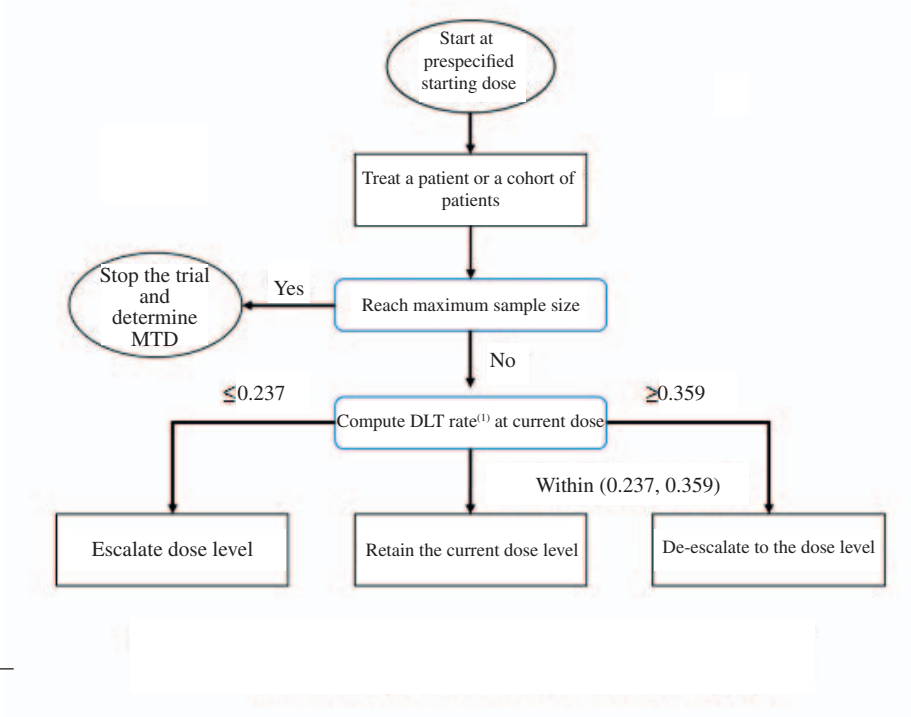
As at the Latest Practicable Date, we were conducting Phase 1b/2 and Phase 1a clinical trials for HLX07 in China Mainland and Taiwan, respectively.

*Clinical Development of HLX07*

*Phase 1b/2 Clinical Trial*

Study Design. The Phase 1b/2 HLX07 clinical trial is an open-label, Bayesian optimal interval ("**BOIN**") design adaptive dose-escalation study exploring the safety, tolerability, PK and efficacy when administering HLX07 in combination with different chemotherapy regimens (namely (i) 1000 mg/m$^2$ of gemcitabine + 75 mg/m$^2$ of cisplatin, (ii) 80 mg/m$^2$ of paclitaxel + carboplatin (AUC=2) and (iii) mFOLFOX6 - 85 mg/m$^2$ of oxaliplatin, 400 mg/m$^2$ of leucovorin and 5-fluorouracil (initially 400 mg/m$^2$ followed by 2,400 mg/m$^2$) in patients with metastatic or recurrent advanced solid tumours. We plan to enrol a maximum of 90 subjects to receive either 400 mg, 600 mg or 800 mg of HLX07 in combination with the chemotherapy. Subjects start at the lowest dose level of 400 mg per

administration. The chart below describes this escalation process in more detail:




*Note:*

(1) DLT rate = Total number of patients with DLT at current dose/Total number of patients treated at current dose

The primary endpoints are (i) the incidence of DLT, in HLX07 combined with different chemotherapy regimens and its correlation with HLX07 and (ii) the MTD of HLX07 in combination with different chemotherapy regimens.

The secondary endpoints consisted of (i) the incidence and type of AEs, clinically significant abnormal laboratory indicators, changes in ECG and vital signs and (ii) preliminary efficacy of HLX07 in combination therapy (including in respect of ORR, DCR, DoR, PFS and OS).

Safety and Efficacy. As at the Latest Practicable Date, the Phase 1b/2 clinical trial for HLX07 remained ongoing, and thus efficacy and safety findings were not yet available.

*Phase 1a Clinical Trial*

Study Design. The Phase 1a HLX07 clinical trial is a multi-centre, open-label, 3+3 dose-escalation study to investigate the safety, tolerability and to determine the dose-limiting toxicity ("**DLT**"), maximum tolerated dose ("**MTD**") and recommended Phase 2 dose of HLX07 in patients with advanced solid cancers. We have completed patient recruitment and have enroled 16 subjects in total. Each subject receives a single weekly infusion of HLX07 at 50 mg, 100 mg, 200 mg, 400 mg, 600 mg or 800 mg for two hours until disease progression. Participants undergo weekly tests to evaluate whether any potential adverse reactions have developed, as well as an imaging study every eight weeks after first infusion for treatment purpose.

The primary endpoint consists of TEAEs.

Secondary endpoints consist of $C_{max}$, $C_{min}$, AUC, $T_{1/2}$, clearance, Vss, serum concentration at steady state ("**Css**"), ORR and presence of ADAs.

Safety and Efficacy. As at the Latest Practicable Date, the Phase 1a clinical trial for HLX07 remained ongoing, and thus efficacy and safety findings were not yet available.

*Pre-clinical Research*

We commenced the research and development of HLX07 in January 2014. Pre-clinical testing and studies included:

- *in vitro* studies comparing the inhibitory effect of the HLX07 PD profile; and
- *in vivo* studies of the efficacy, PK/PD, safety and immunogenicity of HLX07 compared to cetuximab on human tumour xenografted mice.

We achieved favourable pre-clinical testing results in respect of the above. In particular, our *in vitro* and *in vivo* PD studies showed greater tumour suppressive capability of HLX07 compared to cetuximab. Based on these findings, we submitted an IND application to the NMPA, FDA and TFDA for HLX07 for the indication of solid tumours and received approval to commence clinical trials in September 2016, September 2016 and June 2016, respectively.

***Collaboration Arrangements and Commercialisation Plans***

Assuming that we successfully obtain regulatory approval for HLX07, we intend to begin commercial manufacturing of HLX07 for distribution initially in the PRC. We may also explore the possibility of expanding the availability of HLX07 to other overseas markets, focusing in particular on countries where access to cetuximab and other EGFR inhibitors may be challenging for a significant portion of the affected population. In order to commercialise HLX07 in those countries, we plan to identify and enter into licence and commercialisation agreements with reputable local partners.

**HLX06**

***Overview and Mechanism of Action***

We are developing HLX06, a vascular endothelial growth factor receptor 2 ("**VEGFR2**") inhibitor, for the treatment of solid tumours. We have received IND approvals to develop HLX06 in the US, China Mainland and Taiwan, and as at the Latest Practicable Date, had commenced a Phase 1 clinical trial in Taiwan.

HLX06 acts by targeting and binding VEGFR2, which is a signal protein that stimulates angiogenesis. VEGFR2 normally mediates the downstream effects of VEGF in angiogenesis. As certain tumour cells release pro-angiogenic factors with VEGF receptors as part of their proliferation activity, by blocking VEGFR2 signaling without affecting VEGF-binding, HLX06 helps inhibit tumour growth through the VEGF pathway. By targeting VEGFR2 signaling by binding to Ig domains 5-7 of VEGFR2, HLX06 acts as a VEGFR2 antagonist.

***Potential Market Opportunities and Competition***

As VEGFR2 inhibitors are a relatively new class of oncology drugs, we believe there are significant opportunities in this largely untapped therapeutics market, especially for early-movers and companies that are able to offer these drugs at affordable prices. Anti-VEGFR2 drugs currently on the market include ramucirumab from Eli Lilly (sold under the brand name Cyramza) and apatinib from Hengrui. According to the Frost & Sullivan Report, in 2018, global sales of Cyramza reached approximately US$821 million, while sales of apatinib in China reached approximately RMB1,741.2 million.

Ramucirumab is primarily used as a second-line therapy for certain gastric cancers, gastroesophageal cancers, NSCLC and mCRC. Ramucirumab was initially approved in the US in 2014 and Europe in 2015, and is currently undergoing a Phase 3 clinical trial in China for the GC indication. We are also developing HLX12 as a Cyramza biosimilar for certain indications approved for Cyramza, but intend to apply for different disease indications for HLX06 in order to minimise potential competition between them. Apatinib was approved in China in 2015 as a third-line therapy for GC and was added to the NRDL in 2017. Apatinib is also undergoing further clinical trials in China to move up to an earlier line of treatment and to expand its indications to other types of cancers. In addition, ramucirumab biosimilars are under development in China by Kelun Biopharmaceuticals, in the pre-clinical development stage.

We expect these, and other VEGFR2 inhibitors which may be developed by other companies over time, to be the key competitors of HLX06. We expect HLX06 to compete with other VEGFR2 inhibitors primarily based on what we believe will be HLX06's high binding affinity to VEGFR2 and its ability to bind to different regions of VEGFR2 compared to Cyramza.

***Clinical and Pre-clinical Research***

As at the Latest Practicable Date, we were undergoing a Phase 1 clinical trial for HLX06 in Taiwan, which we expect to complete in 2020. The trial is designed as an open label, adaptive dose-escalation clinical trial that employs modified accelerated titration design ("**ATD**") 2A and BOIN design, with a maximum of 30 patients with metastatic or recurrent solid tumours who have failed standard therapy to be enroled, spread across two clinical sites in Taiwan.

Primary endpoints consist of adverse events and MTD.

Secondary endpoints consist of $C_{max}$, $C_{min}$, $AUC_{0\text{-}tau}$, $T_{1/2}$, CL, volume of distribution at steady state ("**Vss**") in different cohorts, the presence and percentage of ADAs, DCR, ORR and DoR.

As the study was ongoing as at the Latest Practicable Date, efficacy and safety data was not yet available.

Pre-clinical studies showed a significant tumour suppression effect compared to placebo, while higher doses did not adversely affect the health of the subjects. Detailed studies included:

- *in vitro* assessments of the effects of HLX06 on human endothelial cells, in which HLX06 was observed to inhibit the proliferation of such cells; and

- *in vivo* efficacy and safety evaluations of HLX06 when administered at different doses to mice xeno-grafted with human tumour cells.

***Collaboration Arrangements and Commercialisation Plans***

Assuming that we successfully obtain regulatory approval for HLX06, we intend to begin commercial manufacturing of HLX06 for initial sale in the PRC, and may also explore expanding HLX06's availability to other markets where access to VEGFR2 inhibitors may be challenging for a significant portion of the affected population. In order to commercialise HLX06 in those countries, we plan to identify and enter into licence and commercialisation agreements with reputable local partners in due course. See "—*Commercialisation, Sales and Marketing*".

**HLX10**

***Overview***

We are developing HLX10, as a recombinant humanised monoclonal antibody against PD-1, with the aim of treating various solid and haematological tumours. We began developing HLX10 in early 2014. We obtained IND approvals in the US, Taiwan and China Mainland in September 2017, December 2017 and March 2018, respectively. We have commenced a Phase 2 clinical trial for HLX10 monotherapy in China Mainland. We plan to commercialise HLX10 as an affordable oncology biologic to serve the continuously growing population of cancer patients, especially in emerging markets such as China, where demand for effective, high-quality cancer treatment is not met. Moreover, HLX10 has demonstrated high efficacy when administered together with chemotherapy, radiation therapy or certain of our other mAb drug candidates, including HLX04 and HLX07. Accordingly, we also plan to apply for regulatory approval to market these combination therapies for various indications. We are currently preparing for Phase 3 clinical trials for the nsNSCLC indication, and Phase 2 clinical trials for the HCC indication of our HLX04 + HLX10 combination therapy and our IND application for our HLX07 + HLX10 combination therapy has been accepted by the NMPA. See "—*Immuno-oncology Combination Therapies*" for further details.

In addition, we are also developing HLX10 to treat Hepatitis B virus ("**HBV**"). We have received IND approval from TFDA to commence a Phase 2 clinical trial for the HBV indication in Taiwan.

***Background of PD-1 / PD-L1 Immuno-Oncology Therapies***

HLX10 is an immune checkpoint inhibitor. Immune checkpoint inhibitors represent a new approach to cancer treatment. Whereas chemotherapies and most targeted agents interfere with key tumour signalling, cell growth or cell division to reduce tumour cell proliferation or induce cell death, immune checkpoint inhibitors are designed to restore a patient's own anti-tumour immune response that was attenuated during the process of carcinogenesis.

In addition to HLX10, we are also developing HLX20 as an immune checkpoint inhibitor. See "*—HLX20*" for further details.

*Current PD-1/PD-L1 Therapies*

Cancer immunotherapies such as monoclonal antibodies blocking the inhibitory pathway of programmed cell death-1 ("**PD-1**") receptor and programmed cell death ligand-1 ("**PD-L1**") have made a significant impact on the treatment of cancer patients in recent years. The targeted immuno-oncology therapy against PD-1/PD-L1 has shown impressive clinical anti-tumour activity in a variety of cancers including solid tumours and haematologic malignancies such as melanoma and renal cell carcinoma ("**RCC**"), as well as in tumours previously not considered immune-responsive, particularly NSCLC, SCCHN, GC, hepatocellular carcinoma ("**HCC**"), colorectal cancer, bladder cancer and Hodgkin's lymphoma, with sustained responses for several years.

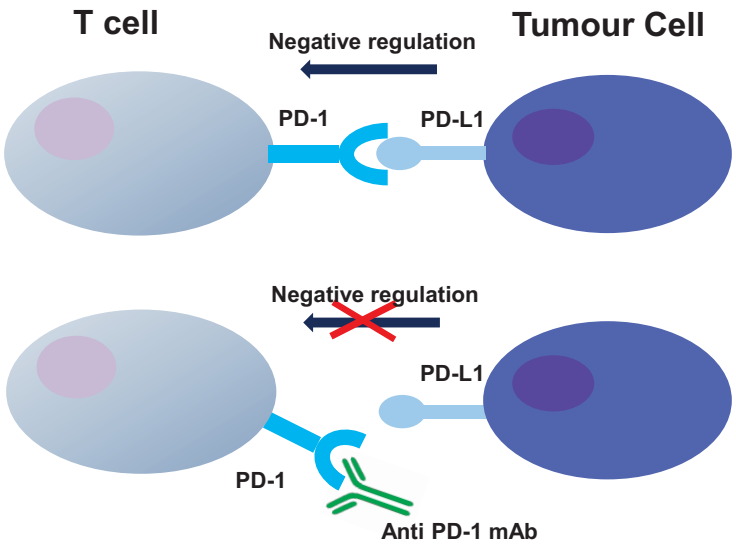
Although immune checkpoint inhibitors have successfully achieved sustained responses in many different types of malignant diseases, they are only effective in a fraction of patients in each type of tumours. Accordingly, a variety of immuno-oncology combination therapies have been developed or are under development, which in turn enables immune checkpoint inhibitors to not be limited to specific tumour types and be more likely to effectively treat malignant diseases with specific immunobiologic characteristics. PD-L1 expression has been suggested to predict the response to anti-PD-1/PD-L1 antibody therapies.

*Competition*

A number of PD-1 or PD-L1 antibody drugs have been approved by the FDA. These include Merck's Keytruda (pembrolizumab), Bristol-Myers Squibb's Opdivo (nivolumab), Roche's Tecentriq (atezolizumab), AstraZeneca's Imfinzi (durvalumab), Pfizer's Bavencio (avelumab) and Regeneron's Libtayo (cemiplimab). Several PD-1 or PD-L1 antibody agents are in clinical development, such as Novartis' PDR-001, Tesaro's TSR042 and Pfizer's PF-06801591. In China, approved PD-1/PD-L1 antibody agents include imported nivolumab and pembrolizumab, as well as PD-1 inhibitors from, Shanghai Junshi Biosciences, Innovent Biologics and Hengrui, which received approval from the NMPA in December 2018, December 2018 and May 2019, respectively. BeiGene has filed an NDA with the NMPA for its PD-1 drug candidate.

***Mechanism of Action***

Cytotoxic T-lymphocytes ("**CTLs**") provide humans with an important self-defence mechanism against cancer, patrolling the body, recognising cancer cells based on immunogenic features that differ from normal cells, and killing cancer cells by injecting poisonous proteins into them. T-lymphocytes have various built-in mechanisms to prevent damaging normal cells, among which is a protein called PD-1 receptor expressing on the surface of T-lymphocytes. The PD-1 ligands, PD-L1 and PD-L2, are important signalling proteins that can engage PD-1. HLX10 is a PD-1 inhibitor that blocks the interaction between PD-L1 and PD-1 receptor. Normally, PD-L1 binding to PD-1 receptor activates an inhibitory signal inside of the T-lymphocyte and abrogates its cytotoxic effects. Many types of cancer cells can hijack the PD-L1 expression system that normally exists in healthy cells. By expressing PD-L1, cancer cells protect themselves from being killed by CTLs. HLX10 is designed to inhibit this immunosuppressive interaction to prevent the cancer cells from evading the immune system, which in turn elevates the immune response through the stimulation and proliferation of $CD4^+$ T cells and the secretion of cytokine IL-2.




***Potential Market Opportunities and Competition***

While PD-1/PD-L1 inhibitors are a relatively novel group of oncology drugs, they have already become common therapies for a variety of malignancies, including melanoma, NSCLC, head and neck cancer, bladder cancer and renal cancer. A significant and growing market has developed as a result. Many PD-1/PD-L1 inhibitors have received approvals in certain jurisdictions, such as the US. According to the Frost & Sullivan Report, in 2018, global sales of Opdivo and Keytruda (nivolumab and pembrolizumab, respectively) reached US$7.6 billion and US$7.2 billion, respectively. See "*Industry Overview — Overview of Other Therapeutic Areas*" for further details.

However, while PD-1/PD-L1 inhibitors have demonstrated favourable patient outcomes and clinical results, they are generally expensive. In the absence of medical insurance, most patients, especially in developing countries, would struggle to afford this treatment.

Consequently, innovative yet affordable new PD-1/PD-L1 inhibitors are urgently needed to address the high cost of such medication for patients and reduce pressure on government insurance schemes, which creates significant market opportunities. This is particularly true in large, emerging markets like China, where nivolumab and pembrolizumab are so far the only PD-1/PD-L1 inhibitors that have received regulatory approval. Some other PD-1/PD-L1 inhibitors developed by international pharmaceutical companies as described under "*—Background of PD-1/PD-L1 Immuno-Oncology Therapies—Competition*" above are currently undergoing Phase 3 clinical trials in China. Among Chinese biopharmaceutical companies, PD-1/PD-L1 inhibitors under development include those from Junshi, Innovent Biologics, and Hengrui, all of which have obtained NDA approvals in China, as well as BeiGene, which has filed an NDA in China. We expect these, and other PD-1/PD-L1 inhibitors which may be developed by other companies over time, to be the key competitors of HLX10. We plan to compete with these other drugs primarily based on our combination therapy strategy, which we believe will allow us to increase the overall responsive patient pool, and improve efficacy by deepening the response. In particular, we plan to leverage our comprehensive drug candidate pipeline to strategically and efficiently develop various immuno-oncology combination therapies for a huge potential patient base covering a wide variety of indications.

***Summary of Clinical Development History and Results***

As at the Latest Practicable Date, we had commenced Phase 2 clinical trials for the solid tumours indication for HLX10.

*Clinical Development of HLX10*

*Phase 2 Clinical Trial*

Study design. The Phase 2 clinical trial is designed as a single-arm, multi-centre study to evaluate HLX10 monotherapy for the treatment of unresectable or metastatic microsatellite instability-high or mismatch repair deficient solid tumors that failed to respond to standard therapy.

The primary endpoint consists of ORR assessed by independent radiological review committee based on the RECIST Version 1.1.

The secondary endpoints consist of ORR assessed by the investigators based on the RECIST Version 1.1, ORR assessed by independent radiological review committee based on the iRECIST, 6-month OS rate, OS, 6-month PFS rate, PFS assessed by independent radiological review committee based on RECIST v1.1, iRECIST, PFS assessed by the investigators based on RECIST v1.1 and DoR.

Safety and Efficacy. As at the Latest Practicable Date, the Phase 2 clinical trial for HLX10 remained ongoing, and thus efficacy and safety findings were not yet available.

*Phase 1a Clinical Trial*

Study Design. The HLX10 Phase 1a clinical trial, is an open-label, BOIN adaptive dose-escalation study to identify safety and the maximum tolerated dose ("**MTD**") of HLX10 in patients with metastatic or recurrent solid tumours refractory to standard therapy. The DLT range between 0.253 and 0.344 is derived from the parametres set-up for safety and toxicity boundaries in the BOIN 2.4 package, with the highest and lowest toxicity probabilities set at 70% and 130% of target toxicity rate, respectively. The study includes three evaluable subjects at each dose cohort for a total of four dose cohorts (0.3, 1, 3 and 10 mg/kg) with the decision to escalate or de-escalate based on the observed toxicity rate. When the observed DLT rate is less than 0.253, the dose level for the next cohort may escalate to the next higher level while it may de-escalate if the DLT rate is higher than 0.344. If the observed DLT rate ranged between 0.253 and 0.344, the same dose level is used for the next cohort.

The primary endpoints consisted of MTD and numbers and percentage of patients with AEs.

The secondary endpoints consisted of: (i) $C_{max}$ and $C_{min}$, (ii) $AUC_{0\text{-}tau}$, (iii) $T_{1/2}$, (iv) clearance rate, (v) Vss, (vi) ADA presence, (vii) disease control rate, (viii) ORR, (ix) DoR, (x) receptor occupancy of PD-1 on human T-cells and (xi) potential predictive and prognostic biomarkers.

Safety and Efficacy. As at the Latest Practicable Date, the Phase 1a clinical trial for HLX10 remained ongoing, and thus efficacy and safety findings were not yet available.

*Pre-clinical Research*

We initially commenced research and development of HLX10 in January 2014. Pre-clinical testing and studies included (i) *in vitro* studies demonstrating HLX10's ability to bind to the PD-1 receptor of activated T-cells, block PD-L1/PD-L2 from triggering immunosuppression, stimulate and promote CD4-positive T cell proliferation and promote secretion of cytokine IL-2 and (ii) *in vivo* studies on the PD of HLX10 in demonstrating significant ability to inhibit PD-L1 receptors on human colorectal cancer and NSCLC tumour cells on xenografted mice, along with favourable safety observations.

***Collaboration Arrangements and Commercialisation Plans***

Assuming that we successfully obtain regulatory approval for HLX10, we intend to begin commercial manufacturing of HLX10 for distribution initially in China Mainland. As we intend to obtain regulatory approval for HLX10 in overseas markets as well, including the US, Taiwan and emerging markets which accept the results of clinical studies conducted in the US, China Mainland and/or Taiwan, we will also focus on expanding HLX10 availability to markets where access to PD-1/PD-L1 inhibitors may be challenging for a significant portion of the affected population. In order to commercialise HLX10 in those countries, we plan to identify and enter into licence and commercialisation agreements with reputable local partners in due course. See "—*Commercialisation, Sales and Marketing*".

## HLX20

### *Overview and Mechanism of Action*

HLX20 is a PD-L1 inhibitor. We received IND approval to develop HLX20 in China in July 2018 and completed the filing required to commence clinical trials in Australia in May 2018. As at the Latest Practicable Date, we had commenced a Phase 1 clinical trial in Australia.

HLX20 acts by binding to PD-L1, which prevents its immunosuppressive interaction with PD-1. As certain cancer cells may take advantage of this interaction to evade the immune response, the PD-L1 inhibition function of HLX20 serves to prevent this evasion mechanism.

### *Potential Market Opportunities and Competition*

Similar to PD-1 inhibitors, PD-L1 inhibitors have demonstrated favourable patient outcomes and clinical results, but are generally very expensive, which presents market opportunities for companies that are able to offer an affordable, high-quality drug. See *"—HLX10*" for further details. PD-L1 inhibitors on the market include durvalumab from AstraZeneca, avelumab from Merck KGaA and atezolizumab from Roche, each of which has been approved in the US and EU for various cancer indications and is undergoing a Phase 3 clinical trial in China. Among Chinese biopharmaceutical companies, PD-L1 inhibitors under development include those from BeiGene and Hengrui, both of which have entered Phase 3 clinical trials in China.

We expect these, and other PD-L1 inhibitors which may be developed by other companies over time, to be the key competitors of HLX20. We expect HLX20 to compete with other PD-L1 inhibitors primarily based on the potential bi-specific component of HLX20's mechanism of action and potential combination therapies that we may explore developing using PD-L1 as the backbone.

### *Clinical and Pre-clinical Research*

As at the Latest Practicable Date, we had commenced a Phase 1 clinical trial for HLX20 in Australia, which we expect to complete in the first half of 2020. The trial is designed as an open-label, dose escalation, first-in-human study employing BOIN design, in patients with metastatic or recurrent solid tumours who have failed standard therapy, with a maximum of 30 participants to be enroled, spread across up to six clinical sites in Australia. Primary endpoints consist of numbers and percentage of patients with AEs and the MTD of HLX20. Secondary endpoints consist of $C_{max}$, $C_{min}$, $AUC_{0\text{-}tau}$, $T_{1/2}$, CL, Vss, ADA presence, DCR, ORR, TTR, DoR, BOR, PFS, receptor occupancy of PD-L1 on human T-cells, and potential predictive and prognostic biomarkers.

Pre-clinical studies consisted of efficacy and safety assessments on *in vitro* and *in vivo* models by reference to tissue cross reactivity, PK/PD, safety pharmacology, acute toxicity, chronic toxicity, haemolysis, irritability and immunogenicity.

***Collaboration Arrangements and Commercialisation Plans***

Assuming that we successfully obtain regulatory approval for HLX20, we intend to begin commercial manufacturing of HLX20 for distribution initially in the PRC, and may also explore expanding HLX20's availability to other markets where access to PD-L1 inhibitors may be challenging for a significant portion of the affected population.

**HLX01 (for RA)**

In addition to the NHL indication, we are concurrently developing HLX01 for the RA indication. As HLX01's reference drug, MabThera, has not yet been approved for the RA indication in China, HLX01 would constitute a bio-innovative drug for RA treatment in China. See "*—Our Biosimilar Portfolio—HLX01 (for NHL)*" for further details on rituximab, HLX01's mechanism of action and our collaboration and commercialisation plans and arrangements for HLX01.

***Current Therapies for RA***

RA is typically treated with disease-modifying antirheumatic drugs ("**DMARDs**"), of which the most commonly used drug is the immunosuppressant methotrexate. Methotrexate is used to relieve pain, reduce disease activity, decrease joint damage and improve overall functional abilities. Methotrexate treatment is sometimes combined with rituximab ("**R+M**") as studies have shown that using both drugs in conjunction is more effective in improving RA symptoms than using methotrexate alone, providing significant reductions in all ACR response criteria, according to the Frost & Sullivan Report. However, R+M is also associated with a higher risk of infections such as tuberculosis, so the combination therapy is often only recommended for patients who have not experienced improvement in RA symptoms when using methotrexate alone.

***Potential Market Opportunities and Competition for RA Treatment***

The R+M regimen for the treatment of RA is generally well-regarded in terms of efficacy. However, as rituximab has not yet been approved in China for the RA indication, R+M is not available to Chinese patients, despite the pressing need. According to the Frost & Sullivan Report, China has approximately 5.9 million people suffering from RA in 2018, and this number is expected to grow to approximately 6.4 million in 2030. Moreover, even if MabThera were to be made available for RA treatment in China, Chinese patients would still face significant financial challenges given its high cost.

In light of these circumstances, we believe that there is a significant market opportunity for HLX01 in China as an RA therapy. Additionally, as with MabThera, our HLX01 only needs to be injected once weekly for two weeks, repeated every six to nine months, while other biologics currently approved in China for RA treatment typically require injections every two to four weeks. Given the scarcity of healthcare resources in China, especially in rural areas, we believe that HLX01's substantially greater ease of administration and, in turn, its lower overall cost could have substantial market potential and competitive advantages. Furthermore, given that we aim to position HLX01 as an affordable biosimilar to MabThera, we intend to also pursue opportunities to expand HLX01 availability to overseas RA patients in approved jurisdictions.

***Summary of Clinical Development History and Results***

As at the Latest Practicable Date, we had commenced a Phase 3 clinical trial for HLX01 for the RA indication, and had completed the Phase 1/2 clinical trial. Based on the data collected and analysed, we concluded that the Phase 1/2 clinical trial achieved bioequivalence in PK profiles and the PD, safety, efficacy and immunigenicity profiles of HLX01 and the reference drug were comparable.

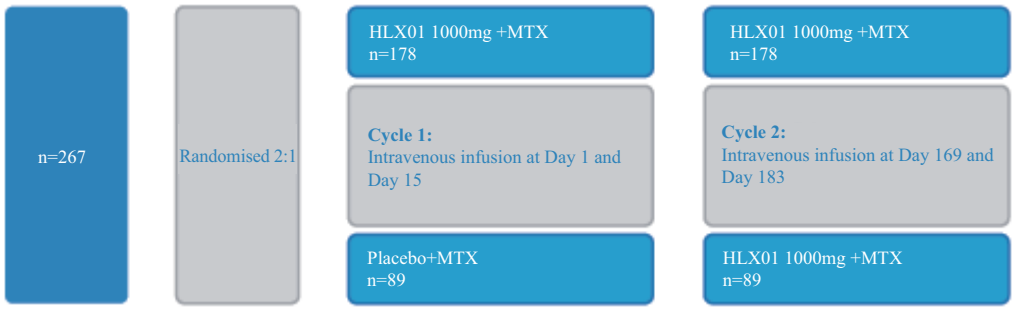
*Clinical Development of HLX01 for RA*

The chart below summarises the timeline of development of HLX01 for RA:

*Phase 3 Clinical Trial*

Study Design. The Phase 3 clinical trial for HLX01 with respect to the RA indication focuses on the efficacy and safety of HLX01 compared to a placebo, in each case administered together with methotrexate in patients suffering from moderate to severe RA who had shown an incomplete response to treatment with methotrexate alone. The Phase 3 clinical trial, which is expected to complete in 2020, is designed as a multi-centre, randomised and double-blind trial. We plan to enrol 178 subjects in the HLX01 cohort and 89 in the placebo cohort, spread across approximately 30 clinical sites in China.

Each cohort receives a course of either HLX01 or the placebo initially, and both cohorts receive a course of HLX01 starting from week 24. Each course consists of two intravenous infusions (administered two weeks apart) of HLX01 or the placebo, with each dose being 1,000 mg. All subjects undergo a primary efficacy endpoint assessment after 24 weeks, followed by another 24-week efficacy and safety follow-up assessment period. At the discretion of the study investigator, subjects who have not responded to treatment at weeks 16 and 20 (as determined by both the tender joint count and swollen joint count having improved by less than 20% from the baseline) would receive salvage therapy treatment starting from week 20, and subjects who have not responded to treatment at weeks 40 and 44 would withdraw from the study to seek other treatment options.



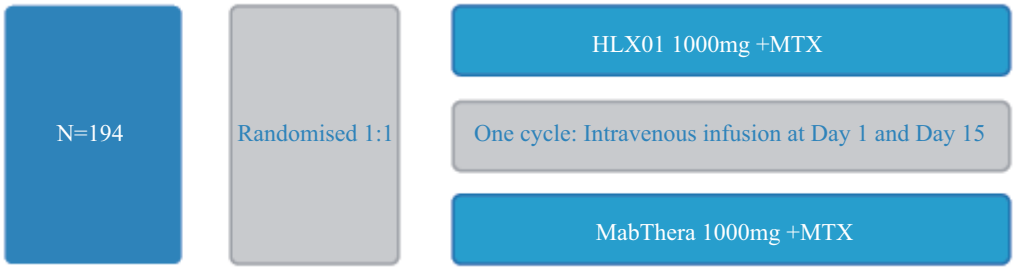
The primary study endpoint is the proportion of subjects achieving at least ACR20 (meaning at least a 20% improvement in RA symptoms) at week 24.

Secondary endpoints consist of: (i) ACR20, ACR50 or ACR70 (which represent a 20%, 50% and 70% improvement in RA symptoms, respectively) at week 12, 24, 36 and 48, (ii) health assessment questionnaire disability index ("**HAQ-DI**") at week 12, 24, 36 and 48, (iii) C-reactive protein ("**CRP**") 28-joint disease activity score ("**DAS28-CRP**") at week 12, 24, 36 and 48, (iv) erythrocyte sedimentation rate ("**ESR**") 28-joint disease activity score ("**DAS28 ESR**") at week 12, 24, 36 and 48, (v) percentage of patients with DAS28-CRP ≤ 2.6 and DAS28-ESR ≤ 2.6 at week 12, 24, 36 and 48, (vi) percentage of patients with DAS28-CRP ≤ 3.2 and DAS28-ESR ≤ 3.2 at week 12, 24, 36 and 48, and (vii) changes of l00 mm PtAAP-VAS at week 12, 24, 36 and 48.

Safety and Efficacy: As at the Latest Practicable Date, the Phase 3 clinical trial for RA remained ongoing, and efficacy and safety findings were not yet available.

*Phase 1/2 Clinical Trial*

Study Design: The Phase 1/2 clinical trial for HLX01 with respect to the RA indication focused on its PK/PD, efficacy and safety, compared to MabThera sold in the EU ("**EU MabThera**"), in patients suffering from moderate to severe RA with incomplete response to treatment with DMARDs. We included EU MabThera in order to qualify HLX01-RA's study results for potential EMA approval. The trial was designed as a multi-phase, multi-centre, randomised double-blind clinical trial, spread across 14 clinical sites in China. We enroled two cohorts of 97 subjects each for a total of 194 subjects. Each cohort received 1,000 mg of either HLX01 or EU MabThera, administered through intravenous infusion. Subjects received doses on day 1 and day 15 of the trial, with primary assessment occurring at week 24. Thereafter, subjects who require follow-up treatment are treated according to standard clinical practice. All subjects also undergo a 28-week safety follow-up.



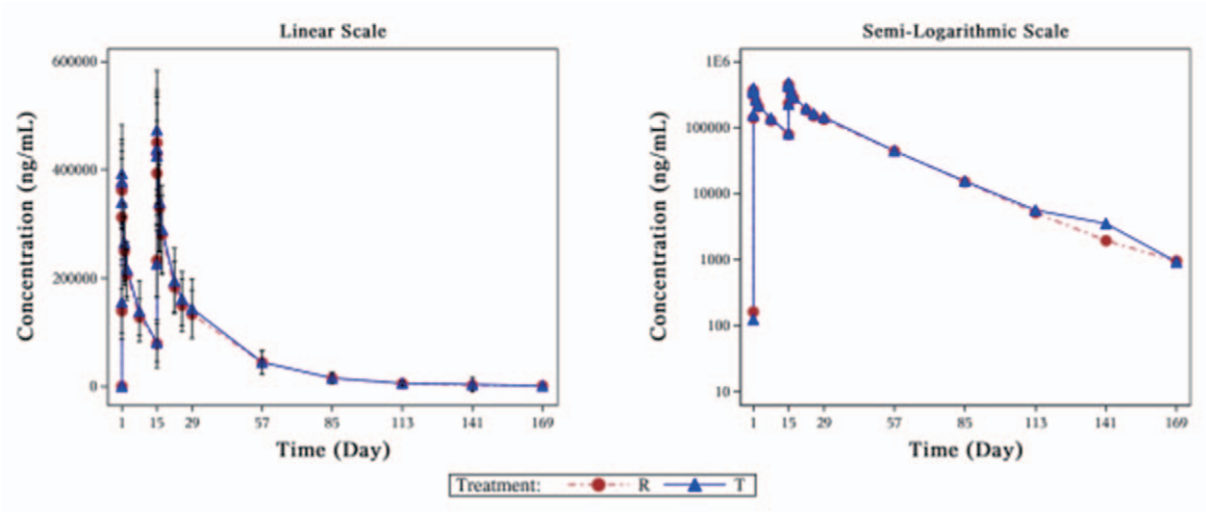

The primary endpoint consists of $AUC_{0\text{-}inf}$ for both the first and second infusion.

Secondary endpoints consist of:

(i) secondary PK endpoints including (a) AUC after the second infusion ("**$AUC_{(15-t)}$**") to certain time t, (b) AUC after the first infusion ("**$AUC_{(0-14)}$**"), (c) $C_{max}$ after the first infusion ("**$C_{max(0-14)}$**"), (d) $C_{max}$ after the second infusion ("**$C_{max(15-t)}$**") (e) $t_{max}$ after the first infusion ("**$t_{max1}$**") and the second infusion ("**$t_{max2}$**"), (f) terminal half-life ("**$t_{1/2}$**") after the second infusion, (g) Vz after the second infusion, (h) λz after the second infusion, (i) MRT, (j) CL after the second infusion and (k) valley concentration before the second infusion ("**$C_{min}$**"); and

(ii) PD endpoints from baseline to week 12 and week 24, include (a) changes in CRP and ESR, (b) changes in rheumatoid factor, (c) changes in anti-cyclic citrullinated protein antibodies, (d) changes in absolute counts of CD19-positive B cells and (e) changes in absolute counts of CD19-positive cells expressing CD20-positive and CD22-positive B cells in peripheral blood (including at hour 24, week 1 and week 4, in addition to week 12 and week 24).

PK: The 90% CIs for $AUC_{0-inf}$ were within the pre-defined 80-125% equivalence margin, as set out in the graphs below:



Safety: There was no statistical difference in safety between the HLX01 and EU-MabThera treatment groups. The HLX01 cohort and EU-MabThera cohort had total AE incidence rates of 92.9% and 90.8%, respectively, and total SAE incidence rates of 10.2% and 12.2%, respectively. The table below sets forth the safety findings in more detail:

| Category of adverse events | HLX01 (n=98) | Mabthera (n=98) | Overall (n=196) | *p*-value |
|---|---|---|---|---|
| AEs | 91 (92.9%) | 89 (90.8%) | 180 (91.8%) | 0.6018 |
| TEAEs | 90 (91.8%) | 89 (90.8%) | 179 (91.3%) | 0.7997 |
| Undesirable effects | 71 (72.4%) | 74 (75.5%) | 145 (74.0%) | 0.6253 |
| Treatment emergent ADRs | 71 (72.4%) | 74 (75.5%) | 145 (74.0%) | 0.6253 |
| SAEs | 10 (10.2%) | 12 (12.2%) | 22 (11.2%) | 0.6509 |
| Serious ADRs | 3 (3.1%) | 8 (8.2%) | 11 (5.6%) | 0.1207 |
| Subject death | 0 | 0 | 0 | N/A |
| CTCAE Grade ≥ 3 AEs | 12 (12.2%) | 12 (12.2%) | 24 (12.2%) | >0.9999 |
| CTCAE Grade ≥ 3 ADRs | 6 (6.1%) | 7 (7.1%) | 13 (6.6%) | 0.7741 |
| AEs leading to withdrawal | 3 (3.1%) | 3 (3.1%) | 6 (3.1%) | >0.9999 |
| ADRs leading to withdrawal | 1 (1.0%) | 3 (3.1%) | 4 (2.0%) | 0.6211 |
| Infusion reactions | 12 (12.2%) | 18 (18.4%) | 30 (15.3%) | 0.2339 |

Immunogenicity: There was no statistical difference in immunogenicity between the HLX01 and EU-MabThera treatment groups (p>0.05).

See "*—Our Biosimilar Portfolio—HLX01 (for NHL)*" for further details on the pre-clinical background of our development of HLX01.

***Material Communications and Next Steps***

In preparation for the filing of our NDA for HLX01-RA, we have had multiple rounds of communications with the CDE through electronic mail and in a meeting held on 9 September 2017. In these communications, we sought the CDE's comments on the trial design for HLX01-RA. The CDE made certain suggestions regarding the trial design for HLX01-RA, which we had no material difficulty incorporating as applicable.

See "*— Our Biosimilar Portfolio — HLX01 (for NHL)*" for further details on our steps for commercialisation for HLX01.

**HLX04 (for wAMD and DR)**

In addition to the mCRC and nsNSCLC indications, we are concurrently developing HLX04 as a novel drug for the wAMD and DR indications. We have obtained IND approval for HLX04 for the wAMD and DR indications. See "*— Our Biosimilar Portfolio — HLX04*" for further details.

Current therapies for wAMD and DR include, among other things, injecting anti-VEGF medication such as ranibizumab (a derivative of bevacizumab marketed by Genentech and Novartis under the brand name Lucentis) intravitreally into the eye from time to time. In China, the anti-VEGF agent Conbercept has also been approved for wAMD treatment. There are significant market opportunities for Avastin biosimilar developers due to premium pricing strategies of Lucentis as well as the vast aging population in China. According to the Frost & Sullivan Report, a single injection of ranibizumab costs approximately US$844 (approximately RMB5,700), and is required on a monthly basis. Meanwhile, in 2018, China had approximately 3.5 million and 29.7 million patients afflicted with wAMD and DR, respectively, with year-on-year growth of approximately 0.1 and 1.6 million patients, respectively.

**HLX22**

We are developing HLX22, a novel HER2 inhibitor, to be used alone or in conjunction with certain of our other drug candidates, including HLX02 and HLX10. We plan to prioritise BC and GC indications for HLX22 in clinical trials. Based on pre-clinical research conducted thus far, we believe we will be able to differentiate HLX22 from other HER2 inhibitors, such as Herceptin (trastuzumab) and Perjeta (pertuzumab) (to which we are developing HLX02 and HLX11 as a biosimilar, respectively. See "— *HLX02*" and "— *Other Biosimilar Candidates*", respectively, for further details), by targeting different antigen binding sites. As a result, we do not expect HLX22 to compete with HLX02 or HLX11 in the HER2 inhibitor market. Moreover, our preliminary pre-clinical studies have demonstrated that HLX22 combined with Herceptin produce a synergistic effect in which the tumour model (for gastric cancer) displayed greater efficacy of treatment compared to trastuzumab alone, Perjeta (pertuzumab) (an anti-HER2 drug developed by Roche) alone and trastuzumab combined with pertuzumab. As at the Latest Practicable Date, we had commenced a Phase 1 clinical trial for HLX22 in China.

We licensed-in HLX22 from AbClon in accordance with an agreement signed in October 2016. We exercised the HLX22 Option Right in October 2018 to expand the licence under the agreement to a global licence. See "— *License Arrangements — Exclusive License Agreement with Abclon*" for further details.

*Phase 1 Clinical Trial*

Study Design. The Phase 1 clinical trial for HLX22 is an open-label, BOIN adaptive dose-escalation study to evaluate the safety and MTD of HLX22 in patients with metastatic solid tumours. The study includes 4 dose cohorts (1, 3, 10 and 25 mg/kg) with the decision to escalate or de-escalate based on the observed toxicity rate and safety data. We plan to enrol approximately 30 candidates. Primary endpoints consist of measurement of AEs and the MTD of HLX22.

***HLX55***

We are developing HLX55, a tyrosine-protein kinase Met ("**cMET**") inhibitor, to be used alone or in conjunction with certain of our other drug candidates, including HLX06. We plan to prioritise gastric cancer and glioblastoma indications for HLX55 in clinical trials. We have submitted an IND application for HLX55.

The cMET pathway is believed to play an important role in the development of certain cancers, including activating key pathways for tumour growth, angiogenesis and metastasis. By downregulating cMET, the drug aims to inhibit the cell proliferation, motility and invasive capabilities of tumour cells.

We licensed-in HLX55 from Kolltan Pharmaceuticals, Inc. ("**Kolltan**", now part of Celldex) in accordance with an agreement signed in October 2016. See "— *Licence Arrangements — Exclusive Licence Agreement with Kolltan*" for further details.

***HLX56***

We are developing HLX56 to target a death receptor. Potential indications for a death receptor-targeted drug include solid tumours such as mCRC and lung cancer and haematological malignancies.

Death receptors are receptors for TNF-related apoptosis-inducing ligand ("**TRAIL**" or Apo2 ligand), a member of the TNF superfamily, and binding of TRAIL to a death receptor can activate apoptotic pathway, including killing of susceptible cells.

We licensed-in HLX56 from Galaxy Biotech LLC ("**Galaxy Biotech**") in accordance with an agreement signed in February 2018. See "— *Licence Arrangements — Licence and Option Agreement with Galaxy Biotech*" for further details.

**Other Bio-innovative Drugs**

Our other novel antibody candidates which are in pre-clinical studies include:

- *HLX09*, which we intend to develop as a CTLA-4 inhibitor for the treatment of solid tumours.
- *HLX23*, which we intend to develop as a cluster of differentiation 73 ("**CD73**") inhibitor for the treatment of solid tumours.
- *HLX24*, which we intend to develop as a cluster of differentiation 47 ("**CD47**") inhibitor for the treatment of solid tumours.
- *HLX26*, which we intend to develop as a LAG3 inhibitor for the treatment of solid tumours.
- *HLX59*, which we intend to develop as a cluster of differentiation 27 ("**CD27**") inhibitor for the treatment of solid tumours.
- *HLX51*, which we intend to develop as an OX40 inhibitor for the treatment of solid tumours.

- *HLX52*, which we intend to develop as a TIM-3 inhibitor for the treatment of solid tumours.
- *HLX53*, which we intend to develop as a TIGIT inhibitor for the treatment of solid tumours.
- *HLX58*, which we intend to develop as a Claudin 18.2 inhibitor for the treatment of solid tumours.
- *HLX63*, which we intend to develop as a GPC3 inhibitor for the treatment of solid tumours.

## IMMUNO-ONCOLOGY COMBINATION THERAPIES

In the course of developing our products, we have identified certain drug candidates which we believe have significant potential for use in combination with other treatment agents. We accordingly have formulated a combination therapy strategy under which we intend to first develop immuno-oncology monotherapy inhibiting PD-1/PD-L1, then seek to use such PD-1/PD-L1 inhibitors as backbone in combination with either chemotherapy, radiotherapy or targeted therapies for specific pathways.

### Background of Immuno-oncology Combination Therapies

#### *Overview*

Despite the remarkable clinical anti-tumour efficacy of PD-1 pathway inhibition as monotherapy to treat a number of malignancies, it has been limited to subsets of patients in most tumour types studied to date, with response rates of 20% or less in many cancers, including common types such as breast, colon and prostate cancer. While predictive biomarkers such as PD-L1 expression on tumour and/or immune cells, mutational / neoantigen load and inflammatory gene signatures may allow enriched enrolment of patient populations that are responsive to this therapy, combination therapies will likely be required to enhance and broaden the anti-tumour activity of immune checkpoint inhibition. Initial evidence has highlighted the potential to further enhance the clinical benefits of monoclonal antibody immunotherapies by combining other agents with synergistic mechanisms of action.

The established anti-tumour activity of PD-1/PD-L1 inhibition as monotherapy in a wide spectrum of cancers coupled with its favourable toxicity profile provides a strong rationale for its use as a backbone for combination immunotherapy strategies. Despite the vastly accelerated pace of pre-clinical and clinical investigation of other cancer immunotherapy agents in recent years, this combination of broad single agent activity and tolerability seen with PD-1 pathway inhibition is so far unparalleled. To our knowledge, there are no other compounds available or in late-stage development that could take the place of PD-1 pathway inhibition for this purpose.

There is emerging evidence that immune checkpoint blockade is effective primarily in tumours that are already recognised by the immune system, as manifested by a pre-existent $CD8^+$ T-cell infiltrate. In general, the lack of a spontaneous tumour directed immune response may be because of the "invisibility" of the tumour to the immune system due to tumour antigens that are not sufficiently distinct from self-antigens; alternatively, tumour cell intrinsic oncogenic pathways may actively subvert an anti-tumour immune response as was known for the ß-catenin pathway. Approaches that have the potential to convert a "non-T-cell inflamed" tumour into a T-cell inflamed tumour include stimulation of co-stimulatory therapies (*i.e.,* radiation and chemotherapy) and targeted therapy (such as anti-VEGF, anti-VEGFR and anti-EGFR pathways), particularly for tumour types that have shown little response to anti-PD-1/PD-L1 monotherapy.

***Combination with Chemotherapy or Radiotherapy***

Chemotherapy-induced cancer cell death can promote tumour antigen presentation potentially leading to priming of tumour specific T-cells in addition to its capacity to directly stimulate immune effectors and inhibit immune suppressive factors. Therefore, chemotherapy has the potential to convert a non-inflamed tumour into an inflamed one and may thus lead to synergy with PD-1/PD-L1 inhibition particularly in non-inflamed, chemotherapy sensitive tumours. Radiotherapy promotes the release or expression of tumour antigens in addition to immune adjuvant-like effects, leading to stimulation of immune responses.

***Combination with Vaccines***

While some patients respond well to checkpoint blockade, many do not, necessitating the need for other forms of therapy. While cancer vaccines have long been researched, vaccination against established malignancy has largely been unsuccessful. In recent years, however, there have been efforts to develop diverse vaccine modalities in the treatment of cancer with a particular focus on melanomas. In particular, studies have suggested that vaccines targeting patient-specific tumour mutations may be more relevant than those targeting unmutated proteins. Further development in this field combining vaccines with other therapies targeting tumour immunoevasive mechanisms may improve the ability of vaccine-stimulated T cells to successfully function within an immunosuppressive tumour microenvironment.

***Combination with Monoclonal Antibody and Small Molecule Inhibitor***

By facilitating both the growth of cancer cells and immune suppression, tumour angiogenesis is an important link between a tumour and the immune response directed against that specific tumour. VEGF modulates anti-tumour immunity on multiple levels including the promotion and expansion of inhibitory immune cell subsets, inhibition of dendritic cell maturation, suppression of T-cell responses, and immune cell trafficking across tumour endothelia.

In December 2018, the FDA approved an immuno-oncology combination therapy from Roche for Tecentriq (a PD-L1 inhibitor) plus Avastin (bevacizumab) and the chemotherapy agents paclitaxel and carboplatin for the first-line treatment of NSCLC with no EGFR or ALK genomic tumour aberrations. The approval was based on the Phase 3 IMpower 150 study which demonstrated a significant improvement of overall survival for the combination therapy treatment versus Avastin plus chemotherapy alone (median overall survival = 19.2 months vs. 14.7 months, respectively; hazard ratio = 0.78).

**HLX04 + HLX10**

As at the Latest Practicable Date, we had received IND approval from the NMPA to commence clinical trials for the HLX04 + HLX10 combination therapy. As at the Latest Practicable Date, we are preparing for Phase 3 clinical trials and Phase 2 clinical trials for the nsNSCLC and HCC indications respectively.

*Phase 3 Clinical Trial (for nsNSCLC indication)*

*Study Design*. The Phase 3 clinical trial consists of two parts. Part I is a safety run in an open-label, single-arm, non-randomised clinical trial evaluating safety and tolerance of the HLX10 + HLX04 + pemetrexed + carboplatin combination therapy for the first-line treatment of nsNSCLC. Part II is designed as a three-arm, randomised, double-blind, multi-centre clinical trial, evaluating safety and efficacy of the HLX04 + HLX10 + pemetrexed + carboplatin combination therapy versus HLX10 + pemetrexed + carboplatin combination therapy. We plan to enrol approximately 640 subjects with 6 to 12 subjects for Part I and 630 subjects for Part II.

The primary endpoints for Part I will consist of safety and tolerance. The primary endpoint for Part II will consist of PFS (assessment of IRRC).

The secondary endpoints for Part I will consist of AE and SAE, OS, PFS (assessment of investigator), ORR (assessment of IRRC and investigator), DoR (assessment of IRRC and investigator), PK (serum concentration of HLX10 and HLX04), ADA, the correlation between PD-L1 expression in tumor tissue/MSI/TMB and efficacy, and quality of life assessment. The secondary endpoints for Part II will consist of OS, PFS (assessment of investigator), ORR (assessment of IRRC and investigator), DoR (assessment of IRRC and investigator), AE and SAE, PK (serum concentration of HLX10 and HLX04), ADA, the correlation between PD-L1 expression/MSI/TMB and efficacy, and quality of life assessment.

*Phase 2 Clinical Trial (for HCC indication)*

*Study Design*. The Phase 2 clinical trial is designed as a multi-stage, single-arm, open-label clinical trial, evaluating safety and efficacy of the HLX10 + HLX04 combination therapy for the second-line treatment of HCC. We plan to enrol approximately 150 subjects.

The primary endpoints will consist of ORR (assessment of IRRC) and measurement of safety.

The secondary endpoints will consist of ORR (assessment of investigator), 12-month survival rate, PFS, DoR, and time to response.

*Phase 1 Clinical Trial*

*Study Design*. The Phase 1 clinical trial is designed as an open-label clinical trial evaluating primarily the safety and tolerability of the HLX04 + HLX10 combination therapy for the treatment of advanced solid tumours. We plan to enrol 24 to 30 subjects.

The primary endpoints will consist of MTD and DLT.

The secondary endpoints will consist of (i) PK metrics for HLX04 and HLX10, which includes (a) $AUC_{0-t}$ and $C_{max}$ after a single dose, and (b) $AUC_{0-14d}$, $C_{max}$ and SS after multiple doses; (ii) ADA, ORR, DCR, DoR, PFS and OS and (iii) efficacy related biomarkers including PD-L1, MSI/dMMR, TMB, VEGF-A and IL-8.

**HLX10 + Chemo (Cisplatin+5-FU)**

As at the Latest Practicable Date, we had commenced a Phase 3 clinical trial in China targeting late stage mESCC.

*Study Design*. The Phase 3 clinical trial is designed as a parallel, randomised, double-blind, multi-centre clinical trial, evaluating the safety and efficacy of HLX10 + Cisplatin + 5-FU for the first-line treatment of PD-L1 expression positive late stage metastatic ESCC. We plan to enrol approximately 489 subjects.

The primary endpoint consists of PFS (assessment of IRRC).

The secondary endpoints consist of OS, PFS (assessment of investigator), ORR, the correlation between PD-L1 expression in tumor tissue and efficacy, DoR, AE, SAE, serum concentration of HLX 10, ADA, the correlation between MSI/TMB and efficacy, and quality of life assessment.

**HLX10 + Chemo (Carboplatin+Nab-paclitaxel)**

As at the Latest Practicable Date, we had commenced Phase 3 clinical trials internationally targeting late stage sqNSCLC.

*Study Design*. The Phase 3 clinical trial is designed as a parallel, randomised, double-blind, international multi-centre clinical trial, evaluating the safety and efficacy of HLX10 + Carboplatin + Nab-paclitaxel for the first-line treatment of late stage sqNSCLC. We plan to enrol 360 subjects worldwide, with at least 240 subjects enrolled in China.

The primary endpoint consists of PFS (assessment of IRRC).

The secondary endpoints consist of OS, PFS (assessment of investigator), ORR, the correlation between PD-L1 expression in tumuor tissue and efficacy, DoR, AE, SAE, serum concentration of HLX10, ADA, the correlation between MSI/TMB and efficacy, and quality-of-life assessment.

**HLX10 + Chemo (Carboplatin+Etoposide)**

As at the Latest Practicable Date, we are about to commence Phase 3 clinical trials internationally in the near future targeting extensive stage SCLC.

*Study Design*. The Phase 3 clinical trial is designed as a parallel, randomised, double-blind, international multi-centre clinical trial, evaluating the safety and efficacy of HLX10 + Carboplatin + Etoposide for previously untreated extensive stage SCLC. We plan to enrol approximately 489 subjects, with at least 303 subjects enrolled in China.

The primary endpoint will consist of PFS (assessment of IRRC).

The secondary endpoints will consist of OS, PFS (assessment of investigator), ORR, DoR, AE, SAE, serum concentration of HLX10, ADA, correlation between PD-L1 expression in tumor tissue/MSI/TMB and efficacy, and quality of life assessment.

**HLX07 + HLX10**

We have completed conducting pre-clinical studies for HLX07 + HLX10 combination therapy and our IND application to undertake clinical trials has been accepted by the NMPA.

## INTELLECTUAL PROPERTY

As a biologics research and development company, we are keenly aware of the importance of establishing and protecting our intellectual property rights. Our business relies on generating new and innovative biologic formulations and other technologies, and we actively seek protections for such intellectual property rights and know-how in China and certain other jurisdictions. We have filed a number of patent applications for our drug candidates in various jurisdictions, and expect to rely on a combination of patents, trademarks, trade secrets and other intellectual property rights, as well as employee and third-party confidentiality agreements, in order to safeguard our intellectual properties.

As at the Latest Practicable Date, we owned the following issued patents related to our biosimilars, including our Core Products:

| Relevant Products | Patent name | Patent holder | Patent number | Jurisdiction of registration | Application date | Expiry date |
|---|---|---|---|---|---|---|
| HLX01, HLX02, HLX03 and HLX04 | Kit for detecting DNA residues of CHO cell and using method thereof | The Company | ZL201110066745.4 | PRC | 18 March 2011 | 17 March 2031 |
| HLX01, HLX02, HLX03 and HLX04 | Method for detecting DNA content of CHO cells by probe | The Company | ZL201110099204.1 | PRC | 20 April 2011 | 19 April 2031 |

We did not have any pending patent applications for our Core Products as at the Latest Practicable Date.

As at the Latest Practicable Date, we had filed the following patent applications related to our other products, all of which were pending as at such date:

| Relevant Product | Patent name | Patent holder | Jurisdiction of registration | Patent number | Application date | Expected expiry date if granted |
|---|---|---|---|---|---|---|
| HLX06 | Anti-Vascular endothelial growth factor receptor 2 (VEGFR2) antibodies | Taiwan Henlius | PRC, the U.S., the EU, Canada, Australia, India, South Africa, Brazil, Russia, Japan, Korea | PCT/US2016/040183 | 29 June 2016 | 29 June 2036 |
| HLX07 | Anti-Epidermal growth factor receptor (EGFR) antibodies | Taiwan Henlius | PRC, the U.S., the EU, Australia, Japan, Korea | PCT/US2015/033402 | 29 May 2015 | 29 May 2035 |
| | Anti-Epidermal growth factor receptor (EGFR) antibodies | Taiwan Henlius | Taiwan | TW104117520 | 29 May 2015 | 29 May 2035 |
| HLX10 | Anti-PD-1 Antibodies | the Company | PRC, the U.S., the EU, Canada, Australia, India, South Africa, Brazil, Russia, Japan, Korea, Thailand, Malaysia, the Philippines, Indonesia | PCT/US2017/050851 | 9 September 2017 | 9 September 2037 |
| | Anti-PD-1 Antibodies | the Company | Taiwan | TW106131824 | 15 September 2017 | 15 September 2037 |

| Relevant Product | Patent name | Patent holder | Jurisdiction of registration | Patent number | Application date | Expected expiry date if granted |
|---|---|---|---|---|---|---|
| HLX20 | Anti-PD-L1 Antibodies and variants | the Company | PRC, the U.S., the EU, Canada, Australia, India, South Africa, Brazil, Russia, Japan, Korea | PCT/US2017/056689 | 14 October 2017 | 14 October 2037 |
| | Anti-PD-L1 Antibodies and variants | the Company | Taiwan | TW106137352 | 30 October 2017 | 30 October 2037 |

See "*Appendix VI—Statutory and General Information—Further Information about our Business—Intellectual property rights*" for further details.

We also seek to protect our proprietary technology and processes by entering into confidentiality agreements with consultants, business partners and contractors. We have entered into confidentiality agreements and non-competition agreements with our senior management and certain core members of our research and development team and other key employees who have access to trade secrets or confidential proprietary information. Our standard employment contract contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of an employee's employment with us. However, despite measures taken to protect our intellectual property rights, third parties may nevertheless gain unauthorised access to our confidential information and trade secrets. See "*Risk Factors—Risks Relating to Intellectual Property*" for further details.

## RESEARCH AND DEVELOPMENT

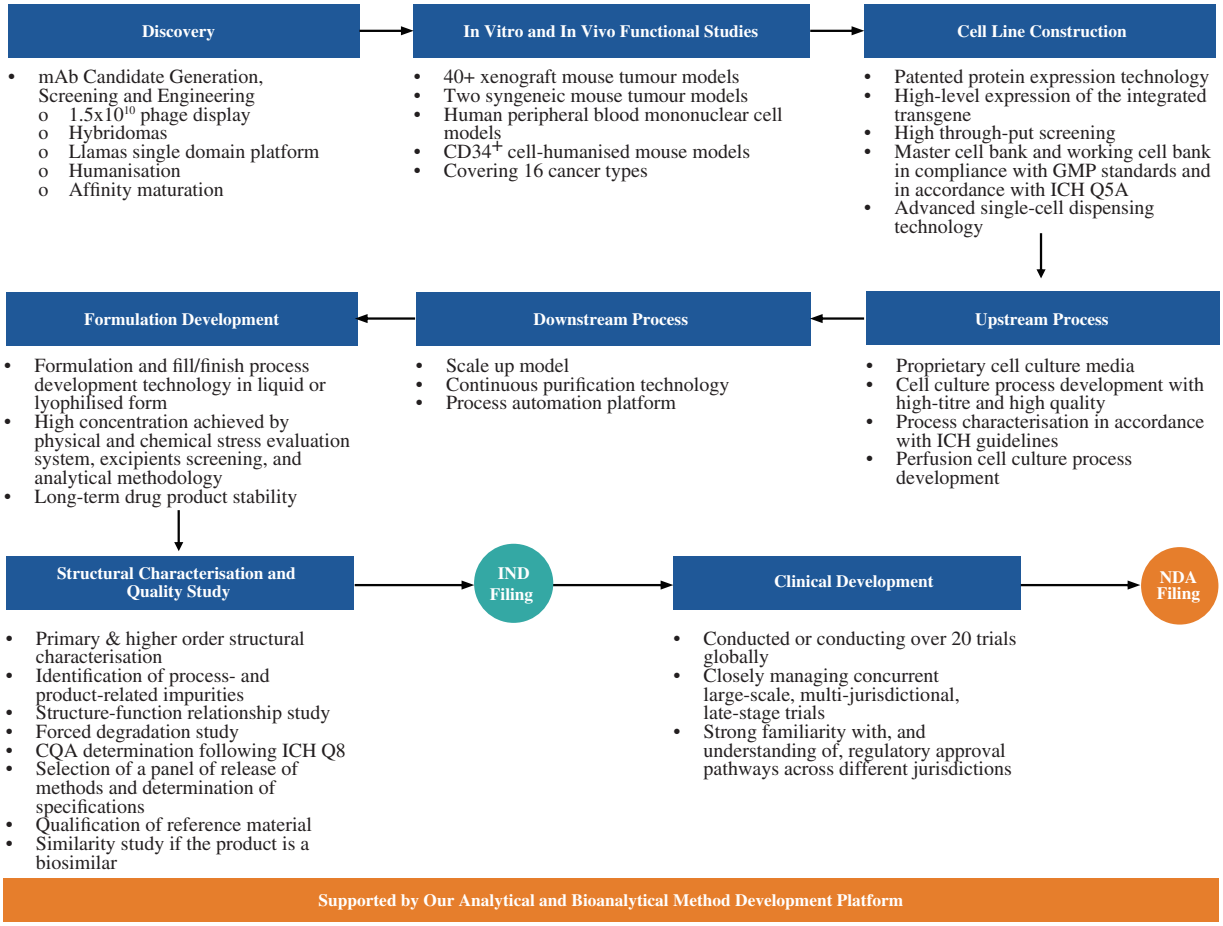
### Overview

We are a leader in the research and development of mAb drugs in China. Through our fully integrated platform, we have excelled in the discovery, development, manufacture and commercialisation of antibody drugs with a focus on oncology as well as other high-prevalence diseases such as auto-immune diseases. We have accumulated substantial experience and know-how across all stages of antibody research and development, which enables us to efficiently develop antibody products from candidate generation to late-phase GMP manufacturing in multiple jurisdictions. As at the Latest Practicable Date, we had successfully developed more than 10 clinical trial stage mAb candidates and multiple pre-clinical stage mAb candidates. Our research and development team is led by Dr. JIANG, our co-founder and Chief Science Officer, and consisted of 239 seasoned personnel as at 31 March 2019.

Our global R&D platform and extensive in-house R&D capabilities establish us as one of the few biopharmaceutical companies in China capable of executing R&D throughout the whole product development process, from early candidate generation to eventual NDA filing and approval. We have independently developed all of our core drug candidates in-house, with proprietary know-how across the entire process.

As the bridge between R&D and commercialisation, the CMC function establishes practical qualitative and quantitative methods for executable quality management and effectively translates drug discovery to actual manufacturing. The CMC function is of particular importance to the development of biologics drugs as their development and approval are process-dependent. Running in parallel to the quality management and manufacturing functions, CMC assists in delivering products in accordance with quality standards which meet both regulatory and commercial requirements.

The diagrams below set out the components of our R&D process and platform:




For the years ended 31 December 2017 and 2018 and the periods ended 31 March 2018 and 2019, our total R&D expenditure (representing both capitalised and expensed R&D costs and expenses), amounted to RMB637.1 million, RMB972.5 million, RMB111.1 million and RMB225.4 million, respectively, of which we recognised RMB257.1 million, RMB365.4 million, RMB49.2 million and RMB100.1 million in R&D expenses, respectively. We expect that our research and development costs will increase in line with the growth of our business in the future.

Our R&D capabilities and achievements have been widely recognised by stakeholders, including the PRC government. We have received various government grants to facilitate the ongoing development of our drug candidate pipeline. As at 31 December 2017 and 2018 and 31 March 2019, we had government grants under deferred income of RMB33.7 million, RMB38.1 million and RMB37.5 million, respectively.

**Discovery**

Our R&D process begins with the discovery of new drug candidates. Our drug discovery team focuses on identifying and validating potentially therapeutic molecules that can cure or delay the progress of a disease by modulating one or more specific protein targets, which are biological molecules that play critical roles in particular metabolic or signal pathways. We also closely monitor products under development by global pharmaceutical and biotech companies to identify molecules that have pharmaceutical activity and high market potential.

Our drug discovery function is led by a key scientist team with experience in drug discovery and development. Many team members have prior work experience at leading pharmaceutical companies.

***mAb Candidate Generation, Screening and Engineering***

Once we identify the desired protein targets, we initiate the candidate generation and screening process either using our proprietary 1.5 x $10^{10}$ phage display library, from which we screen out fully human antibodies against protein targets, or by immunising mice with the target proteins and generating mouse antibodies by fusing B cells with myeloma cells to form hybridomas.

We have also established an advanced platform for generating single-domain antibodies from the immunisation of llamas. Such antibodies have shown advantages in their small molecule size, high stability and improved feasibility for the development of bi-specific molecules. Our platform optimises the process for immunisation, screening, humanisation and affinity maturation to generate such antibodies.

After we clone the cDNA that codes the mouse mAb generated from the hybridoma, we use humanisation technology to modify the protein sequences of such mouse mAb to obtain the desired characteristics that are similar to naturally produced antibodies in humans. We then implement antibody affinity maturation technology by screening antibody clones using a phage display library which contains various individual mutations within all complementarity determining regions ("**CDRs**"). This enables us to identify clones with improved affinity, which may potentially enhance *in vitro* activity and reduce *in vivo* dosage.

We are capable of designing and developing bi-specific antibodies, which are engineered antibodies that can bind two different protein targets or epitopes of a protein and improve drug functionality with unique therapeutic properties. We have established a bi-specific antibody engineering platform to produce bi-specific antibodies by generating lead molecules that combine different mode of action to treat complex diseases. We have also established an antibody drug conjugates ("**ADC**") platform which links drug toxins to tumour-targeting antibodies for generating more potent tumour-killing therapeutics than mAbs on their own. Furthermore, our mAb engineering function also features a modified Chinese hamster ovary ("**CHO**") cell line that we utilise to enhance Fc region functions through mutations in glycan enzymes.

### *In vitro* and *in vivo* Functional Studies

Our R&D team has developed a series of *in vitro* functional assays and *in vivo* animal models to test lead mAb candidates identified through the mAb candidate generation, screening and engineering process. We analyse the binding profiles of these candidates with respect to affinity, avidity and epitope, using a series of assays optimised for recombinant targets by virtue of surface plasmon resonance and/or cell-surface receptors using flow cytometry analysis. Our cell-based assays are designed to evaluate the functions of our lead candidates and cover a wide range of mechanisms, including tumour cell killing assays, immune cell cytotoxicity assays, cytokine release assays, and various activity assays for different immune cell types.

We primarily use various mouse models to test the efficacy of our mAb candidates. After administering antibodies in our models, we collect data at various timepoints to enable PK and PD analyses. We have established more than 40 xenografted mouse tumour models as well as two syngeneic mouse tumour models covering a total of 16 cancer types (including, but not limited to, breast, colon, lung, liver and head and neck cancers). We have also developed human peripheral blood mononuclear cell models and $CD34^+$ cell-humanised mouse models for immuno-oncology studies in connection with our development of combination therapies.

### Cell Line Construction

Following *in vitro* and *in vivo* studies, a high-quality production cell line is needed to produce the antibody candidate, as the quality of the cell line directly affects manufacturing cost as well as the quality of the final product. We have been developing and implementing high-yielding cell line technologies through combining the advantages of different systems for more efficient cell line construction, including CHO host cells, advanced chromatin platform technology and glutamine synthetase cell line screening. We construct the cell line by synthesising and cloning the antibody gene into a mammalian expression vector, which we then transfect into CHO suspension host cells. We also implement patented protein expression technology to ensure stable and high-level expression of the integrated transgene. By maintaining a transcriptionally active open chromatin environment, multiple plasmids can be co-transfected into a single host cell. We then apply high through-put screening to identify the cell line with the highest levels of antibody expression, quality and stability. Achieving high-yielding cell expression through the above processes, along with the development and implementation of our own proprietary cell culture media as described under "*—Process Development—Upstream Process*" below, is a key aspect of our cost control measures and efficiency in our overall R&D process.

Both our master cell bank and working cell bank are prepared in compliance with applicable GMP standards, and tested and characterised in accordance with International Council for Harmonisation ("**ICH**") Q5A guidelines on the viral safety evaluation of biotechnology products derived from cell lines of human or animal origin, as well as in agreement with the US, the EU and PRC pharmacopoeia guidelines.

For cell line construction, we use our cell line screening and development technology platform to efficiently identify individual cell lines with high productivity, quality, and stability. We achieve assurance of clonality through the use of advanced single-cell dispensing technology, which is further verified by dual-system imaging of the entire well in 96 well micro-plates. The application of single cell dispensing technology significantly increases efficiencies in cell line development.

**Process Development**

Process development consists of upstream processes and downstream processes.

***Upstream Process***

For the upstream process, we have formulated our proprietary cell culture media and developed and characterised the cell culture process for antibody manufacturing for non-clinical, clinical, and commercial purposes. We use our upstream process development platform to efficiently screen cell culture media, optimise seed culture expansion and facilitate fed-batch process development, as well as to expedite early-stage process development. Our culture media are developed in-house under our own proprietary IP. Implementing our own culture media improves the productivity and quality of the antibody produced, while reducing per-unit manufacturing costs through minimising outsourcing costs. We estimate that this achieves cost reductions of approximately 60% on a per-unit basis compared to sourcing generic culture media from external providers, while enabling expression levels of the antibody of approximately three times greater than those of generic commercial culture media. With respect to cell culture process development and characterisation, we optimise various cell culture parametres, such as seed culture and bioreactor operations, throughout non-clinical and clinical development to improve the productivity, quality and robustness of our process development.

Towards the later phases of development for each product candidate, all critical process parametres are investigated and well-defined to ensure that all critical quality attributes ("**CQAs**") meet ICH Q8 guidelines. We perform cell culture process characterisation and define the ranges of critical process parametres in order to ensure both process and product quality. Moreover, in addition to the traditional fed-batch culture process above, we have developed perfusion mode cell culture processes which enable generating high density cell cultures, with accompanying higher volumetric productivity, and in turn reducing the per-unit cost of production as well as the capital requirements of our manufacturing facilities. Furthermore, various CQAs, such as charge variants and glycan profiles, can also be significantly improved in a perfusion mode cell culture process.

***Downstream Process***

For the downstream process, we have established a comprehensive process development platform which facilitates the efficient development of multiple drug candidates with high speed and quality. Our downstream process and purification technology platform features advanced continuous manufacturing technologies, which offer significant production efficiency advantages compared to conventional batch mode purification processes, to prudently expedite the early stages of process

development. In general, continuous manufacturing is a flow production method used to manufacture, produce, or process materials without interruption. Each step along the continuous manufacturing process can initiate as soon as the first intermediate product has left the previous unit of operation, allowing for a cascade of linked processes operating in parallel. Continuous manufacturing technologies include, but are not limited to, automation, process control, process analytical technology, continuous chromatography, membrane chromatography and single-pass tangential flow filtration.

We are developing this platform in-house on an ongoing basis to secure our strong position in the PRC biopharmaceutical industry. We also seek to continue ramping up our use of continuous manufacturing technologies instead of traditional batch purification operations in order to streamline the production process and increase efficiency, as continuous manufacturing allows us to achieve greater productivity without requiring excessively expensive investments in equipment and space. According to the Frost & Sullivan Report, when compared to traditional batch manufacturing, continuous manufacturing: (i) is at least 30% faster; (ii) reduces manufacturing costs by at least 40%, mainly by reducing buffer consumption and resin cycling; and (iii) improves productivity by at least 40%. We have completed a proof-of-concept lab-scale experiment for continuous manufacturing with favourable results and prospects, and we plan to further validate this process at a pilot scale by the second half of 2019. We also implement automatic system controls and in-line process analysis methods to improve drug quality and reduce labour and consumables costs.

**Formulation Development**

Our formulation development platform enables us to efficiently develop formulations with a high concentration of mAb which, in turn, facilitates the development of such mAbs for subcutaneous injection and improve convenience in clinical administration. We use our formulation technology platform to conduct developability studies, pH/buffer screening and excipients screening at the pre-clinical research stage. In later stages, we conduct a process development and characterisation study for fill/finish processes in liquid or lyophilised form to determine the range of critical process parametres to ensure product quality. We are generally able to efficiently complete these processes in-house in a relatively short period of time. To achieve high-titre molecular preparation, our formulation development platform also incorporates physical and chemical stress evaluation systems, analytical methodology and excipients screening into the development process.

**Structure Characterisation and Quality Study**

We have developed a variety of advanced and orthogonal analytical methods to elucidate the mAb structures and analytical comparability and similarities of mAbs. The studies include characterisation and evaluation of primary and higher-order structures, purities, heterogeneities/impurities, physicochemical and biological properties. We apply the results of such characterisation analysis to evaluate the product quality attributes ("**PQAs**") of these mAbs as well as their safety characteristics. We also conduct forced degradation studies and structure-function studies to evaluate

the relevant structural components and PQAs under stress conditions, as well as their corresponding bioactivities and bio-functions compared to the main peak or component to determine the structure-function relationship. CQAs are determined through PQA testing and examination for safety and efficacy based on the mechanism of action of the product in accordance with ICH Q8 and quality target product profile. Finally, we prepare and qualify the drug substance made under a stable process for the research reference standard, with accompanying documentation as to methodology and characterisation.

**Analytical and Bio-analytical Method Development**

We leverage our analytical and bio-analytical method development processes and platforms to support all of our R&D processes.

***Analytical Method Technology Platform***

As described in the steps above, our overall methodology for each mAb is closely examined and adjusted for quality monitoring and process development, and we are developing advanced technologies and methods for evaluating CQAs to ensure the quality, safety and efficacy of our drug candidates.

We also perform comparative analyses in accordance with ICH Q5E guidelines to demonstrate comparability of products from different processes, as well as with biosimilar regulatory guidelines of China, the EU and the U.S. for analytical similarity between biosimilar and reference mAbs. To this end, we are developing multiple attributable monitoring technology using orthogonal advanced liquid chromatography-mass spectrometry ("**LC-MS**") methods for screening and determination of CQAs of biosimilar and innovative mAbs. Alongside LC-MS methods, we are also developing gas chromatography-mass spectrometry methods and multiple-solvent extractable models for the determination of extractables and leachables, as well as step-wise procedures for toxicological evaluation of the identified extractables and leachables.

We also conduct comparability studies for products from different processes using extensive qualified methods in accordance with ICH Q5E in order to demonstrate consistency in product quality by reference to comparative analyses of structure, purity, physicochemical properties, bioactivities and immunological characteristics, product- and process-related impurities and stability, including forced degradation trends and mechanisms under stress conditions.

Furthermore, we conduct analytical similarity studies between biosimilar and reference mAbs based on totality of evidence. Besides extensive characterisation analysis in comparability studies as described under "—*Structure Characterisation and Quality Study*" above for selected biosimilar and reference products, we also follow a number of other established principles in biosimilar regulatory guidelines in our analysis, including the principle of comparison, principle of consistency, principle of comprehensive analytical similarity evaluation and principle of step-wise approach.

***Bio-analytical and Immunogenicity Analysis Platforms***

We utilise our bio-analytical platforms for PK, PD and biomarker analysis, as well as immunogenicity evaluation. A generic assay is used to analyse the circulating drug concentrations for PK assessment in dosed animals of pre-clinical pharmacology and toxicology studies. The platform technology is species-independent. We also use an immunoassay-based multiplexing assay specifically designed for mAb combination therapies, which enables simultaneous analyses of drug concentrations of more than one antibody drug.

Our analytical platforms for PD markers and biomarker analyses utilise a variety of technologies, including immunoassay, flow cytometry, polymerase chain reactions, next-generation sequencing, and immunohistochemistry, in order to account for the differential nature of biomarkers. With respect to immunogenicity assessment, we utilise a variety of methodologies in conjunction with a specifically designed sample pre-treatment step to identify and subsequently characterise anti-drug antibodies, including neutralising antibody determination, with adequate drug tolerance and specificity.

**Clinical Development**

Following the receipt of IND approval from relevant regulator, we may commence human clinical trials. We closely manage all stages of clinical trials, including clinical trial design, implementation, in-house production of drug candidate samples used and the collection and analyses of trial data. As at the Latest Practicable Date, we had designed and conducted, or were in the process of conducting, more than 15 clinical trials across different jurisdictions, which demonstrates our strong capability to efficiently and successfully conduct a large number of clinical trials simultaneously, including multiple late-stage clinical trials. We have committed significant resources to achieve this, with 138 clinical medical affairs staff as at 31 March 2019, many of whom have extensive experience and know-how in clinical trial practice.

We determine the location of our clinical trials based on a number of factors, including whether there are potential business opportunities in a particular jurisdiction, the regulatory environment in that jurisdiction and access to patients for clinical trials, as well as our long term marketing strategy.

We have developed clear and focused clinical trial strategies to ensure that we can develop and launch our drug candidates in an expeditious manner, including by strategically choosing differentiated indications for clinical trials, facilitating the clinical recruitment process and controlling related costs, and targeting different biologics markets geographically. As at the Latest Practicable Date, we were concurrently conducting 12 clinical trials for eight product candidates and two immuno-oncology combination therapies at various clinical trial stages in six different jurisdictions (China Mainland, Taiwan, the Philippines, Ukraine, Poland and Australia). We bolster

these capabilities with a strong network of domestic partners for clinical trials. Our clinical development team has entered into long-term partnerships with numerous hospitals and physician communities located in different regions of China, which give us access to readily available clinical trial facilities and services. We believe the size and geographic diversity of these facilities provide us with a significant advantage in implementing large-scale clinical trials and also enable us to conduct multiple concurrent clinical trials.

**Contract Research Organisations**

While we carry out much of our research and development work in-house, we also engage independent third party CROs who provide us with a range of technology and services necessary for complex pre-clinical studies and clinical trials. We have long-term relationships with a number of reputable CROs. We select CROs based on a number of factors, including their quality, reputation and research experience.

We monitor the CROs to ensure they perform their duties to a standard in line with our protocols and industry benchmark to safeguard the integrity of the data collected from the trials and studies.

The typical terms of our agreements with CROs are as follows:

- *Services*: The CROs provide services related to pre-clinical studies or clinical trials in certain phases as specified in the agreement or a work order.

- *Term*: The CRO is required to complete the work with an agreed time period.

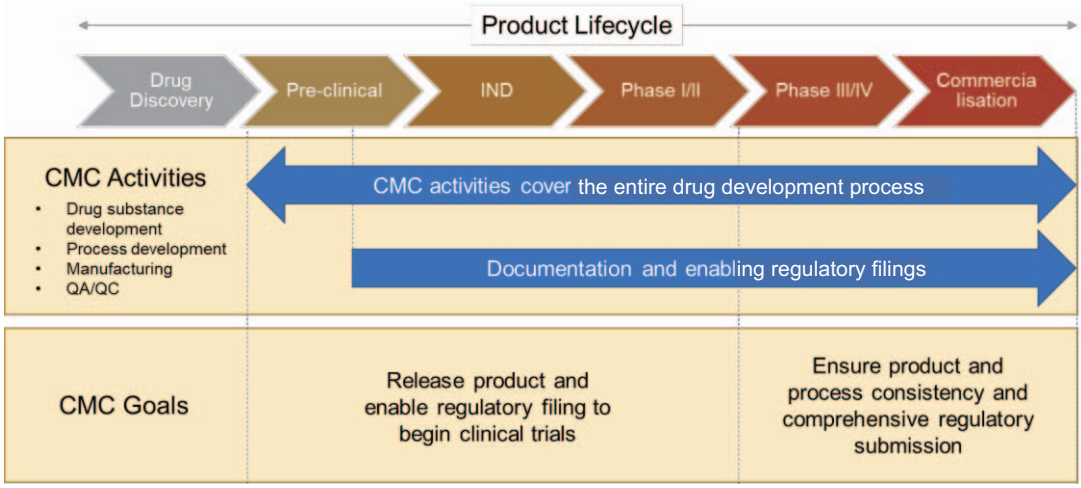
- *Payments*: We are required to make payments to the CRO in accordance with the payment schedule agreed by the parties.

- *Intellectual property rights*: All intellectual property rights arising from the clinical trials are owned by us.

- *GCP compliance*: We require our CROs to conduct clinical trials in accordance with international GCP standards. Typically, we require the CRO personnel handling our clinical trials to hold GCP certification or have GCP training experience.

**Chemistry, Manufacturing and Control**

The focus of drug discovery gradually shifts to quality as the development process enters human clinical trials after IND application. The methods in controlling the drug substance quality arise from multiple functions as described in the R&D processes above. The control and documenting of these methods are known as CMC, the details of which are regularly updated and reported to the relevant regulatory authorities.




Our CMC team is structured as a project management department that works closely with our R&D, quality management, manufacturing and regulatory affairs teams. Each project leader is assigned to manage and coordinate the CMC activities of certain products to ensure clear allocation of responsibility and seamless transition with extra traceability, as development progresses from early stage to commercialisation.

Our CMC team consists of industry experts with extensive experience at global biopharmaceutical companies. Approximately 70% of the team holds a doctoral degree and team members' average relevant work experience exceeds 10 years. Our CMC team currently manages 10 clinical-stage product candidates simultaneously, and we plan to further expand these capabilities as we advance more product candidates to clinical development and expand our pipeline.

**MANUFACTURING**

As at the Latest Practicable Date, we had one operational manufacturing facility for monoclonal antibody products in Shanghai, the Xuhui Facility, and we were constructing a second manufacturing facility, the Songjiang Facility.

Our Xuhui Facility is located in Shanghai Caohejing Hi-Technology Park, covering an area of approximately 11,000 square metres. The Xuhui Facility houses six 2,000L single-use bioreactors and four 500L single-use bioreactors. We may concurrently produce the same product in different bioreactors, which is common practice in the biopharmaceutical manufacturing industry, especially for antibody production. Each bioreactor uses identical operating and control systems, and each is required to undergo the same set of equipment and process validation procedures before activation. This helps to ensure that our products are manufactured according to the same quality even when such manufacturing takes place across multiple bioreactors in parallel. As a result of this uniformity in hardware and process, we do not expect to encounter any material difficulties in maintaining consistency of production quality across different bioreactors, nor any material increases in production costs. As we ramp up production for HLX01 (漢利康), we believe we will instead be able to achieve production cost efficiencies through greater economies of scale.

We lease the underlying land use rights and buildings for the Xuhui Facility from Shanghai Clone High Technology Co., Ltd. (上海克隆生物高技術有限公司) ("**Clone High Tech**"), a fellow subsidiary of Fosun Pharma, but own substantially all of the plant and equipment within the facility. See "— *Land and Properties*" for details on the terms of our leasing arrangements and note 37(b) to the Accountants' Report in Appendix I to this prospectus for the rental amounts paid to Clone High Tech. Based on our affiliation and our track record of developing and maintaining a sound working relationship with Clone High Tech, we do not expect to encounter any material difficulty with renewing this lease from time to time as needed.

As at 31 March 2019, we had a total of 155 personnel engaged in manufacturing, 98 of whom were responsible for Phase 3 clinical and eventual commercial production. In addition, of our 239 R&D employees, 42 were responsible for pilot production for IND filings and Phase 1 and Phase 2 clinical trials. As at the same date, we also had a technical services team of 20 personnel responsible for technology transfer, process optimisation, supporting the production and resolving technical issues, as well as an engineering team of 34 personnel responsible for environmental, health and safety, engineering procurement, capital equipment purchasing, facility and equipment maintenance and calibrations. As maintaining and building up our talent pool is one of our key success factors, we have training and development programmes in place to develop our manufacturing teams to meet our commercialisation and expansion needs. We further plan to digitalise our operational systems for higher production turnover by implementing an enterprise resources planning system, for example SAP software, which we intend to roll out across our operations.

To meet the expected demand for the drug candidates in our pipeline, we plan to expand our manufacturing capacity significantly by developing our second manufacturing site in Shanghai, the Songjiang Facility, which is currently under construction. We designed the Songjiang Facility to incorporate substantially similar manufacturing equipment, technologies and processes as those used and to be implemented at our Xuhui Facility. We expect the Songjiang Facility to support our future global commercial needs when fully operational.

We procure a variety of advanced manufacturing-related equipment from well-known international pharmaceutical equipment suppliers. We utilise single-use technologies in the production process, such as disposable bioreactors and filtration systems for, among other things, serum, culture media and buffers. We believe that, compared to traditional stainless steel bioreactors, single-use bioreactors possess many advantages, including shorter downtimes, reduced cleaning and sterilisation efforts, a significantly lower risk of cross contaminations, flexibility and easy shifts in portfolios based on market needs. These advantages are largely attributable to the design of single-use bioreactors, which typically features a plastic-lined disposable bag encased within a more permanent structure, in contrast with conventional bioreactors which utilise more complex culture vessels. According to the Frost & Sullivan Report, single-use bioreactors have been widely adopted in the US, where the pharmaceutical industry is well-developed, with a penetration rate of over 80%. In China, where the industrialisation of biologics lags behind many developed countries, single-use bioreactors are similarly widely adopted by CMOs, but penetration among biopharmaceutical companies like us is generally low, as most such companies outsource their production to third party CMOs. Traditional stainless steel bioreactors remain more commonly used for mass production of biologics in China, while single-use bioreactors are primarily used for smaller scale production of biologics for clinical trials. However, as single-use bioreactors have demonstrated cost efficiency for mass production of biologics in developed countries such as the US, the overall penetration rate of single-use bioreactors in China is expected to increase going forward.

In addition to operational efficiency, single-use technologies also allow us to benefit from material savings in terms of capital investment and production cost. According to the Frost & Sullivan Report, single-use bioreactors generally reduce capital expenditure by up to 50% and production costs by up to 25% to 30%, and saves the need for clean-up and disinfection after each production cycle, which reduces per-batch production time and decreases the risk of contamination. Conversely, single-use bioreactors are less scalable than traditional stainless steel bioreactors, with most mainstream versions of single-use bioreactors being limited to 2,000 L production capacity. Other limitations of single-use bioreactors include: (i) being suitable only for mammalian cell cultures, not bacteria or yeast cultures; (ii) inability to store hot liquids; (iii) higher risk of puncturing; and (iv) higher disposal costs. We implement these single-use technologies and processes at our Xuhui Facility, and in addition to implementing an industry standard batch feeding process, we plan to adopt new continuous manufacturing technology for further cost efficiency. In general, continuous manufacturing is a flow production method used to manufacture, produce, or process materials without interruption. Each step along the continuous manufacturing process can initiate as soon as the first intermediate product has left the previous unit of operation, allowing for a cascade of linked processes operating in parallel. Continuous manufacturing technologies include, but are not limited to, automation, process control, process analytical technology, continuous chromatography, membrane chromatography and single-pass tangential flow filtration. According to the Frost & Sullivan Report, when compared to traditional batch manufacturing, continuous manufacturing: (i) is at least 30% faster; (ii) reduces manufacturing costs by at least 40%, mainly by reducing buffer consumption and resin cycling; and (iii) improves productivity by at least 40%. We have completed a proof-of-concept lab-scale experiment for continuous manufacturing with favourable results and prospects, and we plan to continue to further validate this process at a pilot scale.

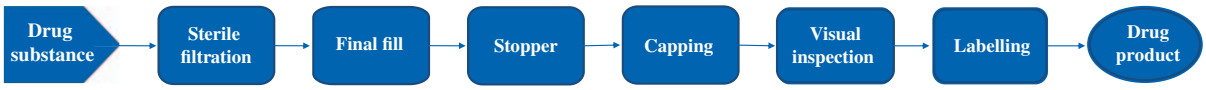
## Manufacturing Process

The charts below set out a summary of our overall manufacturing process:

**Cell Culture Process**

**Purification Process**

**Drug Product Process**




Our manufacturing operations team closely collaborates with cross functional teams, such as quality assurance and quality control, supply chain management and others to produce high-quality products in a reliable and safe manner, in accordance with a comprehensive set of GMP standard operating procedures in place.

These efforts and advances have enabled us to meet or exceed global regulatory requirements and regulations, including, but not limited to, the requirements of the FDA, EMA, TFDA and NMPA for manufacturing. For example, our Xuhui Facility and accompanying quality management systems have passed multiple on-site inspections and/or audits conducted by external experts, the NMPA Shanghai Bureau, an EU qualified person for medical products ("**QP**") and our international partners with whom we collaborate to license and commercialise our products, such as Accord and Cipla, in each case in accordance with exacting standards. In March 2019, we obtained a GMP certificate from the NMPA certifying our compliance with PRC GMP requirements for HLX01 (漢利康), which is valid until 2024. However, the manufacturing process is not part of the NDA approval process for biosimilar candidates, which instead focuses on bioequivalence to the originator drug by reference to efficacy and safety findings.

## Quality Management Systems

We have established a quality management system that covers the entire product lifecycle from product research and development to material management, product manufacturing, quality control, product supply management and product post market surveillance. We believe that an effective and efficient quality management system is essential to (i) ensuring accurate and reliable pre-clinical studies and clinical trial results for our drug candidates, (ii) facilitating favourable regulatory review

and approval and (iii) achieving successful market reception for our drugs following commercialisation. Our quality management system assures product quality and regulatory compliance through the management of change control, discrepancy and complaint handling, corrective action and preventive actions ("**CAPA**"), recall preparedness and pharmacovigilance. As quality management is a core value of the Company and a key pillar of our competitive position that we intend to develop, we have a zero tolerance policy for non-compliance on quality.

Our Global Quality Operations department, which operates our quality assurance and quality control functions, consisted of 125 employees as at 31 March 2019. Its organisational structure includes quality assurance, quality control, and validation departments. Our staffing reflects our strong commitment to quality assurance and control functions. The headcount of this department as at 31 March 2019 was equivalent to approximately 81% of the headcount of our manufacturing department. The majority of our employees in this department are staffed in our quality control laboratory, which has approximately 1,000 square metres of lab space and enables a broad spectrum of analytical instrumentation capable of supporting all aspects of testing required for the manufacturing of protein products to be used by us, from Phase 1 clinical trials to commercial production. Most of our employees in this department hold at least tertiary degrees in fields relevant to quality assurance and control and the management team has working experience with renowned global pharmaceutical and biotech companies. We believe that this demonstrated commitment to quality management distinguishes us in the PRC market, and we intend to continue to pursue this commitment to establish a market reputation for quality and reliability.

We are also committed to continuously improving our quality system on an ongoing basis, with investments of approximately RMB2 million per year in technical consulting, quality management, software procurement and staff training. Our quality team holds regular meetings to review quality policies, regulatory updates, and quality issues. More significant issues are escalated to relevant department heads and our Chief Executive Officer. We also engage external consultants to audit our quality management system and perform gap analyses to continuously improve our quality management system. So far, we have not encountered any significant quality issues which had any material impact on our business or operations.

**Contract Manufacturing Organisations**

While in recent years we have primarily manufactured products in-house in China Mainland for our clinical trials, we have engaged CMOs to produce small quantities of products for our clinical trials in Taiwan as required by local laws and regulations. We plan to use a small number of additional CMOs in the near future for the clinical trials of certain other drug candidates which may enter clinical trials by that time. We have cooperated with our CMOs for approximately three years. Under the agreements we enter into with CMOs, we provide raw materials to the CMOs and they manufacture the biosimilar or bio-innovative products for our clinical trials according to GMP and our requirements. Going forward, as we begin to commercialise drug candidates in our pipeline, we intend to conduct all manufacturing of drugs for commercial use in-house at our Xuhui Facility and, in the future, our Songjiang Facility. However, depending on market demand for our products, we may consider outsourcing excess production needs to CMOs from time to time, if necessary.

## LICENCE ARRANGEMENTS

We have entered into agreements to license in and license out certain products in our drug candidate portfolio. These include:

### Licence Agreement with Shanghai Jingze

We entered into a licence agreement with Shanghai Jingze in July 2016 (as amended), pursuant to which we granted an exclusive right to Shanghai Jingze to develop and commercialise our drug candidate HLX05 in China. HLX05 is an Erbitux biosimilar targeting EGFR. We decided to license-out HLX05 in order to (i) allocate more resources towards the R&D of HLX07, which is also an EGFR inhibitor but with the potential to be a cetuximab biobetter and (ii) reduce potential internal competition in the EGFR market between HLX05 and HLX07.

Under the agreement, we agreed to transfer all the IND application papers and related data to Shanghai Jingze for it to commence clinical trials in China and progress to commercialisation. Shanghai Jingze agreed to make staged payments to us in accordance with the milestones set out in the agreement, which includes the enrolment of patients for phase 1 clinical trials for colorectal cancer indication and head and neck cancer indication, as well as obtaining the NMPA's approval to launch HLX05 in China. Shanghai Jingze will also make up to two royalty payments equal to a low single digit percentage of total net sales revenue achieved for HLX05 in the PRC. Shanghai Jingze is obliged to share all clinical data and other related intellectual properties derived from the clinical trials with us, and we undertake to provide technical support and assistance to Shanghai Jingze in its production of HLX05 not exceeding a certain number of hours. Under a separate supply agreement with Shanghai Jingze, we are responsible to supply HLX05 samples to Shanghai Jingze for the purpose of conducting clinical trials if Shanghai Jingze nominates us as the supplier.

### Licence and Option Agreement with Galaxy Biotech

We entered into a licence and option agreement with Galaxy Biotech in February 2018, pursuant to which Galaxy Biotech granted us an exclusive licence to develop and commercialise its monoclonal antibody D114 (which we are developing as HLX56) in Greater China. In consideration of the licence grant, we paid Galaxy Biotech an initial non-refundable fee of US$500,000 upon the transfer of Galaxy Biotech's know-how to us. In addition, we are required to make staged payments to Galaxy Biotech according to the milestones achieved in the development of HLX56, as well as one-off payments under certain circumstances. Once HLX56 is successfully commercialised and we begin to generate sales revenue, we are required to make royalty payments to Galaxy Biotech based on a single digit percentage of the net sales of such product both in and outside of Greater China. If Galaxy Biotech decides to sublicense the right to develop and commercialise HLX56 to a third party, Galaxy Biotech agrees to pay us a share of the revenue received from such sub-licensee.

During an initial option exercise period which is 30 days after the completion of phase 1 clinical trial of HLX56, we are able to exercise an option to expand the licence granted under the agreement to include other jurisdictions outside of Greater China (the "**Galaxy Biotech Option Right**"), which allows us to develop and commercialise HLX56 in those jurisdictions, either ourselves or through CROs. For a fee to Galaxy Biotech, we are able to extend the option exercise period to 30 days after the completion of a Phase 2 clinical trial of HLX56, subject to a long-stop date which is six years from the date of the agreement. If we do not exercise the Galaxy Biotech Option Right, Galaxy Biotech has the right to then develop and commercialise HLX56 themselves in jurisdictions outside of Greater China.

**Exclusive Licence Agreement with AbClon**

We entered into an exclusive licence agreement with AbClon in October 2016, pursuant to which AbClon granted us an exclusive licence to develop and commercialise its proprietary antibody AC101 (which we are developing as HLX22) in Greater China. In consideration for the licensing right, we made two instalment payments of US$500,000 each to AbClon, and we are required to make further milestone payments of an amount not exceeding US$15.5 million upon the achievement of certain milestones as set out under the agreement. In addition, we are also required to pay royalties based on a single digit percentage of the annual net sales of HLX22.

We had an option to expand the licence granted under the agreement to a global licence (the "**HLX22 Option Right**") by notifying AbClon in writing and paying an option exercise fee. We exercised the HLX22 Option Right in November 2018 and will pay an aggregate of US$10 million to AbClon in two instalments.

AbClon undertakes to transfer its technology and know-how relating to HLX22 to us within 30 days of the date of the agreement, and we undertake to develop HLX22 at our own expense and to use reasonable efforts to file an IND within 36 months of the completion of the technology transfer. AbClon is responsible for preparing, filing and prosecuting any patents relating to HLX22 in all the jurisdictions covered under the agreement.

**Exclusive Licence Agreement with Kolltan**

We entered into an exclusive licence agreement with Kolltan in October 2016, pursuant to which Kolltan granted us an exclusive licence to develop and commercialise its proprietary IgG2 monoclonal antibody KTN0216 (which we are developing as HLX55) in various regions across Asia, including Greater China and certain countries in Southeast, Central and South Asia (the "**HLX55 jurisdictions**"). We and Kolltan also have the right of first negotiation to develop and commercialise HLX55 in any other jurisdiction.

In consideration for the licensing right, we made an upfront payment to Kolltan, and will make further payments (i) upon achieving certain development and regulatory approval milestones, (ii) upon achieving certain sales milestones and (iii) royalties based on a single digit percentage of annual net sales achieved. The royalties are payable until the later of (a) the expiration of patents for HLX55 in the relevant HLX55 jurisdictions or (b) 10 years since the beginning of commercialisation of HLX55 in the relevant HLX55 jurisdictions.

We are responsible for submitting INDs and BLAs, as applicable, as well as undertaking any development and commercialisation duties and expenses, in each HLX55 jurisdiction. We are also entitled to patent rights over any sufficiently different derivative compounds developed from KTN0216.

## COMMERCIALISATION, SALES AND MARKETING

After obtaining the NMPA's approval for production and marketing, a new drug enters the commercialisation stage in China, which primarily involves three aspects: (i) obtaining the qualification for access to the hospital channel; (ii) establishing a distributor network for delivery of products to customers; and (iii) gaining access to medical insurance in China.

### Our Sales and Marketing Strategy

Our commercialisation strategy is derived from our vision to provide high-quality, affordable and innovative drugs to patients globally. We intend to expeditiously launch and market our drug products in China with the support of a dedicated in-house sales and marketing team as well as well-established commercialisation resources from Fosun Pharma. Simultaneously, we plan to launch our products in multiple territories worldwide by leveraging our global partners' commercialisation capabilities and networks.

#### *China Market*

With HLX01 (漢利康) commencing commercial sales, and in anticipation of receiving regulatory approval for our other drug candidates in the future, we intend to build up a dedicated commercial team covering marketing, sales and market access. We have established a marketing team with extensive industry experience and market insight, and also plan to establish a specialised sales team to execute our commercialisation plans independently in China. We believe that this will strengthen our ability to implement an oncology-focused sales strategy that maximises our brand value, market share and hospital coverage. Hospitals in particular are a key focus for the marketing of our biosimilar products due to limitations on procurement as set forth under the Prescription Management Regulation (《處方管理辦法》), which requires that hospitals may not procure more than two drugs of the same generic name. In practice, this means that for each generic drug, a hospital will only procure the original drug and one biosimilar. As a result, successful first-movers among biosimilar developers may enjoy significant advantages in capturing and retaining market share. See "*Risk Factors — Certain of our biosimilar Core Products are not as advanced in development as the equivalent biosimilar candidates being developed by our competitors, which may result in our competitors capturing significant first-entrant advantages with respect to their products*" for further details.

In the meantime, we intend to take advantage of Fosun Pharma's position as a leading pharmaceutical company in China to further strengthen our commercial operations. We have entered into commercial cooperation agreements with Fosun Pharma to establish a well-defined commercialisation strategy for our HLX01 (漢利康) and HLX03 products. Under such collaboration arrangements, we expect to benefit from Fosun Pharma's (i) decades of market experience and know-how in navigating through the rapidly-evolving China healthcare landscape, (ii) superior market access ability to provide umbrella coverage for a portfolio of products and (iii) extensive sales network covering both higher and lower tier markets to enable broad market penetration across China. We believe these collaborations will establish a solid foundation for our future commercialisation.

Through over six years of clinical trial experience accumulated at over 100 clinical study sites, mostly located at top medical institutions, we have gained access to a comprehensive KOL and physician network to prepare for the commercialisation of our products.

With HLX01 (漢利康) having officially become the first biosimilar mAb approved in accordance with the Biosimilar Guidelines, we are now fully positioned to capture first-entrant advantages and penetrate target markets. In China, we and Fosun Pharma have implemented and begun executing a thorough commercialisation strategy with the joint development and maintenance of a marketing strategy and financial planning for HLX01 (漢利康), while leveraging the deep expertise of both parties. In particular, we are in charge of regulatory affairs, manufacturing and supply chain management, pharmacovigilance, medical affairs, and new indication development and extrapolation. Meanwhile, Fosun Pharma, through its deep and extensive network embedded in the pharmaceutical industry, has the resources to bring HLX01 (漢利康) to a mass patient population by leveraging a specialised and professional sales team of 200 seasoned sales personnel, efficient marketing operation capability, distribution management, execution ability for Phase 4 clinical trials for post-marketing surveillance, if desirable, and extensive market access.

***Overseas Markets***

For our global commercialisation efforts, we have a proven track record of initiating strategic commercialisation collaborations with global leading pharmaceutical companies in advance of product approvals, which we believe will enable us to expeditiously capture market share through the established capabilities and resources of our partners. For example, to market and distribute HLX02 overseas, we have partnered with Accord for over 70 jurisdictions and regions in Europe, MENA and CIS, with Cipla for Australia, New Zealand, Colombia and Malaysia, and with Jacobson Medical for Hong Kong and Macau.

**Our Sales and Marketing Teams**

Mr. Wenjie Zhang has joined us as our Senior Vice President, Chief Commercial Operation Officer and Chief Strategy Officer to oversee our sales and marketing. Mr. Zhang has more than 25 years of commercial operation experience in the pharmaceutical industry. Prior to joining us, Mr. Zhang previously served as the General Manager at Amgen China and the Executive Director at Amgen Japan & Asia Pacific, during which time he helped Amgen to successfully launch its first product in China. He also served as the vice president of Shanghai Roche Pharmaceuticals where he oversaw its sales and marketing of Roche's oncology products such as Avastin, MabThera and Tarceva. In addition, Mr. Zhang was responsible for Roche's oncology franchise marketing and portfolio

management. In addition, he served as the head of Oncology & Specialty Therapeutics of Bayer Schering Pharma from 2006 to 2010 and for the year of 2010, he acted as head of the same business unit for Asia Pacific. Mr. Zhang is in charge of the commercialisation and strategic planning of our current and future drug products, starting from HLX02, as well as establishing an in-house sales team.

We expect to conduct marketing activities of our products through our in-house sales and marketing department, as well as leveraging the resources and sales network of our Controlling Shareholder, Fosun Pharma, as well as other third party partners. Our sales and marketing efforts include:

- regularly participating in industry conferences and forums to promote our products, and cultivate and engage with potential customers and KOLs;
- organising seminars and inviting academics and KOLs in the biologics (including biosimilars) industry to share the latest developments in the industry as well as promoting our products;
- establishing a real-world evidence committee in order to academically interact with key doctors and to facilitate accumulating clinical experience and data on our products, which we believe will further strengthen our competitive advantages;
- networking with targeted key doctors to cooperate with CROs, hospitals and principal investigators and conduct clinical trials and share the results of our latest product development with doctors and other medical practitioners.

Our marketing team currently consists of a market analysis team and a product management team. We are also building our market access team. The current and expected functions of these teams include:

(i) *market analysis team* — manages market data analysis, KOL engagement, pricing strategies and market forecast analysis for product candidates in our pipeline.

(ii) *product management team* — manages our collaboration efforts with various domestic and overseas partners for the promotion and sales of our products in different jurisdictions, including conducting market research and analysis for competition landscape intelligence and sales projections, potential partners' profiling, sales monitoring and support.

(iii) *market access team* — will lead and participate in negotiations with government agencies and hospitals to facilitate our products being added to procurement lists, accepted by hospitals and available for reimbursement.

Our sales team will be responsible for client relationship management, effective market coverage and penetration to meet anticipated demand for our future approved drug candidates in their respective regions and for the relevant indications. As we expect to launch a number of biologics products in the next few years, we will further expand our sales force to support increased promotional activities. Our team will closely cooperate with the market access team to maximise hospital and market penetration.

Our marketing team was established in 2014 and we were establishing our sales team as at the Latest Practicable Date. In addition, we plan to utilise Fosun Pharma's commercialisation resources (in particular its hospital network and market access capabilities) more extensively for the commercialisation of our initial products in the PRC. Over time, as we develop and expand our marketing and sales team, their functions may increasingly overlap with the commercialisation resources provided by Fosun Pharma, at which time we may consider reducing our utilisation of such resources from Fosun Pharma and instead rely more on our in-house team.

**Commercialisation Partners**

We select our commercialisation partners based on their qualifications, reputation, market coverage and sales experience. To market and sell our products, a commercialisation partner must maintain its business licence and other relevant licences and permits. We also expect that a commercialisation partner is able to maintain extensive hospital coverage in designated jurisdictions and is capable of delivering our products to covered hospitals in a safe and timely manner.

As at the Latest Practicable Date, we had entered into manufacturing and supply agreements with: (i) Fosun Pharma Industrial Development and Biosidus with respect to HLX01; (ii) Accord, Cipla and Jacobson Medical with respect to HLX02; and (iii) Jiangsu Wanbang with respect to HLX03. Except for Fosun Pharma Industrial Development and Jiangsu Wanbang, each commercialisation partner is an independent third party of the Group. Key terms of these agreements include the following:

- The agreement set outs a buyer-seller relationship between the commercialisation partner and us;
- The initial term of the agreement is 10 to 15 years, renewable by mutual consent for further periods ranging from one to five years;
- During the initial term, the commercialisation partner has exclusive sales rights to our product in the relevant geographic territories set out in the agreement, and agrees to not sell any competing product;
- During the initial term, we are the exclusive supplier of the relevant product to the commercialisation partner. However, we and the commercialisation partner may agree to appoint a backup manufacturer, with appropriate technology transfer provisions, under certain circumstances;
- Purchase volume is based on product forecasts submitted in advance by the commercialisation partner. There are no mandatory minimum purchase amounts;
- Product pricing is generally determined based on a base supply price plus a percentage markup as agreed with the commercialisation partner;
- We provide credit terms for payment generally ranging from 60 to 120 days. Payments to international partners are to be made in US dollars via wire transfer;

- We and our commercialisation partner agree to maintain purchase order and pricing calculation records and to make them available to each other for inspection and annual audit;

- We generally do not require our commercialisation partner to maintain minimum inventory levels or to submit periodic inventory reports or downstream sales information to us;

- We and our commercialisation partner agree to comply with all relevant laws and regulations, including any applicable notification and reporting obligations; and

- We and our commercialisation partner have customary termination rights, including by written notice or upon the occurrence of certain events of default or non-performance.

As we continue to develop our sales network in line with the commercialisation and launch of our products, we expect to enter into agreements with new commercialisation partners on terms that are substantially consistent with those set out above.

**Cancer Mutation Testing**

As the drugs that we develop (as well as the reference drugs for which we are developing biosimilars) typically have specific targets to interact with in order to be effective, it is important for certain types of cancer patients such as breast cancer patients to test for gene mutation status prior to being cleared for treatment. Common clinical tests include immunohistochemistry, fluorescence in situ hybridisation, chromogenic in situ hybridisation, Southern blot, flow cytometry and polymerase chain reaction. These tests are used to identify mutations such as CD20 or HER2, which are targets for certain of our product candidates. These tests are very well-established and widely adopted among the physician community to diagnose various cancer mutations. As a result, as a biopharmaceutical company, we currently do not plan to develop our own diagnostic tests, though we aim to follow the latest molecular diagnosis technology closely so as to refine our R&D and commercial strategy and look for partners in the cancer mutation test areas for our late stage drug candidates.

**Pricing**

We believe an optimal pricing strategy is the key to develop and maintain our long term competitiveness. As a part of our strategy of affordable innovation, we aim to carefully control costs throughout our research, development and manufacturing processes, and take into account a series of factors such as demand for our products, competitor pricing, regulatory requirements and the affordability and accessibility of reference drugs.

We will continuously monitor market prices as more MabThera biosimilars enter the market as well as various developments as they occur, and in turn may adjust our pricing for HLX01 (漢利康) as appropriate. For example, while the NRDL has set the national price for rituximab at RMB2,294 per 10mL/100 mg/vial in 2018 and HLX01 (漢利康) will benefit from reimbursement opportunities for rituximab under the NRDL, we lowered the price per vial of HLX01 (漢利康) to RMB1,398 in certain provinces and we expect to expand such price cut to other provinces by the end of 2019, after taking into account various factors such as expected demand for HLX01 (漢利康), potential competitor pricing, regulatory requirements and the affordability and accessibility of MabThera. The lower price will allow us to expand the availability of HLX01 (漢利康) for patients facing economic hardship.

## CUSTOMERS

During the Track Record Period, we did not generate any revenue from product sales. We instead derived revenue primarily from licence rights and rendering of services. With the commencement of commercial sales for HLX01 (漢利康) in China, we started to generate revenue from the sale of HLX01 (漢利康) in May 2019.

In 2017, 2018 and the three months ended 31 March 2019, our five largest customers contributed to 100.0%, 100.0% and 100% of our total revenue in each period, respectively, while the single largest customer contributed to 57.6%, 49.8% and 89.5% of our total revenue in the same periods, respectively. One of these largest customers was Fosun Pharmaceutical Industrial Development, a wholly-owned subsidiary of Fosun Pharma. Other than that customer, during 2017, 2018 and the three months ended 31 March 2019, none of our Directors or, to their knowledge, their associates or any Shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest customers.

We expect to market and sell our future drugs to hospitals and other medical institutions once our drug candidates have been approved by the NMPA following the completion of Phase 3 clinical trials. See "—*Commercialisation, Sales and Marketing*" for further details.

## RAW MATERIALS AND SUPPLIERS

### Raw Materials and Inventory Management

Our main raw materials used in the production process for drug candidates include reagents, cell culture media, chromatography resins, excipients, packaging materials and consumables, such as disposable bioreactors and buffer preparation bags. We develop the formulations for our cell culture media and commission manufacturers to produce them in accordance with our formulas. Commissioning such supplies on a contract manufacturing basis, as opposed to purchasing commercial supplies off the shelf, allows us to reduce costs, which is a core aspect of our cost control measures to execute our efforts towards affordable innovation.

We utilise a comprehensive inventory management system that monitors each stage of the storage and handling process up to production. We operate a warehouse for raw supplies at our Xuhui Facility, with full-time staff responsible for the inspection, storage and distribution of such supplies. The warehouse accommodates different storage conditions, such as temperature and humidity. We monitor the quality of supplies according to our standard operating procedure. We conduct sampling inspection of raw materials before they are used in trial production.

We generally maintain an inventory level for raw materials at this warehouse to support production needs. We typically place orders three to six months in advance in order to take into account the time needed for the suppliers to manufacture the product, conduct quality testing and arrange transportation (along with any customs approvals needed), as well as for us to conduct internal inspections and testing of the product upon arrival. We believe the raw materials we require are readily available from a number of reputable suppliers and we in general do not rely on any particular supplier.

**Supply Chain Management and Key Suppliers**

Our supply chain management department comprises four teams: (i) business planning team, which is responsible for our demand and supply planning, establishing our matter production schedule and raw materials planning; (ii) procurement team, which is responsible for procuring equipment and materials needed for our pre-clinical studies and clinical trials; (iii) supply chain operation team, which is responsible for the importation, transportation and warehousing of raw materials; and (iv) supply chain optimisations team, which is responsible for the optimisation of our supply chain operation and management. As at 31 March 2019, our supply chain management department had 20 personnel, and we expect this number to grow as we expand our operations.

Our procurement team is primarily responsible for purchasing raw materials, consumables, supplementary materials and any reference standards used in the research and development of drug candidates, whereas laboratory equipment is separately purchased by other departments. We adopt either direct or indirect procurement, and both follow a set of standard operating procedures. For direct procurement, we purchase directly from suppliers selected from our database of GMP certified suppliers. For indirect procurement, we undertake a tender process to select the agent or intermediary from whom we then make a purchase. In addition to materials used, we also require various services including logistics and transportation, warehousing and cold chain storage in our clinical trials and production. We currently obtain logistics services primarily from some of the largest pharmaceutical distribution companies in the PRC.

In selecting our suppliers, we focus on identifying and forming relationships with reputable manufacturers with strong quality control measures and an excellent compliance track record, while also taking into consideration cost factors such as logistics. We have historically primarily relied on imported supplies from well-known, international brands, including procuring most of our cell lines and culture media from US-based manufacturers. Going forward, we may consider working with PRC enterprises which have a track record of strong product integrity and which meet our quality guarantee requirements.

In 2017, 2018 and the three months ended 31 March 2019, our five largest suppliers contributed to 36.0%, 27.6% and 29.4% of our total purchases, respectively, while the largest supplier contributed to 10.6%, 6.7% and 7.8% of our total purchases in the same periods, respectively. During the Track Record Period, all of our five largest suppliers were independent third parties of the Group, and none of our Directors or, to their knowledge, their associates or any Shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest suppliers.

Our largest suppliers in 2018 were CROs which provided services to us in connection with our pre-clinical studies and clinical trials. See "*—Research and Development—Contract Research Organisations*" for further details on the typical terms of our agreements with CROs. Our largest supplier in 2017 primarily provided reference drugs for use in our clinical trials. Our other key suppliers during the Track Record Period included suppliers of, among other things, disposable bioreactor bags, excipients and fillers. We have supply agreements with these suppliers which sets out

the key terms of these relationships, including pricing terms, supply cycle details and quality assurance provisions, which we believe are standard in our industry. We believe that we have selected suppliers with a strong market reputation for high-quality supplies and/or services and strict quality control requirements. Going forward, we may consider consolidating our supplier base and entering into long-term supply arrangements with a small number of large, multinational suppliers.

## EMPLOYEES

As at 31 March 2019, we had 779 full-time employees. Due to the high technical requirements of our industry, our workforce comprises many high calibre scientists and experts with extensive experience and pedigree in the biopharmaceutical industry. Most of our workforce is highly-educated, with many employees holding advanced degrees from overseas institutions. The table below sets out a breakdown of our employees by the level of education:

| Level of education | Number of employees |
|---|---|
| Ph.D. or equivalent | 79 |
| Master's degree or equivalent | 258 |
| Bachelor's degree or equivalent | 338 |
| Others | 104 |
| **Total** | **779** |

Our employees with Ph.D or equivalent degrees have backgrounds in biotechnology, biology, chemistry, chemical engineering or other relevant fields. As at 31 March 2019, our core team comprised 79 industry experts, nearly 67% of which have more than 10 years of relevant experience in the industry, and more than 62% have worked overseas. They bring robust technical and project execution knowledge from their prior working experience at large, multinational pharmaceutical companies. Many of our key research and development and management team members also possess Master's degrees in business administration. This strong talent pool allows us to effectively carry out drug discovery and research and development and successfully execute our strategies of offering affordable and innovative medicines.

The table below sets forth, as at 31 March 2019, a breakdown of our employees by function across all jurisdictions:

| Function | Number of employees |
|---|---|
| Management and administrative | 103 |
| Research and development | 239 |
| Quality and technical support | 144 |
| Manufacturing | 155 |
| Clinical medical affairs | 138 |
| **Total** | **779** |

Substantially all of our employees undergo three to six months of on-site training prior to becoming full-time members of our workforce. Our training focuses on operational skills, regulatory compliance and production processes. We emphasise on-the-job training as a constant, ongoing objective for our employees. All employees also participate in formal training on an annual basis, where we focus on the latest technical developments and updates in regulatory requirements.

Recruiting and maintaining a team of talented professionals is one of our key strategies and long-term focus. We recruit our employees primarily through recruitment websites, internal referrals and job fairs at universities and industry conferences. We do not typically hire recruiting agents for our hiring needs. Our candidate selection process emphasises factors such as talent, sound technical skills, academic performance and professional experience, strong integrity and ethics, dedication to medical and pharmaceutical research as a career and fitness within our corporate culture. We enter into individual employment contracts with our employees setting out terms such as salaries, bonuses, grounds for termination and confidentiality. Employment contracts with our R&D personnel also typically contain a non-competition clause. We also provide benefits to our employees as part of their compensation package which we believe is in line with industry norm. For example, our PRC-based employees are entitled to social insurance as mandated by the PRC Social Insurance Law, including pension, basic medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund. To stay competitive in the market for talent, we have also adopted share award schemes to incentivise our employees. See "*Appendix VI — Statutory and General Information*" for further details.

Going forward, we plan to ramp up hiring in line with our development progress. In particular, as we continue to progress the development of our drug candidates, commercialise such candidates for marketing and sale, expand our product pipeline and ramp up our production capability (most notably in connection with the Songjiang Facility which we expect to significantly increase our manufacturing capacity), we will need to recruit and maintain an increasingly large workforce of qualified personnel. Given the strong competition for high-quality talent in our industry, we plan to expand our hiring resources and industry outreach accordingly. See "*Risk Factors—Risks Relating to Our Operations—Our success depends on our ability to attract, train, motivate and retain highly skilled scientists and other technical personnel*" for further details.

As at the Latest Practicable Date, we had not established a labour union. During the Track Record Period, we did not experience any strikes, work stoppages, labour disputes or other actions which had a material adverse effect on our business and operations.

## COMPETITION AND COMPETITIVE LANDSCAPE

The regional and global biologics industries, and the pharmaceutical industry generally, are highly competitive, with a large number of well-known multinational companies, regionally-strong players and companies in the pre-product commercialisation phase, such as us. Many of our prospective competitors may have significant resources and brand awareness, and may be deeply entrenched in certain market segments, whether by geographic region or by drug type.

With respect to our biosimilar candidates, we expect to compete primarily based on our ability to produce drugs that are of similar quality and efficacy as the relevant reference drugs at lower costs. With respect to original or innovative drug candidates, we expect to compete primarily based on our ability to identify and address new or underserved treatment needs, whether due to a lack of existing drugs generally or as a result of such drugs being unavailable or unaffordable in certain regional markets (in which case making such drug candidates available at affordable prices would also be a key competitive factor). We believe that both types of drug candidates offer significant untapped market opportunities both in China and abroad. At the same time, we expect to face significant competition from domestic and international pharmaceutical companies. However, we expect our major competitors to be other biotech companies in China and elsewhere that focus on producing biologics whose reference drugs may be unavailable, unaffordable or non-existent.

The table below sets forth a summary of the key competitors to our Core Products (undergoing Phase 3 clinical trials or in a more advanced stage), according to the Frost & Sullivan Report:

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)[1] | Regulatory filing/ development status as at 31 March 2019 | Relevant filing/approved date[2] |
|---|---|---|---|---|---|---|---|---|
| MabThera (rituximab, Roche)[3] | PRC: 2013 | NHL | 375 mg/m$^2$ initially and subsequently | once weekly | RMB2,294 per 100 mg | **HLX01 (漢利康) (Henlius)** | **NDA approved** | **February 2019** |
| | US: 2016 | | | | RMB7,866 per 500 mg | SCT400 (SinoCelltech) | Phase 3 | June 2016 |
| | EU: 2013 | | | | | IBI301 (Innovent Biologics) | NDA filed | June 2019 |
| | | | | | | Chimeric Anti-CD20 mAb (Zhejiang Hisun Pharma and Beijing Mabworks Biotech) | Phase 3 | July 2018 |
| | | | | | | GB241 (Genor Biopharma) | Phase 3 | November 2018 |
| | | | | | | TQB2303 (Chiatai Tianqing) | Phase 3 | December 2018 |
| | | | | | | HL03 (Hualan Bio) | Phase 3 | April 2019 |
| | | RA[4] | 1,000 mg initially and subsequently | once weekly for 2 weeks, repeated every 6 to 9 months | | **HLX01 (漢利康) (Henlius)** | **Phase 3** | **June 2018** |
| Herceptin (trastuzumab, Roche)[3] | PRC: 2018 | BC | 4 mg/kg initially 2 mg/kg subsequently | once weekly | RMB7,270 per 440 mg | **HLX02 (Henlius)** | **NDA accepted** | **April 2019** |
| | US: 2019 | | | | | Trastuzumab Biosimilar (Anhui Anke Biotechnology) | Phase 3 | May 2019 |
| | EU: 2014 | | | | | GB221 (Genor Biopharma) | Phase 3 | September 2016 |
| | | | | | | HS022 (Zhejiang Hisun) | Phase 3 | April 2018 |
| | | | | | | CMAB-302 (Sunshine Guojian) | NDA filed | September 2018 |
| | | | | | | TQ-B211 (Chiatai Tianqing) | Phase 3 | October 2018 |

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)[1] | Regulatory filing/ development status as at 31 March 2019 | Relevant filing/approved date[2] |
|---|---|---|---|---|---|---|---|---|
| | | mGC | 8 mg/kg initially 6 mg/kg subsequently | once every 3 weeks | | **HLX02 (Henlius)** | **Phase 1[5]** | **December 2015** |
| Humira (adalimumab, AbbVie) | PRC: 2017 | PS | 80 mg initially 40 mg subsequently | once every 2 weeks | RMB7,593 per 40 mg[6] | **HLX03 (Henlius)** | **NDA accepted** | **January 2019** |
| | | | | | | DB101 (Dongbao Pharmaceutical) | Phase 3 | February 2019 |
| | US: 2016 | RA | 40 mg initially and subsequently | once every 2 weeks | | **HLX03 (Henlius)** | **Phase 1** | **December 2016** |
| | EU: 2018 | | | | | UBP1211 (Jiangsu Union Biopharma) | Phase 3 | May 2017 |
| | | AS | 40mg initially and subsequently | once every 2 weeks | | BAT1406 (Bio-Thera Solutions) | NDA filed | August 2018 |
| | | | | | | HS016 (Zhejiang Hisun) | NDA filed | September 2018 |
| | | | | | | IBI303 (Innovent Biologics) | NDA filed | November 2018 |
| Avastin (bevacizumab, Roche)[3] | PRC: 2018 | mCRC | 5 mg/kg initially and subsequently | once every 2 weeks | RMB1,934 per 100 mg | **HLX04 (Henlius)** | **Phase 3** | **March 2018** |
| | US: 2017 | nsNSCLC | 15 mg/kg initially and subsequently | once every 3 weeks | | **HLX04 (Henlius)** | **Phase 1[5]** | **December 2016** |
| | EU: 2018 | | | | | IBI305 (Innovent Biologics) | NDA filed | January 2019 |
| | | | | | | TAB008 (TOT Biopharm) | Phase 3 | May 2017 |
| | | | | | | MIL60 (Beijing mAbworks Biotechnology) | Phase 3 | August 2017 |
| | | | | | | BAT1706 (Bio-Thera Solutions) | Phase 3 | October 2017 |
| | | | | | | GB222 (Genor Biopharma) | Phase 3 | December 2017 |
| | | | | | | LY01008 (Shandong Boan Biological Technology) | Phase 3 | January 2018 |

| Reference drug (generic name, company) | Expiry of major mAb patents | Indication | Recommended dosage | Typical frequency | Cost per vial in the PRC for reference drug as at the Latest Practicable Date | Key drug candidate (drug developer)(1) | Regulatory filing/ development status as at 31 March 2019 | Relevant filing/approved date(2) |
|---|---|---|---|---|---|---|---|---|
| | | | | | | BP102 (Shanghai Hengrui Pharmaceutical) | Phase 3 | March 2018 |
| | | | | | | QL1101 (Qilu Pharmaceutical) | NDA filed | August 2018 |
| | | | | | | TQ-B2302 (Chiatai Tianqing) | Phase 3 | July 2018 |
| | | | | | | WBP-264 (Hualan Genetic Engineering) | Phase 3 | August 2018 |
| | | | | | | SCT510 (Sinocelltech) | Phase 3 | December 2018 |
| | | | | | | AK-3008 (Anhui Anke Biotechnology) | Phase 3 | April 2019 |

*Notes:*

(1) Due to inherent uncertainties in clinical development, this table includes only PRC-based competitors which have reached Phase 3 clinical trials. As the PRC is expected to be the key initial market for our Core Products, we generally consider other PRC-based biopharmaceutical companies to be our key competitors. Moreover, each reference drug is also considered a key competitor if such drug has been approved in China for the relevant indication.

(2) Denotes the date on which the relevant status was publicly disclosed.

(3) Has been added to the NRDL. The reimbursement percentage for each of rituximab, trastuzumab and bevacizumab under the NRDL ranges from 70% to 90%, depending on the province.

(4) MabThera has not been approved in China for the RA indication.

(5) Eligible for potential indication expansion. See "*Business — Our Bio-Innovative Drugs*" for further details.

(6) In several provinces, such as Shanxi and Jiangxi, the price of Humira decreased to RMB3,160 per 40 mg in 2019.

## AWARDS AND RECOGNITIONS

We have received numerous awards and recognitions which reflect the high esteem under which we are held and our renowned industry achievements. The table below sets forth recent major awards and recognition conferred on us:

| Year | Award or Recognition | Issuing Body |
|---|---|---|
| 2016 | High and New Technology Enterprises (“高新技術企業”) | Shanghai Science & Technology Committee Shanghai Municipal Finance Bureau, the Shanghai Municipal Office of the State Administration of Taxation and the Shanghai Municipal Bureau of Local Taxation |
| 2017 | Best Bioprocessing Excellence in China | IMAPAC |
| 2017 | Leading Innovations in Cutting-edge Technologies for Novel mAb Development & Production | IMAPAC |
| 2017 | 2017 Future Star in the China Pharma Industry | Deloitte Touche Tohmatsu |
| 2018 | Asia Biotech of 2017 | Annual BioPharma Industry Awards |
| 2018 | Bioprocessing Innovations in Single-Use Manufacturing in China | IMAPAC |
| 2018 | the Most Promising Enterprises in China (“中國最具潛力企業”) | Ernst & Young |
| 2018 | China Top 50 Investments For Value (“中國最具投資價值企業50強”) | Venture 50 |
| 2018 | Future Stars (“未來之星”) | China Entrepreneur |
| 2019 | the Most Innovative Companies in China (“中國最具創新力企業”) | Forbes China |
| 2019 | Excellent Biopharmaceutical Enterprise (“卓越生物醫藥企業”) | China Financial Market |

## LAND AND PROPERTIES

As at 31 March 2019, we do not own any real property. We lease real properties in China Mainland, Taiwan and the U.S., which we primarily use for our R&D facilities, office space and manufacturing facilities. As at 31 March 2019, we leased properties with an aggregate of 35,290 square metres in China Mainland, 1,618 square metres in Taiwan and 16,489 square feet in the US.

The key terms of our leases are generally as follows: (i) lease durations of one to five years; (ii) fixed annual rental fees, typically required to be paid in advance; (iii) we are typically permitted to invest in leasehold improvements for such properties, for which we bear the associated costs; (iv) leases may be renewed with mutual consent of the parties; and (v) either party may terminate a lease early under certain customary conditions with notice and a break fee. As at the Latest Practicable Date, none of our lease agreements for properties leased in the PRC had completed lease registration with relevant regulatory authorities, but as advised by our PRC legal advisers, such non-registration does not affect the validity of such lease agreements. See "*Risk Factors — Risks Relating to Our Operations — We may face penalties for the non-registration of our lease agreements in China*" for further details.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests in land or buildings, for the reason that, as at 31 March 2019, we had no single property with a carrying amount of 15% or more of our total assets.

## INSURANCE

We believe our insurance coverage is in line with the industry norm in the jurisdictions where we operate, such as property and business interruption insurance, insurance for death or work-related injury and product liability insurance relating to the use of our biologics. However, our insurance may be insufficient to cover all claims for product liability or damage to our fixed assets. See "*Risk Factors — Risks Relating to Our Operations — We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources*" for further details.

## INTERNAL CONTROLS AND RISK MANAGEMENT

We have a series of internal control policies, procedures and plans that are designed to reasonably assure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Our Audit Committee and finance department are primarily responsible for overseeing the implementation of our internal control policies and procedures and financial reporting system, as well as rectification of any deficiencies. See "*Directors, Supervisors and Senior Management*" for further details on the experience and qualifications of our Audit Committee. To enhance our internal controls, we engaged a third-party internal control consultant in 2018 to perform certain agreed-upon procedures in connection with the internal controls of the Company and our operating subsidiaries. As at the Latest Practicable Date, there was no outstanding material issue relating to our internal control systems.

We have adopted various internal control policies, measures and procedures to bolster our objectives of efficient operations, reliable financial reporting and compliance with applicable laws and regulation. Such policies, measures and procedures include, among others, our purchasing and payment management policy, contract management policy, R&D project management policy, inventory

and assets management policy, financial and accounting manual, approval matrix policy, quality and manufacturing management policy, cost management policy and risk management policy. Such policies, measures and procedures are also designed to ensure that we and our doctors, researchers, sales personnel and other staff comply with anti-bribery, anti-corruption and sanctions laws with respect to interactions with CROs and CMOs, sales and marketing, drug research and development and patient and customer interactions.

## ENVIRONMENTAL, WORKPLACE HEALTH AND SAFETY MATTERS

We are subject to environmental protection and occupational health and safety laws and regulations in the jurisdictions where we operate. We have instituted internal policies and systems designed to ensure our compliance with such requirements. During the Track Record Period, our total cost of compliance with applicable environmental and workplace health and safety laws and regulations was RMB0.9 million, RMB1.1 million and RMB0.1 million in 2017, 2018 and the three months ended 31 March 2019, respectively. We expect such costs to increase as we enter into commercial production of our drug candidates that receive regulatory approval.

With respect to environmental protection matters, we are conscious of our environmental protection obligations and actively seek to implement eco-friendly technologies and solutions where feasible. For example, we engage qualified third parties for the disposal of hazardous waste for all of our research and development and manufacturing activities in accordance with applicable laws and regulations. We also have a dedicated team responsible for overseeing our compliance with environmental, health and safety related regulations and policies, and monitoring our implementation of related internal measures, such as: (i) adopting appropriate safety measures at our facilities and implementing best practice procedures; (ii) conducting regular safety awareness training to our employees; (iii) inspecting our facilities regularly to identify and eliminate any potential safety hazards; (iv) adopting appropriate procedures regarding the disposal of any hazardous waste; (v) maintaining a system of recording and handling accidents in our facilities; and (vi) engaging qualified third parties to conduct regular environmental compliance monitoring.

We also emphasise providing a safe working environment for our employees and clinical trial participants. We incorporate work safety guidelines on safe practices, accident prevention and accident reporting as core aspects of our employee training and induction processes, and we ensure that clinical trial participants properly acknowledge their understanding of safety matters at the time of enrolment and on an ongoing basis as necessary. Furthermore, we conduct safety inspections of our clinical trial sites, laboratories and manufacturing facilities on a regular basis.

We did not experience any material accidents in connection with environmental, health and safety matters in the course of our operations.

## LICENCES, PERMITS AND APPROVALS

We are required to obtain and renew certain licences, permits and approvals for our business operations in various jurisdictions. See "*Regulatory Overview*" for more information. The Company holds a pharmaceutical manufacturing licence issued by the Shanghai Food and Drug Administration, which is valid through 31 December 2020. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licences, permits and approvals that are material for our operations, and all of such licences, permits and approvals were within their respective effective periods. We had not experienced any material difficulty in renewing such certificates, permits and licences during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. During the Track Record Period and up to the Latest Practicable Date, we had not been penalised by any government authorities for any non-compliance relating to maintenance and renewal of our material licences, permits and approvals.

## LEGAL AND REGULATORY MATTERS

We may from time to time be involved in legal proceedings in the ordinary course of business. As at the Latest Practicable Date, there were no litigation or arbitration proceedings brought by us, or pending or threatened against us or any of our Directors, that could have a material adverse effect on our financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incident which our Directors believe would, individually or in the aggregate, have a material adverse effect on our financial condition or results of operations.

*You should read the following discussion and analysis in conjunction with our audited consolidated financial statements as at and for the years ended 31 December 2017 and 2018 and the three months ended 31 March 2019, including the notes thereto, set out in the Accountants' Report in Appendix I to this prospectus. Our audited consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. Historical results are not indicative of future performance, nor are interim results indicative of full year financial trends.*

*The following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. We caution you that our business and financial performance are subject to substantial risks and uncertainties. Our actual results could differ materially from those projected in the forward-looking statements. In evaluating our business, you should carefully consider the information provided in "Risk Factors" and "Forward-looking Statements".*

## OVERVIEW

We are a leading biopharmaceutical company in China with the vision to offer high-quality, affordable and innovative drugs for patients worldwide. We are the first biopharmaceutical company to commercially launch a monoclonal antibody biosimilar in China in accordance with the Biosimilar Guidelines, the prevailing PRC regulation on biosimilar evaluation and marketing approval. We have commenced commercial sales of our first product HLX01 (漢利康) in May 2019 after receiving regulatory approval and we have just started to generate revenue from product sales. As a result, we are not profitable and have incurred losses in each period since our inception in 2010. In 2017, 2018 and the three months ended 31 March 2019, we reported a net loss attributable to the owners of the parent of RMB270.6 million, RMB493.7 million and RMB158.1 million, respectively. We had accumulated losses attributable to owners of the parent of RMB1,080.3 million as at 31 March 2019. We expect to continue to incur losses in the foreseeable future.

## BASIS OF PREPARATION

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 Clarification to IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the historical financial statements throughout the Track Record Period. Our consolidated financial statements have been prepared under the historical cost convention.

We have performed an internal assessment of the early adoption of IFRS 15, IFRS 9 and IFRS 16 compared with IAS 18, IAS 39 and IAS 17. The major impacts to the Group are set out as follows:

**IFRS 15**

Presentation of contract liabilities in the consolidated statement of financial position: under IFRS 15, we recognise performance obligations that we have not yet satisfied but for which we have received consideration as contract liabilities. By applying IFRS 15, as at 31 December 2017 and 2018 and 31 March 2019, we recognised contract liabilities amounting to RMB152.6 million, RMB344.5 million and RMB388.3 million, respectively.

Taking into account the impact disclosed above, we consider that there would be no significant impact on our financial position and performance if IAS 18 instead of IFRS 15 had been applied.

**IFRS 9**

IFRS 9 replaces IAS39 and introduces new requirements for classification and measurement and impairment. Under IFRS 9, our debt financial instruments are subsequently measured at amortised cost. The classification is based on two criteria: (i) the Group's business model for managing the assets and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets.

Taking into account the impact disclosed above, we consider that there would be no significant impact on our financial position and performance if IAS 39 instead of IFRS 9 had been applied.

**IFRS 16**

The recognition, measurement, presentation and disclosure of leases in the consolidated statement of financial position:

Under IFRS 16, at the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the

right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

By applying IFRS 16, there are increases in both total assets and liabilities of the Group when comparing to that under IAS 17, and other than this, there is no significant impact on our financial position and financial performance. As at 31 December 2017, 31 December 2018 and 31 March 2019, we recognised right-of-use asset of RMB168.7 million, RMB170.8 million and RMB167.5 million, respectively, and recognised lease liabilities of RMB183.4 million, RMB191.9 million and RMB194.4 million, respectively. Due to the increase of the current portion of the lease liabilities, there are decreases in current ratio and quick ratio when comparing to that under IAS 17, and other than this, there is no significant impact on other financial ratios.

## SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and are expected to continue to be, affected by a variety of factors, including those set forth below:

### Our Ability to Successfully Commercialise Our Drug Candidates

Other than HLX01 (漢利康), for which we received NDA approval in February 2019 and commenced commercial sales in May 2019, all of our drug candidates are still in development and we have not yet received regulatory approval to commercialise any of our drug candidates. Accordingly, we have operated at a net loss in each period since our inception and have only recently begun to generate revenue from product sales. As at 31 March 2019, we had accumulated losses attributable to owners of the parent of RMB1,080.3 million.

As at the Latest Practicable Date, we were concurrently conducting 12 clinical trials for eight drug candidates and two immuno-oncology combination therapies at various trial stages in six different jurisdictions. We launched HLX01 (漢利康) commercially in China and expect to commercialise more of our drug candidates over the coming years as they move towards the final stages of development and if they receive relevant regulatory approvals.

See "*Risk Factors — Risks Relating to the Development, Clinical Trials and Regulatory Approval of Our Drug Candidates*" and "*Risk Factors — Risks Relating to the Commercialisation of Our Drug Candidates*" for further details.

### Research and Development Expenditure

Developing high quality drug candidates requires significant investments into R&D over a prolonged period of time. Since our inception in 2010, we have steadily advanced and expanded our pipeline of drug candidates, which required a substantial amount of cash, the majority of which has

been attributable to our R&D expenditure. Our overall R&D expenditure (representing both capitalised and expensed R&D costs and expenses) in 2017, 2018 and the three months ended 31 March 2019 amounted to RMB637.1 million, RMB972.5 million and RMB225.4 million, respectively.

As we continue to expand our drug candidate pipeline and further invest resources in progressing our existing drug candidates through the development and approval phases, our R&D expenditure may continue to increase significantly. If completed, the net proceeds from the Global Offering will be an important source of funds for us to continue to finance our R&D expenditure. See "*Future Plans and Use of Proceeds*" and "*Risk Factors — Risks Relating to Our Financial Prospects and Need for Additional Capital*" for further details.

**Cost Structure**

Our results of operations are significantly affected by our cost structure, which has historically consisted primarily of R&D expenditure and administrative expenses. Our overall R&D expenditure primarily consists of clinical trial expenses, R&D employee salaries, reagent and consumable expenses and outsourcing fees. Our administrative expenses primarily consist of share-based compensation and employee compensation. As we continue to expand and progress our drug candidate pipeline, we expect both our R&D expenditure and administrative expenses to increase going forward. In the future, as we will seek to build our own internal sales and marketing team, sales and marketing expenses are also expected to be incurred. In addition, as we commercialise more products and generate more revenue from product sales, our cost of sales will increase accordingly and will constitute an increasingly significant share of our overall costs and expenses.

**Regional and Global Demand Trends and Competition for Biologics**

The market opportunities for our drug candidates rely on the continued growth in demand for biologics, in particular mAb drugs, including both biosimilars and bio-innovative drugs. The biologics industry is a relatively nascent industry with strong growth potential, and accordingly we may face competition from both established multinational pharmaceutical companies investing in this space as well as China-based biopharmaceutical and biotech companies like us. According to the Frost & Sullivan Report, in terms of sales revenue, the global biologics market grew at a CAGR of 7.7% from US$194.4 billion in 2014 to US$261.8 billion in 2018, and is projected to further grow at a CAGR of 9.0% to US$402.1 billion in 2023.

In China, biologics currently constitute a significantly smaller segment of the pharmaceutical market in terms of sales revenue compared to chemical drugs. However, the PRC biologics market is expected to grow significantly faster with an increasing share of the overall market over time. According to the Frost & Sullivan Report, in terms of sales revenue, the overall Chinese biologics market grew at a CAGR of 22.4% from RMB116.7 billion in 2014 to RMB262.2 billion in 2018, and is projected to further grow at a CAGR of 19.6% to RMB641.2 billion in 2023. Within the Chinese biologics market, sales revenue for biosimilars grew at a CAGR of 19.0% from RMB0.8 billion in 2014 to RMB1.6 billion in 2018, and is projected to further grow at a CAGR of 74.2% to RMB25.9 billion in 2023. See "*Industry Overview — Overview of China's Biologics Market*" for details on the key drivers of biologics market growth in China.

We believe the biologics market (including biosimilars), both globally and in the key regional markets that we target, will continue to present significant opportunities for companies that are able to successfully commercialise their drug candidates. As we commenced commercial sales of our first product in May 2019, we expect to benefit from such growth trends and capture market share in the relevant indications.

**Government Healthcare Spending, Medical Reimbursement and Drug Pricing Policies**

We expect that the market acceptance and sales volume of our drug candidates, assuming that they are successfully commercialised, will depend in part on the level of government spending on healthcare and the coverage of our drug candidates under government medical reimbursement schemes.

For example, we expect the PRC to be a major market for our drugs. In line with the overall growth in healthcare service industry and increasing healthcare investment in China, the PRC government in the last several years has enacted various policies and official plans aimed at encouraging healthcare infrastructure development and improving accessibility to healthcare services. In particular, growth in population coverage and funding for public medical insurance programmes have significantly improved patients' ability to pay for medical treatment, resulting in considerable growth in both patient enrolment and average spending. According to the Frost & Sullivan Report, PRC government funding for urban medical insurance programmes rose from RMB824.8 billion in 2013 to RMB1,504.7 billion in 2017, representing a CAGR of 16.2%.

At the same time, PRC regulations and medical insurance plans also exert significant influence over drug pricing, such as, for example, by imposing reimbursement caps, which could affect patients' access to our drugs as well as our profitability. The inclusion of our drug candidates in the NRDL, NEDL and their provincial-level counterparts upon commercialisation may significantly increase the demand for such products. As more biologics are included in the NRDL and/or NEDL, biologics are expected to become more affordable, which will allow greater market access. This, in turn, may have a positive impact on the availability and sales volume of our drugs and a negative impact on our pricing and profitability.

We may encounter similar government insurance schemes in other jurisdictions where we seek to commercialise our drug candidates, and how our drug candidates are reimbursed under such schemes may facilitate or hinder their market acceptance and commercial success in those jurisdictions, as well. See "*Risk Factors—Insurance coverage and reimbursement may be limited or unavailable in certain market segments for our drug candidates, which could make it difficult for us to sell our drug products profitably*" and "*Risk Factors—Our drugs may be subject to regulatory price controls or medical insurance reimbursement caps, which may reduce the commercial availability of our drugs and our profitability*" for further details.

**Collaborations and Partnerships**

As part of our commercialisation strategy, we intend to collaborate with distributors to sell our products, in addition to developing an in-house sales and marketing team. We have entered into a number of collaboration partnerships with other companies, including well-established players in the

pharmaceutical industry, for the commercialisation and distribution of our products. For example, we entered into agreements with Fosun Pharma Industrial Development and Jiangsu Wanbang to promote, distribute and sell HLX01 (漢利康) and HLX03, respectively, in the PRC. Under those agreements, Fosun Pharma Industrial Development and Jiangsu Wanbang will reimburse our clinical trial expenditure for the relevant products and share a portion of the profit generated from sales of the relevant products upon their successful commercialisation. As at the Latest Practicable Date, we had entered into manufacture and supply agreements with: (i) Fosun Pharma Industrial Development and Biosidus with respect to HLX01; (ii) Cipla, Accord and Jacobson Medical with respect to HLX02; and (iii) Jiangsu Wanbang with respect to HLX03. See "*Business—Commercialisation, Sales and Marketing*" for further details.

We have also entered into agreements to license-in and license-out certain products in our drug candidate portfolio. In 2017, 2018 and the three months ended 31 March 2019, our revenue from licence fee income was RMB19.5 million, nil and RMB0.8 million, respectively. Furthermore, we are eligible for advances and milestone payments from our partners under certain drug development partnerships, such as from Biosidus with respect to HLX01 upon achieving regulatory approval in certain South American countries and reaching a certain amount of annual gross sales. As at 31 December 2017 and 2018 and 31 March 2019, our balance of advances from customers for exclusive distribution rights was RMB152.6 million, RMB344.5 million and RMB388.3 million, respectively.

**Financing Arrangements**

We operate in a capital-intensive industry and require significant external financing to fund our operations and capital expenditure plans, particularly given our currently limited revenue generation capability. We have historically funded our operations primarily through private placements and related party loans.

Since our inception, we have received substantial private placements from various investors, including our Controlling Shareholder, with approximately RMB4.3 billion raised through 31 December 2018. In 2017, 2018 and the three months ended 31 March 2019, we had total capital contributions from shareholders and non-controlling shareholders of subsidiary of RMB177.5 million, RMB2,638.8 million and nil, respectively. See "*History and Corporate Structure — The Pre-IPO Investments*" for further details.

In addition, we have utilised debt financing arrangements which, during the Track Record Period, consisted of entrusted loans from related parties as well as bank and other loans. As at 31 December 2017 and 2018 and 31 March 2019, the balance of our interest-bearing bank and other borrowings amounted to RMB758.4 million, RMB528.0 million and RMB687.9 million, respectively. In connection with the interest on our interest-bearing bank and other borrowings, we incurred total finance costs of RMB55.2 million, RMB57.9 million and RMB9.0 million in 2017, 2018 and the three months ended 31 March 2019, respectively.

We expect that we will require increased funding going forward as we continue to expand our product pipeline and progress the development of our drug candidates. Going forward, following the potential successful approval and commercialisation of more of our drug candidates, we expect to increasingly fund our operations using revenue generated from the sale of our commercialised drug

products. We may also need to continue to rely on debt and placements for our funding needs, which may increase finance costs and dilute shareholding, respectively. We may also face rising interest rates given the current upward movements in global interest rates. See "— *Indebtedness*" and "*Risk Factors — Risks Relating to Financial Prospects and Need for Additional Capital — We had substantial indebtedness and net current liabilities at certain points during the Track Record Period*" for further details.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

This discussion and analysis of our financial position and results of operations is based on our consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of our consolidated financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each period of the Track Record Period. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Our more critical accounting policies and significant estimates, assumptions and judgements are described below. See notes 2 and 3 to the Accountants' Report in Appendix I in this prospectus for further details on our accounting policies, estimates and judgements.

### Research and Development Costs

All research costs are charged to the statement of profit or loss as incurred.

The expenditure on an internal research and development project is classified into expenditure in the research phase and expenditure in the development phase based on its nature and the degree of certainty that the research and development activities can form an intangible asset at the end of the project.

Expenditure in the development phase is capitalised and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and our ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure incurred during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

The specific criteria for the classification of expenditure in the research phase and expenditure in the development phase is as follows:

For biosimilar products, expenditures in the research phase are all the expenditures incurred before the commencement of Phase 1 clinical trial for the drug candidate. Expenditures in the development phase are all the expenditures incurred after the commencement of Phase 1 clinical trial for the drug candidate. Commencement of Phase 1 clinical trial is determined based on receiving the approval from the relevant regulatory authorities.

For bio-innovative products, expenditures in the research phase are all expenditures incurred before the commencement of Phase 3 clinical trial for the drug candidate. Expenditures in the development phase are all expenditures incurred after the commencement of Phase 3 clinical trial for the drug candidate.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

**Leases**

***Right-of-use assets***

We recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless we are reasonably certain that we will obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over either its estimated useful life or the lease term, whichever is shorter. Right-of-use assets are subject to impairment.

***Lease liabilities***

At the commencement date of the lease, we recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for terminating a lease, if the lease term reflects us exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

***Short-term leases and leases of low-value assets***

We apply the short-term lease recognition exemption to our short-term leases. We also apply the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below RMB30,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Revenue Recognition**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We recognised revenue from the following major sources during the Track Record Period:

***License fee income***

We provide license of patented IP or commercialisation license (i.e., exclusive distribution rights) to customers and revenue is recognised when the customers obtain rights to use the underlying IP or license. The consideration for license comprises a fixed element and variable elements.

For the license which we will not undertake any activities that significantly affect the IP to which the customer has rights, the customers get a right to use the IP as it exists at the point in time at which the licence is granted. The fixed element of the contract is recognised as revenue when the customers can use the underlying IP. Variable elements are recognised as revenue when we conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue.

For the license which we will undertake activities that significantly affect the license, the customers get a right to access the license, the fixed element of the contract is recognised as revenue overtime during the expected commercialisation period. Variable elements are recognised as revenue when we conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue.

***Research and development service fee***

We earn revenue by providing research services to customers through fee-for-service contracts. The contracts include several different research services, each research service has its own purpose which can benefit the customers and with stand-alone consideration. The customers can't control the service or consume the benefit and have no obligation to pay until each service is completed and accepted. We concluded that each research service can be identified as a separated performance obligation satisfied at a point in time. The stand-alone consideration for each research service is recognised as revenue when the customers accept and can benefit from this service.

***Rental income***

Rental income is recognised on a time proportion basis over the lease terms.

***Interest income***

We recognise interest income on an accrual basis using the effective interest method by applying the rate that precisely discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Share-based Payment**

We adopted several share award schemes during the Track Record Period for the purpose of providing incentives and rewards to eligible participants who contributed to the success of our operations. Our employees (including Directors) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to the latest market price of share transaction or determined by an external valuer. For further details, see note 31 to the Accountants' Report in Appendix I to this prospectus.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each period of the Track Record Period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms have not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either us or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they are a modification of the original award, as described in the previous paragraph.

**Impairment of Non-financial Assets (Other than Goodwill)**

We assess whether there are any indicators of impairment for all non-financial assets at the end of each of period of the Track Record Period. Indefinite life intangible assets and deferred development costs are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

**Impairment of Receivables**

*Provision for expected credit losses on receivables*

We use a provision matrix to calculate ECLs for trade and bills receivables and other receivables. The provision rates are based on days past due. The provision matrix is initially based on our historical observed default rates. At the end of each period of the Track Record Period, the historical observed default rates had been checked to determine whether they need to be updated and the changes on the forward-looking estimates were analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. See notes 20 and 21 to the Accountants' Report in Appendix I in this prospectus for further details on the ECLs on our trade and bills receivables and other receivables in prepayments, deposits and other receivables.

**Useful Lives of Property, Plant and Equipment**

We determine the estimated useful lives and related depreciation charges for our property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Such estimates could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

**Deferred Development Costs**

Deferred development costs are capitalised in accordance with the accounting policy for research and development costs. In determining the amounts to be capitalised, management makes assumptions regarding future economic benefits to be generated from the research and development projects, discount rates to be applied and the expected period of such benefits. See note 15 to the Accountants' Report in Appendix I in this prospectus for further details on the carrying amount of deferred development costs.

**Deferred Tax Assets**

Deferred tax assets are recognised for deductible temporary differences and carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND REVIEW OF HISTORICAL RESULTS OF OPERATIONS

The table below sets forth our consolidated statements of profit or loss for the periods indicated:

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| Revenue | 33,910 | 7,421 | — | 924 |
| Cost of sales | (15,019) | (5,398) | — | — |
| **Gross profit** | **18,891** | **2,023** | **—** | **924** |
| Other income and gains | 1,165 | 30,308 | 18,413 | 4,830 |
| Selling and distribution expenses | — | — | — | (5,082) |
| Administrative expenses | (87,334) | (109,050) | (15,064) | (32,339) |
| Research and development expense | (257,080) | (365,382) | (49,221) | (100,145) |
| Other expenses | (480) | (223) | (1) | (17,356) |
| Financial cost | (55,159) | (57,896) | (19,256) | (8,955) |
| **Loss before tax** | **(379,997)** | **(500,220)** | **(65,129)** | **(158,123)** |
| Income tax expense | (4,330) | (4,569) | (2,714) | — |
| **Loss for the year/period** | **(384,327)** | **(504,789)** | **(67,843)** | **(158,123)** |
| **Attributable to:** | | | | |
| Owners of the parent | (270,562) | (493,686) | (60,504) | (158,123) |
| Non-controlling interests | (113,765) | (11,103) | (7,339) | — |
| | **(384,327)** | **(504,789)** | **(67,843)** | **(158,123)** |

**Revenue**

During the Track Record Period, we derived revenue primarily from licence fee income and rendering of services to third parties, and did not generate any revenue from product sales. We received regulatory approval to begin commercialising our first drug, HLX01 (漢利康), in February 2019, and commenced commercial sales of HLX01 (漢利康) in May 2019. The table below sets forth, for the periods indicated, a breakdown of our revenue:

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| Licence fee income | 19,527 | — | — | 827 |
| Rendering of services | 13,785 | 7,411 | — | 97 |
| Others | 598 | 10 | — | — |
| **Total revenue** | **33,910** | **7,421** | **—** | **924** |

Revenue from licence fee income primarily represents the licensing fee received from our licensing arrangement with Shanghai Jingze with respect to the research and development of HLX05, pursuant to which we agreed to transfer all the IND application materials, related data and samples to Shanghai Jingze for it to commence clinical trials in China and progress to commercialisation within the PRC. See "*Business — Licence Arrangements — Licence Agreement with Shanghai Jingze*" for further details. We did not have revenue from licence fee income in 2018 as the licence fee portion of HLX05 licensing arrangements with Shanghai Jingze, from which we had generated licence fee income in previous periods, had been completed, and we did not complete any research and development service which would result in revenue recognition. We had revenue from license fee income of RMB0.8 million in the three months ended 31 March 2019 as a result of amortisation of contract liabilities in connection with us granting Fosun Pharma Industrial Development an exclusive right to commercialise HLX01 (漢利康) in the PRC.

Revenue from rendering of services represents service fees we received from provision of technical consultation services to other parties, for which Fosun Pharma Industrial Development and LegoChem Biosciences, Inc. ("**Legochem**") were the primary customers during the Track Record Period.

We have generated revenue primarily in China Mainland and Taiwan. To a lesser extent, we have also generated revenue from overseas. The table below sets forth, for the periods indicated, a breakdown of our revenue by location:

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| China Mainland and Taiwan | 27,110 | 3,724 | — | 924 |
| Overseas | 6,800 | 3,697 | — | — |
| **Total revenue** | **33,910** | **7,421** | **—** | **924** |

Our revenue from overseas primarily consists of revenue derived from our sub-leasing of laboratories to third parties in the US. Our revenue from China Mainland and Taiwan has been primarily attributable to license fee income from Shanghai Jingze, consultation service fees received from Fosun Pharma Industrial Development and LegoChem. As part of our general commercialisation and marketing strategy, we commercialised our products initially in the PRC and expect to generate most of our product sales revenue from the PRC. Accordingly, we expect our revenue contribution from the PRC to increase as a proportion of our total revenue going forward.

**Cost of Sales**

Our cost of sales primarily represents reagents and consumables, employee compensation, outsourcing expenses, utilities expenses and depreciation and amortisation. The table below sets forth, for the periods indicated, a breakdown of our cost of sales:

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| Reagents and consumables | 3,857 | 591 | — | — |
| Employee compensation[1] | 3,552 | 1,721 | — | — |
| Outsourcing expenses | 3,235 | 1,439 | — | — |
| Utilities expense | 857 | 114 | — | — |
| Depreciation and amortisation | 2,303 | 909 | — | — |
| Others[2] | 1,215 | 624 | — | — |
| **Total cost of sales** | **15,019** | **5,398** | **—** | **—** |

*Notes:*

(1) Includes employee salaries, bonuses and social insurance benefits.

(2) Primarily include maintenance expenses, consulting expenses, other employee expenses, traveling and entertainment expenses and office expenses.

As we have only recently commenced commercial sales of HLX01 (漢利康), cost of sales has constituted a relatively small portion of our overall costs and expenses to date. We expect our cost of sales to increase significantly going forward with the commencement of commercial sales of HLX01 (漢利康).

**Gross Profit**

As a result of the foregoing, our gross profit was RMB18.9 million, RMB2.0 million and RMB0.9 million in 2017, 2018 and the three months ended 31 March 2019, respectively.

**Other Income and Gains**

Our other income and gains primarily consist of government grants received in connection with our research and development activities, which amounted to RMB0.6 million, RMB15.9 million and RMB1.5 million in 2017, 2018 and the three months ended 31 March 2019, respectively, as well as exchange gains and interest income. We recognise such government grants as other income to the extent that we incur costs in line with the costs that such grants were intended to compensate. We also record a portion of government grants under deferred income, which represents grants received for which the related expenditure has not yet been undertaken or grants related to research and development projects which have not met the conditions attached to the grants. See "— *Description of Major Line Items in Our Consolidated Statements of Financial Position — Deferred Income*" for further details. There were no unfulfilled conditions or contingencies relating to our government grants during the Track Record Period.

**Administrative Expenses**

Our administrative expenses primarily consist of employee compensation, share-based compensation, other employee expenses and consulting expenses. The table below sets forth, for the periods indicated, a breakdown of our administrative expenses:

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| Employee compensation | 24,138 | 37,379 | 8,056 | 7,052 |
| Other employee expenses | 5,244 | 8,188 | 166 | 440 |
| Consulting expense | 4,288 | 7,846 | 703 | 9,916 |
| Utilities expenses | 273 | 839 | 501 | 190 |
| Depreciation and amortisation | 4,347 | 7,769 | 2,447 | 1,987 |
| Office expenses | 2,293 | 4,856 | 1,067 | 744 |
| Share-based compensation | 39,452 | 16,513 | — | 5,220 |
| Listing expense | — | 15,897 | 1,223 | 3,866 |
| Others[(1)] | 7,299 | 9,763 | 901 | 2,924 |
| **Total administrative expenses** | **87,334** | **109,050** | **15,064** | **32,339** |

*Note:*

(1) Primarily include tax and commissions, travel and entertainment expenses, depreciation and amortisation, maintenance expenses and environmental related expenses.

Our administrative expenses generally increased over the Track Record Period as our headcount for support staff increased in line with expanded operations. We expect our administrative expenses to continue to increase going forward as we continue to expand our product pipeline.

**R&D Expenses**

Our R&D expenses, which are presented on a gross basis, primarily consist of R&D employee salaries, share-based compensation, outsourcing fees, reagents and consumables, clinical trial expenses and utilities. Our R&D expenses are either expensed in the income statements or capitalised depending on the milestone reached. For our biosimilar drug candidates, we begin capitalising R&D expenses once we commence Phase 1 clinical trials upon obtaining regulatory approval. For innovative drug candidates, we begin capitalising R&D expenses once we commence Phase 3 clinical trials.

When taking into consideration both capitalised and expensed R&D costs, our overall R&D expenditure increased by 52.6% from RMB637.1 million in 2017 to RMB972.5 million in 2018, and from RMB111.1 million in the three months ended 31 March 2018 to RMB225.4 million in the three months ended 31 March 2019, primarily due to a larger number of our drug candidates entering clinical trial stages of the development process, as well as a general increase in research and development activities as we expand our product pipeline.

The table below sets forth, for the periods indicated, a breakdown of our expensed R&D expenses:

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| Share-based compensation | 88,425 | 55,173 | — | 16,759 |
| R&D employee salaries | 46,507 | 88,201 | 17,317 | 33,853 |
| Outsourcing fees[1] | 41,796 | 30,222 | 5,203 | 4,815 |
| Reagents and consumables[2] | 25,405 | 62,687 | 11,323 | 13,836 |
| Utilities | 6,925 | 12,435 | 1,436 | 650 |
| Depreciation and amortisation | 19,933 | 34,290 | 7,074 | 10,432 |
| Consulting expense | 10,877 | 12,225 | 49 | 3,403 |
| Clinical trials | 5,703 | 26,654 | 1,761 | 7,314 |
| Others[3] | 11,509 | 43,495 | 5,058 | 9,083 |
| **Total expensed R&D expenses** | **257,080** | **365,382** | **49,221** | **100,145** |

*Notes:*

(1) Does not include outsourcing fees incurred in the clinical trials.

(2) Does not include reagents and consumables incurred in the clinical trials.

(3) Consists of other labour costs, travel and conference expenses, office fees, technical usage fees, maintenance fees and other R&D expenses.

Compared to 2017, the increase in total R&D expenses in 2018 was primarily due to increases in R&D employee salaries, reagents and consumables, and others.

The table below sets forth, for the periods indicated, a breakdown of our total capitalised R&D expenses:

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| | | | (unaudited) | |
| Clinical trials | 243,217 | 399,642 | 17,931 | 73,130 |
| R&D employee salaries | 44,916 | 84,192 | 14,393 | 19,689 |
| Reagents and consumables[1] | 41,477 | 30,543 | 5,321 | 3,249 |
| Depreciation and amortisation | 26,612 | 32,484 | 6,728 | 8,798 |
| Utilities | 3,861 | 5,252 | 1,277 | 1,407 |
| Outsourcing fees[2] | 12,964 | 6,829 | 2,838 | 4,793 |
| Share-based compensation | — | 20,861 | — | 8,459 |
| Others[3] | 6,991 | 27,298 | 13,423 | 5,686 |
| **Total capitalised R&D expenses** | **380,038** | **607,101** | **61,911** | **125,211** |

*Notes:*

(1) Does not include reagents and consumables incurred in the clinical trials.

(2) Does not include outsourcing fees incurred in the clinical trials.

(3) Consists of other labour costs, travel and conference expenses, office fees, technical usage fees, maintenance fees and other service expenditure.

### Finance Costs

Our finance costs represent the interest expenses incurred on our entrusted related party loans, interest-bearing bank and other borrowings and lease liabilities. We incurred total finance costs of RMB55.2 million, RMB57.9 million and RMB9.0 million in 2017, 2018 and the three months ended 31 March 2019, respectively. The entrusted related party loans have been subject to fixed interest rates ranging from 10.0% to 12.0%, while the bank and other borrowings have been subject to effective interest rates ranging from 4.35% to 7.5%. See "— *Indebtedness*" for further details.

**Income Tax Expense**

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Our China Mainland entities are generally taxed at the prevailing statutory corporate income tax rate of 25%, though certain China Mainland entities are classified as High-Tech Enterprises for tax purposes and enjoy a preferential tax rate of 15%. Our Taiwan entity was taxed at the statutory corporate rate of 17%, 18% and 19% in 2017 and 2018 and the three months ended 31 March 2019, respectively.

As the consolidated Group was loss-making during the Track Record Period, we largely did not incur income tax expenses on profits. Our income tax expenses of RMB4.3 million in 2017 and RMB4.6 million in 2018 were attributable to non-deductible withholding taxes incurred with respect to our subsidiary Taiwan Henlius in relation to the service fees we paid with regard to HLX06, HLX07 and HLX10.

**Three Months Ended 31 March 2019 Compared to Three Months Ended 31 March 2018**

***Revenue***

We had revenue of RMB0.9 million in the three months ended 31 March 2019, primarily consisting of license fee income, as a result of amortisation of contract liabilities in connection with us granting Fosun Pharma Industrial Development an exclusive right to commercialise HLX01 (漢利康) in the PRC. We did not have revenue in the three months ended 31 March 2018.

***Cost of sales***

We did not record cost associated with license fee income or rendering of services in the three months ended 31 March 2019 and we did not commence commercial sales of our products until May 2019. We did not have cost of sales in the three months ended 31 March 2018 since we did not have revenue during that period.

***Gross profit***

As a result of the foregoing, our gross profit was RMB0.9 million in the three months ended 31 March 2019 and nil in the three months ended 31 March 2018.

***Other income and gains***

Our other income and gains decreased from RMB18.4 million in the three months ended 31 March 2018 to RMB4.8 million in the three months ended 31 March 2019, primarily due to exchange losses in connection with exchange rate fluctuations of US dollars against Renminbi.

***Administrative expenses***

Our administrative expenses increased from RMB15.1 million in the three months ended 31 March 2018 to RMB32.3 million in the three months ended 31 March 2019, primarily due to increases in consulting expenses, share-based compensation which we began to amortise over the lock-up period which commenced after the first quarter of 2018 and listing expenses.

***R&D expenses***

Our R&D expenses increased from RMB49.2 million in the three months ended 31 March 2018 to RMB100.1 million in the three months ended 31 March 2019, primarily due to increases in share-based compensation which we began to amortise over the lock-up period which commenced after the first quarter of 2018 and an increase in our R&D employee salaries due to increases in the total number of projects and the number of drug candidates undergoing different stages of clinical trials.

***Other expenses***

Our other expenses significantly increased from RMB0.001 million in the three months ended 31 March 2018 to RMB17.4 million in the three months ended 31 March 2019, primarily due to increases in exchange losses of RMB16.8 million, which reflected the exchange rate fluctuation of US dollars against Renminbi. The majority of our cash and bank balances were denominated in US dollars.

***Finance costs***

Our finance costs decreased by 53.4% from RMB19.3 million in the three months ended 31 March 2018 to RMB9.0 million in the three months ended 31 March 2019, primarily due to a decrease in interest rates for the bank loans we obtained in 2019. Such decrease was primarily due to us repaying the entrusted loans from a related party in full as at 31 December 2018 since these loans had been subject to higher interest rates than those of the bank and other borrowings.

***Loss before tax***

As a result of the foregoing, our loss before tax increased from RMB65.1 million in the three months ended 31 March 2018 to RMB158.1 million in the three months ended 31 March 2019.

***Income tax expense***

We incurred income tax expense of RMB2.7 million in the three months ended 31 March 2018, attributable to non-deductible withholding taxes incurred with respect to a subsidiary.

***Loss for the period***

As a result of the foregoing, our loss for the period increased from RMB67.8 million in the three months ended 31 March 2018 to RMB158.1 million in the three months ended 31 March 2019.

**Year Ended 31 December 2018 Compared to Year Ended 31 December 2017**

***Revenue***

Our revenue decreased by 78.2% from RMB33.9 million in 2017 to RMB7.4 million in 2018, primarily because (i) we did not have licence fee income in 2018 as the licence fee portion of our HLX05 licensing arrangements with Shanghai Jingze, from which we had generated licence fee income in previous periods, had been completed and (ii) of a 46.4% decrease in revenue from rendering of services from RMB13.8 million in 2017 to RMB7.4 million in 2018, primarily due to a decrease in technical consultation services provided to Fosun Pharma Industrial Development and LegoChem.

***Cost of sales***

Our cost of sales decreased by 64.0% from RMB15.0 million in 2017 to RMB5.4 million in 2018, which was in line with the decrease in revenue.

***Gross profit***

As a result of the foregoing, our gross profit decreased by 89.4% from RMB18.9 million in 2017 to RMB2.0 million in 2018.

***Other income and gains***

Our other income and gains increased significantly from RMB1.2 million in 2017 to RMB30.3 million in 2018, primarily due to (i) recognised government grants of RMB15.9 million and (ii) exchange gains of RMB8.9 million in connection with exchange rate fluctuations and the transfer of funds from Joyful Ascent Limited and Green Tomato Asia Limited to the Company for the pre-IPO financings in US dollars and the acquisition of a minority interest in Taiwan Henlius paid in US dollars.

***Administrative expenses***

Our administrative expenses increased by 25.0% from RMB87.3 million in 2017 to RMB109.1 million in 2018, primarily due to (i) general increases in employee compensation, office expenses and utilities expenses in 2018 as a result of increased headcount of our administrative and support staff and increased office space allocated, in line with the rapid growth in our business and (ii) expenses incurred in connection with the Listing, partially offset by a 58.2% decrease in share-based compensation from RMB39.5 million to RMB16.5 million for management and administration, primarily because our 2017 share-based compensation expenses were charged as a lump sum whereas such expenses in 2018 were amortised over the lock-up period.

***R&D expenses***

Our R&D expenses increased by 42.1% from RMB257.1 million in 2017 to RMB365.4 million in 2018, primarily due to:

(i) a significant increase in (a) reagents and consumables expenses and (b) R&D employee salaries, each as a result of an increase in the number of R&D projects. During 2018, we had nine drug candidates undergoing different stages of clinical trials compared to five in 2017. We also had a significant increase in other R&D expenses, including most notably technical usage fees relating to the development of our bio-innovative drug candidate portfolio; partially offset by

(ii) a 37.6% decrease in share-based compensation from RMB88.4 million in 2017, to RMB55.2 million, primarily because our 2017 share-based compensation expenses were charged as a lump sum whereas such expenses in 2018 were amortised over the lock-up period.

***Finance costs***

Our finance costs increased by 4.9% from RMB55.2 million in 2017 to RMB57.9 million in 2018, primarily due to the interest-bearing bank loans that we obtained starting in 2018 and the increase in interest expense on lease liabilities, partially offset by reduced finance costs following the repayment of our entrusted loan from a related party.

***Loss before tax***

As a result of the foregoing, our loss before tax increased by 31.6% from RMB380.0 million in 2017 to RMB500.2 million in 2018.

***Income tax expense***

We incurred income tax expense of RMB4.3 million in 2017 and RMB4.6 million in 2018, in each case attributable to non-deductible withholding taxes incurred with respect to a subsidiary.

***Loss for the year***

As a result of the foregoing, our loss for the year increased by 31.4% from RMB384.3 million in 2017 to RMB504.8 million in 2018.

## DESCRIPTION OF MAJOR LINE ITEMS IN OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth, for the dates indicated, a breakdown of our current assets and current liabilities:

| | As at 31 December | | As at 31 March | As at 31 July |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB'000 | | | |
| **Current assets** | | | | |
| Inventories | 24,668 | 25,203 | 41,869 | 72,774 |
| Trade and bills receivables | 19,900 | 6,821 | 5,821 | 27,055 |
| Prepayments, deposits and other receivables | 125,432 | 89,947 | 116,580 | 175,893 |
| Contract assets | — | — | — | 5,484 |
| Pledged deposit | 4,384 | 6,024 | 6,990 | 6,446 |
| Cash and bank balances | 58,512 | 958,990 | 824,866 | 241,360 |
| **Total current assets** | **232,896** | **1,086,985** | **996,126** | **529,012** |
| **Current liabilities** | | | | |
| Trade and bill payables | 74,200 | 85,309 | 99,385 | 116,226 |
| Other payables and accruals | 541,589 | 296,348 | 293,303 | 299,238 |
| Contract liabilities | — | 9,108 | 12,139 | 10,398 |
| Interest-bearing bank and other borrowings | 595,861 | 142,678 | 165,298 | 322,406 |
| **Total current liabilities** | **1,211,650** | **533,443** | **570,125** | **748,268** |
| **Net current (Liabilities)/Assets** | **(978,754)** | **553,542** | **426,001** | **(219,256)** |

We had net current liabilities of RMB978.8 million as at 31 December 2017, primarily due to entrusted related party loans which are categorised as current interest-bearing bank and other borrowings. We had net current assets of RMB553.5 million as at 31 December 2018, primarily due to a significant increase in cash and cash equivalents attributable to capital contributions from shareholders. As at 31 July 2019, being the latest practicable date for the purposes of this statement, we had net current liabilities of RMB219.3 million, primarily due to a decrease in cash and cash equivalents in connection with expenses incurred for the Songjiang Facility, as well as an increase in interest-bearing bank and other borrowings.

We had net liabilities of RMB76.0 million as at 31 December 2017, primarily due to (i) entrusted related party loans of RMB575.0 million, which we had fully repaid as at the Latest Practicable Date (see "— *Indebtedness*" for further details) and (ii) other payables and accruals of RMB541.6 million, which mainly related to a payable in connection with the Taiwan Henlius Acquisition and was settled following its completion in June 2018 (see "*History and Corporate Structure — History — Acquisition of the Remaining Interest in Taiwan Henlius*" for further details). Since settling these amounts, we have improved our balance sheet position and achieved net assets of RMB1,674.8 million as at 31 March 2019.

**Inventories**

Our inventories consist of raw materials used in the research and development and manufacturing processes for our drug candidates. Our inventories amounted to RMB24.7 million, RMB25.2 million and RMB41.9 million as at 31 December 2017 and 2018 and 31 March 2019, respectively. The overall increase over the Track Record Period was primarily due to increased procurement of supplies as we expanded our drug candidate portfolio and progressed the development of our existing drug candidates, particularly HLX01 (漢利康), which we have successfully commercialised.

**Trade and Bills Receivables**

Our balance of trade receivables was RMB19.9 million, RMB5.8 million and RMB5.3 million as at 31 December 2017 and 2018 and 31 March 2019, respectively. Trade receivables decreased from as at 31 December 2017 to as at 31 December 2018 due to the settlement of outstanding amounts owed from Fosun Pharma Industrial Development in relation to consultation services provided.

We had bills receivable of RMB1.0 million as at 31 December 2018, which were of a trade nature, unsecured, non-interest bearing and due from Jiangsu Wanbang in connection with our licensing and commercialisation arrangements with respect to HLX03. Our bills receivables decreased to RMB0.5 million as at 31 March 2019, as a result of settlement of outstanding amounts that have matured.

**Prepayments, Deposits and Other Receivables**

Our prepayments, deposits and other receivables amounted to RMB125.4 million, RMB89.9 million and RMB116.6 million as at 31 December 2017 and 2018 and 31 March 2019, respectively, which primarily represent (i) value-added tax to be deducted, which mainly relate to our procurement of supplies which may be credited against future value-added taxes payable, and (ii) prepayments made to hospitals we engage for our clinical trials. These service fees are expensed under R&D expenses in stages based on the milestones achieved.

| | As at 31 December | | As at 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | | RMB'000 | |
| Prepayments | 26,281 | 26,292 | 34,346 |
| VAT to be deducted | 96,676 | 51,644 | 67,545 |
| Deposits and other receivables | 2,473 | 12,011 | 14,689 |
| Interest receivables | 2 | — | — |
| **Total prepayments, deposits and other receivables** | **125,432** | **89,947** | **116,580** |

Our VAT to be deducted amounted to RMB96.7 million, RMB51.6 million and RMB67.5 million as at 31 December 2017 and 2018 and 31 March 2019, respectively, while our prepayments amounted to RMB26.3 million, RMB26.3 million and RMB34.3 million as at the same dates, respectively. The increase in VAT to be deducted as at 31 March 2019 was primarily due to increase in input VAT in connection with increased procurement.

**Cash and Cash Equivalents**

The table below sets forth, as at the dates indicated, a breakdown of our cash and cash equivalents:

| | As at 31 December | | As at 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | | RMB'000 | |
| Cash on hand | 64 | 12 | 12 |
| Cash at banks, unrestricted | 62,832 | 965,002 | 831,844 |
| Less: deposits pledged for bills payable | 4,384 | 6,024 | 6,990 |
| **Total cash and cash equivalents** | **58,512** | **958,990** | **824,866** |

As entities of the Group are incorporated in China Mainland, Taiwan and the U.S., we hold cash and cash equivalents in Renminbi, US dollars and New Taiwan dollars. Our cash at banks are deposited with creditworthy banks with no recent history of default.

**Trade and Bills Payables**

Our trade payables arise from our purchase of raw materials and third party contracting services. Our bills payable represent construction costs payable to a third party construction company in relation to the construction of the Xuhui Facility.

The table below sets forth, as at the dates indicated, a breakdown of our trade and bills payable:

| | As at 31 December | | As at 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | | RMB'000 | |
| Trade payables | 69,816 | 79,285 | 92,395 |
| Bills payable | 4,384 | 6,024 | 6,990 |
| **Total trade and bills payables** | **74,200** | **85,309** | **99,385** |

Our trade payables increased by 13.6% from RMB69.8 million as at 31 December 2017 to RMB79.3 million as at 31 December 2018, and further increased to RMB92.4 million as at 31 March 2019. The overall increase during the Track Record Period was in line with the increase in our procurement needs as we expanded our drug candidate portfolio and progressed the development of our existing drug candidates, particularly HLX01 (漢利康), which we have successfully commercialised.

**Other Payables and Accruals**

Our other payables and accruals primarily consist of payable of acquisition of non-controlling interest in a subsidiary, other payables, payroll and welfare payables, accrued expenses, interest payable and other taxes payable. The table below sets forth, as at the dates indicated, a breakdown of our other payables and accrued expenses:

| | As at 31 December | | As at 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | | RMB'000 | |
| Repurchase obligation of restricted shares under share award scheme | — | 209,528 | 209,528 |
| Payable of acquisition of non-controlling interest in a subsidiary | 496,278 | — | — |
| Other miscellaneous payables | 10,883 | 12,064 | 23,608 |
| Payroll and welfare payables | 23,038 | 38,648 | 19,610 |
| Accrued expenses | 8,718 | 31,852 | 34,374 |
| Interest payable | 2,108 | 2,824 | 3,822 |
| Other taxes payable | 564 | 1,432 | 2,361 |
| **Other payables and accruals** | **541,589** | **296,348** | **293,303** |

During the Track Record Period, the largest component of our other payables and accruals consisted of a payable of acquisition of non-controlling interest in a subsidiary of RMB496.3 million as at 31 December 2017, which was attributable to the Taiwan Henlius Acquisition and was settled following its completion in June 2018. See "*History and Corporate Structure — Acquisition of the Remaining Interest in Taiwan Henlius*" and note 32 to the Accountants' Report in Appendix I to this prospectus, respectively, for further details.

As at 31 December 2018 and 31 March 2019, our other payables primarily consisted of repurchase obligation of restricted shares under share award scheme of RMB209.5 million, which was incurred in connection with the share award scheme which became effective on 14 April 2018. The balance represents the Company's repurchase obligation with respect to awarded shares through the expiry of the lock-up period. See note 31 to the Accountants' Report in Appendix I to this prospectus for further details.

Payroll and welfare payables increased from RMB23.0 million as at 31 December 2017 to RMB38.6 million as at 31 December 2018, primarily due to the increase in staff headcount as we ramped up our research and development activities. Our balance of payroll and welfare payables decreased to RMB19.6 million as at 31 March 2019, primarily because we paid the salaries we provisioned for but had not yet paid as at 31 December 2018.

Accrued expenses primarily consist of hiring expenses, conference fees and other expenses incurred but not yet paid. Our accrued expenses increased from RMB8.7 million as at 31 December 2017 to RMB31.9 million as at 31 December 2018, then to RMB34.4 million as at 31 March 2019, primarily due to Listing-related fees incurred but not yet paid.

**Property, Plant and Equipment**

Our property, plant and equipment primarily consists of plant and machinery and leasehold improvements, each mainly relating to our biologics manufacturing facilities in Shanghai as well as equipment for our R&D functions. Net of depreciation, our balance of plant and machinery was RMB197.7 million, RMB214.0 million and RMB238.0 million as at 31 December 2017 and 2018 and 31 March 2019, respectively, while our balance of leasehold improvements was RMB76.6 million, RMB83.2 million and RMB81.5 million as at the same dates, respectively. The general increase over the Track Record Period was attributable to our ongoing investments in our R&D and manufacturing capability as a result of the increased research and development activities and business expansion.

Other items of property, plant and equipment include electronic equipment, office and other equipment, construction in progress and motor vehicles.

**Intangible Assets**

Our intangible assets primarily consist of development costs and non-patent technologies. Net of accumulated amortisation, our deferred development costs amounted to RMB720.5 million, RMB1,327.6 million and RMB 1,102.0 million as at 31 December 2017 and 2018 and 31 March 2019, respectively, while our balance of non-patent technologies was RMB48.9 million as at each of the same dates. See note 15 to the Accountant's Report in Appendix I to this prospectus for further details.

***Non-patent technologies***

Non-patent technologies include proprietary technologies and trade secrets. As disclosed in further detail in note 15 to the Accountants' Report in Appendix I to this prospectus, our management tests the non-patent technologies for impairment annually by comparing their carrying amount with their recoverable amount. The recoverable amount of non-patent technologies was determined based on the fair value less costs of disposal, and the fair value of non-patent technologies was determined using the relief from royalty method taking into account the nature of the asset, using cash flow projections based on financial budgets covering a 5-year period, and the growth rate used to extrapolate the cash flows beyond the 5-year period is 3%, which is close to long-term inflation rate. The fair value measurement hierarchy of non-patent technologies was Level 3. Other key assumptions to the valuation model used:

| | 31 December 2017 | 31 December 2018 |
|---|---|---|
| Discount rates | 16.97% | 17.51% |
| Royalty rates | 5.00% | 5.00% |

*Discount rates* — The discount rates used are before tax and reflect specific risks relating to the non-patent technologies.

*Royalty rates* — The basis used to determine the value assigned to royalty rates is the market royalty rate where non-patent technologies are located, taking into account the profitability of the Group and other qualitative factors.

The following tables set forth the impact of reasonably possible changes in each of the key assumptions on, with all other variables held constant, impairment testing of non-patent technologies of the Group as at the dates indicated:

| | Recoverable amount of the non-patent technologies exceeds its carrying amount decrease by | |
|---|---|---|
| | 31 December 2017 | 31 December 2018 |
| | RMB'000 | RMB'000 |
| **Possible changes of key assumptions** | | |
| Pre-tax discount rates increased by 1% | 50,593 | 57,219 |
| Royalty rate decreased by 1% | 73,391 | 146,426 |
| Long-term growth rate decreased by 1% | 37,079 | 41,099 |

As at 31 December 2017 and 2018, the recoverable amount of non-patent technologies exceeded the carrying amounts by RMB534,933,000 and RMB673,382,000, respectively.

***Deferred development costs***

Deferred development costs are the expenditure included in the development phase of each project. The recoverable amount of the deferred development costs was determined based on the fair value less cost of disposal, and the fair value of the deferred development costs was determined using the multi-period excess earnings method taking into account the nature of the assets, using cash flow projections based on financial budgets covering a 5-year period, and the growth rate used to extrapolate the cash flows for the subsequent 15 years is 3%, which is close to long-term inflation rate. The fair value measurement hierarchy of the deferred development cost was level 3. Other key assumptions to the valuation model used are listed as follows:

| | 31 December 2017 | 31 December 2018 |
|---|---|---|
| Discount rates | 17.25%-17.57% | 17.81%-17.92% |
| Contributory asset charges | 1.70%-2.15% | 1.67%-2.12% |

*Discount rates* — The discount rates used are before tax and reflect specific risks relating to the deferred development costs.

*Budgeted gross margins* — The basis used to determine the value assigned to budgeted gross margin is the market gross margin where the biopharmaceuticals are located, taking into account the expected efficiency improvements and expected market development.

*Contributory asset charges* — The basis used to determine the value assigned to contributory asset charges is the return of revenue ("**ROR**") of the contributory assets, the ROR was determined according to the borrowing rate and cost of equity, and the contributory assets mainly included working capital, tangible assets and assembled workforce.

The following tables set forth the impact of reasonably possible changes in each of the key assumptions on, with all other variables held constant, impairment testing of deferred development costs of the Group as at the dates indicated.

| | Recoverable amount of the deferred development costs exceeds their carrying amount decrease by | |
|---|---|---|
| | 31 December 2017 | 31 December 2018 |
| | RMB'000 | RMB'000 |
| ***Possible changes of key assumptions*** | | |
| Pre-tax discount rates increased by 1% | 540,345 | 550,357 |
| Contributory asset charges increased by 1% | 163,950 | 197,743 |
| Growth rate of the subsequent 15 years after the budget period decreased by 1% | 277,809 | 349,674 |

As at 31 December 2017 and 2018, the recoverable amount of deferred development costs exceeded the carrying amount by RMB5,887,515,000 and RMB6,251,486,000, respectively.

We did not perform impairment test for non-patent technologies and deferred development costs as at 31 March 2019, because we perform impairment test annually at December year-end in accordance with IAS 36 Impairment of assets.

In determining the fair value of our non-patent technologies and deferred development costs ("**Level 3 Hierarchy Assets**"), the valuation was based on significant inputs that are unobservable. In relation to the valuation of these Level 3 Hierarchy Assets, the Directors are aware of and have complied with the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC on 15 May 2017.

The valuation results are primarily influenced by management's forecasts and plans. In this regard, the Directors believe that our management possesses relevant experience and expertise to perform valuation of the non-patent technologies and the deferred development costs internally. Core members of our management team possess years of work experience in drug R&D, and have appropriate knowledge of the financial reporting framework being applied and the relevant expertise, experience, resources and access to the information required to perform the valuation.

Taking into consideration all of the above, the Directors confirm that Company's valuation work was performed in accordance with the International Valuation Standards.

The Reporting Accountants have performed procedures in accordance with Hong Kong Standard on Auditing 540 "Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures", including but not limited to:

- understanding the internal control of the fair value estimation by the management, and performing test of control; assessing the competence, capabilities and objectivity of our management;

- obtaining the valuation model and assessing the valuation approaches applied by our management;

- obtaining relevant supporting documents relating to the valuation, including our management's future profit and cash flow forecasts of the Company;

- evaluating the reasonableness of key parametres and inputs in the valuation model, key assumptions in management's forecasts, including the use of our in-house valuation experts following the guidance of HKSA 620 Using the work of an Auditor's Expert; and

- checking the mathematical accuracy of the valuation calculations.

Based on these procedures, the Reporting Accountants expect to issue an unqualified opinion on the truth and fairness of the historical financial information as a whole as at and for the years ended 31 December 2017 and 2018 and the three months ended 31 March 2019.

The Joint Sponsors have performed the following due diligence work in relation to the valuation of Level 3 Hierarchy Assets:

- conducted due diligence on the credentials of the management and the relevant working staff of the Company in charge of the valuation to ascertain their expertise and industry experience;

- obtained and reviewed the relevant valuation documents and reviewed the relevant valuation work performed by the Company;

- conducted due diligence with the Company to understand, amongst others, the valuation methodologies, assumptions and key parametres adopted; and

- conducted due diligence with the Reporting Accountants in respect of the audit procedures they have conducted and their concurring views on the valuation methodologies, assumptions and results.

Based on the due diligence work conducted by the Joint Sponsors as stated above, and having considered the confirmations from the Directors and the Reporting Accountants, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation work and results performed by the Company and reviewed by the Reporting Accountants.

Our intangible assets represented the largest component of our assets during the Track Record Period, which reflects our substantial research and development expenditure incurred and our management's belief that the underlying projects will be successfully developed and commercialised. However, if we ultimately fail to do so, we may have to charge significant impairment losses to our intangible assets, which could adversely affect our financial condition. See "*Risk Factors — Risks Relating to Our Financial Prospects and Need for Additional Capital — We have a large balance of intangible assets and significant impairment charges could materially impact our financial position*".

**Interest-Bearing Bank and Other Borrowings**

See "— *Indebtedness*".

### Contract Liabilities

Our contract liabilities primarily represent amount received from related parties for certain franchise distribution rights with respect to our drug candidates that we expect to commercialise. Such advances increased from RMB152.6 million as at 31 December 2017 to RMB344.5 million as at 31 December 2018, and further increased to RMB388.3 million as at 31 March 2019, primarily due to the increase in advances as we progress towards achieving regulatory approval and commercialisation of our drug products.

### Deferred Income

Our deferred income consists of government grants, which amounted to RMB33.7 million, RMB38.1 million and RMB37.5 million as at 31 December 2017 and 2018 and 31 March 2019, respectively. We receive certain government grants as financial assistance for research and development activities and for the construction of our manufacturing facilities in Shanghai. Government grants recognised as deferred income represent grants received for which the related expenditure has not yet been incurred or grants related to research and development projects which have not met the conditions attached to the grants.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity consist of cash and cash equivalents, which we have historically generated primarily through private placements and related party loans. We also obtained a RMB320 million loan facility from the Bank of Shanghai in August 2018. See "— *Indebtedness*" for further details. We expect that our cash needs in the near future will primarily relate to progressing the development of our product candidates towards receiving regulatory approval and commencing commercialisation, as well as expanding our drug candidate portfolio. For these purposes, we expect debt financing and the expected proceeds from the Global Offering to constitute the main source of funding. We also expect product sales from HLX01 (漢利康), for which we received regulatory approval on 22 February 2019 and commenced commercial sales in May 2019, to generate operational cash flow from the rest of 2019 onwards. Moreover, we may consider increasing our debt financing or undertaking further placements in order to undertake activities which require substantial capital expenditure, subject to pricing and other market conditions that we consider satisfactory.

During the Track Record Period and as at the Latest Practicable Date, we were and had been in compliance with all material covenants in our financings, and we did not have any material default in payment of trade and other payables, bank and related party loans or other financing obligations.

### Cash Operating Costs

The table below sets forth, for the periods indicated, breakdown of our cash operating costs:

| | Year ended 31 December | | Three months ended 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | | RMB'000 (unaudited) | |
| R&D cash costs for Core Products:[1] | | | |
| Direct material | 125,832 | 125,295 | 11,751 |
| R&D staff costs | 40,081 | 74,962 | 26,746 |
| Third-party contracting costs | 116,832 | 219,757 | 48,279 |
| Others | 66,472 | 98,405 | 18,475 |
| **Total R&D cash costs for Core Products** | **349,217** | **518,419** | **105,251** |
| Total R&D cash costs (including Core Products and non-Core Products): | | | |
| Direct material | 153,835 | 179,554 | 42,864 |
| R&D staff costs | 81,102 | 160,873 | 70,246 |
| Third-party contracting costs | 162,091 | 264,401 | 70,674 |
| Others | 103,574 | 182,373 | 38,227 |
| **Total R&D cash costs (including Core Products and non-Core Products)** | **500,602** | **787,201** | **222,011** |
| Workforce employment[2] | 106,567 | 195,883 | 82,209 |
| Direct production[3] | — | — | — |
| Commercialisation[3] | — | — | — |
| Contingency allowances | — | — | — |

*Notes:*

(1) For composition of our Core Products, please see "Business — Our Products".

(2) Represents all staff costs including salaries, bonus and retirement benefits.

(3) As we have only recently commenced commercialisation of our first product, we did not incur direct production or commercialisation costs during the Track Record Period.

**Cash Flows**

The table below sets forth our cash flows for the periods indicated:

| | Year ended 31 December | | Three months ended 31 March | |
|---|---|---|---|---|
| | 2017 | 2018 | 2018 | 2019 |
| | RMB'000 | | | |
| Cash outflows before movements in working capital | (170,361) | (349,998) | (52,238) | (98,087) |
| Net cash (used in)/generated from operating activities | (134,288) | (52,179) | 4,395 | (67,575) |
| Net cash used in investing activities | (471,662) | (735,375) | (330,252) | (195,295) |
| Net cash generated from financing activities | 541,380 | 1,679,105 | 686,789 | 145,498 |
| **Net (decrease)/increase in cash and cash equivalents** | **(64,570)** | **891,551** | **360,932** | **(117,372)** |
| Cash and cash equivalents at the beginning of the year/period | 123,319 | 58,512 | 58,512 | 958,990 |
| Effect of foreign exchange rate changes, net | (237) | 8,927 | 15,870 | (16,752) |
| **Cash and cash equivalents at the end of the year/period** | **58,512** | **958,990** | **435,314** | **824,866** |

***Net cash used in operating activities***

In the three months ended 31 March 2019, we had net cash used in operating activities of RMB67.6 million. We had operating cash outflow before movements in working capital of RMB98.1 million, primarily consisting of loss before tax of RMB158.1 million, as adjusted for share-based payment expenses of RMB22.5 million, finance costs of RMB9.0 million and depreciation of RMB12.3 million. Movements in working capital resulted in a net cash inflow of RMB30.5 million, primarily consisting of an increase in contract liabilities of RMB40.0 million, partially offset by an increase in prepayments, deposits and other receivables of RMB16.6 million in connection with our increased procurement.

In 2018, we had net cash used in operating activities of RMB52.2 million. We had operating cash outflow before movements in working capital of RMB350.0 million, primarily consisting of loss before tax of RMB500.2 million, as adjusted for share-based payment expenses of RMB71.7 million, finance costs of RMB57.9 million and depreciation of RMB42.3 million. Movements in working capital resulted in a net cash inflow of RMB297.8 million, primarily consisting of (i) an increase in

contract liabilities of RMB167.3 million due to advances received in connection with us granting exclusive distribution rights to our licensing and commercialisation partners and (ii) a decrease in prepayments, deposits and other receivables of RMB76.4 million in connection with the refund of one-off value-added tax in connection with our procurement of supplies which was credited against future value-added taxes payable.

In 2017, we had net cash used in operating activities of RMB134.3 million. We had operating cash outflow before movements in working capital of RMB170.4 million, primarily consisting of loss before tax of RMB380.0 million, as adjusted for share-based payment expenses of RMB127.9 million and finance costs of RMB55.2 million. Movements in working capital resulted in a net cash inflow of RMB36.1 million, primarily consisting of (i) an increase in contract liabilities of RMB88.8 million and (ii) an increase in trade and bills payable of RMB15.0 million in connection with our increased procurement, partially offset by (i) an increase in prepayments, deposits and other receivables of RMB47.7 million, mainly in connection with our increased procurement of VAT deductible supplies as we continue to progress the development of HLX01 for regulatory approval and commercialisation and (ii) an increase in trade receivables of RMB13.9 million, mainly in connection with milestone payments for services rendered to Fosun Pharma Industrial Development.

***Net cash used in investing activities***

In the three months ended 31 March 2019, we had net cash used in investing activities of RMB195.3 million, representing additions to intangible assets relating to development cost and purchases of property, plant and equipment in connection with our Songjiang Facility and R&D equipment.

In 2018, we had net cash used in investing activities of RMB735.4 million, representing (i) additions to intangible assets of RMB598.3 million relating to development costs, (ii) purchases of property, plant and equipment of RMB137.1 million in connection with our Xuhui Facility and R&D equipment and (iii) and loans to related parties of RMB366.0 million, which were fully offset by repayments of loans to related parties of the same amount.

In 2017, we had net cash used in investing activities of RMB471.7 million, representing additions to intangible assets of RMB356.3 million relating to development costs and purchases of property, plant and equipment of RMB115.4 million in connection with our Xuhui Facility and R&D equipment.

***Net cash generated from financing activities***

In the three months ended 31 March 2019, we had net cash from financing activities of RMB145.5 million, primarily consisting of new bank and other borrowings of RMB162.0 million.

In 2018, we had net cash from financing activities of RMB1,679.1 million, primarily consisting of (i) capital contribution from shareholders of RMB2,429.2 million, (ii) new bank and other borrowings of RMB337.9 million, (iii) an entrusted loan from a related party of RMB270.0 million and (iv) capital contributions from equity-settled share-based payment of RMB209.5 million, partially offset by (i) acquisition of non-controlling interests of RMB635.4 million in connection with our Taiwan subsidiary, (ii) repayments on the entrusted loan from a related party of RMB845.0 million and (iii) interest paid on our loans of RMB44.9 million.

In 2017, we had net cash from financing activities of RMB541.4 million, primarily consisting of (i) an entrusted loan from a related party of RMB650.0 million and (ii) capital contribution from shareholders and non-controlling shareholders of a subsidiary of RMB177.5 million, partially offset by (i) repayments on the entrusted loan from a related party of RMB225.0 million, (ii) interest paid on our loans of RMB43.1 million and (iii) payment of lease liabilities of RMB18.0 million.

**Working Capital Sufficiency**

Our liquidity and capital resource needs over the next 12 months primarily relate to progressing the development of our product candidates towards receiving regulatory approval and commencing product commercialisation, as well as expanding our drug candidate portfolio. We expect to be able to finance these capital requirements with cash and cash equivalents on hand, debt financing, the expected proceeds from the Global Offering and operating cash flows from commercial sales of HLX01 (漢利康). After taking into consideration the above financial resources available to us, in the absence of unforeseeable circumstances, the Directors confirm that we have sufficient working capital to satisfy at least 125% of our liquidity and capital resource needs (including research and development and administrative expenses and other operating costs, regardless of whether any such expenses and costs are capitalised) over the next 12 months from the date of this prospectus.

Our ability to obtain additional funding beyond our anticipated cash needs for the next 12 months following the date of this prospectus, however, is subject to a variety of uncertainties, including our future results of operations, our future business plans, financial condition and cash flows and economic, political and other conditions in the markets where we and our customers and lenders operate.

After due consideration of the above and discussions with our management and the Reporting Accountants, as well as their review of the memorandum on working capital and forecast, the Joint Sponsors confirm their satisfaction as to our ability to meet our working capital requirements for the next 12 months from the date of this prospectus.

## INDEBTEDNESS

We had indebtedness in the form of current entrusted related party loans and, as at 31 March 2019 and 31 July 2019, current and non-current bank and other loans. The table below sets forth a breakdown of our indebtedness as at the dates indicated:

| | As at 31 December | | As at 31 March | As at 31 July |
|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB'000 | | | |
| | | | | (unaudited) |
| **Current indebtedness** | | | | |
| Entrusted loans due to a related party | 575,000 | — | — | — |
| Bank loans — secured | — | 38,214 | 39,870 | 39,870 |
| Bank loans — unsecured | — | 70,000 | 82,000 | 229,967 |
| Other loans — secured | — | 2,055 | 3,011 | 4,076 |
| Other loans — unsecured | — | 5,094 | 7,462 | 10,100 |
| Lease Liabilities | 20,861 | 27,315 | 32,954 | 38,392 |
| **Subtotal** | 595,861 | 142,678 | 165,298 | 322,405 |
| **Non-current indebtedness** | | | | |
| Bank loans — secured | — | 211,778 | 206,810 | 200,186 |
| Bank loans — unsecured | — | — | 150,000 | 150,000 |
| Other loans — secured | — | 2,569 | 1,255 | — |
| Other loans — unsecured | — | 6,366 | 3,109 | — |
| Lease Liabilities | 162,567 | 164,627 | 161,441 | 154,211 |
| **Subtotal** | 162,567 | 385,340 | 522,615 | 504,397 |
| **Total indebtedness** | 758,428 | 528,018 | 687,913 | 826,802 |

The table below sets forth a maturity profile of our indebtedness as at the dates indicated:

| | As at 31 December | | As at 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | RMB'000 | | |
| Indebtedness repayable within: | | | |
| Less than one year | 595,861 | 142,678 | 165,298 |
| One to two years | 20,353 | 121,434 | 206,673 |
| Two to five years | 61,624 | 204,847 | 263,182 |
| | 80,590 | 59,059 | 52,760 |
| **Total indebtedness** | **758,428** | **528,018** | **687,913** |

**Entrusted Loans from a Related Party**

Our entrusted related party loans were provided by our Controlling Shareholder and secured by the shares in the Company held by certain members of our senior management team. Each entrusted related party loan had a term of one year, which we have repaid or refinanced in full each time upon maturity with new entrusted related party loans or capital contributions from our Controlling Shareholder. As at 31 December 2018, we had paid off the entrusted loans from a related party, and we had not incurred new entrusted loans from a related party from 31 December 2018 to the Latest Practicable Date. We had subsequently repaid the entrusted related party loan in full as at 31 December 2018.

The effective interest rate on our entrusted related party loans was 12.0% as at 31 December 2017. These loans contained customary terms, such as restrictions limiting the use of proceeds of such loans to our day-to-day operations and on transactions involving our assets. They were also subject to customary termination rights and provisions and solvency requirements. The loans did not contain any financial covenants. Interest expenses generated on these loans amounted to RMB44.8 million and RMB38.1 million in 2017 and 2018, respectively.

**Bank and Other Loans**

Our balance of interest-bearing bank and other borrowings as at 31 March 2019 was primarily attributable to a RMB200 million loan facility with the Bank of Shanghai which we entered into in late August 2018 (the "**Bank of Shanghai Loan**"). We used this loan primarily to repay our entrusted loans due to a related party. The Bank of Shanghai Loan is due in August 2021 and bears interest at 6.03% per annum. Key terms of the Bank of Shanghai Loan include (i) pledges over certain current and future certifications and intellectual properties attributable to our product candidates, trade receivables and certain property, plant and equipment for which we are also required to maintain a minimum aggregate book value and (ii) a requirement that our Controlling Shareholder continue to maintain its controlling interest in the Company. Other terms, such as events of default, termination rights and provisions and solvency requirements, are generally customary, and there are no other financial covenants on the Bank of Shanghai Loan.

Apart from the Bank of Shanghai Loan, we had other interest-bearing bank and other borrowings from third party financial institution lenders during the Track Record Period. As at 31 March 2019, these bank and other loans amounted to RMB493.5 million in aggregate, of which RMB132.3 million was current and RMB361.2 million was non-current. The effective interest rate on these loans ranged from 4.35% to 7.5%. These bank loans mature in 2021 and the other loans mature in 2022. The bank loans are secured by a pledge over our future trade and bills receivable, while the secured portion of our other loans are secured by a mortgage over certain of our equipment. Interest expenses generated on our bank and other loans amounted to RMB7.5 million in 2018. Terms such as events of default, termination rights and provisions and solvency requirements are generally customary, and there are no financial covenants on our bank and other loans. See note 26 to the Accountants' Report in Appendix I to this prospectus for a breakdown of these bank and other loans.

**Indebtedness Statement**

As at 31 July 2019, being the latest practicable date for the purpose of the indebtedness statement:

- we had no related party loans repayable on demand or due within one year;
- the total balance of our bank and other loans repayable on demand or due within one year was RMB284.0 million;
- the total balance of our bank and other loans due after one year was RMB350.2 million;
- we had unutilised credit facilities of approximately 40.0 million, which were committed and without uncommon restrictions on draw-down, and 230.0 million which were conditional upon being able to pledge certain future certifications and intellectual properties attributable to our product candidates; and
- other than as disclosed in "— *Indebtedness*" and "— *Contingent Liabilities*", we had no other debt securities, borrowings, debts, mortgages, contingent liabilities or guarantees.

Since 31 March 2019, other than as disclosed above, there has been no material adverse change to our indebtedness.

**RELATED PARTY TRANSACTIONS**

During the Track Record Period, we had certain transactions with related parties, including the following:

- Revenue from provision of services to related parties of RMB7.6 million, RMB3.7 million, nil and RMB0.9 million in 2017 and 2018 and the three months ended 31 March 2018 and 2019, respectively;
- Lease liabilities attributable to related parties of RMB20.0 million, RMB21.2 million, RMB21.2 million and RMB3.8 million in 2017 and 2018 and the three months ended 31 March 2018 and 2019, respectively;
- Loans from a related party of RMB650.0 million, RMB270.0 million, nil and nil in 2017 and 2018 and the three months ended 31 March 2018 and 2019, respectively. These loans were of a non-trade nature and had been settled in full as at the Latest Practicable Date;
- Loans to a related party of RMB366.0 million in 2018. These loans were of a non-trade nature and had been settled in full by 31 December 2018.

- Interest expenses on related party loans of RMB44.8 million and RMB38.1 million in 2017 and 2018, respectively;

- Interest income from related parties of RMB2.0 million in 2018;

- Purchases from related parties of RMB3.3 million, RMB1.1 million, RMB0.5 million and RMB0.4 million in 2017 and 2018 and the three months ended 31 March 2018 and 2019, respectively; and

- Advances from customers in relation to commercialisation licences of RMB88.8 million, RMB105.9 million, nil and RMB37.7 million in 2017 and 2018 and the three months ended 31 March 2018 and 2019, respectively. These advances are of a trade nature. As at 31 March 2019, the balance of such advances was RMB322.3 million.

See note 38 to the Accountants' Report in Appendix I to this prospectus for further details.

## CAPITAL EXPENDITURE

The table below sets forth, for the periods indicated, a breakdown of our capital expenditure during the Track Record Period:

| | Year ended 31 December | | Three months ended 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| | | RMB'000 | |
| Plant and machinery | 58,957 | 41,980 | 32,431 |
| Construction in progress | 11,985 | 1,787 | — |
| Electronic equipment | 6,082 | 13,855 | 4,502 |
| Leasehold improvements | 17,273 | 15,270 | 1,400 |
| Others[(1)] | 212 | 509 | 51 |
| **Total capital expenditure** | **94,509** | **73,401** | **38,384** |

*Note:*

(1) Others consist of motor vehicles and office and other equipment.

We have financed our capital expenditure primarily through debt and private placements. Going forward, we expect that our capital expenditure will continue to consist primarily of purchases of plant and machinery and leasehold improvements for the Xuhui Facility and the Songjiang Facility, as well as equipment for our R&D functions, as we continue to progress the development of our product

candidates towards receiving regulatory approval and commence product commercialisation, as well as expand our drug candidate portfolio. We expect to finance such capital expenditure needs primarily with various channels, including debt financing and operating cash flow generated from the commercial sales of HLX01 (漢利康) and the expected commercialisation of our current drug candidates.

## COMMITMENTS

We have leased certain offices, lots, equipment and buildings under operating lease arrangements ranging from one to ten years in duration. There is no future minimum lease payments under short-term lease and leases not yet commenced to which we had committed.

We had capital commitments for plant and machinery contracted but not provided for of RMB17.8 million, RMB95.6 million and RMB93.5 million as at 31 December 2017 and 2018 and 31 March 2019, respectively. These primarily relate to expenditures expected to be incurred for the purchase of machinery, renovation of our existing laboratories and buildings, as well as research and development costs to be capitalised.

## CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

## KEY FINANCIAL RATIOS

The table below sets forth, as at the dates indicated, certain of our key financial ratios:

| | As at 31 December | | As at 31 March |
|---|---|---|---|
| | 2017 | 2018 | 2019 |
| Gearing ratio[1] | 112.9% | N/A[2] | N/A[2] |
| Current ratio[3] | 19.2% | 203.8% | 174.7% |
| Quick ratio[4] | 17.2% | 199.0% | 167.4% |

*Notes:*

(1) Gearing ratio is calculated as net debt divided by equity attributable to owners of the parent plus net debt, multiplied by 100%. Net debt represents the balance of indebtedness less cash and cash equivalents as at the end of the period.

(2) We did not have a gearing ratio as at 31 December 2018 and as at 31 March 2019 as our balance of cash and cash equivalents exceeded our total indebtedness on these respective dates.

(3) Current ratio is calculated as current assets divided by current liabilities, multiplied by 100%.

(4) Quick ratio is calculated as current assets minus inventories then divided by current liabilities, multiplied by 100%.

### Gearing Ratio

Our gearing ratio was 112.9% as at 31 December 2017. We did not have a gearing ratio as at 31 December 2018 and 31 March 2019 as our balance of cash and cash equivalents exceeded our total indebtedness on these respective dates.

### Current Ratio

Our current ratio increased from 19.2% as at 31 December 2017 to 203.8% as at 31 December 2018, primarily due to a significant increase in cash and cash equivalents partly as a result of capital contributions from shareholders. Our current ratio then decreased to 174.7% as at 31 March 2019, primarily due to a decrease in cash and cash equivalents partly as a result of expenses incurred for the Songjiang Facility.

### Quick Ratio

Our quick ratio increased from 17.2% as at 31 December 2017 to 199.0% as at 31 December 2018, primarily due to a significant increase in cash and cash equivalents partly as a result of capital contributions from shareholders. Our quick ratio then decreased to 167.4% as at 31 March 2019, primarily due to a decrease in cash and cash equivalents partly as a result of expenses incurred for the Songjiang Facility, as well as an increase in inventories as we ramp up our production of HLX01 (漢利康).

## QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT FINANCIAL RISK

We are exposed to financial risks arising from our operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk and liquidity risk. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Below is a summary of our approach to managing these types of risks. See note 41 to the Accountant's Report in Appendix I to this prospectus for further details.

### Foreign Currency Risk

We have transactional currency exposures which arise from sales or purchases by our operating entities and investing and financing activities by our investment holding entities in currencies other than our functional currencies. See note 41 to the Accountant's Report in Appendix I to this prospectus for a sensitivity analysis of the impact on our equity arising from changes in the US dollar and RMB exchange rate.

### Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis, and our exposure to bad debts is not significant. See note 41 to the Accountant's Report in Appendix I to this prospectus for more details.

**Liquidity Risk**

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations of cash flow. See note 41 of the Accountant's Report in Appendix I to this prospectus for the maturity of our financial liabilities as at 31 December 2017 and 2018 and 31 March 2019.

## DIVIDENDS

We did not declare or pay any dividends during the Track Record Period and we do not have a fixed dividend payout ratio. The Board has absolute discretion as to whether to declare any dividend for any year and, if it decides to declare a dividend, how much to declare. The Board will submit such proposal in respect of dividend payments to the Shareholders' general meeting for approval. The amount of any dividends to be declared or paid will depend on, among other things, applicable laws and regulations, our results of operations, cash flows, financial condition and operating and capital requirements. Any future declaration of dividends may or may not reflect our prior declarations of dividends.

## DISTRIBUTABLE RESERVES

As at 31 March 2019, we did not have any distributable reserves as we did not have positive retained profits.

## LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to the Reporting Accountant, legal advisers and other professional advisers for their services rendered in relation to the Listing and the Global Offering. We estimate that our total listing expenses will be HK$141.9 million, of which HK$28.1 million will be charged to our consolidated income statement (including HK$21.9 million that had been charged to our consolidated income statement during the Track Record Period), and HK$113.8 million will be capitalised (including HK$11.7 million that had been capitalised during the Track Record Period).

## OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and as at the Latest Practicable Date, except as disclosed in this prospectus, we had no material off-balance sheet arrangements.

## NO ADDITIONAL DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

## DIRECTORS' CONFIRMATION OF NO MATERIAL ADVERSE CHANGE

The Directors confirm that, having performed reasonable due diligence on the Group, there has been no material adverse change in our financial or trading position or prospects since 31 March 2019 and up to the date of this prospectus.

## SHARE CAPITAL

As at the Latest Practicable Date, the Company's registered capital was RMB474,433,053, divided into 364,189,618 Domestic Shares and 110,243,435 unlisted foreign Shares with a nominal value of RMB1.00 each.

The following is a description of the share capital of the Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

| Number of Shares | Description of Shares | Approximate percentage to total share capital |
|---|---|---|
| 364,189,618 | Domestic Shares | 67.55% |
| 94,366,741 | H Shares converted from unlisted foreign Shares(1) | 17.50% |
| 15,876,694 | Unlisted foreign Shares(2) | 2.94% |
| 64,695,400 | H Shares issued pursuant to the Global Offering | 12.00% |
| 539,128,453 | **Total** | 100% |

*Notes:*

(1) The unlisted foreign Shares of the Company which are to be converted into H Shares refer to the Shares held by Joyful Ascent Limited (one of the 2017 Pre-IPO Investors), the 2018 Pre-IPO Investors, Dr. Liu, Dr. Jiang and Cayman Henlius, holding approximately 0.81%, 5.47%, 0.45%, 0.13% and 10.65% of the total share capital of the Company upon Listing (assuming the Over-allotment Option is not exercised), respectively. Except for the H Shares held by Dr. Liu and Cayman Henlius, H Shares held by the other Shareholders, representing approximately 6.4% of the total share capital of the Company upon Listing will be counted as part of the public float.

(2) represent Shares held by HenLink.

(3) Of the H Shares to be issued pursuant to the Global Offering, Cayman Henlius proposed to subscribe for certain amount of the Offer Shares as a cornerstone investor. Please see "*Cornerstone Investments*".

## ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and does not take into account any Shares which may be issued pursuant to the Over-allotment Option.

## RANKING

Upon completion of the Global Offering, the Shares of the Company will be divided into three classes: domestic Shares, unlisted foreign Shares and H Shares. The three classes of Shares are all ordinary shares in the share capital of the Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Apart from certain qualified domestic institutional investors in the PRC and persons who are entitled to hold the H Shares of the Company pursuant to relevant PRC laws and regulations, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. The Company must pay all dividends in respect of H Shares in Hong Kong dollars, in respect of unlisted foreign Shares in foreign currency except for Renminbi and all dividends in respect of Domestic Shares in Renminbi.

Except as described in this prospectus and in relation to the despatch of notices and financial reports to the Shareholders of the Company, dispute resolution, registration of Shares in different parts of the register of Shareholders of the Company, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarised in Appendix V to this prospectus, the Domestic Shares, the unlisted foreign Shares and H Shares of the Company will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. Save for the Global Offering and otherwise disclosed in the prospectus, the Company does not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. The Company has not approved any share issue plan other than the Global Offering.

## CONVERSION OF DOMESTIC SHARES AND UNLISTED FOREIGN SHARES INTO H SHARES

The Domestic Shares and Unlisted foreign Shares are unlisted Shares of the Company which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, the unlisted Shares of the Company may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of the unlisted Shares of the Company are to be converted into and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of the unlisted Shares of the Company into H Shares as described in this section, the Company can apply for the listing of all or any portion of its unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after the initial listing of the Company on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of its initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after the initial listing of the Company is subject to prior notification by way of announcement to inform the Shareholders of the Company and the public of any proposed conversion.

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and the Company will re-register such Shares on its H Share register maintained in Hong Kong and instruct its H Share Registrar to issue H Share certificates. Registration on the H Share register of the Company will be conditional on (a) its H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on the H Share register of the Company, such Shares would not be listed as H Shares.

## TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

The PRC Company Law provides that in relation to the public share offering of a company, the shares of the company which have been issued prior to the offering shall not be transferred within one year from the date of the listing. Accordingly, Shares issued by the Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

## REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice of Centralised Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on the overseas stock exchange with China Securities Depository and Clearing Corporation Limited within 15 Business Days after listing and provide a written report to the CSRC regarding the centralised registration and deposit of its non-overseas listed shares as well as the current offering and listing of shares.

So far as is known to any Director or chief executive of the Company as at the Latest Practicable Date, immediately following the completion of the Global Offering (assuming the Minimum Offer Price and no exercise of the Over-allotment Option), the following persons (other than a Director or chief executive of the Company) will have an interest and/or short position (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the general meetings of the Company or any other member of the Group, once the Shares are listed on the Stock Exchange:

| | | | Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) | | |
|---|---|---|---|---|---|
| **Name of Shareholder** | **Nature of interest and capacity** | **Class** | **Number of Shares** | **Approximate % of interest** | **Approximate % of the relevant class of Shares** |
| Fosun New Medicine | Legal and beneficial owner | Domestic Shares | 265,971,569 | 49.33% | 73.03% |
| Fosun Pharma Industrial Development[1] | Legal and beneficial owner | Domestic Shares | 23,873,818 | 4.43% | 6.56% |
| | Interest in controlled entity | Domestic Shares | 265,971,569 | 49.33% | 73.03% |
| Fosun Pharma[2] | Interest in controlled entity | Domestic Shares | 289,845,387 | 53.76% | 79.59% |
| Fosun High Tech[3] | Interest in controlled entity | Domestic Shares | 289,845,387 | 53.76% | 79.59% |
| Fosun International[4] | Interest in controlled entity | Domestic Shares | 289,845,387 | 53.76% | 79.59% |
| FHL[5] | Interest in controlled entity | Domestic Shares | 289,845,387 | 53.76% | 79.59% |
| FIHL[6] | Interest in controlled entity | Domestic Shares | 289,845,387 | 53.76% | 79.59% |
| Mr. Guangchang Guo[7] | Interest in controlled entity | Domestic Shares | 289,845,387 | 53.76% | 79.59% |
| Al-Rayyan Holding LLC[8] | Legal and beneficial owner | H Shares | 4,742,100 | 0.85% | 7.98% |
| Cayman Henlius[9] | Legal and beneficial owner | H Shares | 58,977,060 | 10.94% | 37.08% |

*Notes:*

(1) As at the Latest Practicable Date, Fosun New Medicine was wholly-owned by Fosun Pharma Industrial Development. Fosun Pharma Industrial Development was deemed to be interested in the Domestic Shares which Fosun New Medicine was interested in.

(2) As at the Latest Practicable Date, Fosun Pharma Industrial Development was wholly-owned by Fosun Pharma. Fosun Pharma was deemed to be interested in the Domestic Shares which Fosun Pharma Industrial Development was interested in.

(3) As at the Latest Practicable Date, Fosun High Tech held approximately 37.87% of the shares in Fosun Pharma. Fosun High Tech was deemed to be interested in the Domestic Shares which Fosun Pharma was interested in.

(4) As at the Latest Practicable Date, Fosun High Tech was wholly-owned by Fosun International. Fosun International was deemed to be interested in the Domestic Shares which Fosun High Tech was interested in.

(5) As at the Latest Practicable Date, FHL directly held approximately 70.76% of the shares in Fosun International. FHL was deemed to be interested in the Domestic Shares which Fosun International was interested in.

(6) As at the Latest Practicable Date, FHL was wholly-owned by FIHL. FIHL was deemed to be interested in the Domestic Shares which FHL was interested in.

(7) As at the Latest Practicable Date, Mr. Guangchang Guo held 85.29% of the shares in FIHL. Mr. Guangchang Guo was deemed to be interested in the Domestic Shares which FIHL was interested in.

(8) Al-Rayyan Holding LLC is interested in the relevant H Shares due to its cornerstone investment. Please see "*Cornerstone Investments*".

(9) The H Shares which Cayman Henlius is interested in also include the H Shares to be allocated to it due to its cornerstone investment. Please see "*Cornerstone Investments*".

## OVERVIEW

As at the Latest Practicable Date, (i) Mr. Guangchang Guo was interested in 85.29% of the shares in FIHL, which in turn through FHL was interested in approximately 70.76% of the shares in Fosun International, and (ii) Fosun International, through its wholly owned subsidiary, Fosun High Tech, was indirectly interested in approximately 37.87% of the total issued ordinary share capital of Fosun Pharma[1], which in turn indirectly held approximately 61.09% of the Shares in issue.

Immediately following the completion of the Global Offering, (a) Fosun Pharma will have an indirect interest (through its interests in its wholly-owned subsidiaries, Fosun Pharma Industrial Development and Fosun New Medicine) in approximately 53.76% of the Shares in issue (assuming the Over-allotment Option is not exercised), (b) the Company will remain as an indirect non-wholly owned subsidiary of Fosun International and Fosun Pharma, and (c) Mr. Guangchang Guo, FIHL, FHL, Fosun International, Fosun High Tech, Fosun Pharma, Fosun Pharma Industrial Development and Fosun New Medicine will be the Controlling Shareholders of the Company. Please refer to "*History and Corporate Structure*" for the simplified corporate structure of the Group.

## BACKGROUND OF THE CONTROLLING SHAREHOLDERS

### The Fosun International Group

Fosun International is a technology-driven consumer group that has been listed on the main board of the Stock Exchange (00656.HK) since 2007. Fosun International Group operates three business lines, in Health, Happiness and Wealth, creating world-class products and services for families around the world. In 2018, Fosun International Group recorded revenues of RMB 109.4 billion with total assets worth RMB 681.51 billion as of 30 June 2019.

*Note:*

1 Fosun International controls Fosun Pharma as it controls the board of directors of Fosun Pharma. It is the single largest shareholder of Fosun Pharma and it holds relatively larger voting rights in Fosun Pharma than other dispersed public shareholders in Fosun Pharma.

**The Fosun Pharma Group**

Fosun Pharma is a leading healthcare group in the PRC with business operations strategically covering multiple important segments in the healthcare industry value chain. The Fosun Pharma Group operates and invests in four core business segments, comprising (i) pharmaceutical manufacturing, research and development, (ii) healthcare services, (iii) medical devices and medical diagnosis and (iv) pharmaceutical distribution and retail.

Fosun Pharma's A shares have been listed on the Shanghai Stock Exchange (Shanghai Stock Exchange stock code: 600196) since August 1998 and its H shares have been listed on the Main Board of the Stock Exchange (Stock Exchange stock code: 02196) since October 2012. The Fosun Pharma Group had total assets of approximately RMB73.6 billion as at 30 June 2019 and its profit for the years attributable to owners of the parent for the financial year ended 31 December 2018 was approximately RMB2.7 billion.

Since the inception of our Group, the research and development and manufacturing of mAb business by the Fosun Pharma Group has been solely carried out by the Group.

**Mr. Guangchang Guo**

Mr. Guangchang Guo, the ultimate Controlling Shareholder, does not have any interest in healthcare and pharmaceutical businesses other than through his interest in Fosun International and its subsidiaries.

## INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS OF THE COMPANY

The Directors are of the view that the Group is able to carry on its business independently from the Controlling Shareholders (including their close associates) following completion of the Global Offering for the following reasons.

### (a) Clear Delineation of Business

***Delineation from the Remaining Fosun International Group***

The Fosun International Group operates businesses in the Health Ecosystem segment principally through:

- the Fosun Pharma Group, of which the Group forms a part;
- Shanghai Starcastle Senior Living Co., Ltd., a joint venture company established by Fosun International Group for the purpose of providing one-stop and whole-process services to senior citizens in the PRC, from independent living to hospice care;

- Shanghai Star Healthcare Co., Ltd., a wholly-owned subsidiary of Fosun International, which is engaged in providing one-stop and whole-process health management services and third-party insurance services for mid- to high-end members of corporate customers; and

- Luz Saúde, S.A., a 98.79%-controlled subsidiary of Fosun International, which is a leading private healthcare provider group in Portugal and is engaged in the operations of hospitals, clinics and senior residences.

There is a clear delineation of business between the Group and the Remaining Fosun International Group as (i) the businesses of Shanghai Starcastle Senior Living Co., Ltd., Shanghai Star Healthcare Co., Ltd. and Luz Saúde, S.A. are clearly delineated from those of the Group and (ii) there is a clear delineation of business between the Group and the Remaining Fosun Pharma Group as further explained below.

In addition, there is an existing non-compete undertaking provided by, among others, Fosun International in favour of the Fosun Pharma Group to ensure a clear delineation of business between the two groups of companies and the businesses carried on by the companies mentioned above (except for the Fosun Pharma Group) are clearly distinguished from the businesses carried on by the Fosun Pharma Group (including the Group).

***Existing Non-compete Undertakings in relation to Fosun Pharma***

As disclosed in the prospectus of Fosun Pharma dated 17 October 2012, pursuant to the deed of non-competition undertakings dated 13 October 2012 (the "**Existing Non-compete Undertakings**") and executed by each of Mr. GUO Guangchang, Mr. LIANG Xinjun, Mr. WANG Qunbin, Mr. FAN Wei, FIHL, FHL, Fosun International and Fosun High Tech (collectively, the "**Existing Covenantors**"), being the controlling shareholders of Fosun Pharma at the time of the execution of the Existing Non-compete Undertakings, the Existing Covenantors have undertaken in favour of Fosun Pharma (for itself and as trustee of Fosun Pharma's subsidiaries from time to time) that, among other things:

- save for the Existing Covenantors' indirect interest in Shanghai Yuyuan, which is mainly engaged in commercial retail, wholesale and retail of gold and jewellery, and other interests in companies in which the Existing Covenantors and their respective associates may have from time to time in future but will not have control over the same, the Existing Covenantors will, subject to any applicable laws, regulations or stock exchange rules, use their commercially reasonable efforts to procure those companies and other business entities which are primarily controlled by the relevant Existing Covenantors (other than the Fosun Pharma Group) not to engage in any business in the PRC and Hong Kong which is of a similar nature to the Fosun Pharma Group's pharmaceutical manufacturing, pharmaceutical distribution and retail, healthcare services, and diagnostic products and medical devices businesses (the "**Fosun Pharma Restricted Businesses**"), so long as:

  (A) Fosun Pharma's shares remain listed on the Stock Exchange (and for this purpose, including any period during which the trading of Fosun Pharma's shares on the Stock Exchange is suspended for whatever reason);

(B) the Fosun Pharma Group has any interest, whether directly or indirectly, in any members of the Fosun Pharma Group which engages in any of the Fosun Pharma Restricted Businesses; and

(C) each of the Existing Covenantors remains as a controlling shareholder of Fosun Pharma; and

- subject always to its obligations referred to above, if any of the Existing Covenantors obtains any business opportunity in the PRC and Hong Kong which competes or is likely to compete with Fosun Pharma Restricted Businesses (the "**Fosun Pharma Business Opportunity**"), it will promptly notify Fosun Pharma of such Fosun Pharma Business Opportunity and will first offer it to Fosun Pharma on terms and conditions no less favourable than those offered to the Existing Covenantors, any of the associates of the Existing Covenantors or any other third party. Such Fosun Pharma Business Opportunity will be reviewed by Fosun Pharma's independent non-executive directors.

On the basis of the above, the Directors believe that the Existing Non-compete Undertakings are able to ensure and maintain a clear delineation of business between the Fosun Pharma Group and the Remaining Fosun International Group.

***Delineation from the Remaining Fosun Pharma Group***

There is a clear delineation of the business of the Group and the businesses of the Remaining Fosun Pharma Group.

The major areas in which the businesses between the Group and the Remaining Fosun Pharma Group are delineated are summarised below:

| | the Group | Remaining Fosun Pharma Group |
|---|---|---|
| **Nature of business** | • R&D, manufacturing and sale of mAbs and provision of related technical services (except for the development and application of human stem cells, genetic diagnosis and therapy). | • **Pharmaceutical manufacturing and R&D segment:** This is mainly engaged in the R&D and manufacturing of pharmaceutical and medicinal products other than those developed by the Group. |
| | • Transfer of its own technology and provision of the related services and consultation. | • **Healthcare services segment:** This is mainly engaged in the provision of healthcare services and hospital management. |

| | the Group | Remaining Fosun Pharma Group |
|---|---|---|
| | | • **Medical diagnosis and medical devices segment:** This is mainly engaged in the manufacturing and distribution of medical equipment and diagnostic products (other than gene chip diagnostic products).<br><br>• **Pharmaceutical distribution and retail segment:** This is mainly engaged in the retail and wholesale of pharmaceutical and medicinal products.<br><br>• **Other business operation segment:** This comprises businesses other than those mentioned above.<br><br>**All of the above business segments do not include the business of the Group.** |
| **Key products and services** | The business activities of the Group and the Remaining Fosun Pharma Group in relation to R&D and manufacturing of pharmaceutical products focus on different products: | |
| | • The Group is developing mAbs.<br><br>• As at the Latest Practicable Date, the Group had received 31 IND approvals for its product pipeline including one immuno-oncology combination therapy, mainly covering oncology and autoimmune diseases. See "*Business*" for further details. | • **Pharmaceutical R&D segment:** R&D on drugs other than mAbs<br><br>• **Pharmaceutical manufacturing segment:** Manufacturing of drugs other than mAbs<br><br>• **Pharmaceutical distribution and retail segment:**<br><br>(1) Prescription medicines<br><br>(2) Over-the-counter medicines including Western medicines and Chinese medicines for treatment of common diseases |

| | the Group | Remaining Fosun Pharma Group |
|---|---|---|
| | | (3) Healthcare and personal care products, a variety of healthcare including supplements, vitamins, minerals and dietary products, skin care, hair growth, beauty products and cosmetics and seasonal merchandise<br><br>• **Healthcare services segment:**<br><br>(1) Operation and management of hospitals<br>• **Medical devices and medical diagnosis segment:**<br><br>(i) *Diagnostic products:* involving clinical chemistry, clinical immunology, molecular diagnostics and clinical microbiology laboratory medicine in the field of *in vitro* diagnostic reagents and equipment<br><br>(ii) *Medical devices:* blood transfusion equipment and consumables, surgical instrument consumables and dental equipment and apparatus |
| **Production facility** | The Group and the Remaining Fosun Pharma Group own separate production facilities tailored for their respective businesses. | |
| **Major Supplier** | The five largest suppliers of the Group for the year ended 31 December 2018 do not overlap with the major suppliers of the Remaining Fosun Pharma Group for the same period. | |

| | the Group | Remaining Fosun Pharma Group |
|---|---|---|
| **Ownership of intellectual property of pharmaceutical products**. . | The Group and the Remaining Fosun Pharma Group have registered their own respective intellectual property rights relating to the relevant technologies, including trademarks and patents separately and independently with the Trademark Office of the State Administration for Industry and Commerce of the PRC and State Intellectual Property Office of the PRC, respectively; and the respective related technologies are registered with the NMPA separately. | |

Although both the mAbs developed by the Company and the small molecule chemical products developed by the Remaining Fosun Pharma Group treat cancer, the mAbs are classified as a separate class of drugs to the small molecule chemical drugs produced and sold by the Remaining Fosun Pharma Group. The small molecule chemical drugs are different from the mAbs in terms of mechanism of action and technology used in its R&D and manufacturing. In addition, the two types of products can also be differentiated in the following respects: (i) the mAbs are not mutually exclusive to chemotherapy drugs but are used for reinforcing the anti-cancer efficacy of chemotherapy drugs in treatments known as combination therapies and accordingly, mAbs are mostly used on patients of late-stage cancer and on whom surgery cannot be operated, and (ii) unlike chemotherapy, the therapeutic mechanism of an mAb is to target a specific biomarker expressed on cancer cells (e.g. CD20, HER2, VEGF and EGFR), and therefore different cancer types may have different outcomes as compared with using chemotherapy alone.

***Non-Compete Undertaking***

Notwithstanding there is a clear delineation between the businesses of the Remaining Fosun Pharma Group and those of the Company as detailed above, Fosun Pharma has provided a non-compete undertaking to the Company in connection with the Listing (the "**Non-compete Undertaking**") to ensure there remains a clear delineation of their respective businesses in the future. Pursuant to the Non-compete Undertaking,

(i) Fosun Pharma shall not, and shall procure its subsidiaries (other than the Group) not to, carry on or be engaged in, R&D, manufacturing and sales of mAbs, which are the core businesses of the Company (the "**Restricted Businesses**").

(ii) Fosun Pharma further undertakes that in the event there is any new business opportunity to acquire an interest in any Restricted Businesses (an "**Investment Opportunity**"), to the extent permitted by applicable laws and regulations and subject to contractual arrangement with third parties, Fosun Pharma and its subsidiaries (other than the Group) will first offer the Investment Opportunity to the Company in writing. The Company will have a period of 15 days following the receipt of such notice to make a decision. The Remaining Fosun Pharma Group will only be permitted to participate in the Investment Opportunity and to operate the corresponding business if the Company declines to participate in the Investment Opportunity.

The "contractual arrangement with third parties" referred to in paragraph (ii) above refers to the circumstance where Fosun Pharma may be prohibited from assigning the right to participate in the Investment Opportunity to a third party, including the Company. For the avoidance of doubt, in such circumstance, Fosun Pharma will not be permitted to participate in the Investment Opportunity.

The Non-compete Undertaking will commence on the date of listing of the Shares on the Stock Exchange and will end on the earlier of (i) the date on which Fosun Pharma or its subsidiaries (other than the Group) cease to be controlling shareholders (as defined under the Listing Rules) of the Company and (ii) the date on which the Shares cease to be listed on the Stock Exchange.

*Measures adopted to ensure the proper implementation of the Non-compete Undertaking*

When deciding whether to take the Investment Opportunity offered by the Remaining Fosun Pharma Group, the decision will be made by the executive Director and the independent non-executive Directors of the Company who do not have any ongoing role with the Remaining Fosun Pharma Group. The Remaining Fosun Pharma Group will be permitted to participate in the Investment Opportunity on terms no more favourable than those offered to the Company if the Company declines to participate in the Investment Opportunity.

In addition, the following measures will be adopted to ensure the proper implementation of the Non-compete Undertaking:

(i) a committee comprising all the independent non-executive Directors (the "**Independent Board Committee**") will be responsible for overseeing the implementation of the terms of the Non-compete Undertaking and, in particular, the Independent Board Committee will review on an annual basis compliance by Fosun Pharma with the non-compete undertakings given by it under the Non-compete Undertaking;

(ii) Fosun Pharma will provide an annual confirmation to the Company regarding its compliance with the terms of the Non-compete Undertaking and all such information as the Independent Board Committee may reasonably request for their annual review; and

(iii) the Company will disclose in the annual report the annual confirmation of Fosun Pharma regarding its compliance with the terms of the Non-compete Undertaking and the findings of the Independent Board Committee in this regard (if any).

**(b) Operational and Administrative Independence**

The Company has a full-time management team and team of staff to carry out its own operation and administration independently of the Remaining Fosun International Group and the Remaining Fosun Pharma Group. The support functions comprising accounting, administration, corporate secretarial, compliance and human resource management will also continue to be handled by a team of staff employed directly by the Company and are separated from the Remaining Fosun International

Group and Remaining Fosun Pharma Group. In addition, with respect to the Company's products, the Company has all requisite resources and is capable of carrying on the business of R&D, application for registration and clinical trials independently of the Remaining Fosun Pharma Group. The Company also operates its own production facilities independently from the Remaining Fosun Pharma Group and has all requisite facilities, equipment, supplies and personnel to carry out the production and manufacturing of its products independently of the Remaining Fosun Pharma Group. Furthermore, the Company procures equipment, materials and services that are essential for its R&D, business from its suppliers independently of the Remaining Fosun Pharma Group. As all key administrative functions, R&D and production of the Company are carried out by the Company without reliance on the Remaining Fosun Pharma Group, the Company is able to operate independently of the Remaining Fosun Pharma Group upon completion of the Global Offering.

During ordinary and usual course of business, the Group has entered into transactions with the Remaining Fosun Pharma Group. Please refer to *"Connected Transactions*". Such transactions were and will be conducted in the ordinary and usual course of business of the Group, on an arm's length basis and on normal commercial terms.

With respect to the cooperation arrangements with the Remaining Fosun Pharma Group in respect of the HLX01 (漢利康) and HLX03, given that (i) the Company is not relying on the Remaining Fosun Pharma Group for its research and development and manufacturing of its products, (ii) the Company will not rely on the Remaining Fosun Pharma Group for the marketing and sales of its products as the Company would be able to enter into agreements with other independent third party distributors for the sale of its products and the Company has started to further expand its own marketing and sales capabilities, (iii) in addition to the Remaining Fosun Pharma Group, other international pharmaceutical companies had expressed interest in establishing cooperation arrangements in respect of HLX01 (漢利康) and HLX03 with the Company, and the Company had engaged in discussions and negotiations with at least two other independent overseas-based companies of Fosun Pharma before making the decision to collaborate with the Remaining Fosun Pharma Group and was under no obligation to enter into such cooperation arrangement with the Remaining Fosun Pharma Group. The Company decided to cooperate with the Remaining Fosun Pharma Group as the Company considered, based on its own independent assessment and commercial judgement, that the overall terms, such as pricing and commercialisation, proposed by the Remaining Fosun Pharma Group showed the greater potential for demonstrating the value of the relevant products and the local market knowledge, experience and breadth of distribution network of the Remaining Fosun Pharma Group, (iv) the Company has independent and strong global research and development and commercialisation capabilities, (v) the revenue attributable to such cooperation arrangements with the Remaining Fosun Pharma Group in relation to HLX01 (漢利康) and HLX03 is expected to show a decreasing trend in the coming three years once all Core Products of the Company are commercially launched considering the commercialisation timeline and the addressable market of each Core Product as set out in this prospectus and (vi) the Company has an independent business development department which is led by the Chief Executive Officer, Chief Science Officer and certain senior advisers of the Company, who do not have any overlapping roles with the Remaining Fosun Pharma Group, and which reviews collaboration opportunities independently. The Company also implemented comprehensive corporate

governance measures in relation to establishing collaboration arrangements. Please refer to "*Connected Transactions*". The decision whether to collaborate with a particular business partner will be made independently by the Company based on its independent assessment subject to the requirements of the Listing Rules and the corporate governance measures. In addition, following the Listing, any transactions between the Company and the Remaining Fosun Pharma Group will constitute connected transactions of the Company and will therefore be subject to the corporate governance measures in relation to connection transactions, including that any Directors holding overlapping positions with the Remaining Fosun Pharma Group will abstain from voting on the relevant board resolutions, the Directors are of the view that such cooperation arrangements with the Remaining Fosun Pharma Group will not affect the Company's ability to operate independently and the Group's operations are independent from the Controlling Shareholders. Furthermore, the risk of the Remaining Fosun Pharma Group terminating the cooperation arrangements is remote as the parties under the relevant agreements have limited termination rights and the termination would not be in the commercial interest of the Remaining Fosun Pharma Group as the Remaining Fosun Pharma Group has shared part of the expenses for the clinical trials of relevant products, the relevant products have all entered into advanced research and development stages and significant market opportunities exist for the relevant products. In an unlikely event that the Remaining Fosun Pharma Group terminates the cooperation arrangements with the Company, given the reasons set out above and that the Company is not financially dependent on the Remaining Fosun Pharma Group, the Company does not consider such termination will materially and adversely affect the Company's business.

**(c) Financial Independence**

As at the Latest Practicable Date, the Company had sufficient funds to carry on its operations. In addition to revenue from product sales and the licensing of its technology or other forms of pre-production cooperation and bona fide commercial loans obtained independently of the Remaining Fosun Pharma Group and the Remaining Fosun International Group, the Company is also able to independently secure equity investments from investors that are independent from the Remaining Fosun International Group and the Remaining Fosun Pharma Group. Please refer to *"History and Corporate Structure — The Pre-IPO Investments*".

As at the Latest Practicable Date, there were no loans or guarantees provided by the Remaining Fosun Pharma Group or by the Remaining Fosun International Group to or for the benefit of the Group.

On the basis of the foregoing, the Company is financially independent from the Remaining Fosun Pharma Group and the Remaining Fosun International Group.

### (d) Independence of Directors and Management

The Board consists of 10 Directors, comprising one executive Director, five non-executive Directors and four independent non-executive Directors. See "*Directors, Supervisors and Senior Management*" for further details. Of the 10 Directors, five non-executive Directors currently hold positions in the Controlling Shareholders, details of which are set out below:

| Name | Material position in the Remaining Fosun Pharma Group |
|---|---|
| Qiyu Chen | Executive director and chairman of Fosun Pharma and Executive director and co-president of Fosun International |
| Yifang Wu | Executive director, president and chief executive officer of Fosun Pharma |
| Jiemin Fu | Senior adviser of Fosun Pharma |
| Aimin Hui | Senior vice president of Fosun Pharma |
| Xiaohui Guan | Senior vice president and chief financial officer of Fosun Pharma |

The Directors are of the view that the Board of Directors and the senior management of the Group are able to function independently of the Controlling Shareholders for the following reasons:

- the executive Director, who is responsible for the day to day management of the Group's business, does not have any ongoing role with the Remaining Fosun International Group or the Remaining Fosun Pharma Group;

- half of the members of the Board, including the executive Director and all the independent non-executive Directors, will be entirely independent of the Remaining Fosun International Group and the Remaining Fosun Pharma Group;

- none of the members of the senior management of Company have any ongoing role with the Remaining Fosun International Group or the Remaining Fosun Pharma Group;

- should there be a conflict of interest (pursuant to the Articles of Association of the Company, members of the Remaining Fosun Pharma Group or members of the Remaining Fosun International Group, as applicable or the relevant Listing Rules) or a connected transaction (as defined under the Listing Rules) between the Company (on one hand) and members of the Remaining Fosun Pharma Group and/or members of the Remaining Fosun International Group (as the case may be) (on the other hand), the relevant Directors, who hold roles with the Remaining Fosun International Group or the Remaining Fosun Pharma Group, will abstain from voting on the relevant board resolution(s) of the Company; and

- the Company will adopt corporate governance policies, including but not limited to, rules relating to the procedure for board meetings and decision-making protocols on connected transactions, setting out circumstances that require the relevant Directors, who hold roles with the Remaining Fosun International Group or the Remaining Fosun Pharma Group, to abstain from voting on the relevant board resolutions.

**DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business.

## OVERVIEW

Prior to the Listing, the Group has entered into certain transactions with parties who will, upon the Listing, become connected persons of the Company. Details of such continuing connected transactions and one-off connected transactions of the Company following the Listing are set out below.

### A. One-off Connected Transactions

#### *1. Project-based Technical Consultation Service*

(a) *Description of the Transaction*

Fosun Pharma Industrial Development, LegoChem Biosciences, Inc. ("**LegoChem**") and the Company entered into a master service agreement on 22 December 2015, pursuant to which, Fosun Pharma Industrial Development and LegoChem may enter into work order with the Company on a project-based basis to jointly engage the Company to provide technical consultation service to them. Fosun Pharma Industrial Development is a subsidiary of Fosun Pharma and LegoChem is an Independent Third Party.

On the same date, Fosun Pharma Industrial Development and LegoChem entered into two work orders with the Company to engage the Company to provide technical consultation service in relation to one pharmaceutical product. The work scope includes, among others, (i) the research and development of process and quality studies on the intermediate material and (ii) scaling up of the manufacturing, and optimising the formulation, of such pharmaceutical product. Upon completion of the work as mentioned above, the Company currently expects no additional work order will be entered into in the near future.

Pursuant to the work orders, the Company is entitled to receive an aggregate amount of RMB31,800,000 with a possible supplementary research expense of RMB2,000,000 from Fosun Pharma Industrial Development and LegoChem, which was determined based on arm's length negotiation among the parties taking into consideration the amount of work involved. As at the Latest Practicable Date, an aggregate of approximately RMB30.6 million paid by Fosun Pharma Industrial Development and LegoChem has been recognised as revenue of the Company.

(b) *Listing Rules Implications*

On the basis that the project-based work service in relation to one product mentioned above is regarded as a one-off connected transaction entered into by the Company prior to Listing, rather than a continuing connected transaction, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable to it.

***2. Property Leasing Agreements***

(a) *Description of the Transaction*

The Company entered into property lease agreements with the Remaining Fosun Pharma Group, pursuant to which, the Group has leased properties from the Remaining Fosun Pharma Group for its use as manufacturing facility and office building. The property lease agreements were entered into (i) in the ordinary and usual course of business of the Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the rents being agreed with reference to the prevailing markets rates. The value of the lease liabilities which includes the present value of the lease payments recognised by the Company according to IFRS 16 as at 31 March 2019 amounted to RMB164.7 million.

The increased rental attributable to the Remaining Fosun Pharma Group in relation to the leasing of property for the two years ended 31 December 2017 and 2018 and the three months ended 31 March 2019 amounted to approximately RMB20.0 million, RMB21.2 million and RMB3.8 million, respectively.

(b) *Listing Rules Implications*

In accordance with IFRS 16 "Leases" (which became effective from 1 January 2019), the Company recognised a right-of-use asset on its balance sheet in connection with the lease of the properties from the Remaining Fosun Pharma Group. Therefore, the entering into of the property lease agreements by the Company will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

**B. Exempt Continuing Connected Transaction**

Following the Listing, the following transaction will be regarded as continuing connected transaction exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

***1. Purchase of Materials***

(a) *Description of the Transaction*

The Company may purchase materials from the Remaining Fosun Pharma Group for its R&D activities following the Listing. Such purchase is only required when a particular type of material is out of stock and the Company requires limited quantity before new stock is delivered. The aggregate purchase amount each year is expected to be less than RMB1 million and the purchases will be made on normal commercial terms or better to the Group.

(b) *Listing Rules Implications*

The transaction described above is entered into in the ordinary and usual course of business of the Company, on normal commercial terms where each of the applicable percentage ratios in respect

of such transaction will, as the Company currently expects, be less than 0.1% on an annual basis, and would, upon the Listing, be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

## C. Non-exempt Continuing Connected Transactions

### *1. Collaboration Arrangements under the HLX01 Agreement and the HLX03 Agreement*

(a) *Description of the Transactions*

The Company has entered into the HLX01 Agreement with Fosun Pharma Industrial Development on 18 September 2015 (as amended) and the HLX03 Agreement with Jiangsu Wanbang on 18 September 2017 (as amended). Both Fosun Pharma Industrial Development and Jiangsu Wanbang are subsidiaries of Fosun Pharma.

Pursuant to the terms of the HLX01 Agreement, the Company has agreed to (i) be responsible for the R&D, regulatory submission, clinical trials as well as the manufacturing and supply of HLX01 in the PRC and (ii) grant an exclusive right to Fosun Pharma Industrial Development to promote and commercialise HLX01 (漢利康) in the PRC. The Company and Fosun Pharma Industrial Development have also agreed to share the net profit (as defined in the HLX01 Agreement) derived from the sales of HLX01 (漢利康) in the PRC.

In consideration of the Company agreeing to the above arrangement, Fosun Pharma Industrial Development has made a milestone payment of RMB50 million to the Company and agreed to fully reimburse the clinical trial cost for HLX01 following the execution of the HLX01 Agreement. The Company will submit a payment request to Fosun Pharma Industrial Development in accordance with the progress of the clinical trials and Fosun Pharma Industrial Development, after going through its internal payment procedures, will reimburse the amount of expenses actually incurred in accordance with the payment request submitted by the Company within 14 business days. For the avoidance of doubt, such reimbursement only covers the expenses incurred for conducting the clinical trials prior to the commercialisation of HLX01 and does not cover any post-commercialisation research.

The HLX01 Agreement became effective on the date of signing, and will continue until terminated in accordance with its terms. The HLX01 Agreement may be terminated if (i) any party materially breaches the terms of the HLX01 Agreement and such breach cannot be cured within 90 days by the breaching party upon receiving notice from the non-breaching party, or (ii) any party is under liquidation, whether voluntary or otherwise, or enters into any agreements with its creditors which may be detrimental to the performance of the obligations under the HLX01 Agreement. In addition, if there is a change of control of Fosun Pharma Industrial Development, Fosun Pharma Industrial Development and the Company should negotiate in good faith for continuing to carry out the cooperation arrangement under the HLX01 Agreement, failing which, the Company may terminate the HLX01 Agreement. Accordingly, the term of the HLX01 Agreement will continue until it is terminated in accordance with its terms. Frost & Sullivan has confirmed that it is a market practice

in the pharmaceutical industry for similar cooperation agreement to be entered into for a long term or for an indefinite term, primarily due to the substantial amount of capital committed by the collaboration partners and the risks involved. See "*Waivers from Strict Compliance with the Listing Rules and Exemption from the Companies (Winding Up and Miscellaneous Provisions) Ordinance*".

The HLX03 Agreement contains similar terms as those of the HLX01 Agreement and the milestone payment made by Jiangsu Wanbang was RMB30 million.

The total amount of clinical trial expenses reimbursed by the Remaining Fosun Pharma Group pursuant to the HLX01 Agreement and the HLX03 Agreement for the two years ended 31 December 2017 and 2018 and three months ended 31 March 2019 amounted to approximately RMB88.8 million, RMB105.9 million and RMB37.7 million, respectively. Such amounts were treated as prepayments for the acquisition of the franchise distribution rights of the relevant products and recorded as contract liabilities in the consolidated financial statements of the Company. The total consideration for the acquisition of such franchise distribution right will be the aggregate of the milestone payments and other follow-up amounts to be reimbursed by the Remaining Fosun Pharma Group in relation to the reimbursement of clinical trial expenses pursuant to the terms of the relevant agreements. The total amount to be reimbursed will be the amount of clinical expenses incurred for the HLX01 and HLX03 following the execution of the relevant agreements. The Company will disclose the amounts reimbursed in each year in its annual reports following the Listing. The timeline for such reimbursement will be determined in accordance with the progress of the clinical trials and follow the payment procedures as set out above. For detailed terms of the HLX01 Agreement and the HLX03 Agreement, please refer to "*Business*". Notwithstanding that the Remaining Fosun Pharma Group reimbursed the clinical trial expenses pursuant to HLX01 Agreement and HLX03 Agreement, the Company will still bear the risk associated with the R&D activities of its Core Products. Please refer to "*Business — Our Biosimilar Portfolio — HLX01 — Collaboration Arrangements and Commercialisation Plans*".

The reimbursement arrangements are regarded as one-off connected transactions entered into by the Group prior to the Listing while (i) the supply of products by the Company to the Remaining Fosun Pharma Group and (ii) the sharing of the net profits derived from the sales of the relevant products are regarded as continuing connected transactions of the Company.

(b) *Reason for the Transactions*

As the research and development of pharmaceutical products require significant capital investment, it is common practice in the pharmaceutical industry for the principal drug developer to spread the risks and costs associated with the drug development process by cooperating with other business partners, such as pharmaceutical companies. Following such industry practice and after going through the corporate governance procedures as described below, the Company has entered into several cooperation agreements with business partners, including the Remaining Fosun Pharma Group and other independent third parties. The Company adopted a consistent practice in terms of establishing cooperation agreements with its business partners. Please refer to "*Business*" for further details in relation to the cooperation agreements. In addition, through leveraging the resources and established capabilities of relevant business partners in local markets, the Company believes such cooperation agreements will enable the Company to expeditiously establish an advantageous position

in market share in relevant jurisdictions. Frost & Sullivan has confirmed that the cooperation agreements entered into by the Company with the Remaining Fosun Pharma Group are in line with the industry practice. Taking into consideration of the above, in particular the corporate governance procedures in place as set out below, the Company believes that such cooperation agreements (including the cooperation agreements with the Remaining Fosun Pharma Group) are in the interest of the Company and its Shareholders as a whole.

(c) *Corporate Governance Measures*

During the ordinary and usual course of business of the Company, the Company reviews potential collaboration opportunities from time to time.

When potential collaboration opportunity arises, the Company would normally request the potential business partners to provide market forecasts for the demand of the product, competitive landscape and regulatory requirements of the product for that market as well as the regulatory and commercial capability of the potential business partner to commercialise the product. In parallel, the Company's marketing team routinely performs in-house market forecasts for its products, financial analysis on the term sheet proposals as well as competitive landscape of the products for the territory of interest. Furthermore, the Company's business development function routinely evaluates similar arrangements by third parties relating to biosimilar products as well as novel antibody products with similar mechanism of action for deal benchmarking and for term sheet evaluation purposes.

In addition, the commercial negotiation with potential business partners are led by the Chief Executive Officer, Chief Science Officer and certain senior advisers of the Company, who do not have any overlapping roles with the Controlling Shareholders and who will independently evaluate the terms taking into account all relevant factors as the Company considers necessary. A decision on whether to establish collaborations with another company will be made purely based on commercial considerations and only if the Company considers it is in the best interest of the Company and its shareholders to enter into such cooperation arrangement.

(d) *Term of the Relevant Cooperation Agreements*

The Joint Sponsors are of the view that, based on the due diligence they have conducted and taking into consideration (i) the reasons for entering into the HLX01 Agreement and the HLX03 Agreement as set out above, (ii) the market practice in the pharmaceutical industry for similar cooperation agreement, and the confirmation from Frost & Sullivan as set out above and (iii) the fact that the relevant arrangements were negotiated on an arm's length basis and in accordance with the corporate governance measures of the Company as set forth above, it is reasonable for each of the HLX01 Agreement and the HLX03 Agreement to be entered into for a term which will continue until terminated in accordance with their respective terms, and it is normal business practice for agreements of this type to be of such duration.

(e) *Historical Transaction Amounts*

As the Company only commenced the commercial sale of HLX01 (漢利康) in May 2019 and the Phase 3 clinical trial for HLX03 was just completed in July 2019, during the Track Record Period, there was no historical amount received by the Group from the Remaining Fosun Pharma Group in relation to the Company's (i) supply of HLX01 and HLX03 products and (ii) entitled proportion of profits from the sales of HLX01 and HLX03 products.

(f) *Caps on Future Transaction Amounts*

The Company has set the annual caps for (i) the supplying of products by the Group and (ii) the sharing of net profits under the relevant cooperation agreements as formulas below. Pursuant to the relevant cooperation agreements, the Remaining Fosun Pharma Group shall make payments for the above transactions to the Company on a monthly basis. The Company will disclose the actual amounts received from such transactions in its annual reports after Listing.

*(i) Caps in relation to the supply of products by the Company*

The payment to be received from the Remaining Fosun Pharma Group for the supplying of the relevant products by the Company pursuant to the HLX01 Agreement and the HLX03 Agreement will be determined in accordance with the following formula:

Payment to be received = (1+10%) × cost incurred by the Company for the manufacturing of the relevant products delivered to the Remaining Fosun Pharma Group

The Company considered the formula set out above is fair and reasonable and in the interest of the Company and its Shareholders as (i) the supply of products to the Remaining Fosun Pharma Group is an integral part of the collaboration arrangements with the Remaining Fosun Pharma Group and is consistent with the practice between the Company and its other independent business partners, and (ii) supplying products at a reasonable margin is in line with the industry practice. As advised by Frost & Sullivan, it is a common practice for a pharmaceutical company in the PRC to pay a CMO the manufacturing cost plus a reasonable double digit mark-up for the manufacturing of pharmaceutical products.

*(ii) Caps in relation to the sharing of net profits*

The payment to be received from the Remaining Fosun Pharma Group for the sharing of net profits pursuant to the HLX01 Agreement and the HLX03 Agreement will be determined in accordance with the following formula:

Payment to be received = 50% × Net profit of relevant products

Net profit refer to the revenue received by Fosun Pharma Industrial Development or Jiangsu Wanbang (as the case may be) from the sale of the relevant products, after deducting (i) marketing and selling expenses determined in accordance with the terms of the relevant agreement and (ii) the cost incurred by the Company for manufacturing of the relevant products (plus a 10% margin).

The Company considered the formula set out above is fair and reasonable and in the interest of the Company and its Shareholders as (i) having considered the terms proposed by the Remaining Fosun Pharma Group and other Independent Third Parties, the overall terms proposed

by the Remaining Fosun Pharma Group showed greater potential for demonstrating the value of the relevant products and (ii) the cooperation agreements entered into by the Company with the Remaining Fosun Pharma Group are in line with the industry practice, which was confirmed by Frost & Sullivan.

The Company has applied for a waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules so as to allow the Company to set the annual caps in relation to continuing connected transactions under the HLX01 Agreement and the HLX03 Agreement as formulas in accordance with the terms as set out in the relevant agreements for an initial term of three years for the following reasons:

(1) it is impractical for the Company to accurately estimate the amount of the payment to be received from the cooperation agreements with the Remaining Fosun Pharma Group as the amount of products to be supplied and the revenue to be derived from the sale of relevant products depends on the actual addressable market of the Company's products, which will in turn depend on various factors including the acceptance by the medical community and patient access, drug pricing, reimbursement and the number of affordable patients;

(2) as at the Latest Practicable Date, the Company only commenced commercialisation of one product, HLX01 (漢利康), in May 2019. The Company doesn't have sufficient reference to enable it to estimate the future transaction volume and amount. Accordingly, imposing an arbitrary monetary cap would be unduly burdensome and not in the interests of the Company's Shareholders after the Listing;

(3) given the revenue from the cooperation agreement with the Remaining Fosun Pharma Group in respect of the HLX01 (漢利康) and HLX03 is expected to account for a significant portion of the Company's revenue before the commercialisation of the other products of the Company, the disclosure of the annual caps in monetary terms would in effect provide Shareholders and investors as well as competitors of the Company with an indication of the Company's estimated revenue. The disclosure of such information is highly sensitive and would therefore put the Company in disadvantageous position in relation to its business operation and competition with other market players; and

(4) it would also not be in the interest of the Company and the shareholders of the Company to adopt fixed monetary caps for such transactions as such caps will impose an arbitrary ceiling on the profits that the Company could derive from the commercialisation of the relevant products. In addition, such monetary caps would be contrary to the purpose of adopting collaboration arrangements in order to incentivise its business partners based on their performance and would further impose restrictions on the growth of the Company's business and impair the interests of the Company and its Shareholders as whole.

The Stock Exchange has granted the waiver from strict compliance with the requirement under Rule 14A.53 of the Listing Rules in respect of the continuing connected transactions under the HLX01 Agreement and the HLX03 Agreement subject to the following conditions:

(1) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the relevant cooperation agreements;

(2) the Company will designate a team to execute and ensure that the transactions in relation to the cooperation agreements are undertaken in accordance with the terms of the relevant cooperation agreements;

(3) the Chief Executive Officer of the Company will use his best endeavours to supervise the compliance with the terms of the relevant cooperation agreements and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;

(4) the independent non-executive Directors and the auditors of the Company will review the transactions in relation to the cooperation agreements on an annual basis and confirm in our annual reports the matters set out in Rules 14A.55 and 14A.56 of the Listing Rules, respectively;

(5) the Company will disclose in the prospectus the background for entering into the HLX01 Agreement and the HLX03 Agreement, the terms of the relevant cooperation agreements, the grounds for the waiver sought and the Directors' and Joint Sponsors' views on the fairness and reasonableness of the transactions under the HLX01 Agreement and the HLX03 Agreement; and

(6) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this prospectus on the above continuing connected transactions, the Company will take immediate steps to ensure compliance with such new requirements.

The waiver set out above is for a term of three years ending on 31 December 2021. The Company will, after taking into account, among other things, the addressable market, the drug pricing and the historical transaction amount of the relevant products, re-assess whether a further waiver is required at the expiry of such initial term.

(g) *Listing Rules Implications*

As the highest applicable percentage ratio in respect of each of the caps as the Company currently expects is, on an annual basis, more than 5%, such continuing connected transaction will, upon the Listing, be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## D. Waiver Application for Non-Exempt Continuing Connected Transactions

As the non-exempt continuing connected transactions described in this section will be carried out on a continuing basis and will extend over a period of time, the Directors consider that strict compliance with the announcement and/or independent shareholders' approval requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on the Company. Accordingly, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements in respect of such non-exempt continuing connected transactions described in this section.

For reasons set out in "— *1. Collaboration Arrangements under the HLX01 Agreement and the HLX03 Agreement*" above, the Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14A.53 of the Listing Rules.

The Company will, however, comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions.

## E. Confirmations From the Directors and the Joint Sponsors

The Directors (including the independent non-executive Directors) are of the view that all the non-exempt continuing connected transactions described in this section have been and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, that are fair and reasonable and in the interests of the Shareholders of the Company as a whole, and that the proposed monetary annual caps or alternative caps (as applicable) for the non-exempt continuing connected transactions described in this section are fair and reasonable and in the interests of Group and the Shareholders of the Company as a whole.

The Joint Sponsors have reviewed the relevant information and historical figures (if any) prepared and provided by the Company relating to the non-exempt continuing connected transactions described in this section, and have obtained confirmations from the Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described in this section have been entered into in the ordinary and usual course of business of the Company, on normal commercial terms or better, that are fair and reasonable and in the interests of the Group and the Shareholders as a whole, and that the proposed monetary annual caps or alternative caps (as applicable) of such non-exempt continuing connected transactions described in this section are fair and reasonable, and in the interests of the Group and the Shareholders as a whole.

## BOARD OF DIRECTORS

The Board of Directors consists of 10 Directors, comprising one executive Director, five non-executive Directors and four independent non-executive Directors. Brief information of the Directors is set out below:

| Name | Age | Position | Date of Appointment | Date of Joining the Group | Principal Responsibilities |
|---|---|---|---|---|---|
| Scott Shi-Kau Liu | 56 | Chief Executive Officer, President and Executive Director | 15 January 2013 | 24 February 2010 | Responsible for the formulation of the strategic direction of the Group and the day-to-day management of the Group |
| Qiyu Chen (陳啟宇) | 47 | Chairman and Non-executive Director | 15 January 2013 | 15 January 2013 | Responsible for the high level oversight of the management and operations of the Group |
| Yifang Wu (吳以芳) | 50 | Non-executive Director | 12 June 2015 | 12 June 2015 | Responsible for the high level oversight of the management and operations of the Group |
| Jiemin Fu (傅潔民) | 67 | Non-executive Director | 15 January 2013 | 15 January 2013 | Responsible for the high level oversight of the management and operations of the Group |
| Aimin Hui | 56 | Non-executive Director | 10 April 2018 | 10 April 2018 | Responsible for the high level oversight of the management and operations of the Group |
| Xiaohui Guan (關曉暉) | 48 | Non-executive Director | 24 December 2018 | 24 December 2018 | Responsible for the high level oversight of the management and operations of the Group |
| Tak Young So (蘇德揚) | 48 | Independent Non-executive Director | 2 September 2019 | 2 September 2019 | Responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of the Group |
| Lik Yuen Chan (陳力元) | 51 | Independent Non-executive Director | 2 September 2019 | 2 September 2019 | Responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of the Group |

| Name | Age | Position | Date of Appointment | Date of Joining the Group | Principal Responsibilities |
|---|---|---|---|---|---|
| Guoping Zhao (趙國屏) . . . . | 71 | Independent Non-executive Director | 2 September 2019 | 2 September 2019 | Responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of the Group |
| Ruilin Song (宋瑞霖) . . . . . | 56 | Independent Non-executive Director | 2 September 2019 | 2 September 2019 | Responsible for addressing conflicts and giving strategic advice and guidance to the business and operations of the Group |

**Executive Director**

**Dr. Scott Shi-Kau Liu**, aged 56, the co-founder of the Company, was appointed as a Director of the Company on 15 January 2013. Dr. LIU co-founded the Group with Dr. JIANG in February 2010 and has been the Chief Executive Officer and President of the Company since then. He is responsible for the formulation of the strategic direction and the day-to-day management of the Group. He also holds several executive positions of various companies in the Group. He has been the president and chief executive officer of Cayman Henlius since February 2009, the chairman and chief executive officer of Taiwan Henlius since October 2010, the president and chief executive officer of Shanghai Henlius Biopharmaceutical Co., Ltd. (上海復宏漢霖生物製藥有限公司) since June 2014, and the president and chief executive officer of Shanghai Henlius Biologics Co., Ltd. (上海復宏漢霖生物醫藥有限公司) since December 2017.

Dr. LIU has more than 25 years of experience in biopharmaceutical R&D, manufacturing and quality management. He started his career as a deputy professor in the department of biology of National Sun Yat-sen University of Taiwan from August 1993 to August 1994 right after a postdoctoral training in biology at Stanford University in the United States from August 1991 to August 1993. Prior to joining to the Group, Dr. LIU has engaged in research activities from 1994 to 1998, and has previously served several executive positions such as the vice president of R&D in Asia from October 1998 to March 2000 and the director for quality operations and regulatory affairs from January 1998 to December 2003 for United Biomedical, Inc., the associate director in biologics quality control at Bristol-Myers Squibb Technical Operations from December 2003 to January 2007 and the director of quality analytical labs at Amgen Inc. Fremont (now known as Boehringer Ingelheim Fremont Inc.) from January 2007 to November 2008.

Dr. LIU has earned multiple awards and esteemed recognitions. He was awarded "People of the Year in Bio-Industry" by "17Talk Bio-Industry Awards" in 2017 and "Technical Operations Presidential Award" by Bristol-Myers Squibb in 2006.

Dr. LIU received his bachelor's degree in micro-biology from Soochow University of Taiwan in June 1984 and his Ph.D. degree in biology from the Purdue University in the United States in May 1991.

**Non-executive Directors**

**Mr. Qiyu Chen**, aged 47, was appointed as a Director of the Company on 15 January 2013 and the chairman of the Board of Directors on 8 December 2018. Mr. Chen joined Fosun Pharma in April 1994 and has been working there ever since. He has been appointed as a director and the chairman of Fosun Pharma in May 2005 and June 2010, respectively. He is currently an executive director and a co-president of Fosun International since July 2015 and March 2017, respectively. Mr. Chen has been a non-executive director and a vice chairman of Sinopharm Group Co. Ltd. (國藥控股股份有限公司) (Stock Exchange stock code: 01099) since May 2010 and September 2014, respectively, a director of Beijing Sanyuan Foods Co., Ltd. (北京三元食品股份有限公司) (Shanghai Stock Exchange stock code: 600429) since March 2015, and a non-executive director of Babytree Group (Stock Exchange stock code: 01761) since June 2018, respectively. In addition, Mr. Chen holds directorships in various companies invested by Fosun International and its affiliated companies. Mr. Chen also served as a director of Maxigen Biotech Inc. (和康生物科技股份有限公司) (Taiwan Stock Exchange stock code: 01783) from December 2015 to November 2017 and a director of Dian Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司) (Shenzhen Stock Exchange stock code: 300244) from May 2010 to February 2019.

Mr. Chen has been the chairman of China Medical Pharmaceutical Material Association (中國醫藥物資協會), vice president of China Pharmaceutical Innovation and Research Development Association (中國醫藥創新促進會), chairman of Shanghai Biopharmaceutical Industry Association (上海生物醫藥行業協會) and vice chairman of the Shanghai Society of Genetics (上海市遺傳學會).

Mr. Chen obtained a bachelor degree in genetics from Fudan University (復旦大學) in the PRC in July 1993 and a master degree of business administration from China Europe International Business School (中歐國際工商學院) ("**CEIBS**") in the PRC in September 2005.

**Mr. Yifang Wu**, aged 50, was appointed as a Director of the Company on 12 June 2015. Mr. Wu is the executive director, president and chief executive officer of Fosun Pharma. Mr. Wu joined Fosun Pharma in April 2004 and was appointed as an executive director of Fosun Pharma in August 2016. Prior to joining Fosun Pharma, Mr. Wu was a technician, director, production officer, finance director, assistant to director of Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠) from June 1987 to April 1997, a deputy director of Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物化學製藥廠) from April 1997 to December 1998, the deputy general manager of Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司) and Jiangsu Wanbang from December 1998 to March 2007 (where Xuzhou Biochemical Pharmaceutical Factory (徐州生物化學製藥廠), Xuzhou (Wanbang) Biopharmaceuticals Manufactures Plant (徐州(萬邦)生物

化學製藥廠), Xuzhou Wanbang Biochemical Pharmaceutical Co., Ltd. (徐州萬邦生化製藥有限公司) were predecessors of Jiangsu Wanbang) and the president of Jiangsu Wanbang from March 2007 to April 2011. He has been the chairman of Jiangsu Wanbang since April 2011. He was the senior vice president of Fosun Pharma from July 2014 to January 2016 and the senior vice president and chief operating officer of Fosun Pharma from January 2016 to June 2016. He has been the president and chief executive officer of Fosun Pharma since June 2016 and has been the executive director of Fosun Pharma since August 2016. Mr. Wu is also a non-executive director of Sisram Medical Ltd (Stock Exchange stock code: 01696) since October 2016.

Mr. Wu graduated from Nanjing University of Science and Technology (南京理工大學) majoring in international commerce in the PRC in 1996 and obtained a master degree in business administration from Saint Joseph's University in the United States in 2005.

**Mr. Jiemin Fu**, aged 67, was appointed as a Director of the Company on 15 January 2013 and the chairman of the first session of the Board of Directors from 30 August 2016 to 8 December 2018. Mr. Fu joined the Fosun Pharma Group in July 2005 and has been a senior adviser of Fosun Pharma since August 2012, responsible for providing counselling services. Mr. Fu worked at the Chongqing Pharmaceutical (Group) Co., Ltd (重慶醫藥工業研究院有限責任公司) (formerly known as Chongqing Pharmaceutical Research Institute (重慶醫藥工業研究院)) from September 1989 to December 2015 with his last position as a director.

Mr. Fu obtained a master's degree of medicine from Inner Mongolia Medical College (內蒙古醫學院) in the PRC in July 1987.

**Mr. Aimin Hui**, aged 56, was appointed as a Director of the Company on 10 April 2018. Mr. Hui joined the Fosun Pharma Group in November 2017 and is currently the senior vice president of Fosun Pharma since November 2017. Prior to joining the Fosun Pharma Group, Mr. Hui was a doctor at the Fourth Hospital of Hebei Medical University (河北醫科大學第四醫院) from September 1984 to March 1990, a trainee at National Cancer Centre Hospital (國立癌中心醫院) in Japan from April 1990 to March 1991, a PhD student at the School of Medicine of Shinshu University (信州大學醫學院) in Japan from April 1991 to September 1994, a special researcher at National Cancer Centre (國立癌中心) in Japan from October 1994 to September 1997, an assistant professor and lecturer at the Faculty of Medicine of University of Tokyo (東京大學醫學院) from October 1997 to October 2000, a visiting scientist and researcher at National Cancer Institute in the U.S. from October 2000 to December 2006, a medical director of GE Healthcare Group from January 2007 to December 2008, a medical director of Cephalon, Inc. from January 2009 to April 2010, a clinical oncology director and senior director of Takeda Pharmaceutical Company Limited from April 2010 to November 2015, and a vice president of the global clinical research and development of Sanofi from November 2015 to October 2017.

Mr. Hui obtained a bachelor degree of medicine from Hebei Medical University (河北醫科大學) in the PRC in August 1984 and a doctoral degree from the School of Medicine of Shinshu University (信州大學醫學院) in Japan in September 1994.

**Ms. Xiaohui Guan**, aged 48, was appointed as a Director of the Company on 24 December 2018. Ms. Guan joined the Fosun Pharma Group in May 2000 and has been the senior vice president and

chief financial officer of Fosun Pharma since June 2015. Ms. Guan successively served various positions with the Fosun Pharma Group, including the financial manager of the retail pharmaceutical department, chief financial officer of Shanghai Fosun Pharmaceutical Company Limited (上海復星藥業有限公司), the vice chief financial officer, the deputy director of business management committee, the assistant to the president and general manager of financial department, and the vice president. Ms. Guan has been a non-executive director of Sinopharm Group Co. Ltd. (國藥控股股份有限公司) (Stock Exchange stock code: 01099) since March 2019 and was a supervisor of Biosino Bio-Technology and Science Incorporation (中生北控生物科技股份有限公司) (Stock Exchange stock code: 08247) from January 2011 to March 2015.

Ms. Guan obtained a bachelor degree of economics from Jiangxi University of Finance and Economics (江西財經大學) in the PRC in June 2000 and acquired a master degree of professional accountancy from Chinese University of Hong Kong in December 2007. Ms. Guan is qualified as Chinese Certified Public Account and a member of The Association of Chartered Certified Accountants.

**Independent Non-executive Directors**

**Mr. Tak Young So**, aged 48, was appointed as an independent non-executive Director of the Company on 2 September 2019.

Mr. So has more than 20 years of experience in finance, accounting, investment and private equity businesses with global financial institutions and asset management companies. He started his career as an auditor with Ernst & Young, Hong Kong from February 1993 to December 1994. Mr. So has been the founding and managing partner of FastLane Group since July 2012 and has been a partner of Prospere Capital Limited since January 2018.

Mr. So has previously served various positions, including group audit and project manager of strategic and performance improvement group in the Sydney office of Commonwealth Bank of Australia from January 1995 to January 1998, vice president of global capital market/Asia treasury and vice president of financial controls of Bank of America, Hong Kong from January 1998 to March 2002, head of finance and operations of consumer banking in Hong Kong, head of asset and liability management of Greater China/Asia Pacific and chief financial officer of consumer, commercial and private bank in Hong Kong of ABN AMRO Bank N.V., Hong Kong from March 2002 to January 2005, chief financial officer of Hamon Investment Group, an affiliate of Bank of New York Mellon from February 2005 to August 2007, chief financial officer of Asia Pacific of asset management division for Deutsche Bank, Hong Kong from August 2007 to November 2011, and chief financial officer of PAG Capital from November 2011 to April 2012.

Mr. So received his bachelor of business degree in accounting and finance and his master of business administration degree in banking from the University of Technology in Sydney, Australia in April 1994 and September 1998, respectively. He is a fellow member of the Australian Society of Certified Practising Accounting Australia (FCPA) since August 2011.

**Dr. Lik Yuen Chan**, aged 51, was appointed as an independent non-executive Director of the Company on 2 September 2019.

Dr. Chan is a world famous academic in liver diseases with extensive achievement and recognition in clinical practice and research teaching. Dr. Chan has served various positions in the Chinese University of Hong Kong, including a director of the centre of liver health since January 2006 and the associate dean of global engagement of the faculty of medicine since July 2018. He is also a professor of the Department of Medicine and Therapeutics.

Dr. Chan received a bachelor's degree of medicine and surgery from the Chinese University of Hong Kong in December 1992, a doctor's degree of medicine from the Chinese University of Hong Kong in November 2001 and a master's degree in business administration from the University of Hong Kong in November 2014. He is a member of Royal College of Physicians of the United Kingdom since November 1995, a fellow of Hong Kong College of Physicians since May 2000, a fellow of Hong Kong Academy of Medicine since June 2000, a fellow of Royal College of Physicians of Edinburgh since July 2003, a fellow of Royal College of Physicians of London since May 2006 and a fellow of American Association for the Study Liver Diseases since October 2016.

**Dr. Guoping Zhao**, aged 71, was appointed as an independent non-executive Director on 2 September 2019.

Dr. Zhao is a molecular microbiologist. Currently, he has been the chairman of the Advisory Committee of the Laboratory of Synthetic Biology at the Institute of Plant Physiology and Ecology (IPPE), Shanghai Institutes for Biological Sciences (SIBS) of the Chinese Academy of Sciences (CAS) (中國科學院上海生命科學研究院植物生理生態研究所合成生物學實驗室), the joint professor of the Department of Microbiology and the Li Ka Shing Institute of Health Sciences at The Chinese University of Hong Kong, Prince of Wales Hospital, the professor and director of Department of Microbiology and Microbial Engineering at the School of Life Sciences of Fudan University (復旦大學生命學院微生物與微生物工程系), the chairman of the Academic Committee of the Shanghai Information Center for Life Sciences, IPPE, SIBS, CAS (中國科學院上海生命科學研究院上海生命科學信息中心), a member of the Academic Committee of IPPE, SIBS, CAS, and the president of the Shanghai Society for Biotechnology (上海生物工程學會理事長).

Previously, Dr. Zhao served various positions on microbial physiology and metabolic regulation since 1990s, such as the deputy director and successively as the director of the Microorganism Secondary Metabolism Regulation Laboratory of IPPE, SIBS, CAS (中國科學院上海生命科學研究院植物生理生態研究所次生代謝分子調控研究開放實驗室) from December 1994 to January 1997, the professor and director of Shanghai Research Center of Biotechnology, Chinese Academy of Sciences (中國科學院上海生物工程研究中心) from January 1997 to July 1999, and the vice president of SIBS, CAS from July 1999 to December 2001.

Dr. Zhao was elected as a member of the Chinese Academy of Sciences (中國科學院院士) in 2005, Fellow of the Third World Academy of Sciences (第三世界科學院院士) in 2011 and the Honorary President of the Chinese Society for Microbiology (中國微生物學會名譽理事長) in 2012.

Dr. Zhao obtained a bachelor of science degree in micro-biology from Fudan University in Shanghai (復旦大學) in the PRC in July 1982 and a Ph.D degree in biochemistry from the Purdue University in the United States in December 1990.

**Mr. Ruilin Song**, aged 56, was appointed as an independent non-executive Director of the Company on 2 September 2019.

During the time he worked in the Legislative Affairs Office of the State Council of China, Mr. Song was mainly engaged in the legislative review and research of health and medicine for 22 years. He participated in China's health and drug legislation activities from 1987 to 2006, in charge of the drafting and review of the current Drug Administration Law of the PRC, Law of the PRC on the Prevention and Treatment of Communicable Diseases, Law of the PRC on Medical Practitioners, Regulations on Medical Institutions, and Regulations for the Supervision and Administration of Medical Devices, etc.

Since 2007, Mr. Song has been dedicated to the research of China's pharmaceutical policies, especially the policies for pharmaceutical innovation. Under his leadership, Research Center for Medicinal Policy of Chinese Pharmaceutical Association and PhIRDA had finalised dozens of pharmaceutical policy projects in China.

Mr. Song has been working as executive president of PhIRDA（中國醫藥創新促進會）(former named China Pharmaceutical Industry Research and Development Association (中國醫藥工業科研開發促進會)) since November 2009.

Mr. Song also works as Director of Chinese Pharmaceutical Association (CPA), Standing Director of Chinese Pharmacist Association, Arbitrator of China International Economic and Trade Arbitration Commission (CIETAC), Expert of Capital Medical Reform Expert Group and a member of the Biotech Advisory Panel of the Stock Exchange among other important social positions.

Mr. Song has been an independent director of Jointown Pharmaceutical Group Co., Ltd. (九州通醫集團股份有限公司) (Shanghai Stock Exchange stock code: 600998) from November 2008 to November 2014, an independent director of Zhejiang Jolly Pharmaceutical Co., Ltd. (浙江佐力藥業股份有限公司) (Shenzhen Stock Exchange stock code: 300181) from July 2009 to January 2014, an independent director of Shanxi Zhendong Pharmaceutical Co., Ltd. (山西振東製藥股份有限公司) (Shenzhen Stock Exchange stock code: 300158) since June 2015, an independent director of Jiangxi Boya Bio-pharmaceutical Co., Ltd. (江西博雅生物製藥股份有限公司) (Shenzhen Stock Exchange stock code: 300294) since March 2017, an independent director of Tibet Aim Pharm. Inc. (西藏易明西雅醫藥科技股份有限公司) (Shenzhen Stock Exchange stock code: 002826) since August 2015, and a non-executive director of Luye Pharma Group Ltd. (Stock Exchange stock code: 02186) since March 2017.

Mr. Song obtained a bachelor of laws degree from China University of Political Science and Law (中國政法大學) in June 1985 and a master in business administration degree from China Europe International Business School (中歐國際工商學院) in November 2004.

## BOARD OF SUPERVISORS

The Board of Supervisors consist of three Supervisors. The following table sets forth certain information about the Supervisors:

| Name | Age | Position | Date of Appointment | Date of Joining the Group | Principal Responsibilities |
|---|---|---|---|---|---|
| Zhou Yong (周勇) | 47 | Chairman of the Supervisory Committee | 12 June 2015 | 12 June 2015 | Responsible for supervising the compliance of the business operation of the Group |
| Kong Deli (孔德力) | 45 | Supervisor | 30 August 2016 | 30 August 2016 | Responsible for supervising the compliance of the business operation of the Group |
| Wang Jingyi (王靜怡) | 45 | Supervisor | 30 August 2016 | 6 May 2010 | Responsible for supervising the compliance of the business operation of the Group |

**Mr. Zhou Yong (周勇)**, aged 47, was appointed as a Supervisor of the Company on 12 June 2015. Mr. Zhou has been the deputy general manager of human resources department of Fosun Pharma since November 2014 and the vice president and the general manager of human resources and administration department of Fosun Pharma Industrial since January 2017.

Prior to joining the Fosun Pharma Group, Mr. Zhou served as the human resources manager of AT&T China, a senior human resources officer at the China headquarter of Eli Lilly and Company, the human resources manager of the Shanghai Ni'ersen Market Research Limited Company (上海尼爾森市場研究有限公司) and the deputy director of human resources of the China business division of Yum! Brands Inc.. He was also the head of human resources shared service of the China division at Akzo Nobel Management (Shanghai) Co., Ltd. (阿克蘇諾貝爾管理(上海)有限公司) from November 2011 to November 2014.

Mr. Zhou graduated from the Shanghai Institute of Mechanical Technology (上海機械專科學校) (currently known as University of Shanghai for Science and Technology (上海理工大學), in China in July 1993, majoring in industrial corporate management, obtained a postgraduate diploma in international public relations from the School of Professional Continuing Education at the University of Hong Kong in May 2001 and obtained a graduate diploma on human resources management from the Singapore Human Resources Institute (新加坡人力資源管理學院) in Singapore in November 2003, respectively.

**Mr. Kong Deli (孔德力)**, aged 45, was appointed as a Supervisor of the Company on 30 August 2016. Mr. Kong has been working with Fosun Pharma Industrial since January 2013 and successively served as the senior researcher, deputy director, assistant to head of research institute and minister of policy and information research centre and deputy head of the research institute and minister of policy and information research centre there. Mr. Kong worked at Fosun Pharma from June 2005 to December 2012, with his last position as a patent affairs senior officer (專利事務高級總監). Prior to joining the Fosun Pharma Group, Mr. Kong also previously served as an assistant researcher at the Shanghai Institute of Biochemistry and Cell Biology of the Chinese Academy of Sciences (中國科學院上海生物化學與細胞生物研究所).

Mr. Kong obtained a master of engineering degree in biochemical engineering from the School of Engineering of East China University of Science and Technology (華東理工大學) in China in July 1999.

**Ms. Wang Jingyi (王靜怡)**, aged 45, was appointed as a Supervisor of the Company on 30 August 2016. Ms. Wang has been working with the Company since May 2010 and successively served as QA director and manufacturing director, where she was mainly responsible for the Phase 3 clinical drug production and commercial manufacturing of several mAbs.

Ms. Wang has worked in the biopharmaceutical industry for over 20 years and is mainly engaged in drug research and development, quality control, GMP production management and quality management. Prior to joining the Group, she worked at Shanghai Sunway Biotech Co., Ltd. from July 1996 to April 2010, where she was mainly responsible for process development and analytical methods development in the early stage, and served as QA/QC manager in the later period.

Ms. Wang graduated from East China University of Science and Technology (華東理工大學) in China in July 1996 and obtained a master of business administration degree from Fudan University (復旦大學) in China in January 2007.

Save as disclosed above in "— *Board of Directors*" and "— *Board of Supervisors*" above, each of the Directors and Supervisors had not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date and there is no other information in respect of the Directors or Supervisors to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

## SENIOR MANAGEMENT OF THE GROUP

The Chief Executive Officer and members of the senior management of the Group are responsible for the day-to-day management of the business of the Company. Certain information relating to the Chief Executive Officer is set out in "— *Board of Directors*" above.

In addition to the Chief Executive Officer, the members of the senior management of the Group include the following:

| Name | Age | Position in the Group | Roles and Responsibilities | Date of Appointment as Senior Management | Date of Joining the Group |
|---|---|---|---|---|---|
| Xinjun Guo (郭新軍) | 48 | Senior Vice President and Secretary of the Board | Responsible for secretary work for the Board, public relationship management and corporate branding | February 2010 | February 2010 |
| Zidong Zhang (張子棟) | 38 | Chief Financial Officer | Responsible for the financial operation, financing and investment activities of the Group | March 2018 | March 2018 |
| Alvin Ying-Ming Luk (陸英明) | 49 | Senior Vice President and Chief Medical Officer | Responsible for the operation of global clinical R&D and medical matters | December 2017 | December 2017 |
| Wenjie Zhang (張文傑) | 52 | Senior Vice President, Chief Commercial Operation Officer and Chief Strategy Officer | Responsible for the global commercial operation | March 2019 | March 2019 |
| Xin Zhang (張昕) | 59 | Global Clinical and Medical Affairs Vice President | Responsible for the operation of global clinical R&D and medical matters | March 2019 | April 2016 |

**Mr. Xinjun Guo (郭新軍)**, aged 48, has been the Senior Vice President and Secretary of the Board of the Company since March 2019. He was the Vice President and Secretary of the Board of the Company from February 2010 to March 2019.

Prior to joining the Group, Mr. Guo has previously served as chief engineer at Shanghai Clone High Technology Co., Ltd. (上海克隆高技術有限公司) (now known as Shanghai Kaimao Bio-Pharmaceutical Co., Ltd. (上海凱茂生物醫藥有限公司)) from May 2009 to December 2009, secretary of the board of directors and deputy general manager of Zhejiang Cifu Pharmaceutical Co., Ltd. (浙江賜富醫藥有限公司) from January 2004 to May 2009, a director and deputy general manager of Hangzhou Taishi Biotechnology Co., Ltd. (杭州泰士生物科技有限公司) from April 2000 to December 2003, and researcher, project manager, research manager and chief engineer with Hangzhou Jiuyuan Gene Engineering Co., Ltd. (杭州九源基因工程有限公司) from October 1993 to March 2000.

He has been involved in the development of a Category II new drug that is the first listed recombinant human granulocyte colony-stimulating factor (rhG-CSF) injection in China. He was awarded Outstanding Technology Development Talent of Hangzhou, Second Prize for Science and

Technology Progress Award of Zhejiang Province and First Prize for Science and Technology Progress Award of Hangzhou. In addition, Mr. Guo is the vice-chairman of Shanghai Biopharmaceutics Industry Association Monoclonal Antibody Drug Professional Committee.

Mr. Guo received his bachelor's degree from Genetics and Genetic Engineering Department of Fudan University (復旦大學) in China in July 1993, and a master's degree of business administration from Zhejiang University (浙江大學) in China in March 2005.

**Dr. Zidong Zhang (張子棟)**, aged 38, was appointed as the Chief Financial Officer of the Company on 31 March 2018.

Prior to joining the Group, Dr. Zhang has previously worked as an equity analyst for UBS in New York from September 2014 to March 2018, covering US large cap pharmaceuticals and specialty pharmaceutical sector. He was an internal consultant for Bayer AG, a global pharmaceutical company, from June 2011 to September 2014, where he had multiple projects across the United States, Europe and China, including strategic planning and market forecasts for United States and China, merger and acquisition, organisational structure design and implementation.

Dr. Zhang obtained a bachelor's degree in chemistry from Fudan University (復旦大學) in China in May 2002, and both a master's degree and a Ph.D in biochemistry from the School of Medicine of Boston University in the United States in January 2008 and a master's degree of business administration from the Fuqua School of Business of Duke University in the United States in May 2011.

**Dr. Alvin Ying-Ming Luk (陸英明)**, aged 49, joined the Company in December 2017 as Senior Vice President of Global Clinical R&D and Medical Affairs and Chief Medical Officer.

Dr. Luk has been in the biotechnology and pharmaceutical industries for approximately 20 years. Prior to joining the Group, he has held executive roles at companies such as Spark Therapeutics, Inc., Biogen-Hemophilia (acquired by Sanofi in 2018), Bayer Schering Pharma LLC., Avigen, Inc. (acquired by Genzyme Corporation in 2005) and Tularik, Inc. (acquired by Amgen Inc. in 2003) since 1998. Dr. Luk holds an MBA from Harvard Business School in January 2012, earned his doctoral degree in neuroscience from the University of California San Francisco in December 2001 and Bachelor's degree in Molecular and Cell Biology from the University of California Berkeley in the United States in May 1993.

**Mr. Wenjie Zhang (張文傑)**, aged 52, was appointed as a Senior Vice President, Chief Commercial Operation Officer and Chief Strategy Officer of the Company on 4 March 2019.

Mr. Zhang has more than 25 years of commercial operation experience in the pharmaceutical industry. Prior to joining the Company, Mr. Zhang has previously worked as the General Manager at Amgen China from May 2015 to March 2019. From September 2014 to May 2015, he served as the Executive Director at Amgen Japan & Asia Pacific. From December 2010 to April 2014, he

served as the vice president, Oncology Business Unit 2 of Shanghai Roche Pharmaceuticals, China. From August 2006 to December 2010, he served as head of Oncology & Specialty Therapeutics Business Unit-Bayer Schering Pharma, China and for the year of 2010, he acted as head of the same business unit for Asia Pacific. From November 2004 to August 2006, he served as the head of Business Development at Bayer Schering Pharma, Asia Pacific Headquarters. From May 1997 to November 2004, he worked successively as Product Manager of US Marketing, Business Development Manager and Deputy Director of Global Marketing at Bayer Pharmaceuticals USA.

Mr. Zhang obtained a bachelor's degree in microbiology from Shandong University, China, in July 1990 and a Master's degree in Public and Private Management from Yale University, USA, in May 1998.

**Mr. Xin Zhang** (張昕), aged 59, was served as a Senior Clinical Officer, an Executive Clinical Operation Officer and a Vice General Manager of the Global Clinical and Medical Affairs of the Company successively from April 2016 to March 2019 and has been appointed as the Global Clinical as Medical Affairs Vice President of the Company in March 2019.

Mr. Zhang has more than 20 years of experience in medicine research and development in the pharmaceutical industry. Prior to joining the Group, Mr. Zhang worked at Merck from January 2000 to April 2004, responsible for early-stage pharmaceuticals research and development. From October 2006 to October 2009, he served as a research scientist at Bayer U.S. LLC, responsible for pre-clinical pharmaceuticals research and development. He was a senior clinical trial manager at Biogen from October 2009 to April 2013 and engaged in clinical medicine research and development.

Mr. Zhang was the member of the first session of Pharmaceutical Clinical Research Professional Committee (藥物臨床研究專業委員會) of the China Pharmaceutical Industry Research and Development Association (中國醫藥創新促進會) from 2015 to 2019. He has been the standing committee member of Smart Medical Experts Committee (智慧醫療專家委員) of Chinese Society of Clinical Oncology (中國臨床腫瘤學會) since August 2018.

Mr. Zhang received his bachelor's degree in medicine from Norman Bethune University of Medical Science in the PRC and his master's degree of Science from the Graduate School of Biomedical Sciences at the University of Texas in August 1984 and December 1994, respectively.

## JOINT COMPANY SECRETARIES

**Mr. Xinjun Guo (郭新軍)** was appointed as the Joint Company Secretary of the Company on 27 September 2018. See "— *Senior Management of the Group*" above for further details.

**Ms. Ching Ching Leung** (梁晶晶), aged 38, was appointed as a Joint Company Secretary of the Company on 27 September 2018. Ms. Leung is a senior manager of Corporate Services Department of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

Ms. Leung has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Leung is currently the company secretary/joint company secretary of five companies of which the shares are listed on the Stock Exchange, namely, C&D International Investment Group Limited (Stock Exchange stock code: 01908), NVC Lighting Holding Limited (Stock Exchange stock code: 02222), China Electronics Optics Valley Union Holding Company Limited (Stock Exchange stock code: 00798), China Huirong Financial Holdings Limited (Stock Exchange stock code: 01290) and Fosun Tourism Group (Stock Exchange stock code: 01992).

Ms. Leung is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Leung received a Degree of Bachelor of Social Science from The Chinese University of Hong Kong in December 2003 and a Master of Arts in Professional Accounting and Information System from City University of Hong Kong in November 2006.

## CORE TECHNICAL TEAM AND CHIEF SCIENCE OFFICER

The technical team of the Company comprises experienced and high calibre scientists and experts in the biopharmaceutical industry. As at 31 March 2019, the Company had a global R&D team of 239 staff, of which over 45 employees possessed a Ph.D or equivalent degree in biotechnology, biology, chemistry, chemical engineering and other relevant fields. The strong talent pool allows the Company to effectively carry out drug discovery and research and development and deliver the best outcomes. In addition to Dr. LIU and Dr. Alvin Luk, the R&D team of the Company is led by Dr. JIANG, the Chief Science Officer of the Company.

**Dr. Wei-Dong Jiang**, aged 57, co-founded the Group with Dr. LIU in February 2010 and has been the Chief Science Officer of the Company since then.

Dr. JIANG has more than 20 years of experience in biopharmaceuticals development and production. Prior to co-founding the Group, Dr. JIANG has worked as the director for R&D at Vasgene Therapeutics Inc. from January 2006 to June 2007, and a senior researcher at Applied Molecular Evolution Inc. from December 2000 to October 2004. He received a postdoctoral training in biology at the University of California in the United States from December 1990 to June 1993.

Dr. JIANG has earned multiple awards and esteemed recognitions. He was awarded the honorary title of "Fosun Craftsman" by Fosun Pharma in 2017 and the foreign expert certificate issued by Shanghai Foreign Experts Bureau from June 2012 to June 2017.

Dr. JIANG received his bachelor's degree in biology from Hangzhou University (杭州大學) (now known as Zhejiang University (浙江大學)) in China in July 1982, a master degree in cell biology and genetics from Chinese Academy of Sciences in November 1985, and a Ph.D. degree in natural sciences biology in the University of Giessen in Germany in October 1990.

## BOARD COMMITTEES

The Board has established the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee.

### Strategy Committee

The Company has established the Strategy Committee pursuant to a resolution of the Board. The primary duties of the Strategy Committee are to review the Company's long-term development strategy and plans and review material investment decisions and make recommendations to the Board.

The Strategy Committee consists of seven Directors. The members of the Strategy Committee are:

Qiyu Chen (*Chairman*)
Jiemin Fu
Yifang Wu
Scott Shi-Kau Liu
Aimin Hui
Tak Young So
Ruilin Song

### Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control procedures of the Company, review the financial information of the Company and consider issues relating to the external auditors and their appointment.

The Audit Committee consists of three Directors. The members of the Audit Committee are:

Tak Young So (*Chairman*)
Lik Yuen Chan
Xiaohui Guan

### Remuneration Committee

The Company has established the Remuneration Committee of the Board in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee consists of three Directors. The members of the remuneration committee are:

Ruilin Song (*Chairman*)
Lik Yuen Chan
Yifang Wu

**Nomination Committee**

The Company has established the Nomination Committee of the Board as recommended by the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the Independent Non-executive Directors and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

The Nomination Committee consists of three Directors. The members of the Nomination Committee are:

Qiyu Chen (*Chairman*)
Guoping Zhao
Ruilin Song

## DIRECTORS' AND SUPERVISORS' REMUNERATION AND REMUNERATION OF FIVE HIGHEST PAID INDIVIDUALS

For the years ended 31 December 2017, 2018 and the three months ended 31 March 2019, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contributions to pension schemes), share award scheme and bonuses attributable to the Directors were approximately RMB22.15 million, RMB5.18 million and RMB0.98 million, respectively.

For the years ended 31 December 2017, 2018 and the three months ended 31 March 2019, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contributions to pension schemes), share award scheme and bonuses attributable to the Supervisors were approximately RMB0.77 million, RMB3.40 million and RMB1.08 million, respectively.

Under the current arrangements, the aggregate remuneration and benefits in kind payable to the Directors and Supervisors for 2019 are estimated to be approximately RMB4.45 million and RMB4.20 million, respectively.

The five highest paid employees included two, nil and nil Directors for the years ended 31 December 2017, 2018 and the three months ended 31 March 2019. For the years ended 31 December 2017, 2018 and the three months ended 31 March 2019, the aggregate amount of the fees, salaries, housing allowances, other allowances, benefits in kind (including contributions to pension schemes), share award scheme and bonuses attributable to the remaining highest paid individuals were approximately RMB105.80 million, RMB51.08 million and RMB16.42 million, respectively.

During the Track Record Period, no remuneration was paid to the Directors or Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid to, or receivable by, the Directors or past directors of the Company, Supervisors or past supervisors or the five highest paid individuals for the loss of office as Director or Supervisor of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of the Directors or Supervisors had waived any remuneration and/or emoluments during the Track Record Period.

Information on the service agreement entered into between the Company and the Directors and the Supervisors is set out in "*Appendix VI — Statutory and General Information*".

In order to attract, retain and motivate the employees of the Group, the Company also implemented the 2017 Share Award Scheme and the 2018 Share Award Scheme. Please refer to "*Appendix VI — Statutory and General Information*".

## KEY TERMS OF EMPLOYMENT CONTRACTS

The Company normally enters into an employment contract containing terms in relation to confidentiality and proprietary rights with its key management and technical staff (other than Directors and Supervisors). The term of the employment contracts with the key management and technical staff is usually three years. The key terms of which are set out below:

(a) the employment contracts with the key management and technical staff usually impose obligations on the employee to keep the trade secrets of the Company confidential. The penalty for breach of such obligation generally shall be equivalent to the cost incurred by the Company as a result of such breach; and

(b) certain employment contracts also provide that the rights and interests in any work, patent, copyright and other intellectual property produced with the use of the equipment, technology and information during the course of employment belong to the Company.

## COMPLIANCE ADVISER

The Company has appointed Haitong International Capital Limited as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules to provide advisory services to the Company. In compliance with Rule 3A.23 of the Listing Rules, the Company must consult with, and if necessary, seek advice from, the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated;

(c) where the Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares, the possible development of a false market in the Shares or any other matters.

The term of the appointment of the compliance adviser will commence on the Listing Date and will end on the date on which the Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

## FUTURE PLANS

See "*Business—Our Strategies*" for a detailed description of our future plans and strategies.

## USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee) and the estimated expenses in relation to the Global Offering payable by the Company, will be:

- approximately HK$3,096.3 million, assuming an Offer Price of HK$49.60 (being the Minimum Offer Price);
- approximately HK$3,354.1 million, assuming an Offer Price of HK$53.70 (being the mid-point of the Offer Price Range); or
- approximately HK$3,612.0 million, assuming an Offer Price of HK$57.80 (being the Maximum Offer Price).

The Company intends to use the net proceeds of HK$3,354.1 million, assuming an Offer Price of HK$53.70 (being the mid-point of the Offer Price Range), from the Global Offering as follows:

- Approximately HK$1,341.7 million (or 40.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for our Core Products.
  - Approximately HK$201.2 million (or 6.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for HLX02. HLX02 is currently undergoing Phase 3 clinical trials concurrently across different jurisdictions. Our NDA for HLX02 was accepted by the NMPA in April 2019 and is currently under priority review. The MAA filed by our commercialisation partner Accord was accepted by the EMA in June 2019.
  - Approximately HK$268.3 million (or 8.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for HLX04 for the mCRC indication. HLX04 is currently undergoing Phase 3 clinical trials.
  - Approximately HK$872.1 million (or 26.0% of the net proceeds) would be used for the development of immuno-oncology combination therapy comprised of HLX04 and HLX10 for the treatment of advanced solid tumours. We are currently preparing for Phase 3 clinical trials for the nsNSCLC indication, and Phase 2 clinical trials for the HCC indication of our HLX04+HLX10 in China.

- Approximately HK$503.1 million (or 15.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for our other biosimilar candidates, including HLX12, HLX11 and HLX14.

- Approximately HK$1,174.0 million (or 35.0% of the net proceeds) would be used to fund the ongoing clinical trials, regulatory filing and registration for our bio-innovative drugs and the development of immuno-oncology combination therapy. Of this amount:

  - Approximately HK$6.7 million (or 0.2% of the net proceeds) would be allocated to HLX06;

  - Approximately HK$144.2 million (or 4.3% of the net proceeds) would be allocated to HLX07;

  - Approximately HK$6.7 million (or 0.2% of the net proceeds) would be allocated to HLX20; and

  - Approximately HK$1,016.3 million (or 30.3% of the net proceeds) would be allocated to HLX10 and immuno-oncology combination therapies involving HLX10 (including HLX10+HLX07).

  We are currently conducting clinical trials of HLX06, HLX07, HLX10, HLX20 and will further explore immuno-oncology combination therapies using immune checkpoint inhibitor such as PD-1/L1 drugs. We believe that the successful development and commercialisation of these products and therapies are key to our long-term sustainable development following the expected launch of our Core Products. As all of our Core Products have reached late-stage development in Phase 3 clinical trials or later, we believe that it is reasonable to allocate a significant portion of the expected net proceeds to the development of our other pipeline products and therapies.

- Approximately HK$335.4 million (or 10.0% of the net proceeds) would be allocated towards working capital and general corporate purposes.

The net proceeds in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price Range will be allocated to the above purposes on a pro rata basis.

If the Over-allotment Option is exercised in full, after deducting the underwriting commissions, the discretionary incentive fee (assuming the full payment of the discretionary incentive fee), the net proceeds from such exercise of the Over-allotment Option will be:

- approximately HK$3,564.2 million, assuming an Offer Price of HK$49.60 (being the Minimum Offer Price);

- approximately HK$3,860.6 million, assuming an Offer Price of HK$53.70 (being the mid-point of the Offer Price Range); or

- approximately HK$4,157.1 million, assuming an Offer Price of HK$57.80 (being the Maximum Offer Price).

The net proceeds from such exercise of the Over-allotment Option will be allocated to the above purposes on a pro rata basis.

Pending the deployment of the net proceeds from the Global Offering as described above, the Company intends to deposit such net proceeds into short-term interest bearing deposits and/or money market instruments.

In preparation of the Global Offering, the Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the Companies (Winding up and Miscellaneous Provisions) Ordnance:

## 1. WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, the Company must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong.

The Group's headquarters and principal place of business are located in the PRC. The executive Director and the senior management team are located in the PRC and they manage the Group's business operations from the PRC. Accordingly, the Company does not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rules 8.12 and 19A.15 of the Listing Rules.

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement for management presence in Hong Kong under Rules 8.12 and 19A.15 of the Listing Rules, subject to the Company adopting the following arrangements to maintain regular communications with the Stock Exchange:

(a) the Company has appointed Dr. Scott Shi-Kau Liu and Ms. Ching Ching Leung as its authorised representatives for the purpose of Rule 3.05 of the Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. As and when the Stock Exchange wishes to contact the Directors on any matters, each of these authorised representatives will have the means to contact all of the Directors promptly at all times;

(b) the Company has provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number, fax number and e-mail address) to facilitate communication with the Stock Exchange;

(c) each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period; and

(d) the Company has appointed Haitong International Capital Limited as its compliance adviser in compliance with Rule 3A.19 of the Listing Rules, who will act as an additional channel of communication with the Stock Exchange.

## 2. WAIVER IN RELATION TO THE APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the Company must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Mr. Guo has been the vice president and secretary to the Board of the Company since February 2010 and is responsible for overseeing matters in relation to the Board meetings and internal function of the Group. Notwithstanding Mr. Guo's thorough undertaking of the operation of the Board and experience, he does not possess the specified qualifications strictly required under Rule 3.28 of the Listing Rules. The Company has therefore applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, on the condition that Ms. Leung is engaged as a joint company secretary and provides assistance to Mr. Guo in discharging his duties as a company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules during this period. As a member of The Hong Kong Institute of Chartered Secretaries, Ms. Leung meets the relevant requirements under Note 1 to Rule 3.28 of the Listing Rules.

Before the expiry of the three year period, the qualifications and experience of Mr. Guo and the need for the on-going assistance of Ms. Leung will be further evaluated by the Company, and the Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Mr. Guo, having had the benefit of Ms. Leung's assistance for the immediately preceding three years, has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary.

## 3. WAIVERS IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

The Company has entered into, and is expected to continue, certain transactions which would constitute continuing connected transactions under the Listing Rules upon Listing. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement and/or shareholders' approval requirements and/or requirement in relation to setting annual cap in monetary term as set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Further details of such continuing connected transactions are set out in "*Connected Transactions*".

Under Rule 14A.52 of the Listing Rules, the period of an agreement for a continuing connected transaction must be fixed. However, each of the term of the HLX01 Agreement and the HLX03 Agreement is for an unspecified term since each of them will, unless terminated in accordance with their respective terms, continue in full force. See "*Connected Transactions*".

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14A.52 of the Listing Rules such that the term of each of the HLX01 Agreement and the HLX03 Agreement can be of an unspecified term, subject to the following conditions:

(a) the Company will disclose in this prospectus the major reasons for each of HLX01 Agreement and the HLX03 Agreement to be for an unspecified term and the details of the waiver; and

(b) the Company will re-comply with the applicable requirements of the Listing Rules for setting the annual caps for the transactions under the HLX01 Agreement and the HLX03 Agreement before the expiry of the initial term of three years, during which a waiver in relation to the reporting, announcement and independence shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the HLX01 Agreement and the HLX03 Agreement has been applied for.

## 4. WAIVER IN RELATION TO THE PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1) of the Listing Rules requires that there must be an open market in the securities for which listing is sought and that a sufficient public float of an issuer's listed securities must be maintained. The Company has applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver that the minimum public float requirement under Rule 8.08(1)(a) be reduced and the minimum percentage of the Company's H Shares (being the securities for which listing on the Stock Exchange is sought) from time to time held by the public to be the highest of:

(a) 18.1% of the total issued share capital of the Company;

(b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised); or

(c) such percentage of H Shares to be held by the public after the exercise of the Over-allotment Option.

The above waiver is subject to the condition that the Company makes appropriate disclosure of the lower prescribed percentage of public float in the prospectus and the Company will confirm sufficiency of public float in its successive annual reports after the Listing. In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Company will take appropriate steps to ensure that the minimum percentage of public float prescribed by the Stock Exchange is complied with.

## 5. EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in the prospectus must include, among others, the results of the Company in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Hong Kong Stock Exchange.

According to Rule 18A.06 of the Listing Rules, an eligible biotech company shall comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in that rule shall instead reference to "two financial years" or "two years", as the case may be.

According to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in the prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the Company during each of the three financial years immediately preceding the issue of the prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in the prospectus a report prepared by the Company's auditor with respect to profits and losses and assets and liabilities of the Company in respect of each of the three financial years immediately preceding the issue of the prospectus.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

An application has been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of

Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that the particulars of the exemption are set forth in this prospectus and this prospectus will be issued on or before 12 September 2019.

The applications to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public as:

(a) the Company is primarily engaged in the research, development, production and sale of monoclonal antibody products, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(b) the accountants' report for each of the two financial years ended 31 December 2017 and 2018 and the three months ended 31 March 2019 has been prepared and is set out in Appendix I to this prospectus in accordance with Rule 18A.06 of the Listing Rules;

(c) notwithstanding that the financial results set out in this prospectus are only for the two years ended 31 December 2017 and 2018 and the three months ended 31 March 2019, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this prospectus pursuant to the relevant requirements;

(d) the Directors and the Joint Sponsors confirm that after performing all due diligence work which they consider appropriate, up to the date of the prospectus, there has been no material adverse change to the financial and trading positions or prospects of the Company since 31 March 2019 (immediately following the date of the latest audited statement of financial position in the accountants' report set out in Appendix I to this prospectus) to the date of the prospectus and there has been no event which would materially affect the information shown in the accountants' report as set out in Appendix I to this prospectus and the section headed "Financial Information" in this prospectus and other parts of the prospectus;

(e) given that the Company is only required to disclose its financial results for each of the two financial years ended December 31, 2017 and 2018 and the three months ended 31 March 2019 under Chapter 18A of the Listing Rules and considering the new IFRSs that have been issued and becoming effective, preparation of the financial results for the year ended 31 December 2016 would require additional work to be performed by the Company and its auditors, it will be unduly burdensome for the Company to comply with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance as stated above;

(f) the Company is of the view that the accountants' report covering the two years ended 31 December 2017 and 2018 and the three months ended 31 March 2019 included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of the Company; the Directors confirm that all information which is necessary for the investing public to make an informed assessment of the Company's business, assets and liabilities, financial position, trading position, management and prospects has been included in this prospectus. Therefore the exemption would not prejudice the interest of the investing public.

## 6. WAIVER AND CONSENT IN RELATION TO CORNERSTONE SUBSCRIPTION BY A CORE CONNECTED PERSON AND EXISTING SHAREHOLDER

As of the Latest Practicable Date, Cayman Henlius was a substantial shareholder of the Company which held 12.10% of the total issued share capital of the Company immediately before the Global Offering. Cayman Henlius is owned as to 62.96% by Dr. Liu, an executive Director and co-founder of the Company, and 37.04% by Dr. Jiang, co-founder of the Company. Cayman Henlius has entered into a cornerstone investment agreement with us, pursuant to which Cayman Henlius has agreed to, subject to certain conditions, acquire at the Offer Price a certain number of our H Shares.

**Waiver from strict compliance with Rule 9.09(b) of the Listing Rules**

Rule 9.09(b) of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer, in the case of a new applicant, (except as permitted by Rule 7.11 of the Listing Rules) from four clear business days before the expected hearing date until listing is granted.

We have applied for and the Stock Exchange has granted a waiver from strict compliance with Rule 9.09(b) of the Listing Rules, to permit Cayman Henlius, a core connected person of the Company to participate as a cornerstone investor in the Global Offering, subject to the following conditions:

(a) the Company will comply with the public float requirements of Rules 8.08(1) (as varied pursuant to the public float waiver granted by the Stock Exchange) and 18A.07 of the Listing Rules;

(b) the Offer Shares to be subscribed by and allocated to Cayman Henlius in the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors (including being subject to a six-month's lock up following the Listing); and

(c) the subscription of the Offer Shares by Cayman Henlius in the Global Offering as a cornerstone investor and this waiver will be disclosed in the prospectus.

**Waiver from strict compliance with Rules 10.03 and 10.04 of the Listing Rules and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules**

Rules 10.03 and 10.04 of the Listing Rules provides that a person who is a director of the issuer, a close associate of a director of the issuer, or an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if (i) no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, among others, that without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless certain conditions are fulfilled.

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 10.03 and 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to permit Cayman Henlius, an existing shareholder and a close associate of Dr. LIU (an executive Director), to participate as a cornerstone investor in the Global Offering, subject to the following conditions:

(a) the Company will comply with the public float requirements of Rules 8.08(1) (as varied pursuant to the public float waiver granted by the Stock Exchange) and 18A.07 of the Listing Rules;

(b) the Offer Shares to be subscribed by and allocated to Cayman Henlius in the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors (including being subject to a six-month's lock up following the Listing);

(c) no preferential treatment has been, nor will be, given to Cayman Henlius by virtue of its relationship with the Company in any allocation in the placing tranche other than the preferential treatment of assured entitlement under the cornerstone investment which follows the principles set out in the Guidance Letter HKEX-GL51-13, that the cornerstone investment agreement of Cayman Henlius does not contain any material terms which are more favorable to it than those in other cornerstone investment agreements; and

(d) details of the allocation to Cayman Henlius will be disclosed in the allotment results announcement of the Company.

For further information, including the identity and background of Cayman Henlius and the terms of its cornerstone investment, please see "*Cornerstone Investments*".

## CORNERSTONE INVESTMENTS

As part of the International Offering, the Company has entered into cornerstone investment agreements with four cornerstone investors (together, the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have conditionally agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 100 H Shares) that may be subscribed for an aggregate amount of approximately HK$1,097.0 million.

The Offer Shares to be delivered to each of the Cornerstone Investors pursuant to the relevant cornerstone investment agreements will rank *pari passu* with all other H Shares to be listed on the Stock Exchange and will count towards the public float of the Shares.

The Offer Shares to be delivered to the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, as further described in *"Structure of the Global Offering"*.

Each Cornerstone Investor is an Independent Third Party, is not a connected person of the Company and is not an existing Shareholder. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will become a substantial shareholder of the Company.

The Cornerstone Investors (a) will not have any representation on the Board immediately following the completion of the Global Offering, (b) will not subscribe for any Offer Shares pursuant to the Global Offering other than pursuant to the relevant cornerstone investment agreements and (c) do not have any preferential rights compared with other public Shareholders in their respective cornerstone investment agreements.

## DETAILS OF THE CORNERSTONE INVESTORS

| | | | Based on the Offer Price of HK$49.60 (being the Minimum Offer Price) | | | |
|---|---|---|---|---|---|---|
| | | | Approximate % of total number of Offer Shares | | Approximate % of total Shares in issue immediately following the completion of the Global Offering | |
| **Cornerstone Investor** | **Investment Amount** | **Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)** | **Assuming the Over-allotment Option is not exercised** | **Assuming the Over-allotment Option is exercised in full** | **Assuming the Over-allotment Option is not exercised** | **Assuming the Over-allotment Option is exercised in full** |
| Cayman Henlius . . . . . | US$10 million (HK$78.4 million) | 1,580,700.00 | 2.44% | 2.12% | 0.29% | 0.29% |
| Al-Rayyan Holding LLC . . | HK$705 million | 14,213,700.00 | 21.97% | 19.10% | 2.64% | 2.59% |
| AVICT Global Holdings Limited . . . . . | US$30 million (HK$235.2 million) | 4,742,100.00 | 7.33% | 6.37% | 0.88% | 0.86% |
| Zhejiang Staidson Investment Co., Ltd.. . . | US$10 million (HK$78.4 million) | 1,580,700.00 | 2.44% | 2.12% | 0.29% | 0.29% |
| **Total** . . . . . | **HK$1,097.0 million** | **22,117,200.00** | **34.19%** | **29.73%** | **4.10%** | **4.03%** |

| | | | Based on the Offer Price of HK$53.70 (being the mid-point of the Offer Price Range) | | | |
|---|---|---|---|---|---|---|
| | | | Approximate % of total number of Offer Shares | | Approximate % of total Shares in issue immediately following the completion of the Global Offering | |
| **Cornerstone Investor** | **Investment Amount** | **Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)** | **Assuming the Over-allotment Option is not exercised** | **Assuming the Over-allotment Option is exercised in full** | **Assuming the Over-allotment Option is not exercised** | **Assuming the Over-allotment Option is exercised in full** |
| Cayman Henlius . . . . . | US$10 million (HK$78.4 million) | 1,460,000.00 | 2.26% | 1.96% | 0.27% | 0.27% |
| Al-Rayyan Holding LLC . . | HK$705 million | 13,128,400.00 | 20.29% | 17.65% | 2.44% | 2.39% |
| AVICT Global Holdings Limited . . . . . | US$30 million (HK$235.2 million) | 4,380,000.00 | 6.77% | 5.89% | 0.81% | 0.80% |
| Zhejiang Staidson Investment Co., Ltd. . . | US$10 million (HK$78.4 million) | 1,460,000.00 | 2.26% | 1.96% | 0.27% | 0.27% |
| **Total** . . . . . | **HK$1,097.0 million** | **20,428,400.00** | **31.58%** | **27.46%** | **3.79%** | **3.72%** |

| | | | Based on the Offer Price of HK$57.80 (being the Maximum Offer Price) | | | |
|---|---|---|---|---|---|---|
| | | | Approximate % of total number of Offer Shares | | Approximate % of total Shares in issue immediately following the completion of the Global Offering | |
| **Cornerstone Investor** | **Investment Amount** | **Number of Offer Shares (rounded down to nearest whole board lot of 100 H Shares)** | **Assuming the Over-allotment Option is not exercised** | **Assuming the Over-allotment Option is exercised in full** | **Assuming the Over-allotment Option is not exercised** | **Assuming the Over-allotment Option is exercised in full** |
| Cayman Henlius . . . . . | US$10 million (HK$78.4 million) | 1,356,400.00 | 2.10% | 1.82% | 0.25% | 0.25% |
| Al-Rayyan Holding LLC . . | HK$705 million | 12,197,200.00 | 18.85% | 16.39% | 2.26% | 2.22% |
| AVICT Global Holdings Limited . . . . . | US$30 million (HK$235.2 million) | 4,069,300.00 | 6.29% | 5.47% | 0.75% | 0.74% |
| Zhejiang Staidson Investment Co., Ltd.. . . | US$10 million (HK$78.4 million) | 1,356,400.00 | 2.10% | 1.82% | 0.25% | 0.25% |
| **Total** . . . . . | **HK$1,097.0 million** | **18,979,300.00** | **29.34%** | **25.51%** | **3.52%** | **3.46%** |

The following information on the Cornerstone Investors was provided to the Company by the Cornerstone Investors.

**Information about Cayman Henlius**

Cayman Henlius, co-founded by Dr. LIU and Dr. JIANG, is a limited liability exempted company incorporated in the Cayman Islands on 23 February 2009, which is primarily engaged in industrial investment in the biopharmaceutical field.

**Information about Al-Rayyan Holding LLC**

Al-Rayyan Holding LLC is a company incorporated in Qatar Financial Centre of the State of Qatar, which is primarily engaged in investment holding. Al-Rayyan Holding LLC is a wholly-owned subsidiary of Qatar Investment Authority ("**QIA**"). QIA is the sovereign wealth fund of the State of Qatar. QIA's mission is to invest, manage and grow Qatar's reserves to create long-term value for the State and future generations, as well as to support the development of a competitive Qatari economy, facilitating economic diversification and developing local talent. Since 2005, QIA has built a major global portfolio that now spans a broad range of asset classes and regions.

**Information about AVICT Global Holdings Limited**

AVICT Global Holdings Limited is a company incorporated in the British Virgin Islands, which is primarily engaged in equity investment. It is under effective control of Shenzhen Putai Investment Development Limited.

**Information about Zhejiang Staidson Investment Co., Ltd. (浙江舒泰神投資有限公司)**

Zhejiang Staidson Investment Co., Ltd., which was established on 27 June 2017 in the PRC, is primarily engaged in industrial investment activities and is a wholly-owned subsidiary of Staidson (Beijing) Biopharmaceutical Co., Ltd. (舒泰神(北京)生物製藥股份有限公司). Staidson (Beijing) Biopharmaceutical Co., Ltd., which was established on 16 August 2002 and has been listed on the Growth Enterprise Market of Shenzhen Stock Exchange since 15 April 2011 (stock code: 300204), is primarily engaged in research and development, manufacturing, marketing and sales of innovative drugs with self-owned intellectual property rights.

**CONDITIONS PRECEDENT**

The obligation of each Cornerstone Investor to subscribe, and the obligation of the Company to issue and deliver, the Offer Shares pursuant to the relevant cornerstone investment agreement is conditional upon the following:

(a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements or as subsequently waived or varied by agreement of the parties thereto;

(b) neither of the Underwriting Agreements having been terminated;

(c) the Offer Price having been agreed upon;

(d) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the subscription of the Offer Shares under the relevant cornerstone investment agreement and there being no order or injunction of a court of competent jurisdiction in effect which precludes or prohibits the consummation of such transactions;

(e) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and

(f) the representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor (and, in the case of one cornerstone investment agreement, the Company) in the relevant cornerstone investment agreement remaining true and accurate in all material respects and there being no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor (and, as the case may be, the Company).

## RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that, without the prior written consent of the Company, it will not, whether directly or indirectly, at any time during the period of six months commencing from and including the Listing Date, dispose of any of the H Shares subscribed for by it pursuant to the relevant cornerstone investment agreement and any other securities of the Company which are derived therefrom (the "**Relevant Shares**") or any interest in any company or entity holding any of the Relevant Shares.

Each Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that, prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of Relevant Shares imposed on such Cornerstone Investor.

## OTHER CIRCUMSTANCES

Each Cornerstone Investor has agreed that the Joint Global Coordinators may, in their sole and absolute discretion, defer the delivery of all or any part of the Offer Shares it has subscribed for to a date later than the Listing Date. The deferred delivery arrangement was in place to facilitate the over-allocation in the International Offering. In case of such a deferral, each Cornerstone Investor has agreed that it shall nevertheless pay for the relevant Offer Shares on the Listing Date, except that two of the Cornerstone Investors only have the payment obligation on the actual delivery date.

One of the Cornerstone Investors has the right to obtain external financing from an independent third party financial institution to finance its subscription of the Offer Shares. Such financing, if obtained, will be on normal commercial terms after arm's length negotiations and in connection therewith the Offer Shares to be subscribed by such Cornerstone Investor may be pledged or charged to such independent third party as security for the financing, save that the relevant Cornerstone Investor undertakes to procure the independent third party financial institution to be subject to the same restrictions during the lock-up period as set out above.

## HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Merrill Lynch (Asia Pacific) Limited
BOCI Asia Limited
UBS AG Hong Kong Branch
CMB International Capital Limited
Fosun Hani Securities Limited
Citigroup Global Markets Asia Limited
Haitong International Securities Company Limited
AMTD Global Markets Limited
BNP Paribas Securities (Asia) Limited
ICBC International Securities Limited
Zhongtai International Securities Limited
ABCI Securities Company Limited
China Everbright Securities (HK) Limited
SBI China Capital Financial Services Limited

## UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 6,469,600 Hong Kong Offer Shares and the International Offering of initially 58,225,800 International Offer Shares (including the Preferential Offering), subject, in each case, to reallocation on the basis as described in "*Structure of the Global Offering*" as well as to the Over-allotment Option (in the case of the International Offering).

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Hong Kong Public Offering

#### *Hong Kong Underwriting Agreement*

The Hong Kong Underwriting Agreement was entered into on 11 September 2019. Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally (and not

jointly or jointly and severally) to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

***Grounds for Termination***

The Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion, shall have the right by giving a written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date (the "**Termination Time**") if any of the following events shall occur prior to the Termination Time:

(a) there shall develop, occur, exist or come into force:

(i) any new law or regulation or any change or development involving a prospective change in any existing law or regulation or in the interpretation or application thereof by any court or any other competent authority in or affecting Hong Kong, Taiwan, the PRC, the United States, the Commonwealth of Australia, Ukraine, the Republic of the Philippines, the United Kingdom or the European Union (or any member thereof) (collectively, the "**Relevant Jurisdictions**" and each, a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development in, or any event or circumstance or series of events or circumstances resulting or likely to result in or representing a change or development, or a prospective change or development, in any local, national, regional or international financial, political, military, industrial, legal, fiscal, economic, regulatory, credit, market or currency matters or conditions or exchange control or any monetary or trading settlement system or other financial markets (including, but not limited to, a change in the conditions in stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong dollar is linked to the U.S. dollar or devaluation of Hong Kong dollar or RMB against any foreign currencies or a change in any other currency exchange rates) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in, securities generally on the Stock Exchange, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or

(iv) any general moratorium on commercial banking activities in or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent government authority), New York (imposed at the U.S. Federal or New York State level or by other competent government authority), London or any other Relevant Jurisdictions (declared by the relevant authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

(v) any change or development or event involving any prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a change in the system under which the value of the Hong Kong currency is linked to the U.S. dollar or RMB is linked to any foreign currency or currencies, or a material devaluation of the U.S. dollar, Euro, Hong Kong dollar or the RMB against any foreign currencies), or the implementation of any exchange control, currency exchange rates or foreign investment regulations, in any of the Relevant Jurisdictions; or

(vi) any imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) the outbreak or escalation of hostilities (whether or not war is or has been declared) involving or affecting any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or

(viii) that a material portion of the orders placed or confirmed in the bookbuilding process, or of the investment commitments made by cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(ix) any event or circumstance, or series of events or circumstances, in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, riot, civil commotion, public disorder, fire, flood, explosion, epidemic (including SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), pandemic, outbreak of infectious disease, earthquake, terrorism, strike, earthquake, volcanic eruption, acts of terrorism (whether or not responsibility has been claimed), labour dispute or lock-out; or

(x) (except with the prior written comment of the Joint Representatives) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus, Application Forms, Preliminary Offering Circular (as defined in the Hong Kong Underwriting Agreement) or Final Offering Circular (as defined in the Hong Kong Underwriting Agreement) (or to any other documents in connection with the contemplated offer, subscription and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xi) any change, development or event involving a prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xii) an order or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(xiii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xiv) any contravention by any member of the Group or any Director or supervisor of the Company of the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or other applicable laws; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or

(xvi) (1) any litigation, legal action or claim being threatened or instigated against any member of the Group, or Fosun Pharma, Fosun New Medicine and Fosun Pharma Industrial Development (the "**Warranting Shareholders**"); or (2) any material litigation, dispute, legal action or claim being threatened or instigated against Fosun International or Fosun High Tech; or

(xvii) a governmental authority or a political or regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or any Controlling Shareholder; or

(xviii) any Director, or the chief executive officer, the chief science office, the chief medical officer, the chief financial officer or the chief commercial operation officer of the Company vacating his or her office; or

(xix) any Director, or the chief executive officer, the chief science officer, the chief medical officer, the chief financial officer or the chief commercial operation officer of the Company being charged with or found guilty of an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company;

and which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters),

(A) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations or financial or trading position or condition or performance of the Group as a whole; or

(B) has or will or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will or may make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering or the International Offering to proceed as envisaged or to market the Global Offering or deliver the Offer Shares on the terms and in the manner as contemplated by this prospectus; or

(D) has or will or may have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors and the Joint Representatives:

(i) that there is a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(ii) that any statement contained in the Formal Notice (as defined in the Hong Kong Underwriting Agreement), the announcement for adoption of mixed media offer in connection with the Hong Kong Public Offering, the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the Investor Presentation Materials (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (in each case, including any supplement or amendment thereto) (the "**Hong Kong Offering Documents**") (but excluding information furnished in writing to the Company by and relating to any Joint Sponsors or the Underwriters expressly and specifically for use in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), which consists only of their respective logos, names and addresses of the Underwriters) was, when it was issued, incomplete, or has become, untrue, incorrect or inaccurate in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Hong Kong Offering Documents is not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(iii) that there is a breach of, or any matter, event or circumstance rendering, any of the representations, warranties, agreements and undertakings given by the Company or any of the Warranting Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, untrue, incorrect, incomplete or misleading in any respect; or

(iv) that there is a material breach of any provisions of, or any obligations imposed upon any party to, the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than obligations imposed upon any of the Joint Global Coordinators, the Joint Representatives, the Joint Bookrunners, the Joint Sponsors, the Hong Kong Underwriters or the International Underwriters); or

(v) that there is any Material Adverse Change (as defined in the Hong Kong Underwriting Agreement), or any development involving a prospective Material Adverse Change; or

(vi) that any of the experts specified in this prospectus (other than any of the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(vii) that the approval of the Listing Committee of the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(viii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Offering Documents; or

(ix) that the Company withdraws this prospectus and the Application Forms (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

For the purpose of this section "Ground for Termination" only, the exercise of right of the Joint Representatives hereunder shall be effective if a simple majority of the Joint Representatives in number elects to exercise such right, and such exercise shall be final, conclusive and binding on the Joint Global Coordinators, the Joint Representatives, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters.

***Undertakings to the Stock Exchange pursuant to the Listing Rules***

(A) *Undertakings by the Company*

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules and/or waived by the Stock Exchange as set out in this prospectus.

(B) *Undertakings by the Controlling Shareholders*

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that he/it will not and will procure that the relevant registered holder(s) will not:

(i) in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of the Company,

in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and the Company that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will and will procure that the relevant registered holder(s) will:

(1) when he/it pledges or charges any Shares beneficially owned by he/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform the Company of such pledge or charge together with the number of Shares so pledged or charged; and

(2) when he/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company of such indications.

***Undertakings Pursuant to the Hong Kong Underwriting Agreement***

*Undertakings by the Company*

Pursuant to the Hong Kong Underwriting Agreement, the Company has undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Representatives, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), the Company will not, without the prior written consent of the Joint

Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date falling six months after the Listing Date (the "**First Six-Month Period**"):

(i) offer, accept subscription for, allot, issue, sell, offer, contract or agree to allot, issue or sell, grant or sell (or agree to grant or sell) any option, warrant, contract or right to subscribe for or purchase, grant or purchase (or agree to grant or purchase) any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of, or agree to transfer or dispose of over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in any Shares or other equity securities of the Company or any interest therein (including, but not limited to, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company;

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares or other equity securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company) or any voting right or any other right attaching thereto;

(iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii) above; or

(iv) offer or agree or contract to effect any transaction set out in paragraphs (i), (ii) or (iii) above or publicly announce any intention to do so,

in each case, whether any of the transactions set out in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the six-month period commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions set out in paragraphs (i), (ii) or (iii) above or offers or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company.

***Undertakings by the Warranting Shareholders***

Each of the Warranting Shareholders jointly and severally agrees and undertakes to the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Representatives, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) save for any pledge or charge of Shares (in respect of which it is shown in this prospectus as the beneficial owner), by it as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan during the First Six-Month Period, it will not:

(i) offer, pledge, charge, sell, offer, contract or agree to sell, pledge, assign, mortgage, charge, hypothecate, lend, grant or sell (or agree to grant or sell) any option, warrant, contract or right to subscribe for or purchase, grant or purchase (or agree to grant or purchase) any option, warrant, contract or right to sell, lend or otherwise transfer or dispose of, make any short sale, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company) directly or indirectly held by it as at the Listing Date; or

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company) directly or indirectly held by it as at the Listing Date; or

(iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii) above; or

(iv) agree or contract to or publicly disclose that it will or may enter into any transaction set out in paragraphs (i), (ii) or (iii) above,

whether any of the transactions set out in paragraphs (i), (ii) or (iii) above is to be settled by delivery of such capital or securities of the Company, in cash or otherwise (whether or not the transaction will be completed within the First Six-Month Period);

(b) during the Second Six-Month Period, it will not enter into any transaction described in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offer, agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, it will cease, whether individually or collectively with the other Warranting Shareholders, to be a Controlling Shareholder (as defined in the Listing Rules) of the Company;

(c) until the expiry of the Second Six-Month Period, in the event that it enters into any such transactions specified in paragraphs (a)(i), (a)(ii) or (a)(iii) above or offers, agrees or contracts to, or publicly announces an intention to enter into any such transaction, it will notify the Joint Representatives and take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company; and

(d) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it shall:

    (i) if and when it pledges or charges any Shares or other securities of the Company (or any interests therein) beneficially owned by it, immediately inform the Company and the Joint Representatives in writing of such pledge or charge together with the number of Shares or securities (or interests therein) so pledged or charged; and

    (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities (or interests therein) of the Company will be disposed of, immediately inform the Company and the Joint Representatives in writing of such indications.

The Company agrees and undertakes that upon receiving such information in writing from any of the Warranting Shareholders, it shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of press announcement.

***Hong Kong Underwriters' Interests in the Company***

Save for their respective obligations under the Hong Kong Underwriting Agreement and the interests in the Company held by CICC Alternative Investment Holding Limited, an associate of China International Capital Corporation Hong Kong Securities Limited, details of which are disclosed in "*History and Corporate Structure*", as at the Latest Practicable Date, none of the Hong Kong

Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfiling their respective obligations under the Hong Kong Underwriting Agreement.

**International Offering**

***International Underwriting Agreement***

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "*Structure of the Global Offering — The International Offering*".

***Over-allotment Option***

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 9,704,300 H Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See "*Structure of the Global Offering — Over-allotment Option*".

**Commissions and Expenses**

The Underwriters will receive an underwriting commission of 1.8% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

Any or all of the Underwriters may receive a discretionary incentive fee of up to 1.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$53.70 per Offer Share (which is the mid-point of the Offer Price Range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$97.3 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$120.0 million (assuming an Offer Price of HK$53.70 per Offer Share (which is the mid-point of the Offer Price Range) and the full payment of the discretionary incentive fee) and will be paid by the Company.

**Indemnity**

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by them of the Hong Kong Underwriting Agreement.

## ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted

securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "*Structure of the Global Offering*". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

## THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the H Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued as mentioned in this prospectus.

64,695,400 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 6,469,600 H Shares (subject to reallocation) in Hong Kong as described in "— *The Hong Kong Public Offering*" below; and

(b) the International Offering of initially 58,225,800 H Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "— *The International Offering*" below.

Of the 58,225,800 H Shares being offered under the International Offering, 4,186,000 H Shares and 4,186,000 H Shares are available for subscription by the Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders, respectively, as an Assured Entitlement under the Preferential Offering.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both (except that Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders who are eligible to apply for the Reserved Shares in the Preferential Offering may also either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible; or (ii) indicate an interest for International Offer Shares under the International Offering, if qualified to do so).

The Offer Shares will represent approximately 12% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 13.56% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering and the Preferential Offering.

## THE HONG KONG PUBLIC OFFERING

### Number of Offer Shares initially offered

The Company is initially offering 6,469,600 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.2% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— *Conditions of the Global Offering*" below.

### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong

Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 3,234,800 Hong Kong Offer Shares is liable to be rejected.

**Reallocation**

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 19,408,800 Offer Shares (in the case of (a)), 25,878,200 Offer Shares (in the case of (b)) and 32,347,800 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate. In addition, the Joint Representatives may in their sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public

Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Representatives have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as they deem appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 6,469,600 Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 12,939,200 Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$49.60 per Offer Share) stated in this prospectus.

The number of Reserved Shares being offered under the Preferential Offering will not be increased or decreased as a result of the clawback arrangement between the International Offering and the Hong Kong Public Offering described above.

**Applications**

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK$57.80 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$5,838.25 for one board lot of 100 Shares. If the Offer Price, as finally determined in the manner described in "— *Pricing and Allocation*" below, is less than the Maximum Offer Price of HK$57.80 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in "*How to Apply for Hong Kong Offer Shares and Reserved Shares*".

## THE INTERNATIONAL OFFERING

### Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 58,225,800 H Shares (including the Preferential Offering) being offered by the Company and representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 10.80% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Of the 58,225,800 H Shares being offered under the International Offering, an aggregate of 8,372,000 H Shares (representing 14.38% and 12.94% of the total number of Shares being offered under the International Offering and the Global Offering, respectively) are available for subscription under the Preferential Offering, among which (i) an aggregate of 4,186,000 H Shares are available for subscription by the Qualifying Fosun International Shareholders on a preferential basis, subject to the terms and conditions set out in this prospectus and the **ORANGE** Application Form; and (ii) an aggregate of 4,186,000 H Shares are available for subscription by the Qualifying Fosun Pharma H Shareholders on a preferential basis, subject to the terms and conditions set out in this prospectus and the **BLUE** Application Form.

### Allocation

The International Offering (other than the Preferential Offering) will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— *Pricing and Allocation*" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further H Shares and/or hold or sell its H Shares after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Representatives (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

**Reallocation**

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— *The Hong Kong Public Offering — Reallocation*" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering.

## THE PREFERENTIAL OFFERING

***Basis of the Assured Entitlement***

In order to enable Fosun International Shareholders and Fosun Pharma H Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares on the Main Board of the Stock Exchange and the Global Offering becoming unconditional, Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders are being invited to apply for an aggregate of 4,186,000 and 4,186,000 Reserved Shares in the Preferential Offering, respectively, as Assured Entitlement. The basis of the Assured Entitlement is one Reserved Share for every whole multiple of 2,041 Fosun International Shares held by the Qualifying Fosun International Shareholders or for every whole multiple of 132 Fosun Pharma H Shares held by the Qualifying Fosun Pharma H Shareholders, at 4:30 p.m. on the Record Date. Any Qualifying Fosun International Shareholder holding less than 2,041 Fosun International Shares or any Qualifying Fosun Pharma H Shareholder holding less than 132 Fosun Pharma H Shares as at 4:30 p.m. on the Record Date will not be entitled to apply for the Reserved Shares. Further, Fosun International and its subsidiaries which are Qualifying Fosun Pharma H Shareholders will waive and will not take up their Assured Entitlements. The determination of the Assured Entitlements of the Qualifying Fosun International Shareholders has already taken into account the Assured Entitlements that Fosun International and its subsidiaries would otherwise have as Qualifying Fosun Pharma H Shareholders. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in "— *The Hong Kong Public Offering — Reallocation*" above.

Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 100 H Shares. Further, the Reserved Shares allocated to the Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders will be rounded down to the closest whole number if required. No odd lot matching services will be provided and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

**Assured Entitlement of Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange.**

Qualifying Fosun International Shareholders who hold less than 2,041 Fosun International Shares or Qualifying Fosun Pharma H Shareholders who hold less than 132 Fosun Pharma H Shares on the Record Date will not have an Assured Entitlement to the Reserved Shares but will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares as further described below.

***Basis of Allocation for Applications for Reserved Shares***

Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to an Assured Entitlement of a Qualifying Fosun International Shareholder or a Qualifying Fosun Pharma H Shareholder under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **ORANGE** Application Form or **BLUE** Application Form or the **Orange Form eIPO** service or **Blue Form eIPO** service, as the case may be, via **www.eipo.com.hk**, and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Fosun International Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Fosun International Shareholders' Assured Entitlement or where a Qualifying Fosun Pharma H Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Fosun Pharma H Shareholders' Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full (subject to terms and conditions mentioned above) but the excess portion of such application will only be met to the extent that there are sufficient Available Reserved Shares (as defined below).

Where a Qualifying Fosun International Shareholder or a Qualifying Fosun Pharma H Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Fosun International Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **ORANGE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **ORANGE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **ORANGE** Application Form and make a payment of the

corresponding amount. If you intend to apply for a number of Assured Entitlement or excess Reserved Shares which is not one of the numbers set out in the table in the **ORANGE** Application Form for Assured Entitlement and excess Reserved Shares, you MUST apply by using **Orange Form eIPO** service only. If you are a Qualifying Fosun International Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **ORANGE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for or apply for through the **Orange Form eIPO** service via **www.eipo.com.hk**.

Qualifying Fosun Pharma H Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you intend to apply for a number of Assured Entitlement or excess Reserved Shares which is not one of the numbers set out in the table in the **BLUE** Application Form for Assured Entitlement and excess Reserved Shares, you MUST apply by using **Blue Form eIPO** service only. If you are a Qualifying Fosun Pharma H Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for or apply for through the **Blue Form eIPO** service via **www.eipo.com.hk**.

To the extent that the excess applications for the Reserved Shares are:

(a) less than the Reserved Shares not taken up by the Qualifying Fosun International Shareholders' Assured Entitlement, and the Qualifying Fosun Pharma H Shareholders' Assured Entitlement (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Representatives, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on a fair and reasonable basis, which is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares. If there are any H Shares remaining after satisfying the excess applications, such H Shares will be reallocated, at the discretion of the Joint Representatives, to the International Offering. No preference will be given to any excess application made to top up odd lot holdings to whole lot holdings of H Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial Fosun International Shareholders (not being Non-Qualifying Fosun International Shareholders) whose Fosun International Shares are held by a nominee company should note that the Company will regard the nominee company as a single Fosun International Shareholder according to the register of members of Fosun International. Accordingly, such Beneficial Fosun International Shareholders whose Fosun International Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial Fosun International Shareholders (not being Non-Qualifying Fosun International Shareholders) whose Fosun International Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Fosun International Shares in the name of the beneficial owner prior to the Record Date.

Beneficial Fosun Pharma H Shareholders (not being Non-Qualifying Fosun Pharma H Shareholders) whose Fosun Pharma H Shares are held by a nominee company should note that the Company will regard the nominee company as a single Fosun Pharma H Shareholder according to the register of members of Fosun Pharma. Accordingly, such Beneficial Fosun Pharma H Shareholders whose Fosun Pharma H Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial Fosun Pharma H Shareholders (not being Non-Qualifying Fosun Pharma H Shareholders) whose Fosun Pharma H Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Fosun Pharma H Shares in the name of the beneficial owner prior to the Record Date.

***Applications by Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders for the Hong Kong Offer Shares***

In addition to any application for Reserved Shares made either through the **Orange Form eIPO** or **Blue Form eIPO** services via **www.eipo.com.hk** or on the **ORANGE** or **BLUE** Application Forms, Qualifying Fosun International Shareholders or Qualifying Fosun Pharma H Shareholders, as the case may be, will be entitled to make one application for Hong Kong Offer Shares on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC via CCASS or by applying through the **White Form eIPO** service. Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

***Qualifying Fosun International Shareholders and Non-Qualifying Fosun International Shareholders***

Only Fosun International Shareholders whose names appeared on the register of members of Fosun International at 4:30 p.m. on the Record Date and who are not Non-Qualifying Fosun International Shareholders, are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Fosun International Shareholders are those Fosun International Shareholders with registered addresses in, or who are otherwise known by Fosun International to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Fosun International and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Fosun International Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Fosun International and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Fosun International Shareholders in the Specified Territories. Having considered the circumstances, the directors of Fosun International and the Company have formed the view that it is necessary or expedient to restrict the ability of Fosun International Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Fosun International Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Fosun International Shareholders are:

(a) Fosun International Shareholders whose names appeared in the register of members of Fosun International on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Fosun International Shareholders on the Record Date who are otherwise known by Fosun International to be resident in any of the Specified Territories.

***Qualifying Fosun Pharma H Shareholders and Non-Qualifying Fosun Pharma H Shareholders***

Only Fosun Pharma H Shareholders whose names appeared on the register of members of Fosun Pharma at 4:30 p.m. on the Record Date and who are not Non-Qualifying Fosun Pharma H Shareholders, are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Fosun Pharma H Shareholders are those Fosun Pharma H Shareholders with registered addresses in, or who are otherwise known by Fosun Pharma to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Fosun Pharma and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Fosun Pharma H Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Fosun Pharma and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Fosun Pharma H Shareholders in the Specified Territories. Having considered the circumstances, the directors of Fosun Pharma and the Company have formed the view that it is necessary or expedient to restrict the ability of Fosun Pharma H Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Fosun Pharma H Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Fosun Pharma H Shareholders are:

(a) Fosun Pharma H Shareholders whose names appeared in the register of members of Fosun Pharma on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Fosun Pharma H Shareholders on the Record Date who are otherwise known by Fosun Pharma to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **ORANGE** or **BLUE** Application Forms or the terms and conditions of the **Orange Form eIPO** or **Blue Form eIPO** services, the Company reserves the right to permit any Fosun International Shareholder or Fosun Pharma H Shareholder, as the case may be, to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

***Beneficial Fosun International Shareholders who hold Fosun International Shares and Beneficial Fosun Pharma H Shareholders who hold Fosun Pharma H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect***

The Company has been advised by the Company's PRC legal adviser that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland-Hong Kong Stock Markets Connect Programme, CSDCC does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial Fosun International Shareholders who hold Fosun International Shares or Beneficial Fosun Pharma H Shareholders who hold Fosun Pharma H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

***Distribution of this Prospectus and the ORANGE and BLUE Application Forms***

An **ORANGE** Application Form has been despatched to each Qualifying Fosun International Shareholder and a **BLUE** Application Form has been despatched to each Qualifying Fosun Pharma H Shareholder. In addition, Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under the corporate communications policy of Fosun International or Fosun Pharma, as the case may be. For further details, see "*How to Apply for Hong Kong Offer Shares and Reserved Shares*" in this prospectus.

***Application Procedures***

The procedures for application under and the terms and conditions of the Preferential Offering are set out in "*How to Apply for Hong Kong Offer Shares and Reserved Shares*" and on the **ORANGE** Application Forms and **BLUE** Application Forms.

## OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Representatives (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, to require the Company to issue up to an aggregate of 9,704,300 additional Offer Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be sold pursuant thereto will represent approximately 1.80% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

**STABILISATION**

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it) and in what the Stabilising Manager reasonably regards as the best interest of the Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the H Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Thursday, 17 October 2019, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

**Over-Allocation**

Following any over-allocation of H Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using H Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

## PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, 17 September 2019 and, in any event, no later than Tuesday, 24 September 2019, by agreement between the Joint Representatives (on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$57.80 per Offer Share and is expected to be not less than HK$49.60 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$57.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$5,838.25 for one board lot of 100 H Shares.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered and/or the Offer Price Range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.henlius.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price Range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price Range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price Range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Representatives (on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

**Announcement of Final Offer Price**

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering, the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares and the results of allocations in the Hong Kong Public Offering and the Preferential Offering are expected to be made available through a variety of channels in the manner described in "*How to Apply for Hong Kong Offer Shares and Reserved Shares — Publication of Results*".

## UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Representatives (on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarised in "*Underwriting*".

## CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in the H Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Joint Representatives (on behalf of the Underwriters) and the Company;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Representatives (on behalf of the Underwriters) and the Company on or before Tuesday, 24 September 2019, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfiled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company and the Stock Exchange at **www.henlius.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "*How to Apply for Hong Kong Offer Shares and Reserved Shares — Refund of Application Monies*". In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Wednesday, 25 September 2019, provided that the Global Offering has become unconditional in all respects at or before that time.

## DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 25 September 2019, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 25 September 2019.

The H Shares will be traded in board lots of 100 H Shares each and the stock code of the H Shares will be 2696.

## IMPORTANT

The Company will be relying on Section 9A of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong) and will be issuing (i) the **WHITE** and **YELLOW** Application Forms without them being accompanied by a printed prospectus; and (ii) the **ORANGE** Application Forms to the relevant Qualifying Fosun International Shareholders and the **BLUE** Application Forms to the relevant Qualifying Fosun Pharma H Shareholders without them being accompanied by a printed prospectus, unless the relevant Qualifying Fosun International Shareholders or the relevant Qualifying Fosun Pharma H Shareholders (as the case may be) have elected to receive corporate communications in printed form under the corporate communications policy of Fosun International or Fosun Pharma (as the case may be), or have not been asked to elect the means of receiving the corporate communications of Fosun International or Fosun Pharma (as the case may be), in which case the printed prospectus will be despatched to them separately. The contents of the printed prospectus are identical to the electronic version of the prospectus which can be accessed and downloaded from the websites of the Company at **www.henlius.com** and the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > Listed Company Information > Latest Listed Company Information*" section, respectively.

Members of the public, the Qualifying Fosun International Shareholders and the Qualifying Fosun Pharma H Shareholders may obtain a copy of the printed prospectus, free of charge, upon request during normal business hours from 9:00 a.m. on Thursday, 12 September 2019 until 12:00 noon on Tuesday, 17 September 2019 at the following locations:

1. any of the following branches of the receiving banks of the Company:

**Bank of China (Hong Kong) Limited**

| District | Branch Name | Address |
|---|---|---|
| **Hong Kong Island** | Des Voeux Road West Branch | 111-119 Des Voeux Road West, Hong Kong |
| | Chai Wan Branch | Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong |
| **Kowloon** | Telford Plaza Branch | Shop Unit P2-P7, Telford Plaza, No.33 Wai Yip Street, Kowloon Bay, Kowloon |
| | Olympian City Branch | Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon |
| **New Territories** | Metro City Branch | Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories |
| | Ma On Shan Plaza Branch | Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories |

**CMB Wing Lung Bank Limited**

| District | Branch Name | Address |
|---|---|---|
| **Hong Kong Island** . . . | Head Office | 45 Des Voeux Road Central |
| | Kennedy Town Branch | 28 Catchick Street |
| **Kowloon** . . . . . | Mongkok Branch | B/F CMB Wing Lung Bank Centre, 636 Nathan Road |
| | Tsim Sha Tsui Branch | 4 Carnarvon Road |
| **New Territories**. . . . . | Tsuen Wan Branch | 251 Sha Tsui Road |

2. any of the following offices of the below Joint Global Coordinators:

**China International Capital Corporation Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Merrill Lynch (Asia Pacific) Limited**
Level 55 Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

**BOCI Asia Limited**
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

**UBS AG Hong Kong Branch**
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

**CMB International Capital Limited**
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

**Fosun Hani Securities Limited**
Suite 2101-2105 21/F Champion Tower
3 Garden Road
Central
Hong Kong

3. the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong.

**Details of where printed prospectuses may be obtained will be displayed prominently at every designated branch of receiving banks where WHITE Application Forms are distributed.**

During normal business hours from 9:00 a.m. on Thursday, 12 September 2019 until 12:00 noon on Tuesday, 17 September 2019, at least three copies of the printed prospectus will be available for inspection at every location where the **WHITE** and **YELLOW** Application Forms are distributed as set out below.

## A. APPLICATIONS FOR HONG KONG OFFER SHARES

### 1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

**2. Who Can Apply**

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Company and the Joint Representatives, as the Company's agent, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of the Company's subsidiaries;
- you are a director or chief executive of the Company and/or any of the Company's subsidiaries;
- you are an associate of any of the above persons;
- you are a connected person of the Company or a person who will become a connected person of the Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

## 3. Applying for Hong Kong Offer Shares

***Which Application Channel to Use***

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

***Where to Collect the Application Forms***

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 12 September 2019 until 12:00 noon on Tuesday, 17 September 2019 from:

(a) any of the following offices of the below Joint Global Coordinators:

**China International Capital Corporation Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Merrill Lynch (Asia Pacific) Limited**
Level 55 Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

**BOCI Asia Limited**
26th Floor, Bank of China Tower
1 Garden Road
Central
Hong Kong

**UBS AG Hong Kong Branch**
52/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

**CMB International Capital Limited**
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

**Fosun Hani Securities Limited**
Suite 2101-2105 21/F Champion Tower
3 Garden Road
Central
Hong Kong

(b) any of the following branches of the receiving banks:

**Bank of China (Hong Kong) Limited**

| District | Branch Name | Address |
|---|---|---|
| **Hong Kong Island** | Des Voeux Road West Branch | 111-119 Des Voeux Road West, Hong Kong |
| | Chai Wan Branch | Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong |
| **Kowloon** | Telford Plaza Branch | Shop Unit P2-P7, Telford Plaza, No.33 Wai Yip Street, Kowloon Bay, Kowloon |
| | Olympian City Branch | Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon |
| **New Territories** | Metro City Branch | Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories |
| | Ma On Shan Plaza Branch | Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories |

**CMB Wing Lung Bank Limited**

| District | Branch Name | Address |
|---|---|---|
| **Hong Kong Island** | Head Office | 45 Des Voeux Road Central |
| | Kennedy Town Branch | 28 Catchick Street |
| **Kowloon** | Mongkok Branch | B/F CMB Wing Lung Bank Centre, 636 Nathan Road |
| | Tsim Sha Tsui Branch | 4 Carnarvon Road |
| **New Territories** | Tsuen Wan Branch | 251 Sha Tsui Road |

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Thursday, 12 September 2019 until 12:00 noon on Tuesday, 17 September 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

***Time for Lodging Application Forms***

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — HENLIUS BIOTECH PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

**Thursday, 12 September 2019 — 9:00 a.m. to 5:00 p.m.**
**Friday, 13 September 2019 — 9:00 a.m. to 5:00 p.m.**
**Monday, 16 September 2019 — 9:00 a.m. to 5:00 p.m.**
**Tuesday, 17 September 2019 — 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 17 September 2019, the last day for applications, or such later time as described in "*— Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

**4. Terms and Conditions of an Application**

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

(a) undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Representatives (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and PRC Company Law;

(c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

(f) agree that none of the Company, the Relevant Persons and the White Form eIPO Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering (except in respect of Reserved Shares pursuant to the Preferential Offering);

(h) agree to disclose to the Company, the H Share Registrar, the receiving banks and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application will be governed by the laws of Hong Kong;

(l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(m) warrant that the information you have provided is true and accurate;

(n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(o) authorise (i) the Company to place your name(s) or the name of HKSCC Nominees on the register of members of the Company as the holder(s) of any Hong Kong Offer Shares

allocated to you and such other registers as required under the Memorandum and Articles of Association of the Company and (ii) the Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfiled the criteria mentioned in "— *Personal Collection*" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except that Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders may also make additional application for Reserved Shares pursuant to the Preferential Offering;

(q) understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

***Additional Instructions for YELLOW Application Forms***

You should refer to the **YELLOW** Application Form for details.

## 5. Applying Through the White Form eIPO Service

***General***

Individuals who meet the criteria in "— *Who Can Apply*" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the White Form eIPO Service Provider.

***Time for Submitting Applications under the White Form eIPO Service***

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, 12 September 2019 until 11:30 a.m. on Tuesday, 17 September 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 17 September 2019, the last day for applications, or such later time as described in "— *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

***No Multiple Applications***

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

***Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance***

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

***Commitment to sustainability***

The obvious advantage of the White Form eIPO is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Shanghai Henlius Biotech, Inc." White Form eIPO application submitted via the website **www.eipo.com.hk** to support sustainability.

## 6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

***General***

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

**Hong Kong Securities Clearing Company Limited**
Customer Service Centre 1/F,
One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and the H Share Registrar.

***Giving Electronic Application Instructions to HKSCC via CCASS***

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);

- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;

- confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorise the Company to place HKSCC Nominees' name on the register of members of the Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and despatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

- agree that neither the Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- agree to disclose to the Company, the H Share Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of the Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the PRC Company Law;

- agree with the Company, for itself and for the benefit of each shareholder of the Company and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each shareholder of

the Company and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving electronic application instructions):

(a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

(b) that any award made in such arbitration shall be final and conclusive; and

(c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each shareholder of the Company) that H shares in the Company are freely transferable by their holders;

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his obligations to shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

***Effect of Giving Electronic Application Instructions to HKSCC via CCASS***

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

***Minimum Purchase Amount and Permitted Numbers***

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

***Time for Inputting Electronic Application Instructions***

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:(1)

**Thursday, 12 September 2019 — 9:00 a.m. to 8:30 p.m.**
**Friday, 13 September 2019 — 8:00 a.m. to 8:30 p.m.**
**Monday, 16 September 2019 — 8:00 a.m. to 8:30 p.m.**
**Tuesday, 17 September 2019 — 8:00 a.m. to 12:00 noon**

*Note:*

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 12 September 2019 until 12:00 noon on Tuesday, 17 September 2019 (24 hours daily, except on Tuesday, 17 September 2019, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 17 September 2019, the last day for applications, or such later time as described in "— *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

***No Multiple Applications***

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

***Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance***

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

***Personal Data***

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## 7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 17 September 2019, the last day for applications, or such later time as described in "— *Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

## 8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees", you must include:

- an account number; or

- some other identification code.

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Fosun International Shareholder applying for Reserved Shares under the Preferential Offering either through the **Orange Form eIPO** service via **www.eipo.com.hk** or on the **ORANGE** Application Form or a Qualifying Fosun Pharma H Shareholder applying for Reserved Shares under the Preferential Offering either through the **Blue Form eIPO** service via **www.eipo.com.hk** or on the **BLUE Application Form**, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk**. However, in respect of any application for Hong Kong Offer Shares using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in "Structure of the Global Offering — The Preferential Offering".

**All** of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **the White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

## B. APPLICATIONS FOR RESERVED SHARES

### 1. Who Can Apply

Only (1) Fosun International Shareholders whose names appeared on the register of members of Fosun International on the Record Date and who are not Non-Qualifying Fosun International Shareholders; and (2) Fosun Pharma H Shareholders whose names appeared on the register of members of Fosun Pharma on the Record Date and who are not Non-Qualifying Fosun Pharma H Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Fosun International Shareholders are those Fosun International Shareholders with registered addresses in, or who are otherwise known by Fosun International to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Fosun International and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Fosun International Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Fosun International and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Fosun International Shareholders in the Specified Territories. Having considered the circumstances, the directors of Fosun International and the Company have formed the view that it is necessary or expedient to restrict the ability of Fosun International Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Fosun International Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Fosun International Shareholders are:

(a) Fosun International Shareholders whose names appeared in the register of members of Fosun International on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Fosun International Shareholders on the Record Date who are otherwise known by Fosun International to be resident in any of the Specified Territories.

Non-Qualifying Fosun Pharma H Shareholders are those Fosun Pharma H Shareholders with registered addresses in, or who are otherwise known by Fosun Pharma to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Fosun Pharma and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Fosun Pharma H Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Fosun Pharma and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Fosun Pharma H Shareholders in the Specified Territories. Having considered the circumstances, the directors of Fosun Pharma and the Company have formed the view that it is necessary or expedient to restrict the ability of Fosun Pharma H Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Fosun Pharma H Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Fosun Pharma H Shareholders are

(a) Fosun Pharma H Shareholders whose names appeared in the register of members of Fosun Pharma on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Fosun Pharma H Shareholders on the Record Date who are otherwise known by Fosun Pharma to be resident in any of the Specified Territories.

Notwithstanding any other provision in this prospectus or the **ORANGE** Application Forms or **BLUE** Application Forms or the terms and conditions of the **Orange Form eIPO** service or **Blue Form eIPO** service, the Company reserves the right to permit any Fosun International Shareholder or Fosun Pharma H Shareholder, as the case may be, to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

With respect to the Specified Territories, each of Fosun International and Fosun Pharma has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the Specified Territories, to the extent they hold any Fosun International Shares on behalf of the Non-Qualifying Fosun International Shareholders or they hold any Fosun Pharma H Shares on behalf of the Non-Qualifying Fosun Pharma H Shareholders, as the case may be, they are excluded from participating in the Preferential Offering.

Qualifying Fosun International Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every integral multiple of 2,041 Fosun International Shares held by them on the Record Date. Qualifying Fosun Pharma H Shareholders are entitled to apply on the basis of an Assured Entitlement of one Reserved Share for every integral multiple of 132 Fosun Pharma H Shares held by them on the Record Date.

Qualifying Fosun International Shareholders who hold less than 2,041 Fosun International Shares or Qualifying Fosun Pharma H Shareholders who hold less than 132 Fosun Pharma H Shares on the Record Date will not have an Assured Entitlement to the Reserved Shares, but they will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be in the individual members' names, but not in the name of the firm. If the applicant is a body corporate, the **ORANGE** Application Form and **BLUE** Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with the corporation's chop.

If an application is made by a duly authorised person under a valid power of attorney, the Company and the Joint Representatives, as the Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority. The Company and the Joint Representatives, as the Company's agents, will have full discretion to reject or accept any application, in full or in part, without giving any reason.

Save under the circumstances permitted by the Listing Rules and guidance letters issued by the Stock Exchange, or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Reserved Shares if you or (with the exception of HKSCC Nominees) any person(s) for whose benefit you are applying are/is:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a director or chief executive of the Company and/or any of the Company's subsidiaries;
- an associate of any of the above persons;
- a connected person of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- a Non-Qualifying Fosun International Shareholder; or
- a Non-Qualifying Fosun Pharma H Shareholder.

**2. How to Apply**

An application for Reserved Shares under the Preferential Offering may only be made by (i) Qualifying Fosun International Shareholders either through the **Orange Form eIPO** service via **www.eipo.com.hk** or using **ORANGE** Application Forms which have been despatched to Qualifying Fosun International Shareholders by the Company; and (ii) Qualifying Fosun Pharma H Shareholders either though the **Blue Form eIPO** service via **www.eipo.com.hk** or using **BLUE** Application Forms which have been despatched to Qualifying Fosun Pharma H Shareholders by the Company.

Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to an Assured Entitlement of a Qualifying Fosun International Shareholder or a Qualifying Fosun Pharma H Shareholder under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **ORANGE** Application Form or **BLUE** Application Form or the **Orange Form eIPO** service or the **Blue Form eIPO** service, as the case may be, and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Fosun International Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Fosun International Shareholders' Assured Entitlement or where a Qualifying Fosun Pharma H Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Fosun Pharma H Shareholders' Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Fosun International Shareholder or a Qualifying Fosun Pharma H Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Qualifying Fosun International Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **ORANGE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **ORANGE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **ORANGE** Application Form and make a payment of the corresponding amount. If you intend to apply for a number of Assured Entitlement or excess Reserved Shares which is not one of the numbers set out in the table in the **ORANGE** Application Form for Assured Entitlement and excess Reserved Shares, you MUST apply by using **Orange Form eIPO** service only. If you are a Qualifying Fosun International Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **ORANGE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for or apply for through the **Orange Form eIPO** service via **www.eipo.com.hk**.

Qualifying Fosun Pharma H Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms for excess Reserved Shares, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you intend to apply for a number of Assured Entitlement or excess Reserved Shares which is not one of the numbers set out in the table in the **BLUE** Application Form for Assured Entitlement and excess Reserved Shares, you MUST apply by using **Blue Form eIPO** service only. If you are a Qualifying Fosun Pharma H Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for or apply for through the **Blue Form eIPO** service via **www.eipo.com.hk**.

To the extent that excess applications for the Reserved Shares are:

(a) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Joint Representatives, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of over-subscription in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Joint Representatives, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders who have applied for Reserved Shares under the Preferential Offering, either through the **Orange Form eIPO** service or **Blue Form eIPO** service via **www.eipo.com.hk** or on the **ORANGE** Application Form or **BLUE** Application Form, as the case may be, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying Fosun International Shareholders and Qualifying Fosun

Pharma H Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Persons who held their Fosun International Shares or Fosun Pharma H Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their Fosun International Shares or Fosun Pharma H Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

### 3. Distribution of This Prospectus and the ORANGE and BLUE Application Forms

**ORANGE** Application Forms have been despatched to all Qualifying Fosun International Shareholders to their address recorded on the register of members of Fosun International on the Record Date and **BLUE** Application Forms have been despatched to all Qualifying Fosun Pharma H Shareholders to their address recorded on the register of members of Fosun Pharma on the Record Date.

In addition, Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders will receive a copy of this prospectus in the manner in which they have elected, or are deemed to have elected, to receive corporate communications under the corporate communications policy of Fosun International and Fosun Pharma, as the case may be.

If a Qualifying Fosun International Shareholder or a Qualifying Fosun Pharma H Shareholder has elected to receive corporate communications from Fosun International or Fosun Pharma in printed form under their respective corporate communications policy or has not been asked to elect the means of receiving their respective corporate communications, a printed copy of this prospectus in the elected language version(s) (if applicable) will be despatched to such Qualifying Fosun International Shareholder or Qualifying Fosun Pharma H Shareholder, as the case may be.

If a Qualifying Fosun International Shareholder (a) has elected to receive an electronic version of corporate communications or (b) is deemed to have consented to receiving the electronic version of corporate communications from Fosun International, an electronic version of this prospectus (which is identical to the printed prospectus) can be accessed and downloaded from the websites of the Company at **www.henlius.com** and the Stock Exchange at **www.hkexnews.hk** under the section headed "*HKEXnews > Listed Company Publication > Latest Listed Company Information*".

A Qualifying Fosun International Shareholder who has elected to receive or is deemed to have consented to receiving the electronic version of this prospectus may at any time request for a printed copy of this prospectus, free of charge, by sending a request in writing to Fosun International c/o Computershare Hong Kong Investor Services Limited or by email to Fosun International at **fosun.ecom@computershare.com.hk**. Fosun International will promptly, upon request, send by ordinary post a printed copy of this prospectus to such Qualifying Fosun International Shareholder, free of charge, although such Qualifying Fosun International Shareholder may not receive that printed copy of this prospectus before the close of the Hong Kong Public Offering and the Preferential Offering.

Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders who require a replacement **ORANGE** Application Form and **BLUE** Application Form, as the case may be, should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline 2862 8555.

Distribution of this prospectus and/or the **ORANGE** Application Forms and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this prospectus and/or the **ORANGE** Application Forms and the **BLUE** Application Forms come (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the **ORANGE** Application Forms and the **BLUE** Application Forms, except to Qualifying Fosun International Shareholders or Qualifying Fosun Pharma H Shareholders, as the case may be, as specified in this prospectus.

Receipt of this prospectus and/or the **ORANGE** Application Forms and/or **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **ORANGE** Application Forms and/or **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this prospectus and/or the **ORANGE** Application Forms and/or **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the Specified Territories. If the **ORANGE** Application Forms and/or **BLUE** Application Form is received by any person in any such territory, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of Fosun International or Fosun Pharma and the Company determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this prospectus and/or the **ORANGE** Application Forms and/or **BLUE** Application Forms in, into or from any Specified Territory (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

## 4. Applying Through The ORANGE Form eIPO Service and BLUE Form eIPO Service

If you apply for Reserved Shares online through the **Orange Form eIPO** service and **Blue Form eIPO** service:

(a) detailed instructions for application through the **Orange Form eIPO** service and **Blue Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected by the Orange and Blue Form eIPO Service Provider and may not be submitted to the Company;

(b) you must provide a valid e-mail address; and

(c) once payment is completed via electronic application instructions given by you or for your benefit, an actual application is deemed to have been made. If you submit applications both via the **Orange Form eIPO** service and **Blue Form eIPO** service and by using the **ORANGE** Application Form and **BLUE** Application Form, only the application submitted via the **Orange Form eIPO** service and **Blue Form eIPO** service will be accepted and the other application will be rejected.

The application for Reserved Shares through the **Orange Form eIPO** service and **Blue Form eIPO** service is only a facility provided by the Orange and Blue Form eIPO Service Provider to Qualifying Fosun International Shareholders and Qualifying Fosun Pharma H Shareholders respectively. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for application to make your electronic application. The Company, the Joint Representatives, the Underwriters, their respective directors, officers, employees, partners, agents and any other parties involved in the Global Offering and the Orange and Blue Form eIPO Service Provider take no responsibility for such applications.

## 5. Applying by Using ORANGE Application Forms and BLUE Application Forms

(a) The **ORANGE** Application Form or **BLUE** Application Form will be rejected by the Company if:

- the **ORANGE** Application Form or **BLUE** Application Form is not completed in accordance with the instructions as stated therein;
- the **ORANGE** Application Form or **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);
- in respect of applicants who are corporate entities, the **ORANGE** Application Form or **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorised officer or affixed with a company chop;

- the cheque/banker's cashier order attached to the **ORANGE** Application Form or **BLUE** Application Form is defective;

- the **ORANGE** Application Form or **BLUE** Application Form for either Reserved Shares pursuant to the Assured Entitlement or excess Reserved Shares is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order for each of the application for Assured Entitlement and excess application for Reserved Shares;

- the account name on the cheque/banker's cashier order is not pre-printed or certified by the issuing bank;

- the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;

- the name of the payee indicated on the cheque/banker's cashier order is not "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — HENLIUS BIOTECH PREFERENTIAL OFFER**";

- the cheque has not been crossed "Account Payee Only";

- the cheque was post-dated;

- the applicant's payment is not made correctly or if the applicant pays by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured on its first presentation;

- the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;

- any alteration(s) to the application details on the **ORANGE** Application Form or **BLUE** Application Form has or have not been authorised by the signature(s) of the applicant(s);

- the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **ORANGE** Application Form or **BLUE** Application Form is received or where the applicant's address is located; or

- the Company and the Joint Representatives, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

(b) If you are applying by using the **ORANGE** Application Form or **BLUE** Application Form for Assured Entitlement, you may apply for a number of Reserved Shares pursuant to your Assured Entitlement that is equal to or less than the number stated in Box B. If you intend to apply for a number of Reserved Shares that is less than your Assured Entitlement, you MUST apply for a number which is one of the numbers set out in the table in the **ORANGE** Application Form or **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). If you intend to apply for a number of Assured Entitlement which is not one of the numbers set out in the table in the **ORANGE** Application Form or **BLUE** Application Form for Assured Entitlement, you MUST apply by using **Orange Form eIPO** or **Blue Form eIPO** only. You need to complete and sign the **ORANGE Application Form** or **BLUE** Application Form for Assured Entitlement and submit one cheque (or banker's cashier order) for the exact amount of remittance printed in Box B or the corresponding amount payable as set out in the table in the **ORANGE** Application Form or **BLUE** Application Form.

(c) If you are applying by using the **ORANGE** Application Form or **BLUE** Application Form for excess Reserved Shares, you MUST apply for a number which is one of the numbers set out in the table in the **ORANGE** Application Form or **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). If you intend to apply for a number of excess Reserved Shares which is not one of the numbers set out in the table in the **ORANGE** Application Form or **BLUE** Application Form for excess Reserved Shares, you MUST apply by using **Orange Form eIPO** or **Blue Form eIPO** only. You need to complete and sign the **ORANGE** Application Form or **BLUE** Application Form for excess Reserved Shares and submit one separate cheque (or banker's cashier order) for the exact amount of remittance.

(d) If you intend to apply for both Reserved Shares pursuant to your Assured Entitlement and excess Reserved Shares, you must submit both the **ORANGE** Application Form or **BLUE** Application Form for Assured Entitlement and the **ORANGE** Application Form or **BLUE** Application Form for excess Reserved Shares. Each **ORANGE** Application Form or **BLUE** Application Form must be accompanied by a separate cheque (or banker's cashier order) for the exact amount of remittance.

Instead of using the **ORANGE** Application Form or **BLUE** Application Form, you may apply for Reserved Shares through the **Orange Form eIPO** service or **Blue Form eIPO** service at **www.eipo.com.hk**.

## 6. When May Applications Be Made

### *(a) Application through the Orange Form eIPO and Blue Form eIPO service*

You may submit your application via the **Orange Form eIPO** service and **Blue Form eIPO** service through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 12 September 2019 until 11:30 a.m. on Tuesday, 17 September, 2019 and the latest time for completing

full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 17 September 2019, the last day for applications, or such later time as described in *"— D. Effect of Bad Weather on the Opening and Closing of the Application Lists"* below.

If you do not complete payment of the application monies (including any related fees) in time, the **Orange** and **Blue Form eIPO** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at **www.eipo.com.hk**.

***(b) Applications on ORANGE Application Forms and BLUE Application Forms***

Your completed **ORANGE** Application Form and **BLUE** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — HENLIUS BIOTECH PREFERENTIAL OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above at the following times:

**Thursday, 12 September 2019 — 9:00 a.m. to 5:00 p.m.**
**Friday, 13 September 2019 — 9:00 a.m. to 5:00 p.m.**
**Monday, 16 September 2019 — 9:00 a.m. to 5:00 p.m.**
**Tuesday, 17 September 2019 — 9:00 a.m. to 12:00 noon**

Completed **ORANGE** Application Forms and **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Tuesday, 17 September 2019, the last day for applications, or such later time as described in *"— D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

***(c) Application Lists***

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 17 September 2019, the last day for applications, or such later time as described in *"— D. Effect of Bad Weather on the Opening and Closing of the Application Lists*" below.

**7. How Many Applications May Be Made**

You should refer to "*— A. Applications for Hong Kong Offer Shares — 8. How Many Applications Can You Make*" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

**8. Additional Terms and Conditions and Instructions**

You should refer to the **ORANGE** Application Form and **BLUE** Application Form for details of the additional terms and conditions and instructions which apply to applications for Reserved Shares.

## C. HOW MUCH ARE THE HONG KONG OFFER SHARES AND RESERVED SHARES

The Maximum Offer Price is HK$57.80 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 100 Hong Kong Offer Shares, you will pay HK$5,838.25.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares and/or Reserved Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "*Structure of the Global Offering — Pricing and Allocation*".

## D. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a typhoon warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 17 September 2019. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 17 September 2019 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "*Expected Timetable*", an announcement will be made.

## E. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocations of the Hong Kong Offer Shares and Reserved Shares on Tuesday, 24 September 2019 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Company at **www.henlius.com** and the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of the Company and the Stock Exchange at **www.henlius.com** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Tuesday, 24 September 2019;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID function" on a 24 hour basis from 8:00 a.m. on Tuesday, 24 September 2019 to 12:00 midnight on Monday, 30 September 2019;

- from the allocation results telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, 24 September 2019 to Friday, 27 September 2019; and

- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving bank designated branches referred to above on Tuesday, 24 September 2019, Wednesday, 25 September 2019 and Thursday, 26 September 2019.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "*Structure of the Global Offering*".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

## F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED OFFER SHARES

You should note the following situations in which the Offer Shares will not be allocated to you:

(a) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service and/or **Orange Form eIPO** service or **Blue Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day in the following circumstances:

(i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus, or

(ii) If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) **If the allocation of Hong Kong Offer Shares and/or Reserved Shares is void:**

The allocation of Hong Kong Offer Shares and/or Reserved Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(d) **If:**

- you make multiple applications or are suspected of making multiple applications (other than an application (if any) made either through the **Orange Form eIPO** service or **Blue Form eIPO** service via **www.eipo.com.hk** or on the **ORANGE** Application Form or **BLUE** Application Form in your capacity as a Qualifying Fosun International Shareholder or a Qualifying Fosun Pharma H Shareholder, as the case may be);
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service and/or **Orange Form eIPO** service or **Blue Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- you apply for more than 3,234,800 Hong Kong Offer Shares, being 50% of the 6,469,600 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Joint Representatives believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

## G. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC

transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "*Structure of the Global Offering — Conditions of the Global Offering*" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, 24 September 2019.

## H. DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below) and one Share certificate for all Reserved Shares allocated to you under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE**, **YELLOW**, **ORANGE** or **BLUE** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

(a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and

(b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on despatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Tuesday, 24 September 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, 25 September 2019, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Share on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

**Personal Collection**

***(a) If you apply using a WHITE and/or ORANGE or BLUE Application Form***:

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form or 1,000,000 Reserved Shares or more on a **ORANGE** or **BLUE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 24 September 2019, or any other place or date notified by the Company in the newspapers.

- If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorised representative must provide a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be despatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.

- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form and/or less than 1,000,000 Reserved Shares on a **ORANGE** or **BLUE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Tuesday, 24 September 2019 by ordinary post and at your own risk.

***(b) If you apply using a YELLOW Application Form:***

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Tuesday, 24 September 2019 by ordinary post and at your own risk.

- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Tuesday, 24 September 2019 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

- If you apply as a CCASS Investor Participant, the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Tuesday, 24 September 2019 in the manner as described in "— Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 24 September 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

***(c) If you apply through White Form eIPO service or Orange Form eIPO or Blue Form eIPO Service:***

- If you apply for (i) 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service or (ii) 1,000,000 or more Reserved Shares through the **Orange Form eIPO** or **Blue Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00

p.m. on Tuesday, 24 September 2019, or any other place or date notified by the Company in the newspapers as the date of despatch or collection of Share certificates.

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

- If you apply for (i) less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service or (ii) less than 1,000,000 Reserved Shares through the **Orange Form eIPO** or **Blue Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 24 September 2019 by ordinary post and at your own risk.

- If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

***(d) If you apply by giving electronic application instructions to HKSCC via CCASS:***

*Allocation of Hong Kong Offer Shares*

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 24 September 2019 or on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in "— *Publication of Results*" above on Tuesday, 24 September 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 24 September 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 24 September 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 24 September 2019.

## I. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and the Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

*The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*

12 September 2019

The Directors
Shanghai Henlius Biotech, lnc.

China International Capital Corporation Hong Kong Securities Limited
Merrill Lynch Far East Limited
CMB International Capital Limited
Fosun Hani Securities Limited
Citigroup Global Markets Asia Limited

Dear Sirs,

We report on the historical financial information of Shanghai Henlius Biotech, lnc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-98, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017 and 2018, and the three months ended 31 March 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017 and 2018 and 31 March 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-98 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 September 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company (the "Directors") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in*

*Investment Circulars* issued by the *Hong Kong Institute of Certified Public Accountants* ("*HKICPA*"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and 2018 and 31 March 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Review of interim comparative financial information**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2018 and other explanatory information (the "Interim Comparative Financial Information"). The Directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong

Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**Dividends**

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Yours faithfully,

*Ernst & Young*
*Certified Public Accountants*
Hong Kong

## I. HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young, Hong Kong in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

### 1. CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| | Section II Notes | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| REVENUE | 5 | 33,910 | 7,421 | — | 924 |
| Cost of sales | | (15,019) | (5,398) | — | — |
| **Gross profit** | | **18,891** | **2,023** | **—** | **924** |
| Other income and gains | 6 | 1,165 | 30,308 | 18,413 | 4,830 |
| Selling and distribution expenses | | — | — | — | (5,082) |
| Administrative expenses | | (87,334) | (109,050) | (15,064) | (32,339) |
| Research and development expenses | | (257,080) | (365,382) | (49,221) | (100,145) |
| Other expenses | | (480) | (223) | (1) | (17,356) |
| Finance costs | 8 | (55,159) | (57,896) | (19,256) | (8,955) |
| **LOSS BEFORE TAX** | **7** | **(379,997)** | **(500,220)** | **(65,129)** | **(158,123)** |
| Income tax expense | 11 | (4,330) | (4,569) | (2,714) | — |
| **LOSS FOR THE YEAR/PERIOD** | | **(384,327)** | **(504,789)** | **(67,843)** | **(158,123)** |
| **Attributable to:** | | | | | |
| Owners of the parent | | (270,562) | (493,686) | (60,504) | (158,123) |
| Non-controlling interests | | (113,765) | (11,103) | (7,339) | — |
| | | (384,327) | (504,789) | (67,843) | (158,123) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | | | |
| Basic and diluted (RMB) | 13 | (0.77) | (1.16) | (0.15) | (0.35) |

## 2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| **LOSS FOR THE YEAR/PERIOD** | **(384,327)** | **(504,789)** | **(67,843)** | **(158,123)** |
| **OTHER COMPREHENSIVE (LOSS)/ INCOME** | | | | |
| Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translation of foreign operations | (20) | 656 | (1,354) | (530) |
| **OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX** | **(20)** | **656** | **(1,354)** | **(530)** |
| **TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD** | **(384,347)** | **(504,133)** | **(69,197)** | **(158,653)** |
| **ATTRIBUTABLE TO:** | | | | |
| Owners of the parent | (271,306) | (491,533) | (60,126) | (158,653) |
| Non-controlling interests | (113,041) | (12,600) | (9,071) | — |
| | (384,347) | (504,133) | (69,197) | (158,653) |

## 3. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Section II Notes | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 14 | 290,313 | 323,979 | 350,081 |
| Intangible assets | 15 | 772,090 | 1,382,572 | 1,507,397 |
| Right-of-use assets | 17 | 168,661 | 170,822 | 167,524 |
| Other non-current assets | 18 | 20,557 | 130,432 | 160,106 |
| **Total non-current assets** | | **1,251,621** | **2,007,805** | **2,185,108** |
| **CURRENT ASSETS** | | | | |
| Inventories | 19 | 24,668 | 25,203 | 41,869 |
| Trade and bills receivables | 20 | 19,900 | 6,821 | 5,821 |
| Prepayments, deposits and other receivables | 21 | 125,432 | 89,947 | 116,580 |
| Pledged deposit | 22 | 4,384 | 6,024 | 6,990 |
| Cash and cash equivalents | 22 | 58,512 | 958,990 | 824,866 |
| **Total current assets** | | **232,896** | **1,086,985** | **996,126** |
| **CURRENT LIABILITIES** | | | | |
| Trade and bills payables | 23 | 74,200 | 85,309 | 99,385 |
| Other payables and accruals | 24 | 541,589 | 296,348 | 293,303 |
| Contract liabilities | 25 | — | 9,108 | 12,139 |
| Interest-bearing bank and other borrowings | 26 | 595,861 | 142,678 | 165,298 |
| **Total current liabilities** | | **1,211,650** | **533,443** | **570,125** |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(978,754)** | **553,542** | **426,001** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **272,867** | **2,561,347** | **2,611,109** |
| **NON-CURRENT LIABILITIES** | | | | |
| Interest-bearing bank and other borrowings | 26 | 162,567 | 385,340 | 522,615 |
| Contract liabilities | 25 | 152,588 | 335,347 | 376,145 |
| Deferred income | 28 | 33,702 | 38,111 | 37,520 |
| **Total non-current liabilities** | | **348,857** | **758,798** | **936,280** |
| **Net (liabilities)/assets** | | **(75,990)** | **1,802,549** | **1,674,829** |
| **EQUITY** | | | | |
| Share capital | 29 | 366,287 | 474,433 | 474,433 |
| Reserves | 30 | (446,361) | 1,328,116 | 1,200,396 |
| **Equity attributable to owners of the parent** | | **(80,074)** | **1,802,549** | **1,674,829** |
| **Non-controlling interests** | | **4,084** | **—** | **—** |
| **Total equity** | | **(75,990)** | **1,802,549** | **1,674,829** |

## 4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**Year ended 31 December 2017**

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium* | Other reserve* | Exchange fluctuation reserve* | Accumulated loss* | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2017 | 350,000 | 192,833 | 34,291 | (2,056) | (157,924) | 417,144 | 82,066 | 499,210 |
| Loss of the year | — | — | — | — | (270,562) | (270,562) | (113,765) | (384,327) |
| Other comprehensive (loss)/income for the year: | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | (744) | — | (744) | 724 | (20) |
| Total comprehensive loss for the year | — | — | — | (744) | (270,562) | (271,306) | (113,041) | (384,347) |
| Capital contribution from shareholders (note 29(a)(i)) | 16,287 | 133,713 | — | — | — | 150,000 | — | 150,000 |
| Capital contribution from non-controlling shareholder of a subsidiary | — | — | 3,503 | — | — | 3,503 | 24,044 | 27,547 |
| Equity-settled share-based payments (note 31) | — | — | 57,217 | — | — | 57,217 | 70,661 | 127,878 |
| Acquisition of non-controlling interests in a subsidiary | — | — | (436,632) | — | — | (436,632) | (59,646) | (496,278) |
| At 31 December 2017 | 366,287 | 326,546 | (341,621) | (2,800) | (428,486) | (80,074) | 4,084 | (75,990) |

**Year ended 31 December 2018**

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium* | Other reserve* | Exchange fluctuation reserve* | Accumulated loss* | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2018 | 366,287 | 326,546 | (341,621) | (2,800) | (428,486) | (80,074) | 4,084 | (75,990) |
| Loss of the year | — | — | — | — | (493,686) | (493,686) | (11,103) | (504,789) |
| Other comprehensive income/(loss) for the year: | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | 2,153 | — | 2,153 | (1,497) | 656 |
| Total comprehensive loss for the year | — | — | — | 2,153 | (493,686) | (491,533) | (12,600) | (504,133) |
| Capital contribution from shareholders (note 29(a)(ii)) | 85,396 | 2,343,846 | — | — | — | 2,429,242 | — | 2,429,242 |
| Issue of restricted shares under share award scheme | 22,750 | 186,778 | (209,528) | — | — | — | — | — |
| Equity-settled share-based payments (note 31) | — | — | 92,547 | — | — | 92,547 | — | 92,547 |
| Acquisition of non-controlling interests in a subsidiary | — | — | (147,633) | — | — | (147,633) | 8,516 | (139,117) |
| At 31 December 2018 | 474,433 | 2,857,170 | (606,235) | (647) | (922,172) | 1,802,549 | — | 1,802,549 |

**Three months ended 31 March 2018 (unaudited)**

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium* | Other reserve* | Exchange fluctuation reserve* | Accumulated loss* | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2018 | 366,287 | 326,546 | (341,621) | (2,800) | (428,486) | (80,074) | 4,084 | (75,990) |
| Loss of the period | — | — | — | — | (60,504) | (60,504) | (7,339) | (67,843) |
| Other comprehensive income/(loss) for the period: | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | 378 | — | 378 | (1,732) | (1,354) |
| Total comprehensive loss for the period | — | — | — | 378 | (60,504) | (60,126) | (9,071) | (69,197) |
| Capital contribution from shareholders (note 29(a)(ii)) | 55,434 | 1,195,282 | — | — | — | 1,250,716 | — | 1,250,716 |
| At 31 March 2018 | 421,721 | 1,521,828 | (341,621) | (2,422) | (488,990) | 1,110,516 | (4,987) | 1,105,529 |

**Three months ended 31 March 2019**

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium* | Other reserve* | Exchange fluctuation reserve* | Accumulated loss* | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 31 December 2018 | 474,433 | 2,857,170 | (606,235) | (647) | (922,172) | 1,802,549 | — | 1,802,549 |
| Loss of the period | — | — | — | — | (158,123) | (158,123) | — | (158,123) |
| Other comprehensive loss for the period: | | | | | | | | |
| Exchange differences on translation of foreign operations | — | — | — | (530) | — | (530) | — | (530) |
| Total comprehensive loss for the period | — | — | — | (530) | (158,123) | (158,653) | — | (158,653) |
| Equity-settled share-based payments (note 31) | — | — | 30,933 | — | — | 30,933 | — | 30,933 |
| At 31 March 2019 | 474,433 | 2,857,170 | (575,302) | (1,177) | (1,080,295) | 1,674,829 | — | 1,674,829 |

* These reserve accounts comprise the consolidated reserves of RMB(446,361,000), RMB1,328,116,000 and RMB1,200,396,000 in the consolidated statements of financial position as at 31 December 2017 and 2018 and 31 March 2019, respectively.

## 5. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Section II Notes | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Loss before tax: | | (379,997) | (500,220) | (65,129) | (158,123) |
| Adjustments for: | | | | | |
| Finance costs | 8 | 55,159 | 57,896 | 19,256 | 8,955 |
| Depreciation | | 26,389 | 42,306 | 9,416 | 12,277 |
| Amortization of intangible assets | | 195 | 662 | 105 | 305 |
| Amortization of deferred income | 28 | (464) | (13,512) | (16) | (791) |
| Exchange loss/(gain) | 7 | 237 | (8,927) | (15,870) | 16,752 |
| Share-based payment expense | 7 | 127,878 | 71,686 | — | 22,474 |
| Loss on disposal of items of PPE | 7 | 242 | 111 | — | 64 |
| Cash outflows before working capital changes | | (170,361) | (349,998) | (52,238) | (98,087) |
| Increase in inventories | | (1,239) | (252) | (3,641) | (7,454) |
| (Increase)/decrease in trade and bills receivables | | (13,900) | 13,079 | 12,400 | 1,000 |
| (Increase)/decrease in prepayments, deposits and other receivables | | (47,705) | 76,424 | (22,565) | (16,561) |
| Increase in pledged cash | | (4,384) | (1,640) | 657 | (966) |
| Increase/(decrease) in trade and bills payables | | 14,967 | 7,276 | (3,954) | 6,650 |
| Increase/(decrease) in other payables and accruals | | 2,976 | 22,312 | (5,935) | 7,658 |
| Increase in contract liabilities | | 88,814 | 167,268 | 82,385 | 39,985 |
| Increase in deferred income | | 874 | 17,921 | — | 200 |
| Cash (used in)/generated from operations | | (129,958) | (47,610) | 7,109 | (67,575) |
| Tax paid | | (4,330) | (4,569) | (2,714) | — |
| Net cash flows (used in)/generated from operating activities | | (134,288) | (52,179) | 4,395 | (67,575) |

| | Section II Notes | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Purchases of items of property, plant and equipment | | (115,387) | (137,070) | (52,376) | (74,051) |
| Additions to intangible assets | | (356,275) | (598,305) | (77,876) | (121,244) |
| Loans to related party | | — | (366,000) | (200,000) | — |
| Repayment of loan from related party | | — | 366,000 | — | — |
| Net cash flows used in investing activities | | (471,662) | (735,375) | (330,252) | (195,295) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Entrusted loan from related party | | 650,000 | 270,000 | — | — |
| Repayment of entrusted loan | | (225,000) | (845,000) | — | — |
| New bank borrowings and other borrowings | | — | 337,864 | — | 162,000 |
| Repayment of bank borrowings and other borrowings | | — | (1,788) | (145,000) | (4,559) |
| Payment of lease liabilities | | (18,034) | (40,427) | (8,105) | (6,989) |
| Capital contribution from shareholders | | 150,000 | 2,429,242 | 1,250,716 | — |
| Capital contributions from equity-settled share-based payments | | — | 209,528 | — | — |
| Capital contribution from non-controlling shareholder of a subsidiary | | 27,547 | — | — | — |
| Acquisition of non-controlling interests | | — | (635,395) | (394,187) | — |
| Interest paid | | (43,133) | (44,919) | (16,635) | (4,954) |
| Net cash flows from financing activities | | 541,380 | 1,679,105 | 686,789 | 145,498 |

| | Section II Notes | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| **NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS** | | **(64,570)** | **891,551** | **360,932** | **(117,372)** |
| Cash and cash equivalents at beginning of year/period | | 123,319 | 58,512 | 58,512 | 958,990 |
| Effect of foreign exchange rate changes, net | | (237) | 8,927 | 15,870 | (16,752) |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD** | | **58,512** | **958,990** | **435,314** | **824,866** |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | | | |
| Cash and bank balances | | 62,896 | 965,014 | 439,041 | 831,856 |
| Less: Pledged deposits | | (4,384) | (6,024) | (3,727) | (6,990) |
| Cash and cash equivalents as stated in the statements of cash flows | | 58,512 | 958,990 | 435,314 | 824,866 |

## 6. STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | Section II Notes | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | 14 | 74,466 | 90,877 | 98,746 |
| Intangible assets | 15 | 624,486 | 1,130,691 | 1,230,717 |
| Investments in subsidiaries | 16 | 621,905 | 850,849 | 886,775 |
| Right-of-use assets | 17 | 103,802 | 109,517 | 106,754 |
| Other non-current assets | 18 | 11,867 | 54,717 | 91,494 |
| Total non-current assets | | 1,436,526 | 2,236,651 | 2,414,486 |
| **CURRENT ASSETS** | | | | |
| Inventories | 19 | 5,011 | 316 | 320 |
| Trade and bills receivables | 20 | 13,710 | 9,205 | 9,554 |
| Prepayments, deposits and other receivables | 21 | 537,738 | 773,503 | 901,247 |
| Pledged deposits | 22 | — | 1,153 | 503 |
| Cash and cash equivalents | 22 | 9,180 | 931,708 | 786,391 |
| Total current assets | | 565,639 | 1,715,885 | 1,698,015 |
| **CURRENT LIABILITIES** | | | | |
| Trade and bills payables | 23 | 59,051 | 62,280 | 69,346 |
| Other payables and accruals | 24 | 533,337 | 283,788 | 288,469 |
| Contract liabilities | 25 | — | 9,108 | 12,139 |
| Interest-bearing bank and other borrowings | 26 | 586,079 | 124,584 | 141,923 |
| Total current liabilities | | 1,178,467 | 479,760 | 511,877 |
| **NET CURRENT (LIABILITIES)/ASSETS** | | **(612,828)** | **1,236,125** | **1,186,138** |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **823,698** | **3,472,776** | **3,600,624** |
| **NON-CURRENT LIABILITIES** | | | | |
| Interest-bearing bank and other borrowings | 26 | 102,196 | 320,401 | 463,238 |
| Contract liabilities | 25 | 152,588 | 335,347 | 376,145 |
| Deferred income | 28 | 26,742 | 25,169 | 24,920 |
| Total non-current liabilities | | 281,526 | 680,917 | 864,303 |
| Net assets | | 542,172 | 2,791,859 | 2,736,321 |
| **EQUITY** | | | | |
| Share capital | 29 | 366,287 | 474,433 | 474,433 |
| Reserves | 30 | 175,885 | 2,317,426 | 2,261,888 |
| Total equity | | 542,172 | 2,791,859 | 2,736,321 |

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Shanghai Henlius Biotech, lnc. (the "Company") is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at Room 303, 304, Block 7, No.1999 Zhangheng Road, China (Shanghai) Pilot Free Trade Zone.

The Company and its subsidiaries are involved in the following principal activities:

- biopharmaceutical research and development ("biopharmaceutical R&D")
- biopharmaceutical service
- biopharmaceutical production

In the opinion of the Directors, the holding company of the Company is Shanghai Fosun New Medicine Research Company Limited which is registered in the PRC, the ultimate holding company of the Company is Fosun International Holdings Limited which is registered in Hong Kong, and the ultimate controlling shareholder of the Company is Mr. Guo Guangchang.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

| Name | Place and date of incorporation and place of operations | Issued ordinary/ registered share capital | Percentage of ownership interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Shanghai Henlius Biological Pharmaceutical Co., Ltd. (上海復宏漢霖生物製藥有限公司)* Notes (1) and (5) | Shanghai, PRC 26 June 2014 | Registered share capital of RMB 250,000,000 | 100% | — | Biopharmaceutical production; biopharmaceutical service; and biopharmaceutical R&D |
| Henlix Biotech Co., Ltd. (漢霖生技股份有限公司) ("Taiwan Henlius") Notes (2) and (5) | Taiwan 1 October 2010 | Registered share capital of New Taiwan dollar ("NTD") 780,511,490 | 100% | — | Biopharmaceutical R&D and biopharmaceutical service |
| Henlix, Inc. Notes (3) and (5) | CA, USA 23 March 2015 | Registered share capital of United States dollar ("USD") 71,400,000 | — | 100% | Biopharmaceutical R&D and biopharmaceutical service |

| Name | Place and date of incorporation and place of operations | Issued ordinary/ registered share capital | Percentage of ownership interest | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Shanghai Han Ying Biotechnology Co., Ltd. (上海漢穎生物技術有限公司)* Notes (4) and (5) | Shanghai, PRC 11 May 2016 | Registered share capital of USD 800,000 | — | 100% | Biopharmaceutical R&D and biopharmaceutical service |
| Hengenix Biotech, Inc. Notes (3) and (5) | CA, USA 18 August 2015 | Registered share capital of USD 9,300,000 | 100% | — | Biopharmaceutical R&D and biopharmaceutical service |
| Shanghai Henlius Biopharmaceutical Co., Ltd. (上海復宏漢霖生物醫藥有限公司)* Notes (4) and (5) | Shanghai, PRC 26 December 2017 | Registered share capital of RMB 500,000,000 | 100% | — | Biopharmaceutical production |
| Henlius Europe GmbH Note (5) | Frankfurt, Germany 6 March 2019 | Registered share capital of EUR 400,000 | 100% | — | Biopharmaceutical service |

* The English name of these subsidiaries represented the best efforts made by management of the Company to translate the Chinese names as they do not have official English names registered in PRC.

*Notes:*

(1) The statutory financial statements of this entity for the year ended 31 December 2017 and 2018 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Ernst & Young Hua Ming LLP.

(2) The statutory financial statements of this entity for the years ended 31 December 2017 and 2018 prepared under International Financial Reporting Standards Principles ("IFRSs") were audited by PricewaterhouseCoopers Zi Cheng registered in Taiwan, the Mainland.

(3) No audited financial statements have been prepared for these entities for the years ended 31 December 2017 and 2018, as the entities are not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(4) No audited financial statements have been prepared for these entities for the years ended 31 December 2017 and 2018, as the entities had no operating activities and no financial statements during the Relevant Periods.

(5) No audited financial statements have been prepared for all the subsidiaries for the three months ended 31 March 2018 and 2019, as the entities are not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

## 2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). All IFRSs effective for the accounting period commencing from 1 January 2019, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers* and IFRS 16 *Leases,* together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention.

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group has directly disposed of the related assets or liabilities.

## 2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts*[2] |
| Amendments to IFRS 3 | *Definition of a Business*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets Between and Investor and its Associate or Joint Venture*[3] |
| Amendments to IAS 1 and IAS 8 | *Definition of Material*[1] |

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2022

[3] No mandatory effective date yet determined but available for adoption

These issued but not yet effective IFRSs are not expected to have any significant impact on the Group's consolidated financial statements in the future.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Plant and machinery | 10%-20% |
| Motor vehicles | 20% |
| Office and other equipment | 10%-20% |
| Electronic equipment | 10%-20% |
| Leasehold improvements | 10%-20% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

***Non-patent technologies***

Non-patent technologies have been classified as assets with an indefinite useful life. They have indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows, the extension cost is low and assets can be used indefinitely. They are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful lives of such intangible assets are reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

***Medicine licences***

Medicine licences with finite useful lives are measured initially at cost, which transfer from the deferred development costs after such medicine getting the medicine licences from the related authorities. Medicine licenses are amortised on the straight-line basis over the respective estimated useful lives of 20 years, the useful lives of the medicine licences are assessed by the Group after considering the useful lives of similar medicine and the market condition.

***Office software***

Purchased office software is stated at cost less any impairment losses and is amortised on the straight-line basis over the estimated useful life of 5 to 10 years. The useful lives of the software are assessed by the Group after considering the contractual term, the current functionality equipped by the

software, using plan and operation needs of the software. The software served as basement IT system or technological platform is amortised over a long period as 10 years. Other software served as fast updating applications and single application softwares is amortised over a shorter period,such as 5 years.

***Research and development costs***

All research costs are charged to the statement of profit or loss as incurred.

The expenditure on an internal research and development project is classified into expenditure in the research phase and expenditure in the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure in the development phase is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

The specific criteria for the classification of expenditures on the research phase and expenditures on the development phase are as follows:

As for biosimilar products, expenditures on the research phase are all the expenditures incurred before the commencement of Phase I clinical trial for the medicines. Expenditures on the development phase are all the expenditures incurred after the commencement of Phase I clinical trial for the medicines. Commencement of Phase I clinical trial is determined based on the approval by authorities.

As for bio-innovative products, expenditures on the research phase are all the expenditures incurred before the commencement of Phase III clinical trial for the medicines. Expenditures on the development phase are all the expenditures incurred after the commencement of Phase III clinical trial for the medicines.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

**Leases**

***Right-of-use assets***

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease

liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

***Lease liabilities***

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

***Short-term leases and leases of low-value assets***

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of office equipments that are considered of low value (i.e., below RMB30,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

**Financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the

Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

***Financial assets at amortised cost (debt instruments)***

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade and bills receivables, financial assets included in prepayments, deposits and other receivables, pledged deposits and cash and cash equivalents.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 1 year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Simplified approach***

For trade and bills receivables, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payable, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

*Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

**Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

(a) when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

(a) when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

The Group recognises revenue from the following major sources during the Relevant Periods:

***License fee income***

The Group provides license of its patented intellectual property ("IP") or commercialisation license (i.e., exclusive distribution rights) to customers and revenue is recognised when the customers obtain rights to use the underlying IP or license. The consideration for license comprises a fixed element and variable elements.

For the license which the Group will not undertake any activities that significantly affect the IP to which the customer has rights, the customers get a right to use the IP as it exists at the point in time at which the licence is granted. The fixed element of the contract is recognised as revenue when the customers can use the underlying IP. Variable elements are recognised as revenue when the Group can conclude that it is highly probable that there will not be a subsequent reversal of a significant amount of revenue.

For the license which the Group will undertake activities that significantly affect the commercialisation license, the customers get a right to access the commercialisation license as it exists throughout the expected commercialization period of 20 years, the fixed element of the contract is recognised as revenue overtime during the expected commercialization period.

***Research and development service***

The Group earns revenue by providing research services to its customers through fee-for-service contracts. The contract includes several different research services, each research service has its own purpose which can benefit the customers and with stand-alone consideration. The customers can't control the service or consume the benefit and have no obligation to pay until each service completed and accepted. The Group concluded that each research service can be identified as a separated performance obligation satisfied at a point in time. The stand-alone consideration for each research service is recognised as revenue when the customers accept and can benefit from this service.

***Revenue from other sources***

Rental income is recognised on a time proportion basis over the lease terms.

***Interest income***

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

**Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

**Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

**Contract costs**

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

**Share-based payments**

The Group operates several share award schemes during the Relevant Periods for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by reference to the lasted market price of share transaction or determined by an external valuer, further details of which are given in note 31 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market

performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms have not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it has vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they are a modification of the original award, as described in the previous paragraph.

**Other employee benefits**

***Pension scheme***

The employees are required to participate in a defined central pension scheme managed by the local municipal government of the areas in the People's Republic of China ("PRC"). The PRC companies are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

***Accommodation benefits***

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by government agencies are charged to the consolidated statement of profit or loss as and when they are incurred.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Foreign currencies**

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods. The assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the average exchange rates for the Relevant Periods.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

***Significant judgement in determining the lease term of contracts***

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by a highly possible renew action which reasonably certain to be exercised.

The Group has the highly possibility to renew the periods under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to renew. That is, it considers all relevant factors that create an economic incentive for it to renew. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to renew (or not to renew) the periods of existed lease(e.g., a change in business strategy).

The Group included the renewal period as part of the lease term for leases of plant and laboratory due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on operation or production if a replacement is not readily available.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

***Impairment of non-financial assets (other than goodwill)***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. Indefinite life intangible assets and deferred development costs are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Provision for expected credit losses on receivables***

The Group uses a provision matrix to calculate ECLs for trade and bills receivables and other receivables. The provision rates are based on days past due. The provision matrix is initially based on the Group's historical observed default rates. At the end of each of the Relevant Periods, the historical observed default rates had been checked to determine whether they need to be updated and the changes on the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables and other receivables in prepayments, deposits and other receivables are disclosed in notes 20 and 21 to the financial statements, respectively.

***Useful lives of property, plant and equipment***

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

***Deferred tax assets***

Deferred tax assets are recognised for deductible temporary differences and carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

***Deferred development costs***

Deferred development costs are capitalised in accordance with the accounting policy for research and development costs in note 2.3 to the Historical Financial Information. In determining the amounts to be capitalised, management makes assumptions regarding to future economic benefits generated from the research and development projects, discount rates to be applied and the expected period of benefits. The carrying amount of deferred development costs as at the end of each of the Relevant periods can be referred to note 15.

## 4. OPERATING SEGMENT INFORMATION

The Group is engaged in biopharmaceutical research, biopharmaceutical service, and biopharmaceutical production, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource allocation and performance assessment. Therefore, no analysis by operating segment is presented.

**Geographical information**

***(a) Revenue from external customers***

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Mainland | 27,110 | 3,724 | — | 924 |
| US | 6,800 | 3,697 | — | — |
| | 33,910 | 7,421 | — | 924 |

***(b) Non-current assets***

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Mainland | 1,238,310 | 1,990,671 | 2,166,789 |
| US | 13,311 | 17,134 | 18,319 |
| | 1,251,621 | 2,007,805 | 2,185,108 |

The revenue geographical information above is based on the locations of the customers. The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

**Information about major customers**

Revenues derived from sales to the Group's major customers during the Relevant Periods are as follows:

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Customer A | 19,527 | — | — | — |
| Customer B | 7,563 | 3,625 | — | 827 |
| Customer C | 6,222 | 3,697 | — | — |

## 5. REVENUE

### 5.1 Revenue information

An analysis of the Group's revenue from contracts with customers is as follows:

***Revenue***

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Type of goods or service | | | | |
| License fee income | 19,527 | — | — | 827 |
| Rendering of services | 13,785 | 7,411 | — | 97 |
| Others | 598 | 10 | — | — |
| | 33,910 | 7,421 | — | 924 |
| Timing of revenue recognition | | | | |
| Transferred at a point in time | 33,910 | 7,421 | — | 97 |
| Transferred over time | — | — | — | 827 |
| | 33,910 | 7,421 | — | 924 |

### 5.2 Contract balances

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables (note 20) | 19,900 | 6,821 | 5,821 |
| Contract liabilities (note 25) | 152,588 | 344,455 | 388,284 |

There were no revenue recognised from amounts included in contract liabilities at the beginning of 2017 and 2018. Since performance obligations included in the contract liabilities has been partially satisfied during the three months ended 31 March 2019, there is revenue of amount RMB827,000 recognised from the contract liabilities at the beginning of the period ended 31 March 2019.

### 5.3 Performance obligations

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2017 and 2018 and 31 March 2019 are as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Within one year | — | 9,108 | 12,139 |
| More than one year | 152,588 | 335,347 | 376,145 |
| | 152,588 | 344,455 | 388,284 |

At the end of each of the Relevant Periods, the remaining performance obligations expected to be recognised in more than one year mainly relate to granting customers exclusive distribution rights, which is expected to be recognised during the future estimated distribution period. The amounts disclosed above do not include variable consideration.

## 6. OTHER INCOME AND GAINS

### Other income and gains

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Government grants (note) | 564 | 15,886 | 16 | 1,537 |
| Interest income | 531 | 5,208 | 2,429 | 3,246 |
| Exchange gain | — | 8,927 | 15,870 | — |
| Others | 70 | 287 | 98 | 47 |
| | 1,165 | 30,308 | 18,413 | 4,830 |

*Note:*

Various government grants have been received from local government authorities, for setting up research and development activities. The government grants released have been recorded in other income and gains. Government grants received for which related expenditure has not yet been undertaken are included in deferred income. There are no unfulfilled conditions or contingencies relating to these government grants.

## 7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Cost of services provided | 15,019 | 5,398 | — | — |
| Depreciation of property, plant and equipment and right-of-use assets | 4,242 | 7,175 | 2,370 | 1,933 |
| Amortisation of other intangible assets | 105 | 594 | 77 | 217 |
| Research and development costs: | | | | |
| Current year/period expenditure | 257,080 | 365,382 | 49,221 | 100,145 |
| Including: | | | | |
| Depreciation | 19,851 | 34,224 | 7,046 | 10,344 |
| Amortization of other intangible assets | 82 | 66 | 28 | 88 |
| Employee benefit expense: (excluding share-based payment expense): | 46,507 | 88,201 | 17,317 | 33,853 |
| Share-based payment expense | 88,425 | 55,173 | — | 16,759 |
| Lease payments under low value leases | 41 | 124 | 38 | 51 |
| IPO listing expenses | — | 15,897 | 1,223 | 3,866 |
| Auditor's remuneration | 300 | 250 | 63 | 75 |
| Employee benefit expense (including directors' and chief executive's remuneration (note 9)): | | | | |
| Wages and salaries | 18,818 | 28,729 | 5,320 | 5,907 |
| Staff welfare expenses | 5,066 | 7,751 | 1,325 | 2,310 |
| Share-based payment expense | 39,452 | 16,513 | — | 5,715 |
| Foreign exchange (gain)/loss, net | 237 | (8,927) | (15,870) | 16,752 |
| Bank interest income | (531) | (5,208) | (2,429) | (3,246) |
| Loss on disposal of items of property plants and equipment | 242 | 111 | — | 64 |

## 8. FINANCE COSTS

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Interest expense on entrusted loan from related party | 44,783 | 38,117 | 16,104 | — |
| Interest expense on bank and other borrowings | — | 7,518 | — | 5,952 |
| Interest expense on lease liabilities | 10,376 | 12,261 | 3,152 | 3,003 |
| | 55,159 | 57,896 | 19,256 | 8,955 |

## 9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The remuneration of each director and supervisor as recorded in each of the Relevant Periods is set out below:

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Fees | — | — | — | — |
| Other emoluments: | | | | |
| Wages and salaries | 2,989 | 3,948 | 1,203 | 761 |
| Performance related bonuses | 960 | 1,833 | 480 | 379 |
| Staff welfare expenses | 46 | 164 | 39 | 42 |
| Share-based payment expenses | 18,920 | 2,633 | — | 878 |
| | 22,915 | 8,578 | 1,722 | 2,060 |

The remuneration of each director and supervisor for the year ended 31 December 2017 is set out below:

| | Fees | Wages and salaries | Performance related bonus | Staff welfare expenses | Share award scheme |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Directors | | | | | |
| Mr Qiyu Chen | — | — | — | — | — |
| Mr Yifang Wu | — | — | — | — | — |
| Mr Jiemin Fu | — | — | — | — | — |
| Mr Zhanyu Chen[1] | — | — | — | — | — |
| Mr Scott Shi-Kau Liu[2] | — | 1,428 | 600 | — | 9,460 |
| Mr Wei-Dong Jiang[3] | — | 1,019 | 180 | — | 9,460 |
| | — | 2,447 | 780 | — | 18,920 |

| | Fees | Wages and salaries | Performance related bonus | Staff welfare expenses | Share-based payment expenses |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Supervisors | | | | | |
| Mr Kong Deli | — | — | — | — | — |
| Mr Zhou Yong | — | — | — | — | — |
| Ms Wang Jingyi | — | 542 | 180 | 46 | — |
| | — | 542 | 180 | 46 | — |
| | — | 2,989 | 960 | 46 | 18,920 |

The remuneration of each director and supervisor for the year ended 31 December 2018 is set out below:

| | Fees | Wages and salaries | Performance related bonuses | Staff welfare expenses | Share award scheme |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Directors | | | | | |
| Mr Qiyu Chen | — | — | — | — | — |
| Mr Yifang Wu | — | — | — | — | — |
| Mr Jiemin Fu | — | — | — | — | — |
| Mr Aimin Hui[(4)] | — | — | — | — | — |
| Ms Xiaohui Guan[(5)] | — | — | — | — | — |
| Mr Scott Shi-Kau Liu[(2)] | — | 2,253 | 1,401 | — | — |
| Mr Wei-Dong Jiang[(3)] | — | 1,213 | 316 | — | — |
| | — | 3,466 | 1,717 | — | — |
| Supervisors | | | | | |
| Mr Kong Deli | — | — | — | — | — |
| Mr Zhou Yong | — | — | — | — | — |
| Ms Wang Jingyi | — | 482 | 116 | 164 | 2,633 |
| | — | 482 | 116 | 164 | 2,633 |
| | — | 3,948 | 1,833 | 164 | 2,633 |

The remuneration of each director and supervisor for the period ended 31 March 2018 is set out below:

| | Fees | Wages and salaries | Performance related bonus | Staff welfare expenses | Share-based payment expenses |
|---|---|---|---|---|---|
| | RMB'000 (unaudited) | RMB'000 (unaudited) | RMB'000 (unaudited) | RMB'000 (unaudited) | RMB'000 (unaudited) |
| Directors | | | | | |
| Mr Qiyu Chen | — | — | — | — | — |
| Mr Yifang Wu | — | — | — | — | — |
| Mr Jiemin Fu | — | — | — | — | — |
| Mr Zhanyu Chen[(1)] | — | — | — | — | — |
| Mr Scott Shi-Kau Liu[(2)] | — | 616 | 192 | — | — |
| Mr Wei-Dong Jiang[(3)] | — | 475 | 243 | — | — |
| | — | 1,091 | 435 | — | — |
| Supervisors | | | | | |
| Mr Kong Deli | — | — | — | — | — |
| Mr Zhou Yong | — | — | — | — | — |
| Ms Wang Jingyi | — | 112 | 45 | 39 | — |
| | — | 112 | 45 | 39 | — |
| | — | 1,203 | 480 | 39 | — |

The remuneration of each director and supervisor for the period ended 31 March 2019 is set out below:

| | Fees | Wages and salaries | Performance related bonus | Staff welfare expenses | Share-based payment expenses |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Directors | | | | | |
| Mr Qiyu Chen | — | — | — | — | — |
| Mr Yifang Wu | — | — | — | — | — |
| Mr Jiemin Fu | — | — | — | — | — |
| Mr Aimin Hui(4) | — | — | — | — | — |
| Ms Xiaohui Guan(5) | — | — | — | — | — |
| Mr Scott Shi-Kau Liu(2) | — | 634 | 350 | — | — |
| | — | 634 | 350 | — | — |
| Supervisors | | | | | |
| Mr Kong Deli | — | — | — | — | — |
| Mr Zhou Yong | — | — | — | — | — |
| Ms Wang Jingyi | — | 127 | 29 | 42 | 878 |
| | — | 127 | 29 | 42 | 878 |
| | — | 761 | 379 | 42 | 878 |

*Notes:*

(1) Mr Zhanyu Chen retired as a director of the Company in December 2018.

(2) Mr Scott Shi-Kau Liu is also the chief executive of the Company, and his remuneration disclosed above included the services rendered by him as the chief executive.

(3) Mr Wei-Dong Jiang retired as a director of the Company in August 2018.

(4) Mr Aimin Hui was appointed as a director of the Company in April 2018.

(5) Ms Xiaohui Guan was appointed as a director of the Company in December 2018.

There is no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included two, nil, two and nil Directors in the years ended 31 December 2017 and 2018, and the three months ended 31 March 2018 and 2019. Details of whose remuneration are set out in note 9 above. Details of the remuneration for the Relevant Periods of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Wages and salaries | 2,167 | 5,959 | 2,202 | 1,497 |
| Performance related bonuses | 261 | 1,209 | 673 | 302 |
| Staff welfare expenses | 113 | 164 | — | 42 |
| Share-based payment expense | 103,258 | 43,750 | — | 14,583 |
| | 105,799 | 51,082 | 2,875 | 16,424 |

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | | | |
|---|---|---|---|---|
| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Nil to RMB1,000,000 | — | — | 3 | — |
| RMB1,000,000 to RMB5,000,000 | — | 1 | — | 3 |
| RMB5,000,000 to RMB10,000,000 | — | 2 | — | 2 |
| RMB10,000,000 to RMB20,000,000 | — | 2 | — | — |
| RMB20,000,000 to RMB30,000,000 | — | — | — | — |
| RMB30,000,000 to RMB40,000,000 | 2 | — | — | — |
| RMB40,000,000 to RMB50,000,000 | 1 | — | — | — |
| | 3 | 5 | 3 | 5 |

## 11. INCOME TAX

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for the Company which is taxed at a preferential rate of 15%.

Taxes on profits assessable elsewhere have been calculated at the tax rates prevailing in the jurisdictions in which the Group operates. The provision for current income tax of Taiwan Henlius, a subsidiary of the Group incorporated in Taiwan, is based on the statutory rate of 17%, 18% and 19% for the year ended 31 December 2017 and 2018 and the three months ended 31 March 2019.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

**Year ended 31 December 2017**

| | China | Other countries | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Loss before tax | (350,400) | (29,597) | (379,997) |
| Tax at the statutory tax rate | (76,723) | (7,056) | (83,779) |
| Withholding income tax of subsidiary not deductible for tax | 3,703 | 627 | 4,330 |
| Expenses not deductible for tax | 741 | 25 | 766 |
| Additional deductible allowance for R&D expenses | (2,741) | — | (2,741) |
| Deductible temporary difference and tax losses not recognised | 78,723 | 7,031 | 85,754 |
| Tax charge at the effective rate | 3,703 | 627 | 4,330 |

**Year ended 31 December 2018**

| | China | Other countries | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Loss before tax | (471,964) | (28,256) | (500,220) |
| Tax at the statutory tax rate | (113,155) | (6,736) | (119,891) |
| Withholding income tax of a subsidiary not deductible for tax | 3,380 | 1,189 | 4,569 |
| Expenses not deductible for tax | 2,167 | — | 2,167 |
| Additional deductible allowance for R&D expenses | (14,011) | — | (14,011) |
| Deductible temporary difference and tax losses not recognised | 124,999 | 6,736 | 131,735 |
| Tax charge at the effective rate | 3,380 | 1,189 | 4,569 |

**Three months ended 31 March 2018 (unaudited)**

| | China | Other countries | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Loss before tax | (56,846) | (8,283) | (65,129) |
| Tax at the statutory tax rate | (15,319) | (1,974) | (17,293) |
| Withholding income tax of subsidiary not deductible for tax | 2,714 | — | 2,714 |
| Expenses not deductible for tax | 33 | — | 33 |
| Deductible temporary difference and tax losses not recognised | 15,286 | 1,974 | 17,260 |
| Tax charge at the effective rate | 2,714 | — | 2,714 |

**Three months ended 31 March 2019**

| | China | Other countries | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Loss before tax | (135,531) | (22,592) | (158,123) |
| Tax at the statutory tax rate | (32,216) | (5,385) | (37,601) |
| Expenses not deductible for tax | 1,949 | 3 | 1,952 |
| Deductible temporary difference and tax losses not recognised | 30,267 | 5,382 | 35,649 |
| Tax charge at the effective rate | — | — | — |

## 12. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

## 13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during each of the years ended 31 December 2017 and 2018, and the three months ended 31 March 2018 and 2019.

The calculation of the diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Relevant Periods, as used in the basic loss per share calculation, and the weighted average number of all dilutive potential ordinary shares into ordinary shares.

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| **Loss** | | | | |
| Loss attributable to ordinary equity holders of the parent used in the basic earnings per share calculation | (270,562) | (493,686) | (60,504) | (158,123) |
| **Shares** | | | | |
| Weighted average number of ordinary shares in issue during the year/period used in the basic loss per share calculation | 352,721,877 | 426,598,066 | 414,575,328 | 451,683,053 |
| Effect of dilution-weighted average number of ordinary shares: | | | | |
| Restricted shares under share award scheme | N/A | — | N/A | — |
| | 352,721,877 | 426,598,066 | 414,575,328 | 451,683,053 |

Because the diluted loss per share amount is decreased when taking restricted shares issued under the 2018 share award scheme (note 31) into account, the restricted shares had an anti-dilutive effect of the basic loss per share during the Relevant Periods and were ignored in the calculation of diluted loss per share.

## 14. PROPERTY, PLANT AND EQUIPMENT

### Group

| | Plant and machinery | Motor vehicles | Office and other equipment | Electronic equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 December 2017** | | | | | | | |
| At 31 December 2016 and at 1 January 2017 | | | | | | | |
| Cost | 165,840 | 878 | 679 | 10,389 | 74,596 | 4,511 | 256,893 |
| Accumulated depreciation | (20,493) | (300) | (241) | (1,862) | (7,445) | — | (30,341) |
| Net carrying amount | 145,347 | 578 | 438 | 8,527 | 67,151 | 4,511 | 226,552 |
| At 1 January 2017, net of accumulated depreciation | 145,347 | 578 | 438 | 8,527 | 67,151 | 4,511 | 226,552 |
| Additions | 58,957 | 10 | 202 | 6,082 | 17,273 | 11,985 | 94,509 |
| Disposals | (230) | — | (2) | (10) | — | — | (242) |
| Depreciation provided during the year | (19,147) | (147) | (98) | (2,116) | (9,060) | — | (30,568) |
| Transfers | 12,675 | — | — | 83 | 1,270 | (14,028) | — |
| Exchange rate fluctuation | 60 | — | — | 4 | (2) | — | 62 |
| At 31 December 2017, net of accumulated depreciation | 197,662 | 441 | 540 | 12,570 | 76,632 | 2,468 | 290,313 |
| At 31 December 2017 | | | | | | | |
| Cost | 236,889 | 888 | 876 | 16,278 | 93,138 | 2,468 | 350,537 |
| Accumulated depreciation | (39,227) | (447) | (336) | (3,708) | (16,506) | — | (60,224) |
| Net carrying amount | 197,662 | 441 | 540 | 12,570 | 76,632 | 2,468 | 290,313 |

| | Plant and machinery | Motor vehicles | Office and other equipment | Electronic equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 December 2018** | | | | | | | |
| At 31 December 2017 and at 1 January 2018 | | | | | | | |
| Cost | 236,889 | 888 | 876 | 16,278 | 93,138 | 2,468 | 350,537 |
| Accumulated depreciation | (39,227) | (447) | (336) | (3,708) | (16,506) | — | (60,224) |
| Net carrying amount | 197,662 | 441 | 540 | 12,570 | 76,632 | 2,468 | 290,313 |
| At 1 January 2018, net of accumulated depreciation | 197,662 | 441 | 540 | 12,570 | 76,632 | 2,468 | 290,313 |
| Additions | 41,980 | 436 | 73 | 13,855 | 15,270 | 1,787 | 73,401 |
| Disposals | — | — | — | (97) | (14) | — | (111) |
| Depreciation provided during the year | (25,731) | (167) | (148) | (3,324) | (11,015) | — | (40,385) |
| Transfers | 8 | — | — | — | 2,286 | (2,294) | — |
| Exchange rate fluctuation | 123 | — | 1 | 603 | 34 | — | 761 |
| At 31 December 2018, net of accumulated depreciation | 214,042 | 710 | 466 | 23,607 | 83,193 | 1,961 | 323,979 |
| At 31 December 2018 | | | | | | | |
| Cost | 279,041 | 1,324 | 952 | 30,520 | 108,662 | 1,961 | 422,460 |
| Accumulated depreciation | (64,999) | (614) | (486) | (6,913) | (25,469) | — | (98,481) |
| Net carrying amount | 214,042 | 710 | 466 | 23,607 | 83,193 | 1,961 | 323,979 |

| | Plant and machinery | Motor vehicles | Office and other equipment | Electronic equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 March 2019** | | | | | | | |
| At 31 December 2018 and at 1 January 2019 | | | | | | | |
| Cost | 279,041 | 1,324 | 952 | 30,520 | 108,662 | 1,961 | 422,460 |
| Accumulated depreciation | (64,999) | (614) | (486) | (6,913) | (25,469) | — | (98,481) |
| Net carrying amount | 214,042 | 710 | 466 | 23,607 | 83,193 | 1,961 | 323,979 |
| At 1 January 2019, net of accumulated depreciation | 214,042 | 710 | 466 | 23,607 | 83,193 | 1,961 | 323,979 |
| Additions | 32,431 | — | 51 | 4,502 | 1,400 | — | 38,384 |
| Disposals | (61) | — | — | (3) | — | — | (64) |
| Depreciation provided during the period | (8,073) | (50) | (117) | (486) | (3,074) | — | (11,800) |
| Transfers | — | — | — | — | — | — | |
| Exchange rate fluctuation | (377) | — | (22) | — | (19) | — | (418) |
| At 31 March 2019, net of accumulated depreciation | 237,962 | 660 | 378 | 27,620 | 81,500 | 1,961 | 350,081 |
| At 31 March 2019 | | | | | | | |
| Cost | 310,963 | 1,324 | 959 | 35,019 | 110,062 | 1,961 | 460,288 |
| Accumulated depreciation | (73,001) | (664) | (581) | (7,399) | (28,562) | — | (110,207) |
| Net carrying amount | 237,962 | 660 | 378 | 27,620 | 81,500 | 1,961 | 350,081 |

The net carrying amounts of pledged property, plant and equipment of the Group were nil, RMB132,824,000 and RMB128,575,000 as at 31 December 2017 and 2018 and 31 March 2019, respectively. For details, please refer to note 26.

**Company**

| | Plant and machinery | Motor vehicles | Office and other equipment | Electronic equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 December 2017** | | | | | | | |
| At 31 December 2016 and at 1 January 2017 | | | | | | | |
| Cost | 99,251 | 878 | 256 | 3,250 | 14,034 | 90 | 117,759 |
| Accumulated depreciation | (17,295) | (300) | (198) | (1,158) | (1,082) | — | (20,033) |
| Net carrying amount | 81,956 | 578 | 58 | 2,092 | 12,952 | 90 | 97,726 |
| At 1 January 2017, net of accumulated depreciation | 81,956 | 578 | 58 | 2,092 | 12,952 | 90 | 97,726 |
| Additions | 20,673 | 10 | 11 | 1,406 | 3,710 | 2,388 | 28,198 |
| Disposals | (40,847) | — | (1) | (369) | — | — | (41,217) |
| Depreciation provided during the year | (7,853) | (147) | (28) | (616) | (1,597) | — | (10,241) |
| Transfers | 1,709 | — | — | — | — | (1,709) | — |
| At 31 December 2017, net of accumulated depreciation | 55,638 | 441 | 40 | 2,513 | 15,065 | 769 | 74,466 |
| At 31 December 2017 | | | | | | | |
| Cost | 75,444 | 888 | 262 | 4,014 | 17,744 | 769 | 99,121 |
| Accumulated depreciation | (19,806) | (447) | (222) | (1,501) | (2,679) | — | (24,655) |
| Net carrying amount | 55,638 | 441 | 40 | 2,513 | 15,065 | 769 | 74,466 |

| | Plant and machinery | Motor vehicles | Office and other equipment | Electronic equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 December 2018** | | | | | | | |
| At 31 December 2017 and at 1 January 2018 | | | | | | | |
| Cost | 75,444 | 888 | 262 | 4,014 | 17,744 | 769 | 99,121 |
| Accumulated depreciation | (19,806) | (447) | (222) | (1,501) | (2,679) | — | (24,655) |
| Net carrying amount | 55,638 | 441 | 40 | 2,513 | 15,065 | 769 | 74,466 |
| At 1 January 2018, net of accumulated depreciation | 55,638 | 441 | 40 | 2,513 | 15,065 | 769 | 74,466 |
| Additions | 21,975 | — | — | 538 | 4,614 | 1,315 | 28,442 |
| Disposals | — | — | — | (6) | — | — | (6) |
| Depreciation provided during the year | (8,359) | (119) | (9) | (721) | (2,817) | — | (12,025) |
| Transfers | — | — | — | — | 2,084 | (2,084) | — |
| At 31 December 2018, net of accumulated depreciation | 69,254 | 322 | 31 | 2,324 | 18,946 | — | 90,877 |
| At 31 December 2018 | | | | | | | |
| Cost | 97,419 | 888 | 262 | 4,546 | 24,442 | — | 127,557 |
| Accumulated depreciation | (28,165) | (566) | (231) | (2,222) | (5,496) | — | (36,680) |
| Net carrying amount | 69,254 | 322 | 31 | 2,324 | 18,946 | — | 90,877 |

| | Plant and machinery | Motor vehicles | Office and other equipment | Electronic equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 March 2019** | | | | | | | |
| At 31 December 2018 and at 1 January 2019 | | | | | | | |
| Cost | 97,419 | 888 | 262 | 4,546 | 24,442 | — | 127,557 |
| Accumulated depreciation | (28,165) | (566) | (231) | (2,222) | (5,496) | — | (36,680) |
| Net carrying amount | 69,254 | 322 | 31 | 2,324 | 18,946 | — | 90,877 |
| At 1 January 2019, net of accumulated depreciation | 69,254 | 322 | 31 | 2,324 | 18,946 | — | 90,877 |
| Additions | 11,277 | — | — | 137 | 8 | — | 11,422 |
| Disposals | (61) | — | — | (3) | — | — | (64) |
| Depreciation provided during the period | (2,432) | (30) | (1) | (194) | (832) | — | (3,489) |
| At 31 March 2019, net of accumulated depreciation | 78,038 | 292 | 30 | 2,264 | 18,122 | — | 98,746 |
| At 31 March 2019 | | | | | | | |
| Cost | 108,635 | 888 | 262 | 4,680 | 24,450 | — | 138,915 |
| Accumulated depreciation | (30,597) | (596) | (232) | (2,416) | (6,328) | — | (40,169) |
| Net carrying amount | 78,038 | 292 | 30 | 2,264 | 18,122 | — | 98,746 |

## 15. INTANGIBLE ASSETS

### Group

| | Non-patent technologies | Office software | Deferred development costs | Medicine license | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 December 2017** | | | | | |
| Cost at 1 January 2017, net of accumulated amortisation | 48,921 | 806 | 340,442 | — | 390,169 |
| Additions | — | 2,111 | 380,038 | — | 382,149 |
| Amortisation during the year | — | (229) | — | — | (229) |
| Exchange rate fluctuation | — | 1 | — | — | 1 |
| At 31 December 2017 | 48,921 | 2,689 | 720,480 | — | 772,090 |
| At 31 December 2017 | | | | | |
| Cost | 48,921 | 3,106 | 720,480 | — | 772,507 |
| Accumulated amortisation | — | (417) | — | — | (417) |
| Net carrying amount | 48,921 | 2,689 | 720,480 | — | 772,090 |
| **31 December 2018** | | | | | |
| Cost at 1 January 2018, net of accumulated amortisation | 48,921 | 2,689 | 720,480 | — | 772,090 |
| Additions | — | 4,288 | 607,101 | — | 611,389 |
| Amortisation during the year | — | (919) | — | — | (919) |
| Exchange rate fluctuation | — | 12 | — | — | 12 |
| At 31 December 2018 | 48,921 | 6,070 | 1,327,581 | — | 1,382,572 |
| At 31 December 2018 | | | | | |
| Cost | 48,921 | 7,407 | 1,327,581 | — | 1,383,909 |
| Accumulated amortisation | — | (1,337) | — | — | (1,337) |
| Net carrying amount | 48,921 | 6,070 | 1,327,581 | — | 1,382,572 |
| **31 March 2019** | | | | | |
| Cost at 1 January 2019, net of accumulated amortisation | 48,921 | 6,070 | 1,327,581 | — | 1,382,572 |
| Additions | — | 913 | 125,211 | — | 126,124 |
| Transfer | — | — | (350,836) | 350,836 | — |
| Amortisation during the period | — | (294) | — | (1,000) | (1,294) |
| Exchange rate fluctuation | — | (5) | — | — | (5) |
| At 31 March 2019 | 48,921 | 6,684 | 1,101,956 | 349,836 | 1,507,397 |
| At 31 March 2019 | | | | | |
| Cost | 48,921 | 8,314 | 1,101,956 | 350,836 | 1,510,027 |
| Accumulated amortisation | — | (1,630) | — | (1,000) | (2,630) |
| Net carrying amount | 48,921 | 6,684 | 1,101,956 | 349,836 | 1,507,397 |

**Company**

| | Non-patent technologies | Office software | Deferred development costs | Medicine license | Total |
|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **31 December 2017** | | | | | |
| Cost at 1 January 2017, net of accumulated amortisation | 48,921 | 735 | 275,327 | — | 324,983 |
| Additions | — | 687 | 298,940 | — | 299,627 |
| Amortisation during the year | — | (124) | — | — | (124) |
| At 31 December 2017 | 48,921 | 1,298 | 574,267 | — | 624,486 |
| At 31 December 2017 | | | | | |
| Cost | 48,921 | 1,580 | 574,267 | — | 624,768 |
| Accumulated amortisation | — | (282) | — | — | (282) |
| Net carrying amount | 48,921 | 1,298 | 574,267 | — | 624,486 |
| **31 December 2018** | | | | | |
| Cost at 1 January 2018, net of accumulated amortisation | 48,921 | 1,298 | 574,267 | — | 624,486 |
| Additions | — | 2,921 | 503,942 | — | 506,863 |
| Amortisation during the year | — | (658) | — | — | (658) |
| At 31 December 2018 | 48,921 | 3,561 | 1,078,209 | — | 1,130,691 |
| At 31 December 2018 | | | | | |
| Cost | 48,921 | 4,501 | 1,078,209 | — | 1,131,631 |
| Accumulated amortisation | — | (940) | — | — | (940) |
| Net carrying amount | 48,921 | 3,561 | 1,078,209 | — | 1,130,691 |
| **31 March 2019** | | | | | |
| Cost at 1 January 2019, net of accumulated amortisation | 48,921 | 3,561 | 1,078,209 | — | 1,130,691 |
| Additions | — | 79 | 100,842 | — | 100,921 |
| Transfer | — | — | (233,670) | 233,670 | — |
| Amortisation during the period | — | (188) | — | (707) | (895) |
| At 31 March 2019 | 48,921 | 3,452 | 945,381 | 232,963 | 1,230,717 |
| At 31 March 2019 | | | | | |
| Cost | 48,921 | 4,580 | 945,381 | 233,670 | 1,232,552 |
| Accumulated amortisation | — | (1,128) | — | (707) | (1,835) |
| Net carrying amount | 48,921 | 3,452 | 945,381 | 232,963 | 1,230,717 |

The intangible assets of the Group with indefinite life are non-patent technologies, which have indefinite life as the extension cost is low and these assets can be used indefinitely. In addition, the intangible assets of the Group also include the deferred development costs which are the expenditure incurred in the development phrase of each project. Management tests the non-patent technologies with indefinite useful life and the deferred development costs which were not yet available for use for impairment annually by comparing their carrying amount with their recoverable amounts.

**Non-patent technologies**

The recoverable amounts of the non-patent technologies were determined based on the fair value less costs of disposal, and the fair value of non-patent technologies were determined using the relief from royalty method taking into account the nature of the asset, using cash flow projections based on financial budgets covering a 5-year period, and the growth rate used to extrapolate the cash flows beyond the 5-year period is 3%, which is close to long-term inflation rate. The fair value measurement hierarchy of the non-patent technologies was level 3. Other key assumptions to the valuation model used:

| | 31 December 2017 | 31 December 2018 |
|---|---|---|
| Discount rates | 16.97% | 17.51% |
| Royalty rates | 5.00% | 5.00% |

*Discount rates* - The discount rates used are before tax and reflect specific risks relating to non-patent technologies.

*Royalty rates* - The basis used to determine the value assigned to royalty rates is the market royalty rate where non-patent technologies are located, taking into account the profitability of the Group and other qualitative factors.

**Deferred development costs**

The recoverable amounts of the deferred development costs were determined based on the fair value less costs of disposal, and the fair value of the deferred development costs was determined using the multi-period excess earnings method taking into account the nature of the assets, using cash flow projections based on financial budgets covering a 5-year period, and the growth rate used to extrapolate the cash flows for the subsequent 15 years is 3%, which is close to long-term inflation rate. The fair value measurement hierarchy of the deferred development costs was level 3. Other key assumptions to the valuation model used are listed as follows:

| | 31 December 2017 | 31 December 2018 |
|---|---|---|
| Discount rates | 17.25%-17.57% | 17.81%-17.92% |
| Contributory asset charges | 1.70%-2.15% | 1.67%-2.12% |

*Discount rates* - The discount rates used are before tax and reflect specific risks relating to deferred development costs.

*Budgeted gross margins* - The basis used to determine the value assigned to budgeted gross margins is the market gross margins where the biopharmaceuticals are located, taking into account the expected efficiency improvements and expected market development.

*Contributory asset charges* - The basis used to determine the value assigned to contributory asset charges is the return of revenue ("ROR") of the contributory assets, the ROR was determined according to the borrowing rate and cost of equity, and the contributory assets mainly included working capital, tangible assets and assembled workforce.

As at 31 December 2017 and 2018, the recoverable amount of non-patent technologies exceeds the carrying amount by RMB534,933,000 and RMB673,382,000 respectively, and the recoverable amount of deferred development costs exceeds the carrying amount by RMB5,887,515,000 and RMB6,251,486,000, respectively.

The Group did not perform impairment test for non-patent technologies and deferred development costs as at 31 March 2019, because the Group perform impairment test annually at December year-end in accordance with IAS 36 Impairment of assets.

**Sensitivity to changes in key assumptions**

The following tables set forth the impact of reasonably possible changes in each of the key assumptions on, with all other variables held constant, impairment testing of non-patent technologies and deferred development costs of the Group as at the dates indicated.

| | Recoverable amount of non-patent technologies exceeds its carrying amount decrease by | |
|---|---|---|
| | **31 December 2017** | **31 December 2018** |
| Possible changes of key assumptions | | |
| Pre-tax discount rates increased by 1% | 50,593 | 57,219 |
| Royalty rate decreased by 1% | 73,391 | 146,426 |
| Long-term growth rate decreased by 1% | 37,079 | 41,099 |

| | Recoverable amount of the deferred development costs exceeds their carrying amount decrease by | |
|---|---|---|
| | 31 December 2017 | 31 December 2018 |
| Possible changes of key assumptions | | |
| Pre-tax discount rates increased by 1% | 540,345 | 550,357 |
| Contributory asset charges increased by 1% | 163,950 | 197,743 |
| Growth rate of the subsequent 15 years after the budget period decreased by 1% | 277,809 | 349,674 |

With regard to the assessment of fair value, management believes that no reasonably possible changes in any of the key assumptions would cause the recoverable amounts of non-patent technologies and deferred development costs to be materially lower than their carrying amounts.

## 16. INVESTMENTS IN SUBSIDIARIES

**Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Unlisted shares, at cost | 621,905 | 850,849 | 886,775 |

## 17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

**Group**

| | Plant, office and laboratory | |
|---|---|---|
| | Right-of-use assets | Lease liabilities |
| | RMB'000 | RMB'000 |
| As at 1 January 2017 | 154,385 | 154,385 |
| Additions | 36,993 | 36,993 |
| Depreciation expense | (22,436) | — |
| Interest expense | — | 10,376 |
| Other comprehensive income | (281) | (292) |
| Payment | — | (18,034) |
| As at 31 December 2017 | 168,661 | 183,428 |
| As at 1 January 2018 | 168,661 | 183,428 |
| Additions | 36,413 | 36,413 |
| Depreciation expense | (34,498) | — |
| Interest expense | — | 12,261 |
| Other comprehensive income | 246 | 267 |
| Payment | — | (40,427) |
| As at 31 December 2018 | 170,822 | 191,942 |
| As at 1 January 2019 | 170,822 | 191,942 |
| Additions | 6,582 | 6,582 |
| Depreciation expense | (9,749) | — |
| Interest expense | — | 3,003 |
| Other comprehensive income | (131) | (143) |
| Payment | — | (6,989) |
| As at 31 March 2019 | 167,524 | 194,395 |

**Company**

| | Plant, office and laboratory | |
|---|---|---|
| | Right-of-use assets | Lease liabilities |
| | RMB'000 | RMB'000 |
| As at 1 January 2017 | 80,761 | 80,761 |
| Additions | 35,487 | 35,487 |
| Depreciation expense | (12,446) | — |
| Interest expense | — | 5,900 |
| Payment | — | (8,873) |
| As at 31 December 2017 | 103,802 | 113,275 |
| As at 1 January 2018 | 103,802 | 113,275 |
| Additions | 29,084 | 29,084 |
| Depreciation expense | (23,369) | — |
| Interest expense | — | 8,092 |
| Payment | — | (25,458) |
| As at 31 December 2018 | 109,517 | 124,993 |
| As at 1 January 2019 | 109,517 | 124,993 |
| Additions | 3,723 | 3,723 |
| Depreciation expense | (6,486) | — |
| Interest expense | — | 1,982 |
| Payment | — | (4,217) |
| As at 31 March 2019 | 106,754 | 126,481 |

## 18. OTHER NON-CURRENT ASSETS

**Group**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Prepayment for long-term assets | 20,557 | 130,432 | 160,106 |

**Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Prepayment for long-term assets | 11,867 | 54,717 | 91,494 |

## 19. INVENTORIES

**Group**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Raw materials | 24,668 | 25,203 | 38,253 |
| Work in progress | — | — | 3,616 |
| | 24,668 | 25,203 | 41,869 |

**Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Raw materials | 5,011 | 316 | 320 |

## 20. TRADE AND BILLS RECEIVABLES

**Group**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables | 19,900 | 5,821 | 5,321 |
| Bills receivables | — | 1,000 | 500 |
| | 19,900 | 6,821 | 5,821 |

Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables, based on the invoice date and net of provisions, as at the end of each of the Relevant Periods is as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year | 19,900 | 1,521 | 521 |
| 1 to 2 years | — | 5,300 | 5,300 |
| | 19,900 | 6,821 | 5,821 |

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Neither past due nor impaired | 14,900 | 1,521 | 521 |
| Past due within 1 year | 5,000 | 2,500 | 2,500 |
| Past due 1 to 2 years | — | 2,800 | 2,800 |
| | 19,900 | 6,821 | 5,821 |

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due. The expected loss rate for trade receivables that are categorised as not past due is assessed to be 0.1%, while the expected loss rate for the trade receivables past due is assessed to be 0.5%. The expected credit loss rate is reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The expected credit loss rate remained the same during the Relevant Periods as the business and customer base of the Group remained stable and there were no significant fluctuations on the historical credit loss incurred. In addition, there is no significant change on the economic indicators based on the assessment of the forward looking information. Based on evaluations on the expected credit loss rate and the gross carrying amount of the balances, the Directors are of the opinion that the ECL in respect of these balances is considered to be immaterial.

Included in the Group's trade and bills receivables were amounts due from the Group's related parties of RMB6,210,000, RMB1,271,000 and RMB521,000 (note 38) as at 31 December 2017 and 2018 and 31 March 2019, respectively. The balances due from related parties are trade in nature, non-interest-bearing and collectible on credit terms similar to those offered to the major customers of the Group.

The pledged trade receivables of the Group amounted to nil, RMB5,821,000 and RMB5,321,000 as at 31 December 2017 and 2018 and 31 March 2019, respectively. For details, please refer to note 26.

**Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables | 13,710 | 8,205 | 9,054 |
| Bills receivables | — | 1,000 | 500 |
| | 13,710 | 9,205 | 9,554 |

Trade and bills receivables are non-interest-bearing.

At the end of each of the Relevant Periods, the Company is of the view that there is no need to provide impairment for trade receivables.

An ageing analysis of the trade and bills receivables, based on the invoice date and net of provisions, as at the end of each of the Relevant Periods is as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year | 13,710 | 3,905 | 4,254 |
| 1 to 2 years | — | 5,300 | 5,300 |
| | 13,710 | 9,205 | 9,554 |

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Neither past due nor impaired | 8,710 | 3,905 | 4,254 |
| Past due within 1 year | 5,000 | 2,500 | 2,500 |
| Past due within 1 to 2 years | — | 2,800 | 2,800 |
| | 13,710 | 9,205 | 9,554 |

## 21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

**Group**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Prepayments | 26,281 | 26,292 | 34,346 |
| VAT to be deducted | 96,676 | 51,644 | 67,545 |
| Deposits and other receivables | 2,473 | 12,011 | 14,689 |
| Interest receivables | 2 | — | — |
| | 125,432 | 89,947 | 116,580 |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there is no recent history of default.

Deposits and other receivables mainly represent rental deposits and deposits with suppliers. To measure the expected credit losses, the balances are grouped based on shared credit risk characteristics and the days past due. At the end of each of the Relevant Periods, there were no deposits and other receivables past due, the expected credit loss rate for deposits and other receivables is assessed to be 0.1%. The expected loss rate is reviewed, and adjusted if appropriate, at the end of each of the Relevant Periods. The expected credit loss rate remained the same during the Relevant Periods as the nature and customers of the deposits and other receivables of the Group remained stable and there were no significant fluctuations on the historical credit loss incurred. In addition, there is no significant change in the economic indicators based on the assessment of the forward looking information. Based on evaluations on the expected credit loss rate and the gross carrying amount of the balances, the Directors are of the opinion that the ECL in respect of these balances is considered to be immaterial.

Included in the Group's prepayments were amounts due from the Group's related party of RMB90,000, RMB320,000 and nil (note 38) as at 31 December 2017, 31 December 2018 and 31 March 2019, respectively.

**Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Prepayments | 24,569 | 23,401 | 80,596 |
| VAT to be deducted | 49,298 | 29,274 | 38,474 |
| Deposits and other receivables | 463,871 | 720,828 | 782,112 |
| Interest receivables | — | — | 65 |
| | 537,738 | 773,503 | 901,247 |

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there is no recent history of default.

## 22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

**Group**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Cash on hand | 64 | 12 | 12 |
| Cash at banks,unrestricted | 62,832 | 965,002 | 831,844 |
| | 62,896 | 965,014 | 831,856 |
| Less: Pledged for bills payable | 4,384 | 6,024 | 6,990 |
| Cash and cash equivalents | 58,512 | 958,990 | 824,866 |

The Group's cash and bank balances as at the end of each of the Relevant Periods are denominated in the following currencies:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Denominated in Renminbi ("RMB") | 13,289 | 25,313 | 189,718 |
| Denominated in United States dollar ("USD") | 6,621 | 938,293 | 631,954 |
| Denominated in Europe dollar ("EUR") | — | — | 1,509 |
| Denominated in Swiss Franc ("CHF") | — | — | 7,432 |
| Denominated in New Taiwan dollar ("NTD") | 42,986 | 1,408 | 1,243 |
| | 62,896 | 965,014 | 831,856 |

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Cash on hand | 51 | 1 | 1 |
| Cash at banks,unrestricted | 9,129 | 932,860 | 786,893 |
| | 9,180 | 932,861 | 786,894 |
| Less: Pledged for bills payable | — | 1,153 | 503 |
| Cash and cash equivalents | 9,180 | 931,708 | 786,391 |

The Group's cash and bank balances as at the end of each of the Relevant Periods are denominated in the following currencies:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Denominated in RMB | 8,113 | 18,039 | 147,509 |
| Denominated in USD | 1,067 | 914,822 | 631,953 |
| Denominated in CHF | — | — | 7,432 |
| | 9,180 | 932,861 | 786,894 |

## 23. TRADE AND BILLS PAYABLES

**Group**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Trade payables | 69,816 | 79,285 | 92,395 |
| Bills payables | 4,384 | 6,024 | 6,990 |
| | 74,200 | 85,309 | 99,385 |

Trade and bills payables are non-interest-bearing and are normally settled on terms of three to six months.

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods based on the invoice date, is as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year | 74,177 | 85,299 | 98,991 |
| 1 to 2 years | 23 | 10 | 394 |
| | 74,200 | 85,309 | 99,385 |

Included in the trade and bills payables were trade payables due to the Group's related parties of RMB33,000, RMB32,000 and RMB109,000 (note 38) as at 31 December 2017 and 2018 and 31 March 2019, respectively, which are repayable within 180 days, representing credit terms similar to those offered to their major customers.

**Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Trade payables | 59,051 | 61,127 | 68,843 |
| Bills payables | — | 1,153 | 503 |
| | 59,051 | 62,280 | 69,346 |

Trade and bills payables are non-interest-bearing and are normally settled on terms of three to six months.

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods based on the invoice date, is as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year | 59,050 | 62,280 | 68,977 |
| 1 to 2 years | 1 | — | 369 |
| | 59,051 | 62,280 | 69,346 |

## 24. OTHER PAYABLES AND ACCRUALS

**Group**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Repurchase obligation of restricted shares under share award scheme (note 31) | — | 209,528 | 209,528 |
| Payable of acquisition of non-controlling interest in a subsidiary (note 32) | 496,278 | — | — |
| Other payables | 10,883 | 12,064 | 23,608 |
| Payroll and welfare payable | 23,038 | 38,648 | 19,610 |
| Accrued expenses | 8,718 | 31,852 | 34,374 |
| Interest payable | 2,108 | 2,824 | 3,822 |
| Other taxes payables | 564 | 1,432 | 2,361 |
| | 541,589 | 296,348 | 293,303 |

Other payables are non-interest-bearing and repayable on demand.

Included in other payables and accruals were rental payables, interest payables and other service payables due to related parties of RMB2,108,000, RMB149,000 and RMB46,000 (note 38) as at 31 December 2017 and 2018 and 31 March 2019, respectively. At the end of each of the Relevant Periods, the interest payable were the interest generated from the interest-bearing bank and other borrowings.

**Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Repurchase obligation of restricted shares under share award scheme (note 31) | — | 209,528 | 209,528 |
| Payable of acquisition of non-controlling interest in a subsidiary | 496,278 | — | — |
| Other payables | 17,932 | 19,826 | 34,992 |
| Payroll and welfare payable | 12,736 | 19,494 | 4,082 |
| Accrued expenses | 3,887 | 31,100 | 34,374 |
| Interest payable | 2,108 | 2,824 | 3,822 |
| Other taxes payable | 396 | 1,016 | 1,671 |
| | 533,337 | 283,788 | 288,469 |

Other payables are non-interest-bearing and repayable on demand.

## 25. CONTRACT LIABILITIES

**Group and Company**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Advance from customers for exclusive distribution rights | 152,588 | 344,455 | 388,284 |
| Current portion | — | 9,108 | 12,139 |
| Non-current portion | 152,588 | 335,347 | 376,145 |

Contract liabilities include long-term and short-term advances received to grant customers exclusive distribution rights of the Group's certain biopharmaceutical products after the Group obtain the market distribution authorization from the local authorities.

Since the periods between the transfer of the exclusive distribution rights and the customers' advance payments are expected to be more than one year, the contracts with customers were considered to contain a significant financing component. The Group use the weighted average bank and other borrowings to adjust the effect of time value of the money over the advance from customers, by the end of 31 December 2018 and 31 March 2019, the significant financing component amounted to RMB24,599,000 and RMB28,443,000 was recognised as contract liabilities and the interest expenses which have been capitalised as deferred development costs.

The movements in contract liabilities of the Group and company during the Relevant Periods are as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the year/period | 63,774 | 152,588 | 344,455 |
| Received during the year/period | 88,814 | 167,268 | 40,812 |
| Recognised in revenue | — | — | (827) |
| Recognised from the significant financing component | — | 24,599 | 3,844 |
| At the end of the year/period | 152,588 | 344,455 | 388,284 |

## 26. INTEREST-BEARING BANK AND OTHER BORROWINGS

**Group**

| | | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 |
| Bank loan: | | | | |
| Secured | (a) | — | 249,992 | 246,680 |
| Unsecured | | — | 70,000 | 232,000 |
| Entrusted loans: | | | | |
| Secured | (b) | 575,000 | — | — |
| Other loans: | | | | |
| Secured | (c) | — | 4,624 | 4,266 |
| Unsecured | | — | 11,460 | 10,572 |
| Lease liabilities | (d) | 183,428 | 191,942 | 194,395 |
| **Total** | | **758,428** | **528,018** | **687,913** |
| **Repayable:** | | | | |
| Within one year | | 595,861 | 142,678 | 165,298 |
| In the second year | | 20,353 | 121,434 | 206,673 |
| In the third to fifth years, inclusive | | 61,624 | 204,847 | 263,182 |
| Beyond five years | | 80,590 | 59,059 | 52,760 |
| | | **758,428** | **528,018** | **687,913** |
| Portion classified as current liabilities | | 595,861 | 142,678 | 165,298 |
| Non-current portion | | 162,567 | 385,340 | 522,615 |

**Company**

| | | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 |
| Bank loan: | | | | |
| Secured | (a) | — | 249,992 | 246,680 |
| Unsecure | | — | 70,000 | 232,000 |
| Entrusted loans: | | | | |
| Secured | (b) | 575,000 | — | — |
| Lease liabilities | (d) | 113,275 | 124,993 | 126,481 |
| **Total** | | **688,275** | **444,985** | **605,161** |
| **Repayable:** | | | | |
| Within one year | | 586,079 | 124,584 | 141,923 |
| In the second year | | 11,934 | 101,174 | 190,240 |
| In the third to fifth years, inclusive | | 35,864 | 177,291 | 234,886 |
| Beyond five years | | 54,398 | 41,936 | 38,112 |
| | | **688,275** | **444,985** | **605,161** |
| Portion classified as current liabilities | | 586,079 | 124,584 | 141,923 |
| Non-current portion | | 102,196 | 320,401 | 463,238 |

*Notes:*

(a) The bank loans with the amount of RMB50,000,000 are secured by all the trade receivables owned by the Company from the date of the bank loan agreement to the date of the bank loan were fully and completely repaid. As at 31 December 2018 and 31 March 2019, the amount of pledged trade receivables was RMB5,821,000 and RMB5,321,000.

The bank loans with the amount of RMB199,992,000 are secured by the mortgage of the Group's equipment owned by the Group. As at 31 December 2018 and 31 March 2019, the mortgaged equipment had a net carrying amount of approximately RMB128,388,000 and RMB124,587,000.

(b) The Company borrowed entrusted loans from a related party, Shanghai Fosun Pharmaceutical Industry Development Co., Ltd. ("上海復星醫藥產業發展集團有限公司") through Bank of Beijing. They are secured by the equity interests of the Company which are owned by some of the Company's shareholders (note 38).

(c) The other loans are secured by the mortgage of the Group's equipment which had a net carrying amount of approximately RMB4,436,000 and RMB3,988,000 as at 31 December 2018 and 31 March 2019.

(d) The Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Included in lease liabilities there is amounts due to related parties of RMB160,860,000, RMB165,008,000 and RMB164,700,000 (note 38) as at 31 December 2017 and 2018 and 31 March 2019, respectively. For the details, please refer to note 17.

## 27. DEFERRED TAX

### Group

Deferred tax assets have not been recognised in respect of the following items:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Tax losses | 585,778 | 839,528 | 967,229 |
| Deductible temporary differences | 224,034 | 439,092 | 512,396 |
| | 809,812 | 1,274,620 | 1,479,625 |

The unused tax losses expire as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Less than five years | 135,437 | 291,030 | 145,134 |
| Beyond five years | 421,007 | 517,484 | 768,451 |
| Without limitation | 29,334 | 31,014 | 53,644 |
| | 585,778 | 839,528 | 967,229 |

Deferred tax assets have not been recognised in respect of the above items as the Company and its subsidiaries have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the above items can be utilized.

### Company

Deferred tax assets have not been recognised in respect of the following items:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Tax losses | 256,295 | 317,272 | 372,266 |
| Deductible temporary differences | 203,254 | 378,222 | 462,612 |
| | 459,549 | 695,494 | 834,878 |

Deferred tax assets have not been recognised in respect of the above items as it is not considered probable that taxable profits will be available against which the above items can be utilized.

## 28. DEFERRED INCOME

### Group

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Government grants | 33,702 | 38,111 | 37,520 |

Government grants were received by the Group for research and development activities. Government grants are recognised when the Group comply with the conditions attached to the grants and the government acknowledged acceptance, and the grants are recognised as income over the periods necessary to match the grants on a systematic basis to the costs that they are intended to compensate.

The movements in government grants of the Group during the Relevant Periods are as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the year/period | 33,292 | 33,702 | 38,111 |
| Received during the year/period | 1,080 | 18,321 | 200 |
| Recognised as income during the year/period | (464) | (13,512) | (791) |
| Others | (206) | (400) | — |
| At the end of the year/period | 33,702 | 38,111 | 37,520 |

### Company

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Government grants | 26,742 | 25,169 | 24,920 |

The movements in government grants of the Company during the Relevant Periods are as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the year/period | 26,732 | 26,742 | 25,169 |
| Received during the year/period | 680 | 11,541 | 200 |
| Recognised as income during the year/period | (464) | (12,714) | (449) |
| Others | (206) | (400) | — |
| At the end of the year/period | 26,742 | 25,169 | 24,920 |

## 29. SHARE CAPITAL

### Group and Company

| | Shares | | |
|---|---|---|---|
| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
| | RMB'000 | RMB'000 | RMB'000 |
| Issue and fully paid: | | | |
| ordinary shares | 366,287 | 474,433 | 474,433 |

The movements of share capital during the Relevant Periods are as follows:

| | Share capital | | |
|---|---|---|---|
| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
| | RMB'000 | RMB'000 | RMB'000 |
| At the beginning of the year/period | 350,000 | 366,287 | 474,433 |
| Capital contributions from shareholders (Note (a)) | 16,287 | 85,396 | — |
| Equity-settled share-based payments (Note (b)) | — | 22,750 | — |
| At the end of the year/period | 366,287 | 474,433 | 474,433 |

*Note:*

**(a) Capital contribution from shareholders**

(i) On 24 September 2017, the Company's shareholder invested RMB150,000,000 to the Company, the Company's share capital increased by RMB16,287,000.

(ii) During the three months ended 31 March of 2018, the Company's shareholders invested RMB1,060,144,000 and USD30,088,000 (equivalent to RMB190,573,000) to the Company, the Company's share capital increased by RMB55,435,000. On 6 July 2018, the Company's shareholder invested USD14,000,000 (equivalent to RMB92,870,000) to the Company, the Company's share capital increased by RMB4,841,000. On 2 November 2018, the Company's shareholders invested USD156,500,000 (equivalent to RMB1,085,655,000) in the Company, the Company's share capital was then increased by RMB25,120,000.

(b) On 14 April 2018, the second extraordinary general meeting of the Company passed the share award scheme, in which a number of 22,750,000 restricted shares would be granted to eligible participants under the share award scheme as set out in note 31. On 30 September 2018, the Company received the payment of the subscription price of RMB209,528,000 from the eligible participants, the Company's share capital was then increased by RMB22,750,000.

## 30. RESERVES

### Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity on pages I-7 to I-10 of the Historical Financial Information.

### Company

| | Share premium | Other reserve | Accumulated losses | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2017 | 192,833 | — | (23,580) | 169,253 |
| Loss for the year | — | — | (144,240) | (144,240) |
| Capital contribution from shareholders (Note(a)) | 133,713 | — | — | 133,713 |
| Equity-settled share-based payments (Note(b)) | — | 17,159 | — | 17,159 |
| At 31 December 2017 and 1 January 2018 | 326,546 | 17,159 | (167,820) | 175,885 |
| Loss for the year | — | — | (272,102) | (272,102) |
| Capital contributions from shareholders (Note (a)) | 2,343,846 | — | — | 2,343,846 |
| Issue of restricted shares under share award scheme (Note (b)) | 186,778 | (209,528) | — | (22,750) |
| Equity-settled share-based payments (Note (b)) | — | 92,547 | — | 92,547 |
| At 31 December 2018 and 1 January 2019 | 2,857,170 | (99,822) | (439,922) | 2,317,426 |
| Loss for the period | — | — | (86,471) | (86,471) |
| Equity-settled share-based payment (Note(b)) | — | 30,933 | — | 30,933 |
| At 31 March 2019 | 2,857,170 | (68,889) | (526,393) | 2,261,888 |

*Note:*

**(a) Capital contributions from shareholders**

(i) On 24 September 2017, the Company's shareholder invested RMB150,000,000 to the Company, the Company's share premium increased by RMB133,713,000.

(ii) During January to March of 2018, the Company's shareholders invested RMB1,060,144,000 and USD30,088,000 (equivalent to RMB190,573,000) to the Company, the Company's share premium increased by RMB1,195,282,000. On 6 July 2018, the Company's shareholder invested USD14,000,000 (equivalent to RMB92,870,000) to the Company, the Company's share premium increased by RMB88,029,000. On 2 November 2018, the Company's shareholder invested USD156,500,000 (equivalent to RMB1,085,655,000) in the Company, the Company's share premium was then increased by RMB1,060,535,000.

**(b) Equity-settled share-based payment**

(i) On 17 November 2017, the fifth extraordinary general meeting of the Company passed the resolution that HenLink, lnc. would make capital contributions to the Company, and the Company reached a subscription agreement with HenLink, Inc on the same date. The shareholders of HenLink, Inc. were all the employees of Taiwan Henlius, and there is no future fulfilment of conditions for the granted shares, the cash consideration for HenLink, Inc. to subscribe the shares was lower than the fair value of the shares, which was recognised as equity settled share-based payment and the Company's other reserve increased by RMB17,159,000.

(ii) On 14 April 2018, the second extraordinary general meeting of the Company passed the share award scheme, in which a number of 22,750,000 restricted shares would be granted to eligible participants at a consideration of RMB9.21 per share under the share award scheme as set out in note 31. As the grant price was lower than the fair value of the shares, which was recognised as equity settled share-based payment, the Company recognised other reserve and corresponding expenses and development costs of RMB92,547,000.

On 30 September 2018, the Company received the payment of the subscription price of RMB209,528,000 from the eligible participants, the Company's share premium was then increased by RMB186,778,000. Meanwhile, the Company has recognised RMB209,528,000 as other reserve as at 31 December 2018 due to the restricted share repurchase obligation of the Company till the end of the unlock period.

(iii) During the three months ended in 31 March 2019, the Company recognised other reserve and corresponding expenses and development costs of RMB30,933,000 following the 2018 share award scheme.

## 31. SHARE AWARD SCHEME

### 2017 share award scheme

### The Company

On 17 November 2017, the fifth extraordinary general meeting of the Company passed the resolution that HenLink, Inc. made capital contribution to the Company. The shareholders of HenLink, Inc. were all the employees of Taiwan Henlius. According to the resolution and agreement on the same date, HenLink, Inc. subscribed for 4,841,344 number of ordinary shares of the Company by a cash consideration of USD14,000,000(equivalent RMB92,788,000), and there was no future fulfilment of conditions for the granted shares, the shares granted to the employees vested immediately. According to the latest share transaction price by shareholders of the Company, the fair value of 4,841,344 number of ordinary shares was RMB109,947,000. and the Group has recognised the difference amounting to RMB17,159,000 between the fair value and cash consideration regarding to above shares as research and development expenses of RMB10,470,000 and administrative expenses of RMB6,689,000 for the year ended 31 December 2017.

### Taiwan Henlius, a not wholly-owned subsidiary of the Company

On 26 October 2017, the third board meeting of a not wholly-owned subsidiary of the Company, Taiwan Henlius passed the resolution that HenLink, Inc., a non-controlling shareholder of this subsidiary, made capital contribution to Taiwan Henlius. The shareholders of HenLink, Inc. were all the employees of Taiwan Henlius. According to the resolution and agreement on the same date, HenLink, Inc. subscribe for 11,708,000 number of ordinary shares of Taiwan Henlius by a cash consideration of NTD125,159,000 (equivalent RMB27,547,000), and there was no future fulfilment of conditions for the granted shares, the shares granted to the employees vested immediately. According to the latest share transaction price of Taiwan Henlius reached between other shareholders of Taiwan Henlius the fair value of 11,708,000 number of ordinary shares was RMB138,266,000, and the Group has recognised the difference amounting to RMB110,719,000 between the fair value and cash consideration received regarding to above shares as research and development expenses of RMB77,955,000 and administrative expenses of RMB32,764,000 for the year ended 31 December 2017, among which, RMB70,661,000 was attributed to the equity interest of non-controlling interests of Taiwan Henlius.

### 2018 share award scheme

The Company adopted a share award scheme for the purpose of fully motivating the directors and key personnel of the Group to promote success of the business. The share award scheme was approved by the board of Directors and became effective on 14 April 2018.

On 14 April 2018 (the "Date of Grant"), pursuant to the share award scheme, 22,750,000 number of ordinary shares of the Company were granted to 55 eligible participants of the share award scheme at a exercise price of RMB9.21 per share. All the 22,750,000 number of ordinary shares held by the eligible participants shall be unlocked (or repurchased and cancelled by the Company) in three tranches upon the expiry of each lock-up period. The eligible participants include the members of senior management of the Company and core technical personnel of the Company and its subsidiaries. Details of the unlock date are summarised as follows:

| Type of eligible participants | % of conditional shares | Unlock date | % of unlocked conditional shares |
|---|---|---|---|
| 1 | 100% | 30 April 2020 | 60% |
| | | 30 April 2021 | 20% |
| | | 30 April 2022 | 20% |
| 2 | 100% | 30 April 2020 | 35% |
| | | 30 April 2021 | 30% |
| | | 30 April 2022 | 35% |
| 3 | 100% | 30 April 2020 | 20% |
| | | 30 April 2021 | 25% |
| | | 30 April 2022 | 55% |

As for restricted shares, the conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the participants passing annual performance review. The percentage of shares in respect of which the conditions may be released will depend on the achievement level of those conditions. In relation to the shares in respect of which the restrictions have been released, such shares can not be transferred within one year after the releasing of the restrictions.

All of the eligible participants have accepted the granted shares by signing off the offer letters. The share award scheme shall be valid from the Date of Grant of the shares to the date on which all the restricted shares granted have been unlocked or otherwise repurchased and cancelled.

The aggregate fair value of the shares granted amounted to approximately RMB516,653,000, and the fair value is determined by an external valuer using the Discounted Cash Flow model taking into account the terms and conditions upon which the restricted shares were granted. The Group has recognised expenses of RMB71,686,000 and deferred development costs of RMB20,861,000 for the year ended 31 December 2018, and recognised expenses of RMB22,474,000 and deferred development costs of RMB8,459,000 for the three months ended 31 March 2019. Meanwhile, the Company has recognised RMB209,528,000 as other payables and accruals (note 24) and debited to other reserve due to the restricted share repurchase obligation of the Company till the end of the unlock period in accordance with IFRS 2 *Share-based Payment.*

The following table lists the inputs to the valuation model used:

| | 14 April 2018 |
|---|---|
| Discount rates (%) | 16.14% |
| Long-term growth rate (%) | 3.00% |

*Discount rates* - The discount rates used are before tax and reflect specific risks relating to the relevant units.

*Long-term growth rate* - The basis used to determine the value assigned to the long-term growth rate is the forecast price indices during the budget year from where the biopharmaceuticals are located.

## 32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| Percentage of equity interest held by non-controlling interests: | | | |
| Taiwan Henlius | 15.00% | — | — |

On 24 November 2017, Taiwan's Ministry of Economic Affairs approved the agreement between the Company and certain non-controlling shareholders of Taiwan Henlius to acquire the non-controlling interests of Taiwan Henlius with the consideration of USD75,951,000 (equivalent to RMB496,278,000)(note 24), after the acquisition of the non-controlling interest, the equity interest held by non-controlling interests in Taiwan Henlius decreased from 63.82% to 15%. The Company considers that it directly controls Taiwan Henlius even though it owns less than 50% of the ownership interest of Taiwan Henlius before this acquisition, because other five minority shareholders of Taiwan Henlius signed an agreement with the Company on 25 August 2016 in which they delegated their voting rights irrevocably and unconditionally to the Company, and they announced that the agreement was effective since 7 July 2016 when the Company's ownership interest decreased to 36.18%.

On 6 June 2018, Taiwan's Ministry of Economic Affairs approved the agreement between the Company and the non-controlling shareholder of Taiwan Henlius to acquire the remaining 15% of non-controlling interests of Taiwan Henlius with the consideration of USD21,000,000 (equivalent to RMB139,117,000).The equity interest held by non-controlling interests in Taiwan Henlius became zero as at 31 December 2018. By the end of 2018 the Company have fully paid the consideration.

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) |
| Loss for the year/period allocated to non-controlling interests: | | | |
| Taiwan Henlius | (113,765) | (11,103) | (7,339) |

The following tables illustrate the summarised financial information of Taiwan Henlius. The amounts disclosed are before any inter-company eliminations:

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) |
| Revenue | 43,945 | 37,388 | — |
| Total expense | (216,351) | (117,010) | (48,927) |
| Loss for the year/period | (177,867) | (88,348) | (48,927) |
| Total comprehensive loss for the year/period | (177,147) | (87,910) | (49,053) |

| | 31 December 2017 | 31 December 2018 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Current assets | 56,214 | 25,693 |
| Non-current assets | 57,396 | 76,845 |
| Current liabilities | 6,742 | 12,555 |
| Non-current liabilities | — | 8,936 |

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) |
| Net cash flows used in operating activities | (49,164) | (42,621) | (8,497) |
| Net cash flows used in investing activities | (7,367) | (6,597) | (856) |
| Net cash flows generated from financing activities | 27,485 | 23,842 | 15,407 |
| Net (decrease)/increase in cash and cash equivalents | (29,046) | (25,376) | 6,054 |

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities during the Relevant Periods are as follows:

| | Bank borrowings and other borrowings | Interest payable included in other payables and accruals |
|---|---|---|
| At 1 January 2017 | 304,385 | 458 |
| Additions on lease liabilities | 36,701 | — |
| Changes from financing cash flows | 406,966 | (43,133) |
| Interest expense | 10,376 | 44,783 |
| At 31 December 2017 | 758,428 | 2,108 |
| Additions on lease liabilities | 36,680 | — |
| Changes from financing cash flows | (279,351) | (44,919) |
| Interest expense | 12,261 | 45,635 |
| At 31 December 2018 | 528,018 | 2,824 |
| Additions on lease liabilities | 6,439 | — |
| Changes from financing cash flows | 150,453 | (4,954) |
| Interest expense | 3,003 | 5,952 |
| At 31 March 2019 | 687,913 | 3,822 |

## 34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bills payable and for the bank and other borrowings are included in notes 22 and 26 to the Historical Financial Information.

## 35. OPERATING LEASE ARRANGEMENTS

**As lessee**

At the end of each of the Relevant Periods, there is no future minimum lease payments under short-term lease and leases not yet commenced to which the Group is committed.

## 36. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Contracted, but not provided for: | | | |
| plant and machinery | 17,810 | 95,561 | 93,543 |

## 37. CONTINGENT LIABILITIES

At the end of each of the Relevant Periods, the Group did not have any contingent liabilities.

## 38. RELATED PARTY TRANSACTIONS

The Directors of the Company are of the view that the following companies are related parties that have material transactions or balances with the Group during the Relevant Periods.

### (a) Name and relationships of the related parties

| Name | Relationship |
|---|---|
| Shanghai Fosun Pharmaceutical (Group) Co.,Ltd.* ("上海復星醫藥(集團)股份有限公司") ("Fosun Pharma") | Ultimate parent company |
| Henlius Biopharmaceuticals Inc. ("Cayman Henlius") | Shareholder of the Company |
| Scott Shi-Kau Liu | Shareholder of the Company |
| Wei-Dong Jiang | Shareholder of the Company |
| Shanghai Guoyou Biotechnology Partnership Enterprise (Limited Partnership)* ("上海果友生物技術合夥企業(有限合夥)") ("Shanghai Guoyou") | Shareholder of the Company |
| Shanghai Guohong Biotechnology Partnership Enterprise (Limited Partnership)* ("上海果宏生物技術合夥企業(有限合夥)") ("Shanghai Guohong") | Shareholder of the Company |
| Shanghai Clone High Technology Co., Ltd.* ("上海克隆生物高技術有限公司") ("Clone High Tech") | Fellow subsidiary |
| Shanghai Kaimao Bio-Pharmaceutical Co., Ltd.* ("上海凱茂生物醫藥有限公司") ("Kai Mao Bio-pharma") | Fellow subsidiary |
| Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd* ("上海復星醫藥產業發展有限公司") ("Fosun Pharma Industrial Development") | Fellow subsidiary |
| Beijing Fosun Pharmaceutical Research Limited Company* ("北京復星醫藥科技開發有限公司") ("Beijing Fosun") | Fellow subsidiary |
| Jiangsu Wanbang Pharmaceutical Limited Company* ("江蘇萬邦生化醫藥集團有限公司") ("Jiangsu Wanbang") | Fellow subsidiary |
| Chongqing Funchuang Pharmaceuticals Research Co., Ltd. ("重慶復創醫藥研究有限公司") ("Chongqing Funchuang") | Fellow subsidiary |
| Shanghai Xingyi Health Management Co., Ltd.* ("上海星益健康管理有限公司") ("Shanghai Xingyi") | Fellow subsidiary |
| Shanghai Fosun Foundation ("上海復星公益基金會") ("Fosun Foundation") | Fellow subsidiary |
| Sinopharm Group Co., Ltd. * ("國藥集團化學試劑有限公司") ("Sinopharm") | Associate of the ultimate parent company |

* The English names of the companies registered in the PRC represent the best efforts made by the management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

**(b) Transactions with related parties**

| | Notes | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Revenue from related parties | | | | | |
| Fosun Pharma Industrial Development | (i) | 7,563 | 3,625 | — | 827 |
| Kai Mao Bio-pharma | (i) | — | 20 | — | — |
| Chongqing Funchuang | (i) | — | 69 | — | 69 |
| Purchases from related parties | | | | | |
| Sinopharm | (i) | 2,998 | 647 | 421 | 124 |
| Beijing Fosun | (i) | 282 | 255 | 85 | 302 |
| Shanghai Xingyi | (i) | — | 246 | — | — |
| Rental of properties | | | | | |
| Clone High Tech | (i) | 19,951 | 21,142 | 21,142 | 3,723 |
| Kai Mao Bio-pharma | (i) | 17 | 106 | 30 | 43 |
| Loans from related parties | | | | | |
| Fosun Pharma Industrial Development | (ii) | 650,000 | 270,000 | — | — |
| Interest expense of entrust loan | | | | | |
| Fosun Pharma Industrial Development | (ii) | 44,783 | 38,117 | 16,104 | — |
| Interest expense of lease liabilities | | | | | |
| Clone High Tech | (i) | 9,609 | 10,742 | 2,760 | 2,599 |
| Interest expense of contract liabilities | | | | | |
| Fosun Pharm Industrial Development | (iv) | — | 20,926 | 5,736 | 2,592 |
| Jiangsu Wanbang | (iv) | — | 2,535 | 734 | 839 |
| Loans to related parties | | | | | |
| Fosun Pharma | (iii) | — | 366,000 | 200,000 | — |
| Interest income | | | | | |
| Fosun Pharma | (iii) | — | 2,005 | 1,555 | — |
| Advance from customers for commercialisation license | | | | | |
| Fosun Pharma Industrial Development | (iv) | 60,512 | 79,009 | — | 37,735 |
| Jiangsu Wanbang | (iv) | 28,302 | 26,934 | — | — |
| Donation to related parties | | | | | |
| Fosun Foundation | (v) | — | — | — | 500 |

*Notes:*

(i) During the Relevant Periods, the transactions were carried out in accordance with the terms and conditions similar to those offered to/by unrelated customers/suppliers in the ordinary course of business.

(ii) During the Relevant Periods, the Group obtained entrusted loans from Fosun Pharma Industrial Development. The loans' term is one year. The loans are jointly secured by the equity interests of the Company held by the Company's shareholders Cayman Henlius, Shi-Kau Scott Liu, Wei-Dong Jiang, Shanghai Guoyou and Shanghai Guohong. The Directors consider that the applicable interest rates are determined in accordance with the prevailing market borrowing rates, and the Group has already fully paid these entrusted loans to Fosun Pharma Industrial Development.

(iii) During the Relevant Periods, the Group lent loans to Fosun Pharma through the cash pooling of Fosun Pharma, the Directors consider that the applicable interest rates are determined in accordance with the prevailing market lending rates, the transactions were carried out in accordance with the terms and conditions similar to other companies who lend loans to Fosun Pharma through the cash pooling. By the end of 2018, Fosun Pharma has already repaid these loans to the Group.

(iv) During the Relevant Periods, the Group granted customers exclusive distribution rights to related parties on the Group's certain biopharmaceutical products in the PRC after the Group obtains the market distribution authorization of such products from China Food and Drug Administration ("CFDA"), the Group received advance payments from the customers accordingly. The transactions were carried out in accordance with the terms and conditions similar to those offered to unrelated customers in the ordinary course of business.

(v) During the Relevant Periods, the Group donated RMB500,000 to the Shanghai Fosun Foundation for public welfare medical service, poverty reduction and study fellowship.

### (c) Outstanding balances with related parties

| | Notes | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|---|
| | | RMB'000 | RMB'000 | RMB'000 |
| Trade and bills receivables | | | | |
| Fosun Pharma Industrial Development | (i) | 6,210 | 250 | — |
| Jiangsu Wanbang | (i) | — | 1,000 | 500 |
| Kai Mao Bio-pharma | (i) | — | 21 | 21 |
| Prepayments deposits and other receivables | | | | |
| Beijing Fosun | (i) | 90 | 320 | — |
| Trade payables | | | | |
| Sinopharm | (i) | 33 | 32 | 109 |
| Other payables and accruals | | | | |
| Fosun Pharma Industrial Development | (i) | 2,108 | — | — |
| Shanghai Xingyi | (i) | — | 113 | 46 |
| Kai Mao Bio-pharma | (i) | — | 36 | — |
| Interest-bearing bank and other borrowings | | | | |
| Fosun Pharma Industrial Development | (ii) | 575,000 | — | — |
| Clone High Tech | (ii) | 160,860 | 165,008 | 164,700 |
| Contract liabilities | | | | |
| Fosun Pharma Industrial Development | (i) | 124,286 | 224,221 | 263,721 |
| Jiangsu Wanbang | (i) | 28,302 | 57,771 | 58,610 |

*Notes:*

(i) The Group's balances due from and due to the related companies are trade in nature, unsecured, non-interest-bearing and have no fixed terms of repayment.

(ii) Details of the Group's interest-bearing bank and other borrowings due to the related company are included in note 26 to the Historical Financial Information.

### (d) Compensation of key management personnel of the Group

| | Year ended 31 December 2017 | Year ended 31 December 2018 | Three months ended 31 March 2018 | Three months ended 31 March 2019 |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 (unaudited) | RMB'000 |
| Wages and salaries | 4,449 | 6,590 | 1,816 | 2,130 |
| Performance related bonuses | 1,723 | 2,216 | 621 | 602 |
| Staff welfare expenses | 138 | 426 | 78 | 126 |
| Share award scheme | 18,920 | 11,195 | — | 3,732 |
| | 25,230 | 20,427 | 2,515 | 6,590 |

Further details of Directors' and supervisors' remuneration are included in note 9 to the Historical Financial Information.

## 39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods of the Group are as follows:

**Financial assets at amortized cost**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Trade and bills receivables | 19,900 | 6,821 | 5,821 |
| Financial assets included in prepayments, deposits and other receivables | 2,473 | 3,745 | 4,164 |
| Pledged deposits | 4,384 | 6,024 | 6,990 |
| Cash and cash equivalents | 58,512 | 958,990 | 824,866 |
| | 85,269 | 975,580 | 841,841 |

**Financial liabilities at amortised cost**

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Trade and bills payables | 74,200 | 85,309 | 99,385 |
| Financial liabilities included in other payables and accruals | 517,987 | 256,268 | 271,332 |
| Interest-bearing bank and other borrowings | 758,428 | 528,018 | 687,913 |
| | 1,350,615 | 869,595 | 1,058,630 |

## 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

**Financial liabilities**

| | 31 December 2017 | |
|---|---|---|
| | Carrying amount | Fair value |
| | RMB'000 | RMB'000 |
| Interest-bearing and bank borrowings - non-current | 162,567 | 167,927 |

| | 31 December 2018 | |
|---|---|---|
| | Carrying amount | Fair value |
| | RMB'000 | RMB'000 |
| Interest-bearing and bank borrowings - non-current | 385,340 | 388,199 |

| | 31 March 2019 | |
|---|---|---|
| | Carrying amount | Fair value |
| | RMB'000 | RMB'000 |
| Interest-bearing and bank borrowings - non-current | 522,615 | 532,494 |

Management has assessed that the fair values of trade and bills receivables, pledged deposits, cash and cash equivalents, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's principal financial instruments comprise cash and cash equivalents, and interest-bearing bank and other borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables and financial liabilities included in other payables and accruals, which arise directly from its operations.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods was assessed to be insignificant.

**Fair value hierarchy**

**Liabilities for which fair values are disclosed:**

**As at 31 December 2017**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices In active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest-bearing bank and other borrowings | — | 167,927 | — | 167,927 |

**As at 31 December 2018**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices In active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest-bearing bank and other borrowings | — | 388,199 | — | 388,199 |

**As at 31 March 2019**

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices In active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest-bearing bank and other borrowings | — | 532,494 | — | 532,494 |

## 41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

### Foreign currency risk

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units and investing and financing activities by investment holding units in currencies other than the units' functional currencies. The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the United States dollar, with all other variables held constant, of the Group's loss before tax due to differences arising on settlement or translation of monetary assets and liabilities and the Group's equity excluding the impact of retained earnings due to the changes of exchange fluctuation reserve of certain overseas subsidiaries of which the functional currencies are currencies other than RMB.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's equity.

| | Increase/(decrease) in USD rate | Increase/(decrease) in equity |
|---|---|---|
| | % | RMB'000 |
| Year ended 31 December 2017 | | |
| If the RMB weakens against the USD | 5 | 53 |
| If the RMB strengthens against the USD | 5 | (53) |
| If the NTD weakens against the USD | 5 | 150 |
| If the NTD strengthens against the USD | 5 | (150) |
| Year ended 31 December 2018 | | |
| If the RMB weakens against the USD | 5 | 43,236 |
| If the RMB strengthens against the USD | 5 | (43,236) |
| If the NTD weakens against the USD | 5 | 1,969 |
| If the NTD strengthens against the USD | 5 | (1,969) |
| Three months ended 31 March 2019 | | |
| If the RMB weakens against the USD | 5 | 26,836 |
| If the RMB strengthens against the USD | 5 | (26,836) |
| If the NTD weakens against the USD | 5 | 1,908 |
| If the NTD strengthens against the USD | 5 | (1,908) |

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

**Maximum exposure and year-end staging**

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

**31 December 2017**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade and bills receivables* | — | — | — | 19,900 | 19,900 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| - Not yet past due | 2,473 | — | — | — | 2,473 |
| Pledged deposits | | | | | |
| - Not yet past due | 4,384 | — | — | — | 4,384 |
| Cash and cash equivalents | | | | | |
| - Not yet past due | 58,512 | — | — | — | 58,512 |

**31 December 2018**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade and bills receivables* | — | — | — | 6,821 | 6,821 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| - Not yet past due | 3,745 | — | — | — | 3,745 |
| Pledged deposits | | | | | |
| - Not yet past due | 6,024 | — | — | — | 6,024 |
| Cash and cash equivalents | | | | | |
| - Not yet past due | 958,990 | — | — | — | 958,990 |

**31 March 2019**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Trade and bills receivables* | — | — | — | 5,821 | 5,821 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| - Not yet past due | 4,164 | — | — | — | 4,614 |
| Pledged deposits | | | | | |
| - Not yet past due | 6,990 | — | — | — | 6,990 |
| Cash and cash equivalents | | | | | |
| - Not yet past due | 824,866 | — | — | — | 824,866 |

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the expected loss rate is disclosed in note 20 to the Historical Financial Information.

**Liquidity risk**

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

**31 December 2017**

| | On demand or within one year | One to five years | Over five years | Total |
|---|---|---|---|---|
| Trade and bills payables | 74,200 | — | — | 74,200 |
| Financial liabilities included in other payables and accruals | 517,987 | — | — | 517,987 |
| Interest-bearing bank and other borrowings | 632,026 | 116,571 | 97,741 | 864,338 |
| | 1,224,213 | 116,571 | 97,741 | 1,456,525 |

**31 December 2018**

| | On demand or within one year | One to five years | Over five years | Total |
|---|---|---|---|---|
| Trade and bills payables | 85,309 | — | — | 85,309 |
| Financial liabilities included in other payables and accruals | 256,268 | — | — | 256,268 |
| Interest-bearing bank and other borrowings | 173,351 | 361,315 | 71,626 | 606,292 |
| | 514,928 | 361,315 | 71,626 | 947,869 |

**31 March 2019**

| | On demand or within one year | One to five years | Over five years | Total |
|---|---|---|---|---|
| Trade and bills payables | 99,385 | — | — | 99,385 |
| Financial liabilities included in other payables and accruals | 271,332 | — | — | 271,332 |
| Interest-bearing bank and other borrowings | 187,451 | 550,508 | 63,986 | 801,945 |
| | 558,168 | 550,508 | 63,986 | 1,172,662 |

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Capital includes equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

| | 31 December 2017 | 31 December 2018 | 31 March 2019 |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| Interest-bearing bank and other borrowings | 758,428 | 528,018 | 687,913 |
| Less: Cash and cash equivalents | 58,512 | 958,990 | 824,866 |
| Net debt | 699,916 | (430,972) | (136,953) |
| Equity attributable to owners of the parent | (80,074) | 1,802,549 | 1,674,829 |
| Capital and net debt | 619,842 | 1,371,577 | 1,537,876 |
| Gearing ratio | 113% | N/A* | N/A* |

*Note:*

* As at December 31 2018 and March 31 2019, the Group's cash and cash equivalents exceeded the interest-bearing bank and other borrowings. As such, no gearing ratio as at 31 December 2018 and 31 March 2019 was presented.

## 42. EVENTS AFTER THE RELEVANT PERIODS

There have been no significant events since the end of the Relevant Periods.

## 43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2019.

*The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and Accountants' Report set out in Appendix I to this prospectus.*

## A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 31 March 2019.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 March 2019 or any future dates.

The following statement of unaudited pro forma adjusted consolidated net tangible assets is based on the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2019 as shown in the Accountants' Report of the Group, the text of which is set forth in Appendix I to this prospectus, and is adjusted as follows:

| | Audited Consolidated net tangible assets attributable to owners of the Company as at 31 March 2019 | Estimated net proceeds from the Global Offering | Unaudited pro forma adjusted consolidated net tangible assets | Unaudited pro forma adjusted net assets per Share tangible | |
|---|---|---|---|---|---|
| | RMB'000 (Note 1) | RMB'000 (Note 2) | RMB'000 (Note 3) | RMB | HK$ equivalent |
| Based on an Offer Price of HK$57.80 per Share . . . . | 167,432 | 3,262,748 | 3,430,180 | 6.36 | 7.04 |
| Based on an Offer Price of HK$49.60 per Share . . . . | 167,432 | 2,796,990 | 2,964,422 | 5.50 | 6.09 |

*Notes:*

1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 March 2019 is arrived at after deducting RMB1,507,397 intangible assets from the audited consolidated equity attributable to owners of the Company of RMB1,674,829 as at 31 March 2019, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

2) The estimated net proceeds from the Global Offering are based on the Maximum Offer Price and Minimum Offer Price of HK$57.80 or HK$49.60 per Share, after deduction of the underwriting fees and other related expenses payable by the Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds are converted into RMB at the rate of HK$1=RMB0.90332. No representation is made that the Renminbi amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at the rate or at any other rates at all.

3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 64,695,400 Shares are in issue assuming that the Global Offering has been completed on 31 March 2019 and an Offer Price of HK$57.80 per Share, being the Maximum Offer Price, and 64,695,400 Shares are in issue assuming that the Global Offering has been completed on 31 March 2019 and an Offer Price of HK$49.60 per Share, being the Minimum Offer Price, excluding Shares which may be issued upon the exercise of the Over-allotment Option.

## B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

*The following is the text of a letter received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

12 September 2019
**To the Directors of Shanghai Henlius Biotech, Inc.**
(Established in the People's Republic of China with limited liability)

We have completed our assurance engagement to report on the compilation of pro forma financial information of Shanghai Henlius Biotech, Inc. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 March 2019, and related notes as set out on page II-1 to II-2 of the prospectus dated 12 September 2019 (the "Prospectus") issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on page II-1 of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of global offering of shares of the Company on the Group's financial position as at 31 March 2019 as if the transaction had taken place at 31 March 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2019, on which an accountants' report has been published.

**Directors' responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

**Ernst & Young**
*Certified Public Accountants*
Hong Kong

## A. TAXATION

*The following summary of certain Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the H Shares is based upon the laws, regulations, rulings and decisions now in effect, all of which are subject to change (possibly with retroactive effect). The summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares and does not purport to apply to all categories of prospective investors, some of whom may be subject to special rules, and is not intended to be and should not be taken to constitute legal or tax advice. Prospective investors should consult their own tax advisers concerning the application of Hong Kong and PRC tax laws to their particular situation as well as any consequences of the purchase, ownership and disposition of the H Shares arising under the laws of any other taxing jurisdiction. Neither the Company nor any of the Relevant Persons assumes any responsibility for any tax consequences or liabilities that may arise from the subscription for, holding or disposal of the H Shares.*

*The taxation of the Company and that of the Shareholders is described below. Where Hong Kong and PRC tax laws are discussed, these are merely an outline of the implications of such laws. Such laws and regulations may be interpreted differently. It should not be assumed that the relevant tax authorities or the Hong Kong or PRC courts will accept or agree with the explanations or conclusions that are set out below.*

### 1. OVERVIEW OF TAX IMPLICATIONS OF HONG KONG

#### (a) Hong Kong Taxation of the Company

***Profits Tax***

The Company will be subject to Hong Kong profits tax in respect of profits arising in or derived from Hong Kong at the current rate of 16.5%, unless such profits are chargeable under the half-rate of 8.25% that may apply for the first HK$2 million of assessable profits for years of assessment beginning on or after 1 April 2018. Dividend income derived by the Company from its subsidiaries will be excluded from Hong Kong profits tax.

#### (b) Hong Kong Taxation of Shareholders

***Tax on Dividends***

No tax is payable in Hong Kong in respect of dividends paid by the Company.

***Profits Tax***

Hong Kong profits tax will not be payable by any Shareholders (other than Shareholders carrying on a trade, profession or business in Hong Kong and holding the Shares for trading purposes) on any capital gains made on the sale or other disposal of the H Shares. Trading gains from the sale of Shares

by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong income tax rates of 16.5% on corporations and 15.0% on individuals, unless such gains are chargeable under the respective half-rates of 8.25% and 7.5% that may apply for the first HK$2 million of assessable profits for years of assessment beginning on or after 1 April 2018. Gains from sales of Shares effected on the Stock Exchange will be considered by the Hong Kong Inland Revenue Department to be derived from or arise in Hong Kong. Shareholders should take advice from their own professional advisers as to their particular tax position.

***Stamp Duty***

Hong Kong stamp duty will be charged on the sale and purchase of H Shares at the current rate of 0.2% of the consideration for, or (if greater) the value of, the H Shares being sold or purchased, whether or not the sale or purchase is on or off the Stock Exchange. The Shareholder selling the H Shares and the purchaser will each be liable for one-half of the amount of Hong Kong stamp duty payable upon such transfer. In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of H Shares.

***Estate Duty***

Hong Kong estate duty was abolished effective from 11 February 2006. No Hong Kong estate duty is payable by Shareholders in relation to the Shares owned by them upon death.

## 2. OVERVIEW OF TAX IMPLICATIONS OF THE PRC

**Enterprise Income Tax**

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) which was promulgated on 16 March 2007 and lately amended on 29 December 2018, enterprises lawfully incorporated in the PRC or enterprises incorporated according to the laws of foreign countries (regions) but with de facto management organisation located in the PRC are resident enterprises. Resident enterprises shall pay enterprise income tax on all income sourced within and outside the PRC at the tax rate of 25%. For industries and projects which receive key support and encouragement for development from the State, preferential treatment on enterprise income tax will be available; qualified small enterprises with thin profit will be levied enterprise income tax at a reduced tax rate of 20%; high-tech enterprises receiving key support from the State will be levied enterprise income tax at a reduced tax rate of 15%.

**Value-added Tax ("VAT")**

Pursuant to the Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例》) (the "VAT Regulations") issued by the State Council on 13 December 1993 and lately amended on 19 November 2017 and the Implementation Rule for

Provisional Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) issued by the MOF on 25 December 1993 and newly amended on 28 October 2011, all units engaged in the sale of goods, provision of processing, repair and replacement services, provision of sales of service, intangible assets and real estates, and the importation of goods within the territory of the PRC are taxpayers of VAT (the "taxpayers"), and shall pay VAT. Unless otherwise provided in the VAT Regulations, the VAT rate for the sale of goods and services, provision of leasing of tangible movable assets or importation of goods is 17%.

Pursuant to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (《關於全面推開營業稅改徵增值稅試點的通知》) jointly issued by the MOF and the SAT on 23 March 2016, effective from 1 May 2016, the pilot programme of replacing business tax with VAT shall be implemented across the country. According to specific normative documents such as the Implementation Measures for the Pilot Program of Replacing Business tax with Value-Added Tax (《營業稅改徵增值稅試點實施辦法》), taxpayers who are taxable shall pay VAT within the range of rates from 17%, 11%, 6% to 0%.

Pursuant to the Notice on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) jointly promulgated by the MOF and the SAT on 4 April 2018, adjustments to value-added tax rates are as follows: the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sales or import of goods shall be adjusted to 16% and 10%, respectively; the deduction rate of 11% applicable to any taxpayer's purchase of agricultural products shall be adjusted to 10%; any taxpayer shall be subject to input tax at a deduction rate of 12% on purchase of agricultural products for production and sales or manufacturing consignment of goods at a rate of 16%; and the export rebate rates of 17% applicable to export of goods shall be adjusted to 16%, and the export rebate rates of 11% applicable to export of goods and cross-border taxable activities shall be adjusted to 10%.

**Taxation on Dividends**

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which was issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and implemented on 1 April 2019, for taxable VAT or imported goods of a VAT general taxpayer where the original VAT rate of 16% applies, it shall be adjusted to 13%; the original applicable VAT rate of 10% shall be adjusted to 9%. As for exported goods and labor services to which the original tax rate of 16% applies and whose export tax refund rate is 16%, the export tax refund rate shall be adjusted to 13%; as for exported goods and cross-border taxable acts to which the original tax rate of 10% applies and whose export tax refund rate is 10%, the export tax refund rate shall be adjusted to 9%.

*Individual Investors*

Pursuant to the current Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), dividends distributed by PRC enterprises are subject to a PRC

withholding tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to a withholding tax of 20% unless specifically exempted by the tax authorities of the State Council or exempted by the relevant tax treaties.

Pursuant to the Notice of the MOF and the SAT on Certain Policies Regarding Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), individual foreigners are exempted from individual income tax on dividends and bonus received from foreign-invested enterprises in the PRC. Pursuant to the Notice of the State Council on Approving and Relaying the Several Opinions of the National Development and Reform Commission and Other Departments on Deepening Reform of the Income Distribution System (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》), tax benefits such as exemption of dividends from foreign-invested enterprises from individual income tax are cancelled. In practice, pursuant to the Notice on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (Guo Shui Fa [1993] No.045) (《關於國稅發 [1993]045 號文件廢止後有關個人所得稅徵管問題的通知》) issued and implemented by SAT in 2011, dividends paid by H Share issuers to a non-PRC resident individual holder of H Shares are subject to PRC individual income tax at the rates determined in accordance with applicable tax treaties or arrangements between the PRC and the jurisdiction in which the shareholder resides. Such tax rates range from 5% to 20%, and generally can be withheld at a tax rate of 10% with no need to apply. In case where the dividend withholding tax rate does not belong to 10%, the following provisions shall be applied: (1) The individual who has obtained the dividend bonus is the resident of countries under agreement with tax rate lower than 10%, and the withholding agent may refund the extra withholding tax according to the provisions of the Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》); (2) If the individual who receives the dividend is a resident of a country under agreements to be entitled to a tax rate higher than 10% and lower than 20%, the withholding agent shall withhold the individual income tax at the actual tax rate agreed upon when paying dividends with no need to make application; (3) If the individual who receives the dividend is not a resident of a country under agreements, the withholding agent shall withhold the individual income tax at a rate of 20% when paying dividends.

*Enterprise Investors*

In accordance with the latest amended Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was lately amended and implemented on 29 December 2018 and the Implementation provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) which became effective on 1 January 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place. Such withholding tax can be reduced according to applicable treaty to avoid double taxation. Such withholding tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) which was issued by SAT on 6 November 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H shares with respect to the dividends of 2008 and onwards.

**Tax Agreements**

Investors who reside in countries which have entered into avoidance of double taxation treaties with the PRC or are not PRC residents and reside in Hong Kong or Macau are entitled to a reduction of the withholding taxes imposed on the dividends received from PRC companies. The PRC currently has agreements or arrangements for avoidance of double taxation with a number of countries and regions including HK, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant agreements or arrangements are required to apply to the Chinese tax authorities for a refund of the withholding tax in excess of the agreed tax rate, and the refund payment is subject to approval by the Chinese tax authorities.

**Taxation on Share Transfer**

*Individual Investors*

According to the Individual Income Tax Law (《個人所得稅法》) and its implementation provisions, gains realized on the sale of equity interests in the PRC resident enterprises are subject to the income tax at a rate of 20%.

Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on 20 March 1998, from 1 January 1997, gains of individuals from the transfer of shares of listed enterprises continues to be exempted from individual income tax. In the latest Individual Income Tax Law and its implementing rules, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from the transfer of shares of listed companies.

On 31 December 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which provides that individuals' income obtained from transferring shares of listed companies by way of public offering on certain domestic exchanges shall continue to be exempted from the individual income tax, except for income from certain shares which are subject to sales limitations, for which individual income tax at a tax rate of 20% has been applicable since 1 January 2010. To date, such provision has not expressly provided that whether individual income tax

shall be collected from non-PRC resident individuals on the transfer of shares of PRC resident enterprises listed on overseas stock exchanges or not. To the knowledge of the Company, in practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the transfer of shares of PRC resident enterprises listed on overseas stock exchanges.

*Enterprise Investors*

In accordance with the Enterprise Income Tax Law (《企業所得稅法》) and its implementation provisions, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced or eliminated pursuant to the relevant taxation agreements or agreements on avoidance of double taxation.

**Stamp Duty**

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) issued on 6 August 1988 and amended on 8 January 2011, and the Detailed Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) effective as at 1 October 1988, PRC stamp duty is only applicable to be imposed on specific certificates that are executed or received in the PRC, legally binding in the PRC and protected by the PRC laws. Therefore, PRC stamp duty on transfer of shares of listed companies in PRC does not apply to the acquisition and disposal of H shares by non-PRC investors outside of the PRC.

**Estate Duty**

Currently, no estate duty has been levied in China under the PRC laws.

**FOREIGN EXCHANGE CONTROL**

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBoC, is entitled to perform the function of administrating all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On 29 January 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") which became effective on 1 April 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the

current account items are no longer subject to approval of the SAFE, while capital account items are still subject to approval of the SAFE. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and 5 August 2008. The latest amended Foreign Exchange Control Regulations clearly requires that the state will not impose any restriction on international payments and transfers under the current account items.

On 20 June 1996, PBoC promulgated the Provision on the Settlement and Sale of and Payment in Foreign Exchange (《結匯、售匯及付匯管理規定》) which became effective on 1 July 1996. The aforesaid regulations abolish all other restrictions on convertibility of foreign exchange under current account items, while still preserving restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》) issued by PBoC on 21 July 2005 and coming into effect on the same date, from the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. PBoC would publish the closing price of foreign currencies of the date such as the U.S. dollar against Renminbi in the interbank foreign exchange market after the closing of the market on each business day, which will be used as the central parity for the transactions of such foreign currency against Renminbi exchange rate on the following business day.

Starting from 4 January 2006, PBoC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, PBoC introduced the market-maker rule to interbank foreign exchange market to provide liquidity to the foreign exchange market. On 1 July 2014, PBoC further improved the formation mechanism of the RMB exchange rate liberalization by authorising the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of exchange rate of the RMB against the USD of the current day, which shall be finally decided on the weighted average of the prices of all market makers after excluding the highest and lowest quotations, and announce it at 9:15 a.m. on each working day. On 11 August 2015, PBoC announced to improve the central parity quotations of RMB against the U.S. dollar by authorising market-makers before the interbank foreign exchange market opens every day to provide central parity quotations to the China Foreign Exchange Trading Centre with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On 5 August 2008, the State Council promulgated the revised Foreign Exchange Control Regulations, which have made substantial changes to the foreign exchange supervision system of the PRC. First, it has adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only

for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, it has improved the RMB exchange rate formation system based on market supply and demand. Third, it has strengthened supervision of cross-border foreign exchange flows. In the event that revenues and costs relating to cross-border transactions encounter or may encounter a material misbalance, and the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, it has enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations of the PRC, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect payment through foreign exchange accounts at designated foreign exchange banks with the support of receipts and vouchers of valid transactions. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as the Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect payment from foreign exchange accounts at designated foreign exchange banks or convert and pay dividends at designated foreign exchange banks.

On 23 October 2014, the State Council promulgated the Decisions on Matters including Cancelling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》), which cancelled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

On 26 December 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days of the end of its issuance of the overseas listing, register the overseas listing with the branches of the SAFE at the place of its incorporation; and the proceeds from overseas listing may be remitted to the domestic special account or deposited in an overseas special account, but the use of the funds shall be consistent with the content of the prospectus and other disclosure documents.

On 13 February 2015, the SAFE issued the Notice of the SAFE on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which came into effect on June 1, 2015. The Notice cancels two matters requiring administrative approval including the foreign exchange registration approval under domestic direct investment and foreign exchange registration approval under overseas direct investment, and requires the banks to review and carry out foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice of the SAFE on Reforming and Regulating the Administrative Policies over Foreign Exchange Settlement under Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE and became effective on 9 June 2016, the relevant policies have made it clear that foreign exchange income of capital accounts implementing discretionary foreign exchange settlement (including funds repatriated from overseas listing) can be settle at the banks based on the actual needs of the domestic institutions; the proportion of discretionary settlement of foreign exchange income from capital accounts of domestic institutions is temporarily set at 100%. The SAFE may adjust the above proportion in accordance with the international balance of payment situation as appropriate.

On 26 January 2017, the Notice of the State Administration of Foreign Exchange on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by SAFE to further expand the scope of foreign exchange settlement for domestic foreign exchange loans; allow foreign exchange settlement for domestic foreign exchange loans with a background of export goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization; allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones.

*This Appendix contains a summary of PRC company and securities laws and regulations, a summary of certain Hong Kong legal and regulatory provisions, a summary of the material differences between PRC and Hong Kong company laws and certain requirements under the Listing Rules. The principal objective of this summary is to provide potential investors with an overview of the principal legal and regulatory provisions applicable to the Company. As the information contained below is in a summary form, it does not contain all the information that may be important to potential investors. For discussions of laws and regulations specifically governing the business activities of the Company, please refer to "Regulatory Overview."*

**PRC Legal System**

The PRC legal system is based on the Constitution of the People's Republic of China (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Although court verdicts do not constitute binding precedents, they are used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), the National People's Congress ("NPC") and the Standing Committee of the National People's Congress are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the National People's Congress is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, **PBoC**, the National Audit Office, and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions, but such local regulations shall

conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

**PRC Judicial System**

Under the Constitution and the Law of the People's Republic of China on the Organization of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organised into civil, criminal, administrative, economic and enforcement divisions. The intermediate people's courts are organised into divisions similar to those of the primary people's courts, and are entitled to organise other courts as needed such as the intellectual property court.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgement or order of a local people's court to the people's court at the next higher level. Second judgements or orders given at the next higher level are final. First judgements or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgement which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgement which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) (the "PRC Civil Procedure Law"), which was adopted in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgement or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgement or ruling made by a people's court or an award made by an arbitration panel in the PRC,

the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgement made by the court within the stipulated time, the court will, upon application by either party, enforce the judgement in accordance with the law.

A party seeking to enforce a judgement or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgement or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or against social and public interest.

**The PRC Company Law, Special Regulations and Mandatory Provisions**

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "PRC Company Law"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994 and revised as at December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 respectively and the latest revision of which was implemented on October 26, 2018;

- the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Company (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (the "Special Regulations"), which were enacted and promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law (1993), and were applicable, to the issuance of shares to overseas investors by and listing of joint stock limited companies; and

- the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (《到境外上市公司章程必備條款》) (the "Mandatory Provisions"), which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on September 29, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix V of this prospectus.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

**General**

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and professional ethics. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

**Incorporation**

A joint stock limited company may be incorporated by promotion or subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Securities Law, the total share capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

A joint stock limited company's promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before convening the inaugural meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing more than half of the total shares. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the inaugural meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority.

A joint stock limited company's promoters shall be liable for: (i) the payment of debts and expenses incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company.

**Issue of Shares**

Issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. Shares subscribed by any entity or individual shall be paid the same price for each share. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as overseas listed and foreign invested shares. Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as domestic shares. Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance programme may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

**Registered Shares**

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

**Increase of Share Capital**

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company

launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

**Reduction of Share Capital**

When a company needs to reduce its registered capital, it shall prepare a balance sheet and a property list. The company shall inform its creditors within 10 days and publish an announcement in the newspaper within 30 days after the resolution approving the reduction of registered capital has been passed. Creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts.

**Repurchase of Shares**

According to the PRC Company law, a joint stock limited company may not purchase shares of the company other than for one of the following circumstances: (i) to reduce its registered capital; (ii) to merge with another company that holds the company's shares; (iii) to grant shares as rewards to the staff of the company; (iv) to purchase the company's shares upon request from shareholders who are against the resolution regarding the merger or division of the company at a general meeting; (v) to use the shares for conversion of convertible corporate bonds issued by a listed company; and (vi) to maintain its company value and protect its shareholders' equity for a listed company.

The purchase of shares of the company on the grounds set out in (i) to (ii) above shall require approval by way of a resolution passed by the shareholders' general meeting. The purchase of shares of the company on the grounds set out in (iii), (v), (vi) above may be approved by way of a resolution of the company's board of directors by two-third majority of directors attending the meeting according to the provision of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares of the company in accordance with the foregoing, such shares shall be canceled within 10 days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares of the company acquired in accordance with (iii) or (v) or (vi) above shall not exceed 10% of the total number of the company's issued shares and shall be assigned or deregistered within three years.

**Transfer of Shares**

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. Where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall

prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting of the company or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading, nor within six months after their resignation from their positions with the company.

**Shareholders**

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the company's shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

**Shareholders' General Meetings**

A shareholders' general meeting of a joint stock limited company is formed by all shareholders. The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the staff representative) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of corporate bonds;
- to decide on issues such as merger, division, dissolution and liquidation of the company or change of the company's form;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' general meetings are required to be held once every year. Under the PRC Company Law, an interim shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two- thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors proposes to convene; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our interim shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such written notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholders' general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again

of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholders' general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, and the company shall place in the agenda of the meeting the proposals in which the matters fall within the scope of functions of a shareholders' general meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of corporate bonds; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

**Board**

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years.

Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director of the company takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions of the shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to decide on the set-up of the internal management bodies of the company;
- to decide on the employment or removal of the manager of the company and matters related to the remuneration thereof, and making decisions, according to the manager's nomination, on the employment or removal of the vice manager(s) and the personnel in charge of financial issues and the matters related to their remunerations;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

**Board Meetings**

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors.

The chairman of the Board shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Resolutions of the board of directors are voted by way of poll with each director having one vote. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations, the articles of association or the resolutions of shareholders' general meetings, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

**Chairman of the Board**

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

**Qualification of Directors**

The PRC Company Law provides that the following persons may not serve as a director of the company:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or

- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

**Board of Supervisors**

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employee at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial matters;

- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of shareholders' meeting;

- when the acts of directors and senior management are harmful to the company's interests, to demand rectification from the directors and senior management;

- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;

- to initiate proposals for resolutions to shareholders' general meeting;

- to initiate proceedings against directors and senior management; and

- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Meeting of the board of supervisors shall be convened at least once every six months. Supervisors may propose to convene interim meeting of the board of supervisors. Resolutions of the board of supervisors shall be passed by more than half of all supervisors. The board of supervisors shall record all discussed matters in the minutes of meetings, and supervisors attending the meetings shall sign on those minutes of meetings.

**Manager and Senior Management**

Under the PRC Company Law, a joint stock limited company shall have a manager who shall be appointed or removed by the decision of the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to take charge of the management of the production and business operations of the company and arrange for the implementation of resolutions of the board of directors;

- to arrange for the implementation of the company's annual business plans and investment proposals;

- to draft the plans on the set-up of the internal management bodies of the company;
- to draft the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of the company's deputy managers and person-in-charge of finance;
- to decide on the appointment or dismissal of the persons in charge of management (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

**Duties of Directors, Supervisors and Senior Management**

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management of the company are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management of the company are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's properties in violation of the articles of association or without approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without approval of the shareholders' general meeting;

- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without approval of the shareholders' general meeting;

- accept for one's own benefit commissions from a third party for transactions conducted with the company;

- unauthorised divulgence of confidential information of the company; or

- other acts in violation of their duty of loyalty to the company.

Income generated by directors or senior management in violation of the aforesaid provisions shall be reverted to the company.

**Finance and Accounting**

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each accounting year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, a joint stock limited company shall make its financial and accounting reports available at the Company for inspection by the shareholders 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company that publicly offers shares must publish its financial and accounting reports.

When distributing each year's after-tax profits, the company shall set aside 10% of its profits into a statutory reserve fund. When the accumulated statutory reserve fund of the company exceeds 50% of its registered capital, it may cease to make such allocation. If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions. After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits. The remaining after-tax profits of the company after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, except for the non-pro rata distributions as stipulated in the articles of association.

Shares of the company held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares by a joint stock limited company at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

**Appointment and Dismissal of Accounting Firms**

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors of the company conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

**Distribution of Profits**

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

**Amendments to Articles of Association**

Any amendments to the articles of association shall be made in accordance with the procedures set forth in the articles of association. Any amendment to the articles of association in connection with the Mandatory Provisions shall only be effective after approval by the companies' approval department under the State Council and the securities regulatory authorities. If the amendment relates to the registration of the company, the company shall conduct registration of the change in accordance with the law.

**Dissolution and Liquidation**

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked in accordance with the law; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period to conduct a liquidation, creditors may apply to the people's court to appoint relevant personnel to form the liquidation group to conduct a liquidation. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to liquidate the company's properties and to prepare a balance sheet and an inventory of the properties respectively;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;

- to handle the company's remaining properties after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the creditors within 10 days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. When a creditor makes his claim, he shall state the matters which are relevant to his creditor rights and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of properties, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining properties after payment of liquidation expenses, staff wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it cannot engage in any operating activities that are not related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient properties to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following the company being declared insolvent by a ruling of the people's court, the liquidation group shall transfer all matters arising from the liquidation to the people's court.

Upon the completion of the liquidation of the company, the liquidation group shall prepare a liquidation report and submit it to the shareholders' general meeting or the people's court for confirmation. The liquidation group shall then submit the liquidation report to the registration authority of the company, and apply for cancellation of the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group shall discharge their duties honestly and shall perform the duties regarding liquidation in accordance with the laws. Members of the liquidation group shall be prohibited from abuse of their powers to take bribes or other unlawful income and from misappropriating the company's properties. A member of the liquidation group is liable to indemnify the company or creditors in respect of any loss suffered by the company or creditors due to intentional or gross negligence.

**Overseas Listing**

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

**Loss of Share Certificates**

If a registered share certificate in is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》), to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions. (which have been incorporated in the Articles of Association, a summary of which is set out in Appendix V).

**Merger and Demerger**

Corporate merger may take the form of either merger by absorption or merger by the establishing a new corporation. If it merges by absorption, the company which is absorbed shall be dissolved. If the companies merge by forming a new corporation, the companies shall be dissolved.

For corporate merger, all parties to the merger shall enter into a merger agreement and prepare balance sheets and checklists of assets. The company shall, within 10 days after the decision of merger, notify the creditors, and shall make newspaper announcement within 30 days. The creditors may, within 30 days after the receipt of the notice or (if it fails to receive a notice) within 45 days after the announcement, require the company to settle its debts or to provide guarantees. After the merger, the credits and debts of the companies involved shall be succeeded by the surviving company or by the newly established company.

For division of a company, the properties of the company shall be divided properly, and balance sheets and checklists of assets shall be prepared. The company shall, within 10 days after the decision of division, notify the creditors and make newspaper announcement within 30 days. The companies after division shall jointly bear liabilities for the debts of the former companies before division, unless it is otherwise prescribed by written agreements entered into between the companies and their respective creditors for the settlement of debts before the division.

**Securities Law and Regulations**

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014 respectively. The Securities Law is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall be subject to approval by the State Council's securities regulatory authorities in accordance with the regulations of the State Council. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

**Arbitration and Enforcement of Arbitral Awards**

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009 and September 1, 2017. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law of the People's Republic of China. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Hong Kong Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that any disputes or claims arising (i) between holders of H shares and the issuer; (ii) between holders of H shares and the issuer's directors, supervisors, manager or other senior management; and (iii) between holders of H shares and holders of domestic shares may be referred to arbitration for resolution. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Centre ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC.

Under the Arbitration Law and the Civil Procedure Law of the People's Republic of China, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of

the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only apply the New York Convention to the recognition and enforcement of foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong Special Administration Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in China.

**Overseas Investment Regulations**

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on September 6, 2014 which became effective on October 6, 2014, overseas investment means the enterprises legally incorporated in the PRC which own the non-financial enterprises or obtain the ownership, control, operation management rights and other interests of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. MOFCOM and the provincial commercial administration authorities are responsible for the management and supervision of the overseas investments. MOFCOM and the provincial commercial administration authorities will implement filing administration and approval respectively according to the different types of overseas investments. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of the competent authorities. For other overseas investments, they shall be subject to filing administration.

Pursuant to the Provisions on the Foreign Exchange Administration of Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE on July 13, 2009, which became effective on August 1, 2009, foreign exchange administrative authorities implements foreign exchange registration and filing system for overseas direct investments of domestic institutions as well as the assets and relevant equities generated from such investments.

Pursuant to the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the National Development and Reform Commission on December 26, 2017, which became effective on March 1, 2018, overseas investment means any investment activity in which a domestic enterprise of the PRC obtains overseas ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset, interest or providing financing and guarantee. To conduct overseas investment, certain procedures (such as approval and record-filing of overseas investment project) shall be complied with according to the relevant circumstances of the overseas investment project.

## MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATE LAW IN THE PRC AND HONG KONG

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Stock Exchange, the Company is governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong corporate law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

### Corporate Existence

Under relevant Hong Kong corporate law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or subscription. The latest amended PRC Company Law removed the general provisions on statutory minimum registered capital, except that laws, administrative regulations and the State Council decisions have separate provisions on paid-in registered capital and the minimum registered capital, in which case the company should follow such provisions.

### Share Capital

Under the new Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalising its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) cancelling its shares. The concept of authorised capital no longer applies to a Hong Kong company formed on or after 3 March 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorised share capital. The registered capital of the Company is the amount of the issued share capital. Any increase in the registered capital of the Company must be approved by the shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Securities Law, a company which is authorised by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisal must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

**Restrictions on Shareholding and Transfer of Shares**

Under PRC law, the Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons and other investment institutions as permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. In addition, pursuant to the Several Provisions on the Interconnection Mechanism for Transactions in the Mainland and Hong Kong Stock Markets (《內地與香港股票市場交易互聯互通機制若干規定》) qualified PRC investors could buy specified overseas listed shares through systems such as Shanghai-Hong Kong Stock Connect.

Under the PRC Company Law, shares in a joint stock limited liability company held by its promoters cannot be transferred within one year after the date of establishment of the company. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of the shares on the Stock Exchange. Shares held by its directors, supervisors and senior management transferred each year during their term of office shall not exceed 25% of the total shares held by them, and the shares of the company held by such person cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after such person has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and senior management. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and the controlling shareholder of the Company to the Stock Exchange described in the section entitled "*Underwriting*".

**Financial Assistance for Acquisition of Shares**

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance for acquisition of shares similar to those under the Hong Kong company law.

**Variation of Class Right**

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarised in this Appendix.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

**Directors**

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

**Supervisory Committee**

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**Derivative Action by Minority Shareholders**

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders

individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

**Protection of Minorities**

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

**Notice of Shareholders' Meetings**

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

**Quorum for Shareholders' Meetings**

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

**Voting**

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

**Financial Information Disclosure**

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its annual balance sheet, profit and loss account, statement of changes in financial position and other relevant annexure 20 days before its shareholders' annual general meeting. In addition, a company established by the public subscription method under the PRC Company Law must publish its financial position. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

**Information on Directors and Shareholders**

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

**Receiving Agent**

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of overseas listed foreign shares dividends declared and all other monies owed by the company in respect of its shares.

**Corporate Reorganisation**

Corporate reorganisation involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change the form of a joint stock limited liability company has to be approved by shareholders in general meeting.

**Dispute Arbitration**

In Hong Kong, disputes between shareholders on one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

**Mandatory Deductions**

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

**Remedies of the Company**

Under the PRC Company Law, if a director, supervisor or senior management in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or senior management should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

**Dividends**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

**Fiduciary Duties**

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the PRC Company Law and the Special Regulations, directors and supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

**Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days under certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

**LISTING RULES**

The Listing Rules provide additional requirements applicable to an issuer which is incorporated in the PRC as a joint stock limited liability company and seeks a primary listing or whose primary listing is on the Stock Exchange. Set out below is a summary of such principal additional requirements which apply to the Company.

**Compliance Adviser**

A company seeking listing on the Stock Exchange is required to appoint a compliance adviser acceptable to the Stock Exchange for the period from its listing date up to the date of the publication of its first full year's financial results. The compliance adviser should provide the company with professional advice on continuous compliance with the Listing Rules and all other applicable laws, regulations, rules, codes and guidelines, and to act at all times, in addition to the company's two authorised representatives, as the principal channel of communication with the Stock Exchange. The appointment of the compliance adviser may not be terminated until a replacement acceptable to the Stock Exchange has been appointed.

If the Stock Exchange is not satisfied that the compliance adviser is fulfiling its responsibilities adequately, it may require the company to terminate the compliance adviser's appointment and appoint a replacement.

The compliance adviser must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. The company should proactively discuss and seek advice and maintain regular contact with its compliance adviser and keep them apprised of developments in the company and proposed corporate actions. It must act as the company's principal channel of communication with the Stock Exchange if the authorised representatives of the company are expected to be outside Hong Kong frequently.

**Accountants' Report**

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

**Process Agent**

A company is required to appoint and maintain a person authorised to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Stock Exchange. The company must notify the Stock Exchange of his appointment, the termination of his appointment and his contact particulars.

**Public Shareholdings**

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the

issuer's total issued share capital, having an expected market capitalisation at the time of listing of not less than HK$50 million. The Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalisation at the time of listing of more than HK$10,000 million.

**Independent Non-executive Directors and Supervisors**

The independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the general body of shareholders will be adequately represented. The supervisors of a PRC issuer must have the requisite character, expertise and integrity and be able to demonstrate a standard of competence commensurate with their position as supervisors.

**Restrictions on Purchase and Subscription of Its Own Securities**

Subject to governmental approvals and the provisions of the Articles of Association, the Company may repurchase its own H shares on the Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of special resolution of the holders of Domestic Shares and the holders of H Shares at separate class meetings conducted in accordance with the Articles of Association is required for share repurchases. In seeking approvals, the Company is required to provide information on any proposed or actual purchases of all or any of the equity securities, whether or not listed or traded on the Stock Exchange. The Directors must also state the consequences (if any) of any purchases which will arise under either or both of the Code on Takeovers and Mergers and any similar PRC law of which they are aware. Any general mandate given to the Directors to repurchase H Shares must not exceed 10% of the total amount of existing issued H Shares.

**Mandatory Provisions**

With a view to increasing the level of protection afforded to investors, the Stock Exchange requires the incorporation, in the articles of association of a PRC company whose primary listing is on the Stock Exchange, of the Mandatory Provisions and provisions relating to the change, removal and resignation of auditors, class meetings and the conduct of the supervisory committee of the company. Such provisions have been incorporated into the Articles of Association, a summary of which is set out in this Appendix.

**Redeemable Shares**

The Company must not issue any redeemable shares unless the Stock Exchange is satisfied that the relative rights of the holders of the H Shares are adequately protected.

**Pre-emptive Rights**

Except under the circumstances mentioned below, the Directors are required to obtain the approval by a special resolution of Shareholders in a general meeting, and the approvals by special

resolutions of the holders of Domestic Shares and H Shares (each being entitled to vote at general meetings) at separate class meetings conducted in accordance with the Articles of Association, prior to authorising, allotting, issuing or granting shares or securities convertible into shares, or options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules, but only to the extent that the existing Shareholders of the Company have by special resolution in a general meeting given a mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorise, allot or issue, either separately or concurrently once every 12 months, not more than 20% of the existing Domestic Shares and H Shares as at the date of the passing of the relevant special resolution or of such Shares that are part of the plan at the time of the establishment of the Company to issue Domestic Shares and H Shares and which plan is implemented within 15 months from the date of approval by the CSRC.

**Supervisors**

The Company is required to adopt rules governing dealings by the Supervisors in securities of the Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Stock Exchange.

The Company is required to obtain the approval of the Shareholders in a general meeting (at which the relevant Supervisor and his associates shall not vote on the matter) prior to the Company or any of its subsidiaries entering into a service contract of the following nature with a Supervisor or proposed Supervisor of the Company or its subsidiaries: (i) the contract is for a duration that may exceed three years; or (ii) the contract expressly requires the Company to give more than one year's notice or to pay compensation or make other payments equivalent to more than one year's emoluments.

The Remuneration Committee of the Company or an independent board committee must form a view in respect of service contracts that require Shareholders' approval and advise Shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the Company and the Shareholders as a whole and advise Shareholders on how to vote.

**Amendment to the Articles of Association**

The Company is required not to permit or cause any amendment to be made to the Articles of Association which would cause the same to cease to comply with the Mandatory Provisions relating to such Articles of Association.

**Documents for Inspection**

The Company is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by Shareholders at reasonable charges of the following:

- A complete duplicate register of Shareholders;
- A report showing the state of the issued share capital of the Company;
- The Company's latest audited financial statements and the reports of the Directors, auditors and Supervisors (if any) thereon;
- Special resolutions of the Company;
- Reports showing the number and nominal value of securities repurchased by the Company since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between Domestic Shares and H Shares); and
- For Shareholders only, copies of minutes of meetings of Shareholders.

**Receiving Agents**

The Company is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owing in respect of the H Shares to be held, pending payment, in trust for the holders of such H Shares.

**Statements in Share Certificates**

The Company is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause its H share registrars not to register the subscription, purchase or transfer of any of the H Shares in the name of any particular holder unless and until such holder delivers to such H share registrar a signed form in respect of such Shares bearing statements to the following effect that the acquirer of the Shares:

- Agrees with the Company and each Shareholder of the Company, and the Company agrees with each Shareholder of the Company, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;
- Agrees with the Company, each Shareholder, Director, Supervisor, manager and officer of the Company, and the Company acting for itself and for each Director, Supervisor, manager and officer of the Company agrees with each Shareholder, to refer all differences and claims

arising from the Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- Agrees with the Company and each Shareholder of the Company that the H Shares in the share capital of the Company are freely transferable by the holder thereof; and

- Authorises the Company to enter into a contract on his behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligation to Shareholders as stipulated in the Articles of Association.

**Legal Compliance**

The Company is required to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association.

**Contract between the Company and the Directors, Officers and Supervisors**

The Company is required to enter into a contract in writing with every Director and officer containing at least the following provisions:

- An undertaking by the Director or officer to the Company to observe and comply with the PRC Company Law, the Special Regulations, the Articles of Association, the Codes on Takeovers and Mergers and Share Repurchases and an agreement that the Company shall have the remedies provided in the Articles of Association and that neither the contract nor his office is capable of assignment;

- An undertaking by the Director or officer to the Company acting as agent for each Shareholder to observe and comply with his obligations to Shareholders as stipulated in the Articles of Association;

- An arbitration clause which provides that whenever any differences or claims arise from any rights or obligations conferred or imposed by that contract, the Articles of Association, the PRC Company Law or other relevant law and administrative regulations concerning the affairs of the Company between the Company and the Directors or officers and between a holder of H Shares and a Director or officer of the Company, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its securities arbitration rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive;

- If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen according to the securities arbitration rules of HKIAC; PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations;

- The award of the arbitral body is final and shall be binding on the parties thereto;

- The agreement to arbitrate is made by the Director or officer with the Company on its own behalf and on behalf of each Shareholder; and

- Any reference to arbitration shall be deemed to authorise the arbitral tribunal to conduct hearings in open session and to publish its award.

The Company is also required to enter into a contract in writing with every Supervisor containing statements in substantially the same terms.

**Subsequent Listing**

The Company will not apply for the listing of any of the H Shares on a PRC stock exchange unless the Stock Exchange is satisfied that the relative rights of the holders of foreign shares are adequately protected.

**English Translation**

All notices or other documents required under the Listing Rules to be sent by the Company to the Stock Exchange or to holders of the H Shares are required to be in the English language, or accompanied by a certified English translation.

**General**

If any change in the PRC law or market practices materially alters the validity or accuracy of any of the bases upon which the additional requirements have been prepared, then the Stock Exchange may impose additional requirements or make listing of the equity securities of a PRC issuer, including the Company, subject to special conditions as the Stock Exchange considers appropriate. Whether or not any such changes in the PRC law or market practices occur, the Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of the Listing.

## OTHER LEGAL AND REGULATORY PROVISIONS

Upon the Listing, the provisions of the SFO, the Codes on Takeovers and Mergers and Share Repurchases and such other relevant ordinances and regulations as may be applicable to companies listed on the Stock Exchange will apply to the Company.

**SECURITIES ARBITRATION RULES**

The securities arbitration rules of the HKIAC contain provisions allowing an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties including witnesses and the arbitrators being permitted to enter Shenzhen for the purpose of the hearing. Where a party (other than a PRC party) or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purposes of the securities arbitration rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

*This Appendix contains a summary of the Company's Articles of Association for the main purpose of outlining it to potential investors. As a summary only, all the important information to potential investors may not be exhaustive here.*

## SHARES

### Shares and Registered Capital

The shares of the Company are adopted as in the form of share certificates.

The Company shall have ordinary shares at all times. Subject to the approval of the company approving department authorised by the State Council, the Company may, according to requirements, create other classes of shares.

Shares of the Company shall be issued in fair and equal manner and shares of the same class shall rank pari passu in all respects. Each of the shares of the same class shall be issued under the same conditions and at the same price in each issuance, and the same price shall be paid for each of the shares subscribed for by any entity or individual.

Subject to the approval of the securities authority of the State Council, the Company may issue shares to domestic investors and foreign investors. The Board of the Company may implement, through separate issuances, the proposals for the issuance of overseas-listed foreign shares and domestic shares under the approval of the securities authority of the State Council. The Company may implement separately its proposals for the issuance of overseas-listed foreign shares and domestic shares pursuant to the preceding paragraph within fifteen months from the date of approval by the securities regulatory authority of the State Council or within the period stipulated in the relevant applicable regulations. Where the total number of shares stated in the proposal includes issuances of overseas-listed foreign shares and domestic shares, shares under such issuances should be fully subscribed all at once. If the shares cannot be fully subscribed all at once due to special circumstances, the shares may, subject to the approval of the securities regulatory authority of the State Council, be issued in separate tranches.

### Increase, Reduction and Repurchase of Shares

Based on its operating and development needs, the Company may increase its capital in accordance with the relevant requirements of the Articles of Association.

The Company may increase its registered capital in the following ways:

(i) issue new shares to non-specified investors;

(ii) place new shares to existing shareholders; or

(iii) issue bonus shares to existing shareholders;

(iv) other manners permitted under laws and administrative regulations and approved by the administrative department.

After the Company's increase of share capital by means of the issuance of new shares has been approved in accordance with the provisions of the Articles of Association, it shall be made in accordance with the procedures set out in the relevant laws and administrative regulations of the PRC.

The Company may reduce its registered capital. The reduction in registered capital shall be made in accordance with the procedures set out in the Company Law, other relevant regulations and the Articles of Association. The Company must prepare a balance sheet and an inventory of assets when it reduces its registered capital. The Company shall notify its creditors within ten days from the date of the Company's resolution to reduce registered capital and shall publish an announcement in a newspaper within thirty days from the date of such resolution. A creditor has the right to require the Company to repay its debts or to provide a corresponding guarantee for such debts within thirty days from the date the one receives the relevant notice or, in the case of a creditor who did not receive such notice, within forty-five days from the date of the announcement. The Company's registered capital shall not, after the reduction in capital, be less than the minimum amount prescribed by law.

Subject to compliance with the applicable laws and regulations, the Company may, through passing the procedures required by the Articles of Association and obtaining subject to the approval by reporting to the relevant competent authorities of the PRC, repurchase its issued shares through legal procedures under the following circumstances:

(i) reducing the registered capital of the Company;

(ii) merging with other companies which hold the shares of the Company;

(iii) allocating shares for use in employee stock ownership scheme or as equity incentives;

(iv) acquiring shares held by shareholders who vote against any resolution adopted at the shareholders' general meeting on the merger or demerger of the Company upon their request;

(v) allocating shares for use in the conversion of corporate bonds issued by the listed company convertible into shares;

(vi) necessary to maintain the value and shareholders' equity of the Company; or

(vii) other circumstances as permitted by laws and administrative regulations.

Save for the circumstances specified above, the Company shall not engage in trading of its shares.

The Company may, with approval of the relevant competent authorities of the PRC, repurchase its shares in one of the following ways:

(i) making a pro rata offer of repurchase to all its shareholders;

(ii) repurchasing through public trading on a stock exchange;

(iii) repurchasing shares by an off-market agreement; or

(iv) other circumstances as permitted by laws, administrative regulations, listing rules of the place where the shares of the Company are listed and the relevant competent departments.

The Company shall obtain the prior approval of the shareholders at a shareholders' general meeting, in the manner stipulated in the Articles of Association, before it can repurchase shares by the mean of an off-market agreement. The Company may, by obtaining the prior approval of the shareholders' general meeting in the same manner, rescind or vary the contract it has entered into in the abovementioned manner, or waive any rights in the contract. A contract for the repurchase of shares referred to in the preceding paragraph includes but is not limited to an agreement to become obliged to repurchase shares or acquire the right to repurchase shares. The Company shall not assign a contract to repurchase its shares or any right provided in such contract. In the event that the Company has redeemable shares, for the purpose that the Company has the right to repurchase the redeemable shares, if they are not repurchased through the market or by tender, the price of these shares shall not exceed a maximum price; if they are repurchased by tender, the relevant tender shall be available to all shareholders on the same terms.

Resolution by shareholders' general meeting is required for repurchase of shares of the Company. Repurchase of the Company's shares by the Company under the circumstances stipulated in (iii), (v) and (vi) as mentioned above may be implemented only after the relevant resolution has been resolved by more than two-thirds of the directors attending the Board meeting. Shares repurchased by the Company pursuant to the above requirements under (i) shall be cancelled within ten days from the date of acquisition; shares repurchased under (ii) and (iv) shall be transferred or cancelled within six months; where shares are repurchased under (iii), (v) and (vi), the aggregate number of shares held by the Company shall not exceed ten percent of the total number of shares in issue of the Company and such shares shall be transferred or cancelled within three years. After the Company has repurchased its shares according to laws, if the shares are to be cancelled according to law, such shares shall be transferred or cancelled within the period prescribed by laws and administrative regulations. If the Company cancels shares, it shall carry out registration of change in its registered capital with its original registrar. The aggregate par value of the cancelled shares shall be deducted from the Company's registered capital.

**Transfer of Shares**

Unless otherwise provided by laws, administrative regulations and the listing rules in the place where the Company's shares are listed, fully-paid shares of the Company are transferrable free from any restrictions of the transfer rights and free of lien. Transfer of overseas-listed foreign shares listed in Hong Kong requires registration by the share registrar in Hong Kong appointed by the Company.

The Company shall not accept any of its own shares as the subject of pledge.

**Financial Assistance for Acquisition of the Company's Shares**

The Company or its subsidiaries shall not, at any time, provide any kind of financial assistance to a person who acquires or is proposing to acquire the Company's shares. The aforesaid person acquiring the Company's shares includes a person who has directly or indirectly incurred any obligations as a result of the acquisition of the Company's shares.

The Company or its subsidiaries shall not, by any means at any time, provide financial assistance to the aforesaid person for the purpose of reducing or discharging his obligations. When the following circumstances occurred, the above restriction shall not be applied:

(i) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of the Company's shares, or the giving of financial assistance is an incidental part of the overall plan of the Company;

(ii) the lawful distribution of the Company's assets as dividends;

(iii) the allotment of shares as dividends;

(iv) the reduction of registered capital, repurchase of shares or reorganisation of share capital structure of the Company effected in accordance with the Articles of Association;

(v) the loans provided by the Company within its scope of business and in the ordinary course of its business, provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided from the distributable profits of the Company; and

(vi) the contributions made by the Company to the staff share ownership schemes, provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided from the distributable profits of the Company.

**Share Certificates and Register of Shareholders**

Share certificates of the Company shall be in registered form.

Particulars which shall be stated on a share certificate include:

(i) the name of the Company;

(ii) the date of incorporation of the Company;

(iii) the class of shares, nominal value thereof and the number of shares represented;

(iv) the serial number of the share certificate; and

(v) other items as required to be specified by the Company Law, Special Regulations and the stock exchange of the place where the Company's shares are listed.

The Company may issue overseas-listed foreign shares in the form of foreign depository receipts or other derivative means in accordance with the laws and the practice of registration and deposit of securities in the place where the Company's shares are listed.

The Company shall maintain a register of shareholders and register the following particulars:

(i) the name, address (residence), occupation or nature of each shareholder;

(ii) the class and number of shares held by each shareholder;

(iii) the amount paid or payable in respect to the shares held by each shareholder;

(iv) the serial numbers of the shares held by each shareholder;

(v) the date on which each shareholder was registered as a shareholder; and

(vi) the date on which each shareholder ceased to be a shareholder.

The Company may, in accordance with the understanding reached and agreements entered into between the securities regulatory authority of the State Council and overseas securities regulatory authorities, maintain its original copy of the register of holders of overseas-listed foreign shares outside China and entrust an overseas agent to maintain such register.

The Company shall maintain the part of register of holders of overseas-listed foreign shares relating to holders of shares listed on the Hong Kong Stock Exchange in Hong Kong, and maintain a duplicate thereof at the Company's corporate domicile. The appointed overseas agent shall ensure the consistency between the original copy and the duplicate of the register of holders of overseas-listed foreign shares at all times.

If there is any inconsistency between the original copy and the duplicate of the register of holders of overseas-listed foreign shares, the original copy shall prevail.

No share transfer may be entered in the register of shareholders within thirty days prior to the date of a shareholders' general meeting or within five days before the record date set by the Company for the purpose of distribution of dividends.

Any person who disputes the register of shareholders and requests to have his/her name entered to, or removed therefrom may apply to the relevant court of authority for rectification of the register of shareholders.

Any shareholder who is registered in, or any person who requests to have his/her name entered in, the register of shareholders may, if his/her share certificates (the "Original Certificates") are lost, apply to the Company for a replacement share certificate in respect to such shares (the "Relevant Shares").

## SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETINGS

### Shareholders

A shareholder of the Company is a person who lawfully holds shares of the Company and whose name is entered in the register of shareholders. A shareholder shall enjoy rights and assume obligations according to the class and number of shares held by that shareholder. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations. All classes of shareholders of the Company shall have equal rights in any distribution in the form of a dividend or any other form.

Holders of ordinary shares of the Company shall have the following rights:

(i) the right to receive dividends and other distributions in proportion to the number of shares held;

(ii) the right to request, convene, chair, attend and vote in person or appoint a proxy to attend and vote on their behalf at shareholders' general meetings in accordance with the laws;

(iii) the right to supervise and manage the Company's business operations, and to put forward proposals or raise enquiries;

(iv) the right to transfer, give as gift or pledge the shares held in accordance with laws and administrative regulations and the Articles of Association;

(v) the right to obtain the relevant information in accordance with the Articles of Association, including:

1. a duplicate of the Articles of Association upon payment of costs and fees;

2. the right to inspect and copy upon payment of a reasonable fee:

(1) a duplicate of the register of all shareholders;

(2) personal particulars of directors, supervisors, president and other senior management officers of the Company, including:

a) current and previous names and aliases;

b) main address (residence);

c) nationality;

d) full-time and all other part-time occupations and duties;

e) identification documents and their numbers.

(3) report on the state of the Company's issued share capital;

(4) reports showing the aggregate par value and number of shares, the highest and lowest prices paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and all the expenses paid by the Company therefor (with a breakdown between domestic shares and foreign shares (and H shares (if applicable));

(5) duplicates of minutes of the shareholders' general meetings (for shareholders' inspection only), duplicates of special resolutions of the Company and duplicates of resolutions of meetings of the Board and the Supervisory Committee;

(6) the Company's latest audited financial statements and reports of directors, accounting firms and the Supervisory Committee;

(7) a duplicate of the latest annual examination report filed with the state administration for industry and commerce departments or other competent authorities;

The Company shall place the documents referred to in the above items (1) to (7) (other than item (2)) and any other applicable documents at the Company's Hong Kong address as required by the Hong Kong Listing Rules for inspection by the public and shareholders free of charge (excluding the minutes of the shareholders' general meetings which are for shareholders' inspection only). The shareholders of the Company can also inspect the resolutions of meetings of the Board and the Supervisory Committee of the Company. Where shareholders request inspection of the relevant information or demand for materials as aforementioned, they shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Upon verification of the shareholder's identity, the Company shall provide information requested by such shareholder.

(vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held;

(vii) with respect to shareholders who voted against any resolutions adopted at the shareholders' general meeting on the merger or demerger of the Company, the right to demand the Company to acquire the shares held by them;

(viii) any other rights conferred by laws, administrative regulations, departmental rules, the listing rules of the place where the Company's shares are listed and the Articles of Association.

If a resolution passed at a shareholders' general meeting or meeting of the Board of the Company violates laws and administrative regulations, the shareholders shall have the rights to submit a petition to the people's court to render the resolution invalid.

If the procedures for convening, or the method of voting at, a shareholders' general meeting or meeting of the Board violate laws and administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, shareholders shall have the rights to submit a petition to the people's court to revoke such resolution within sixty days from the date on which such resolution is adopted.

Where the Company incurs loss as a result of violation of laws and administrative regulations or the Articles of Association by directors and senior management officers in the course of performing their duties, shareholders individually or jointly holding more than one percent of the shares of the Company for more than one hundred and eighty consecutive days shall have the rights to request in writing to the Supervisory Committee to initiate legal proceedings in the people's court where the Company incurs loss as a result of violation of laws and administrative regulations or the Articles of Association by the Supervisory Committee in the course of performing its duties, the shareholders shall have the rights to request in writing to the Board to initiate legal proceedings in the people's court.

If the Supervisory Committee or the Board refuses to initiate legal proceedings upon receipt of the written request of shareholders stated in the preceding paragraph, or fails to initiate such legal proceedings within thirty days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, the shareholders described in the preceding paragraph shall have the rights to initiate legal proceedings in the people's court directly in their own names in the interest of the Company.

If any person infringes the lawful rights and interests of the Company, thus causing any loss to the Company, the shareholders as mentioned in the first paragraph of this Article may initiate legal proceedings in the people's court in accordance with the provisions of the preceding two paragraphs.

If any director or senior management officer is in violation of laws and administrative regulations or the Articles of Association, thus causing any loss to the shareholders, the shareholders may initiate legal proceedings in the people's court.

Holders of ordinary shares of the Company shall assume the following obligations:

(i) to abide by the Articles of Association;

(ii) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(iii) not to surrender the shares unless required by the laws and regulations;

(iv) other obligations imposed by laws, administrative regulations, rules, normative documents, the listing rules of the place where the Company's shares are listed and the Articles of Association.

Shareholders are not liable for making any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

Apart from the obligations imposed by laws and administrative regulations or the listing rules of the place where the Company's shares are listed, a controlling shareholder, in exercising his/her rights as a shareholder, shall not exercise his/her voting rights in respect to the following matters in a manner prejudicial to the interests of all or some of the shareholders of the Company when they exercise their rights as shareholders:

(i) to relieve a director or supervisor of his/her duty to act honestly in the best interests of the Company;

(ii) to approve the directors or supervisors (for their own account or for the account of other parties) to deprive the Company of its assets in any manner, including, but not limited to, any opportunity favourable to the Company;

(iii) to approve the directors or supervisors (for their own account or for the account of other parties) to deprive another shareholder of his/her individual interests, including but not limited to any allocation right and voting right, but excluding any corporate restructuring proposal made at the shareholders' general meeting in accordance with the Articles of Association.

**General Provisions for the Shareholders' General Meeting**

The shareholders' general meeting is the power of authority of the Company and shall legally exercise the following functions and powers:

(i) to decide the Company's operational directions and investment plans;

(ii) to elect and replace directors and to determine matters relating to the remuneration of the directors;

(iii) to elect and replace supervisors who are not staff representatives and to determine matters relating to the remuneration of the supervisors;

(iv) to consider and approve the directors' reports;

(v) to consider and approve the reports of the Supervisory Committee;

(vi) to consider and approve the Company's annual financial budgets and final accounts;

(vii) to consider and approve the Company's profit distribution plan and loss recovery plan;

(viii) to make resolutions on increase or reduction of the Company's registered capital;

(ix) to make resolutions on the merger, demerger, dissolution, liquidation or transformation of the Company;

(x) to make resolutions on the issue of corporate bonds and other securities of the Company and the listing of the Company;

(xi) to make resolutions on the issue of appointment, dismissal or non-reappointment of accounting firms;

(xii) to amend the Articles of Association;

(xiii) to consider the motions put forward by shareholders individually or jointly holding more than three percent of the Company's voting shares;

(xiv) other matters which are required to be resolved at the shareholders' general meeting as required by laws, administrative regulations, the listing rules of the stock exchange in the place where the Company's shares are listed and the Articles of Association.

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. Shareholders' general meetings shall be convened by the Board. Annual general meetings shall be held once every year and within six months from the close of the preceding accounting year.

The Board shall convene an extraordinary general meeting within two months from the occurrence of any of the following circumstances:

(i) when the number of directors is less than the number stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;

(ii) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-in share capital;

(iii) when any shareholder individually or jointly holding more than ten percent of the Company's voting shares outstanding requests in writing for the convening of an extraordinary general meeting;

(iv) when deemed necessary by the Board or when requested by the Supervisory Committee;

(v) any other circumstances stipulated in laws, regulations, the listing rules of the place where the Company's shares are listed and the Articles of Association.

**Convening of Shareholders' General Meetings**

Shareholders' general meetings shall be convened by the Board.

Shareholders individually or jointly holding more than ten percent of the Company's total shares carrying voting rights request for the convening of an extraordinary general meeting or a class meeting shall follow the procedures below:

(i) shareholders individually or jointly holding more than ten percent of the shares carrying voting rights may sign one or more written requests of identical form of content requesting the Board to convene an extraordinary general meeting or a class meeting and stating the subject of the meeting. The Board shall make a written response as to whether or not it agrees to convene the extraordinary general meeting or the class meeting within ten days of after having received the aforementioned written request. If the Board agrees to convene

the extraordinary general meeting or the class meeting, a notice convening such a meeting shall be issued within five days after the resolution of the Board is passed. If the original proposal contained in the notice is changed, approval of the relevant shareholders shall be sought. The abovementioned shareholding shall be calculated as at the day on which the written request is made.

(ii) if the Board fails to issue a notice of convening such meeting within thirty days upon receipt of the above mentioned written request, the shareholders who made such request may convene the meeting of their own accord within four months upon the Board having received such request. The convening procedures shall, to the greatest extent possible, be identical to procedures according to which shareholders' general meetings are to be convened by the Board.

If the shareholders convene and hold a meeting themselves because the Board fails to hold the meeting as mentioned above, reasonable expenses incurred by the shareholders shall be borne by the Company and deducted from the amount due by the Company to the Director(s) who have neglect their duties.

The Supervisory Committee is entitled to propose in writing to the Board to convene an extraordinary general meeting. The Board shall, according to laws, administrative regulations and the Articles of Association, furnish a written reply to the Supervisory Committee stating its agreement or disagreement to the convening of the extraordinary general meeting within ten days upon receipt of such proposal.

If the Board agrees to convene an extraordinary general meeting, it shall serve the notice of such meeting within five days after the relevant Board resolution is passed. Consent of the Supervisory Committee shall be obtained in the event of any changes made to the original proposal in the notice.

If the Board does not agree to convene an extraordinary general meeting or fails to furnish any written reply to the Supervisory Committee within ten days upon receipt of such proposal, the Board is deemed to be unable or unwilling to perform the duty of convening a general meeting, in which case the Supervisory Committee may convene and preside over such meeting by itself.

If the Supervisory Committee or the shareholders decide(s) to convene a shareholders' general meeting, it (they) shall notify the Board in writing.

If the Supervisory Committee or the shareholders convene(s) a shareholders' general meeting on its/their own, the Board shall cooperate accordingly. The Board shall provide the register of shareholders as at the date of the shareholding registration date.

If the Supervisory Committee or the shareholders convene(s) a shareholders' general meeting on its/their own, the necessary expenses of the meeting shall be borne by the Company.

**Proposals and Notice of Shareholders' General Meetings**

Where the Company convenes a shareholders' general meeting, the Board, the Supervisory Committee and shareholder(s) severally or jointly holding more than three percent of the shares of the Company may make proposals to the Company.

Shareholder(s) individually or collectively holding more than three percent of the shares of the Company may propose ex tempore motions no later than ten days prior to the convening of the shareholders' general meeting by submitting the same in writing to the convener; the convener shall notify other shareholders within two days after the receipt of the motions and table the same at the shareholders' general meeting for consideration. Ex tempore motions shall carry specific subjects and matters to be resolved that fall within the scope of authority of the shareholders' general meeting.

Resolutions in the notice of the shareholders' general meeting that do not specify or comply with the provisions of the Articles of Association shall not be voted on and resolved by the shareholders' general meeting.

**Voting and Resolutions of Shareholders' General Meetings**

Resolutions of a shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions made by the shareholders' general meeting shall be passed by votes representing more than half of the voting rights held by shareholders (including proxies thereof) attending the shareholders' general meeting.

Special resolutions made by the shareholders' general meeting shall be passed by votes representing more than two-thirds of voting rights held by shareholders (including proxies thereof) attending the shareholders' general meeting.

The following issues shall be approved by ordinary resolutions at a shareholders' general meeting:

(i) work reports of the Board and the Supervisory Committee;

(ii) profit distribution plan and loss recovery plan formulated by the Board;

(iii) election and removal of the members of the Board and supervisors who are not staff representatives, their remunerations and the method of payment thereof;

(iv) annual budgets, final accounts, balance sheets, income statements and other financial statements of the Company;

(v) issues other than those that should be passed by special resolutions pursuant to laws, administrative regulations, listing rules of the place where the Company's shares are listed or the Articles of Association.

The following issues shall be approved by special resolutions at a shareholders' general meeting:

(i) the increase or decrease in share capital of the Company and the issue of shares of any class, warrants and other similar securities;

(ii) the issue of corporate bonds;

(iii) the demerger, merger, dissolution, liquidation or transformation of the Company;

(iv) the amendment to the Articles of Association;

(v) other matters considered by the shareholders' general meeting by way of an ordinary resolution to be of a nature which may have a material impact on the Company and should be adopted by special resolution;

(vi) other matters required by the Articles of Association and the listing rules of the place where the Company's shares are listed to be adopted by means of a special resolution.

Shareholders (including proxies thereof) exercise voting power in the shareholders' general meeting with the number of voting shares represented by them, and each share has one vote.

**Special Procedures for Voting by Class Shareholders**

Shareholders holding different classes of share shall be class shareholders.

Any variation or abrogation of the rights of class shareholders proposed by the Company shall be approved by a special resolution of the shareholders' general meeting and by the shareholders of the affected class at a separate shareholders meeting convened in accordance with the Articles of Association.

The following circumstances shall be deemed to be variation or abrogation of the rights of shareholders of a certain class:

(i) increase or decrease in the number of shares of that class, or increase or decrease in the number of shares of another class having the same or more rights in voting, distribution or other privileges;

(ii) conversion of all or part of the shares of that class into shares of other classes, or conversion of all or part of the shares of other classes into shares of that class or granting rights of such conversion;

(iii) removal or reduction of the entitlement and rights to receive and retain dividends attributable to shares of that class;

(iv) reduction or removal of the rights of priority to receive dividends or distribution of wealth in the event of liquidation attached to shares of that class;

(v) increase, removal or reduction of the rights of share conversion, options, voting rights, the right to transfer, priority in placement of shares and the rights to acquire securities of the Company attached to shares of that class;

(vi) removal or reduction of the right to receive sums payable by the Company in particular currencies attached to shares of that class;

(vii) creation of a new class of shares having the same or more rights in voting, distribution or other privileges;

(viii) imposing or strengthening the restriction on the transfer of or the ownership of shares of that class;

(ix) issue of rights to subscribe for or convert into shares of that class or other class;

(x) increase in the rights and privileges of shares of other classes;

(xi) proposed restructure of the Company which shall result in different class shareholders having to assume disproportionate liabilities; and

(xii) alteration or cancellation of the provision of this Articles of Association.

Shareholders of the affected class, whether or not having the rights to vote at the shareholders' general meetings, shall have the rights to vote at the class meeting in relation to any of the matters of the Company under circumstances (ii) to (viii) and (xi) to (xii) mentioned above, but interested shareholders shall not be entitled to vote at the class meeting.

A resolution of a class meeting shall be passed by at least a two-thirds majority calculated on the basis of the voting rights held by the shareholders present and entitled to vote at the class meeting.

The special procedures for voting by class shareholders shall not apply in the following circumstances:

(i) pursuant to a special resolution of the shareholders' general meeting, the Company issues domestic shares, unlisted foreign shares and overseas-listed foreign shares in a period of twelve months, either separately or concurrently, and the respective numbers of domestic shares, unlisted foreign shares and overseas-listed foreign shares proposed to be issued do not exceed twenty percent of the respective numbers of outstanding shares; or

(ii) issue of domestic shares and unlisted foreign shares upon establishment of the Company and issue of overseas-listed foreign shares pursuant to a plan approved by the securities regulatory agency of the State Council within fifteen months from the date of approval; or

(iii) upon the approval of the securities regulatory agency of the State Council, the domestic shares and the unlisted foreign shares of the Company are converted into overseas listed foreign shares and listed for trading on an overseas stock exchange.

**Directors and the Board**

**Directors**

Directors shall be produced by election at the shareholders' general meeting for a term of three years. Upon the expiration of the term of office, a director shall be eligible to offer himself for re-election and reappointment.

A director is not required to hold any shares of the Company.

If any director fails to attend in person or appoint other directors to attend meetings of the Board for two consecutive times without any proper reason, such director shall be deemed to have failed to perform his duties, and the Board may propose to replace such director at the shareholders' general meeting.

A director may tender resignation prior to the expiry of his term of office. The resigning director shall submit a resignation report in writing to the Board. If re-election is not held timely upon expiry of the term of office of directors, or if the number of directors of the Board falls below the quorum due to a director's resignation during his term, before the re-elected director assumes office, the original director shall continue to perform the director's duties according to the laws, administrative regulations and Articles of Association. Provided without violation of the relevant regulations and regulatory rules of the place where the shares of the Company are listed, if a new director is appointed by the Board to fill a temporary vacancy of the Board or as a new additional director, the term of office of such appointed director shall only last until the next annual general meeting, and shall be eligible to be re-elected at the meeting.

**Independent Non-executive Directors**

An independent non-executive director refers to a director who does not act in other capacities in the Company other than director, committee member or chairman of special committees under the Board, nor there any relationship between the Company and its substantial shareholders which may affect the director in making objective judgements. Independent non-executive directors shall account for at least one-third of the members of the Board and not less than three persons. Independent non-executive directors of the Company shall include at least one with applicable professional qualifications or with applicable accounting or related financial management strengths, and shall include at least one independent non-executive director who shall generally live in Hong Kong.

The term of an independent non-executive director is the same as that of other directors of the Company. An independent director who is re-elected may serve for another term if he/she is re-elected after his/her term of office expires.

An independent non-executive director shall have the qualifications and independence stipulated by laws and regulations and listing rules in the place where the Company's shares are listed.

**Board**

The Company shall establish a Board consisting of ten directors, with one chairman. The number of independent non-executive directors shall represent at least one-third of the Board and there shall be at least one accounting professional.

The Board shall be accountable to the shareholders' general meeting and exercise the following functions and powers:

(i) to be responsible for convening the shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the business plans and investment schemes of the Company;

(iv) to formulate the Company's proposed annual financial budget and final accounts;

(v) to formulate the Company's profit distribution plan and loss recovery plan;

(vi) to formulate proposals for the increase or reduction of the Company's registered capital, and plans for the issue of corporate bonds;

(vii) to draw up plans for merger, demerger, dissolution or change of the form of the Company;

(viii) to decide on the establishment of the Company's internal management organisation;

(ix) to appoint or remove the Company's president; to appoint or remove the senior vice president, vice president, chief financial officer and other senior management officers of the Company pursuant to the president's nominations, and to determine the remuneration matters thereof;

(x) to formulate the Company's basic management system;

(xi) to formulate proposals for amendment to the Articles of Association;

(xii) to review and approve the change in use of proceeds;

(xiii) other functions and powers as conferred by laws and regulations, requirements of the listing rules of the place where the Company's shares are listed, the shareholders' general meetings and the Articles of Association.

In making the resolutions in the preceding paragraph by the Board, except for circumstances under (vi), (vii) and (xi) which must be approved by resolutions of more than two-thirds of the directors, the remaining resolutions shall be approved by resolutions of more than half of all the directors. The Board shall perform duties pursuant to State laws, administrative regulations, the listing rules of the place where the shares of the Company are listed, the Articles of Association and the resolutions of the shareholders' general meetings.

When the Board disposes of fixed assets, the Board shall not, without the approval of the shareholders' general meeting, dispose or agree to dispose of such fixed assets where the aggregate of the expected value of the fixed assets contemplated to be disposed of and the realized value of fixed assets that have been disposed of within four months immediately preceding the proposed disposition exceeds thirty-three percent of the value of fixed assets as shown in the latest audited balance sheet examined in the shareholders' general meeting.

The validity of a transaction for the disposition of fixed assets by the Company shall not be affected by a breach of provision (i) in this Article.

The chairman of the Board shall exercise the following functions and powers:

(i) to preside over shareholders' general meetings, to convene and preside over the meetings of the Board;

(ii) to inspect the implementation of the resolutions of the Board;

(iii) to sign the securities issued by the Company;

(iv) other functions and powers conferred by the Board or the listing rules of the place where the Company shares are listed.

Meetings of the Board shall be divided into regular meetings or interim meetings. Meetings of the Board shall be held at least four times each year and shall be convened by the chairman of the Board. A notice shall be sent at least 14 days prior to the date of a regular meeting of the Board or at least 5 days prior to an interim meeting. By consent of all directors, the above time limit may be waived. If an interim meeting of the Board needs to be held quickly due to urgent circumstances, a meeting notice may be given at any time by telephone or other oral methods, provided that the convener makes an explanation thereof at the meeting.

Meetings of the Board shall be held only if more than one-half of the directors (including directors entrusted to attend the meeting according to provisions of the Articles of Association) are present. Each director shall have one vote. Where the Board makes resolutions, unless specified otherwise in the Articles of Association, resolutions of the Board shall be passed by more than half of all the directors. Where the number of votes against and in favor of a resolution is the same, the chairman of the Board is entitled to one more vote.

A director shall attend the meeting of the Board in person. If a director is unable to attend a meeting of the Board, he/she may appoint another director by a written power of attorney to attend on his/her behalf. Such a power of attorney shall specify the scope of authorisation.

The Board and its committees shall keep minutes of its decision on the matters considered at the meetings.

**Special Committees under the Board**

The Board shall establish special committees including but not limited to audit committee, remuneration committee and nomination committee and formulate corresponding implementation rules stipulating the main duties, decision-making procedures and rules of procedure of each special committee. The Board is responsible for the amendments and explanations of the implementation rules of each special committee.

**Secretary to the Board**

The Company shall have one secretary to the Board, who shall be a senior management officer of the Company.

The secretary to the Board shall be a natural person with essential expertise and experience, who shall be engaged or dismissed by the Board. The main responsibilities of the secretary to the Board are:

(i) to ensure the completeness of the Company's organisational documents and records;

(ii) to ensure that reports and documents of the Company required by competent authorities are prepared and delivered in accordance with laws, and to be responsible for accepting the relevant tasks assigned by the regulator and arranging for their completion;

(iii) to ensure that the Company's register of members is duly made, and to ensure that persons with right to receive relevant Company records and documents receive such records and documents in a timely manner;

(iv) to be responsible for matters relating to the disclosure of Company information, to ensure the timeliness, accuracy, lawfulness, integrity and completeness of the disclosure of Company information;

(v) to perform other functions and powers granted by the Board and other functions and powers required by the stock exchange of the place where the Company's shares are listed.

Directors or other senior management officers of the Company may concurrently hold the office of secretary to the Board. The accountants of the accounting firm engaged by the Company shall not concurrently hold the office of secretary to the Board.

If the office of secretary to the Board is held concurrently by a director of the Company and a certain act is to be done by a director and the secretary to the Board separately, the person who concurrently holds the offices of director and secretary to the Board may not perform the act in both capacities.

**President**

The Company shall have one president who shall be appointed or dismissed by the Board. The Company shall have several senior vice presidents and vice presidents who shall be appointed or dismissed by the Board.

The Board may decide that a member of the Board acts concurrently as the president.

The president shall serve a term of three years. At the expiration of his terms, the president may continue to serve as such if reappointed.

The president of the Company shall be accountable to the Board and exercise the following functions and powers:

(i) to be in charge of the Company's operation and management, to coordinate the implementation of the resolutions of the Board and report the work to the Board;

(ii) to organise the implementation of the Company's annual operation plan and investment proposal;

(iii) to draft plans for the establishment of the Company's internal management organisation;

(iv) to draft the Company's basic management system;

(v) to formulate the Company's basic rules and regulations;

(vi) to request to engage or dismiss the Company's senior vice president, vice president and chief financial officer;

(vii) to engage or dismiss the responsible managers except those who shall be engaged or dismissed by the Board;

(viii) other functions and powers granted by the Articles of Association and the Board.

President of the Company shall attend meetings of the Board. President who is not a director has no voting rights at meetings of the Board.

When exercising its functions and powers, the president of the Company shall perform its obligations of good faith and diligence in accordance with laws, administrative regulations, rules, normative documents, relevant provisions of the securities regulatory authority of where the Company's shares are listed and the provisions of the Articles of Association.

**Supervisory Committee**

The Company has a Supervisory Committee.

The Supervisory Committee consists of three supervisors, and one of them shall act as the chairman. Supervisors shall serve a term of three years. At the expiration of their terms, the supervisors may serve as such if re-elected.

The appointment and dismissal of the chairman of the Supervisory Committee shall be approved by resolution of more than two-thirds of the members of the Supervisory Committee.

Members of the Supervisory Committee consists of two shareholder representatives and one representative of the Company's employees. Shareholder representatives shall be elected and removed by the shareholders' general meeting, and the representatives of employees shall be democratically elected or removed by the Company's employees.

Directors, president and other senior management officers of the Company shall not act concurrently as supervisors.

Meetings of the Supervisory Committee shall be divided into regular meetings and interim meetings. Regular meetings of the Supervisory Committee shall be held at least once every six months, and shall be convened and presided over by the chairman of the Supervisory Committee. Supervisors may propose the holding of interim meeting of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform such duties, a supervisor elected jointly by no less than half of the supervisors shall convene and preside over the meeting the Supervisory Committee.

The Supervisory Committee shall be accountable to the shareholders' general meeting and legally exercise the following functions and powers:

(i) to check the financial condition of the Company;

(ii) to supervise directors, president and other senior management officers in the performance of their duties to the Company and to propose the removal of directors or senior management officers who violate laws, administrative regulations, the listing rules of the place where shares of the Company are listed, the Articles of Association or resolutions of the shareholders' general meeting;

(iii) to request directors, president and other senior management officers of the Company to rectify their acts which are detrimental to the Company's interest;

(iv) to check and inspect financial information such as the financial report, business report and plans for profits distribution to be submitted by the Board to the shareholders' general meetings, and to appoint, in the name of the Company, certified accountants and practicing auditors to assist in the review should any doubt arise in respect thereof;

(v) to propose the convening of an extraordinary general meeting, and if the Board fails to perform its duty of convening and presiding over a shareholders' general meeting, to convene and preside over such meeting;

(vi) to submit motions to the shareholders' general meeting;

(vii) to negotiate with directors on behalf of the Company or to sue directors, president and other senior management officers according to laws and the Articles of Association; and

(viii) other powers prescribed by the Articles of Association.

Supervisors shall attend board meetings and ask questions or suggestions on matters resolved by the Board.

Meetings of the Supervisory Committee shall be held only if more than two-thirds of the members of the Supervisory Committee are present. Meetings of the Supervisory Committee shall vote by poll. Each supervisor shall have one vote. Meetings of the Supervisory Committee shall be attended by the supervisors themselves. If any supervisor is unable to attend the meetings due to any reason, he may appoint in writing another supervisor to attend meetings of the Supervisory Committee on his behalf, and the power of attorney shall specify the scope of authorisation.

Resolutions of the Supervisory Committee shall be approved by more than two-thirds of the members of the Supervisory Committee.

Minutes shall be prepared for all meetings of the Supervisory Committee. Minutes shall be signed by all attending supervisors and the person taking the minutes. Minutes of meetings of the Supervisory Committee shall be kept as archives of the Company by a person designated by the chairman of Supervisory Committee. The meeting minutes shall be kept for at least ten years.

**Qualifications and Obligations of Directors, Supervisors, President and Other Senior Management Officers of the Company**

None of the persons in any of the following situations shall serve as the directors, supervisors, president or other senior management officers of the Company:

(i) being without civil capacity or having limited civil capacity;

(ii) having been penalized or sentenced due to an offense of corruption, bribery, encroachment on property, misappropriation of property or disruption of social and economic order, or having been deprived of political rights due to the committing of any crime, and in each case, five years not having elapsed since the completion of the relevant penalty, sentence or deprivation;

(iii) having been a former director, factory director or manager of a company or enterprise which had been bankrupt and liquidated as a result of improper management whereby such person was personally liable for the bankruptcy of such company or enterprise, where less than three (3) years have elapsed since the date of completion of the liquidation of the company or enterprise;

(iv) having been the legal representative of a company or enterprise the business license of which was revoked and business of which was compulsorily closed down due to violation of laws whereby such person was personally liable, and three years not having elapsed since the date of revocation of the business license of the company or enterprise;

(v) being a debtor personally liable for a relatively large debt which has not been paid as it fell due;

(vi) having been subject to an investigation by judicial authorities for suspected offense and the lawsuit is not settled yet;

(vii) being prohibited from serving as senior management of enterprises by laws and regulations;

(viii) being a non-natural person;

(ix) having been convicted by the relevant competent authorities for violations of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;

(x) circumstances specified in the laws, administrative regulations, listing rules or relevant laws and regulations of the places where the Company's shares are listed.

Any election and appointment of directors, supervisors and senior management in breach of the preceding sub-paragraphs shall be void.

Any director, supervisor and senior management who falls within one of the above categories referred in sub-paragraph (i) of this article during their term of service shall be precluded from his/her duties by the Company.

The validity of the conduct of directors, president or other senior management officers who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointments, elections or qualifications.

Apart from the obligations required by laws, administrative regulations or the listing rules of the place where shares of the Company are listed, the directors, supervisors, president and other senior management officers of the Company shall have the following obligations to each shareholder in the exercise of the functions and powers of the Company entrusted to them:

(i) not to cause the Company to exceed the scope of business stipulated in its business license;

(ii) to act honestly in the best interests of the Company;

(iii) not to deprive the Company in any way of its properties, including but not limited to the opportunities beneficial to the Company;

(iv) not to deprive the shareholders of personal interest, including but not limited to the allotment rights and the voting rights, but excluding the restructuring of the Company submitted to the shareholders' general meeting for approval in accordance with the Articles of Association.

The directors, supervisors, the president and other senior management officers of the Company shall perform their duties in good faith and shall not put themselves in a position where their interests may be contradictory to their obligations. These principles include but not limited to the following:

(i) acting in good faith to the best interests of the Company;

(ii) exercising powers within their scope and not beyond the defined boundary;

(iii) exercising the discretion vested in them personally and not to act under the control of other persons; not to delegate the exercise of their discretion, unless and to the extent permitted by laws, administrative regulations, the listing rules of the place where shares of the Company are listed or with the informed consent of shareholders given at a shareholders' general meeting;

(iv) treating shareholders of the same type equally and shareholders of different types fairly;

(v) not entering into contract, transaction or arrangement with the Company unless otherwise provided by the Articles of Association and the listing rules of where shares of the Company are listed or with the informed consent of shareholders' general meeting;

(vi) not seeking own benefits using the properties of the Company in any manner without the informed consent of the shareholders' general meeting;

(vii) not exploiting their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;

(viii) not accepting commissions in connection with the transactions of the Company without the informed consent of the shareholders' general meeting;

(ix) abiding by the Articles of Association; performing their duties faithfully; protecting the interests of the Company; and not exploiting their positions and powers in the Company for their own interests;

(x) not competing with the Company in any way unless with the informed consent of the shareholders' general meeting;

(xi) not misappropriating the Company's funds or lending the Company's funds to others, nor depositing the assets of the Company in accounts in their names or other names and providing guarantees for debts of the shareholders of the Company or other individual(s) with the assets of the Company; and

(xii) unless with the informed consent of the shareholders' general meeting, not releasing confidential information relating to the Company acquired by them in the course of and during their tenure and not to use the information other than in furtherance of the interests of the Company, save that the disclosure of such information to the court or other competent government authorities is permitted if the disclosure is:

1. by order of laws;

2. in the interests of the public;

3. in the interests of the relevant directors, supervisors, president and other senior management officers.

The fiduciary duties of the directors, supervisors, president and other senior management officers of the Company do not necessarily cease with the termination of their tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairly required depending on the time lapse between the occurrence of the incident and the termination of the tenure and the situation and conditions that the relationship with the Company are terminated.

Unless otherwise provided by the Articles of Association, duties imposed on the directors, supervisors, the president and other senior management officers of the Company due to violation of a specific obligation by such persons may be discharged as consented by a shareholders' general meeting.

Where the directors, supervisors, president and other senior management officers of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than the contracts of service of the directors, supervisors, president and other senior management officers with the Company), they shall declare the nature and extent of their interests to the Board as soon as possible, whether or not the related matters under normal circumstances is subject to the approval of the Board.

Unless under the exceptional circumstances specified in Note 1 to Appendix 3 of the Hong Kong Listing Rules or approved by the Hong Kong Stock Exchange, a director shall not vote on any resolution of the Board which approves the contract, transaction or arrangement or any other relevant suggestions where he/she or his/her close associates (as defined in the applicable Listing Rules which come into effect from time to time) owns a material interest; and shall not be included into the quorum of the meeting. If the relevant contract, transaction, arrangement or suggestion involves the connected transaction specified in the Hong Kong Listing Rules, the "close associates" herein shall be changed to "associates" (as defined in the applicable Hong Kong Listing Rules which come into effect from time to time).

If the connected persons or associates of the directors, supervisors, president and other senior executives of the Company have any interests in a given contract, transaction or arrangement, the said directors, supervisors, president and other senior executives shall also be deemed as having interests.

The Company shall not in any manner pay taxes on behalf of its directors, supervisors, president and other senior management officers.

The Company shall not, directly or indirectly, provide a loan or guarantee for a loan to the directors, supervisors, president and other senior management officers of the Company or the Company's parent company, nor shall the Company provide a loan or guarantee for a loan to the connected persons of the aforesaid persons.

The prohibition mentioned in the preceding provisions shall not apply in the following circumstances:

(i) provision of a loan or a guarantee for a loan by the Company to its subsidiaries;

(ii) provision of a loan or a guarantee for a loan or other funds by the Company to any of its directors, supervisors, the president and other senior management officers to pay the expenditure incurred or to be incurred by them in the interests of the Company or for the purpose of enabling them to perform duties for the Company in accordance with the terms of an employment contract approved by the shareholders' general meeting; and

(iii) the Company can provide a loan or a guarantee for a loan to a director, supervisor, the president and other senior management officer of the Company and their connected persons in the ordinary course of business if provision of a loan or guarantee for a loan are included in the ordinary course of business of the Company.

A loan made by the Company in breach of the aforesaid regulations, regardless of its conditions, shall be repaid to the Company immediately by the recipient of the loan.

A loan and a guarantee made by the Company in breach of the provisions of the Articles of Association shall not be mandatorily enforced against the Company, unless under the following circumstances:

(i) the loan provider unknowingly provides loans to personnel related to the directors, supervisors, president or other senior management officers of the Company or its parent company;

(ii) the collateral provided by the Company is sold lawfully by the loan provider to the buyer in good faith.

In addition to the rights and remedies provided by laws, administrative regulations and the listing rules of where shares of the Company are listed, if the directors, supervisors, president and other senior management officers of the Company are in breach of their duties to the Company, the Company has the right to:

(i) claim damages from such directors, supervisors, president and other senior management officers for losses incurred to the Company as a result of their dereliction of duties;

(ii) rescind any contract or transaction entered into by the Company with the directors, supervisors, president and other senior management officers or with a third party (where such third party knows or should have known that there is a breach of duties of such directors, supervisors, president and other senior management officers);

(iii) require the directors, supervisors, president and other senior management officers to surrender the profits made due to a breach of duties;

(iv) recover any money received by the directors, supervisors, president and other senior management officers which should have been received by the Company, including but not limited to commissions;

(v) require the payment of interest earned or which may have been earned by the directors, supervisors, president and other senior management officers on the money that should have been paid to the Company.

The Company shall enter into written contracts on issues regarding the remuneration with the directors and supervisors, and obtain the prior approval of the shareholders' general meeting.

**Financial and Accounting Systems and Profits Distribution**

The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations and the PRC accounting standards formulated by the competent finance authorities of the State Council.

The Company shall publish the financial reports twice per fiscal year. An interim financial report shall be published within sixty days from the end of the first six months of a fiscal year, while an annual financial report shall be published within one hundred and twenty days after completion of each fiscal year.

Should the securities regulatory authority of where he shares of the Company are listed or the listing rules of the place where shares of the Company are listed have other requirements, the Company shall comply with such other requirements.

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the places outside the PRC where shares of the Company are listed.

The Company shall not keep accounts other than those required by laws. The assets of the Company shall not be kept under the name of any individual.

Capital reserve fund includes the following items:

(i) premium proceeds from the shares issued over their par value;

(ii) any other income required to be included in the capital reserve fund by the competent finance department of the State Council.

The common reserve fund of our Company shall be used to make up for its losses, increase the scale of production and operation of our Company or convert the same into the capital of our Company to increase the amount thereof. The capital common reserve fund of the Company shall only be applied for the following purposes:

(i) to make up for losses; while capital reserve funds are not allowed to be used to make up the losses.

(ii) to convert into capital to increase the Company's capital; in the event of conversion of the statutory surplus reserve into share capital by way of capitalization, the balance of the surplus reserve shall not be less than twenty-five percent of the registered capital prior to capital injection of the Company.

(iii) to increase the scale of production and operation of the Company.

According to its operating conditions and the market environment, the Company shall fully consider the interests of shareholders and implement a reasonable dividend distribution policy. The Company may distribute dividends in cash or in the form of shares.

When distributing each year's after-tax profits, the Company shall set aside ten percent of its profits for its statutory common reserve fund. When the aggregate balance in the statutory common reserve fund reaches fifty percent or more of the Company's registered capital, the Company shall not be required to make any further allocation to such fund.

When the Company's statutory common reserve fund is insufficient to make up for the losses of the last year, profits of the current year shall be used to make up for the losses before allocations are set aside for the statutory common reserve fund in accordance with the previous paragraph.

After having set aside the statutory common reserve fund from the after-tax profits, the Company may also, with the approval of the resolution of the shareholders' general meeting, set aside discretionary common reserve fund from the after-tax profits.

If the shareholders' general meeting or the Board violates the provisions in the preceding paragraph and profits are distributed to the shareholders before the Company makes up for losses or makes allocations to the statutory common reserve fund, the profits distributed in violation of the provisions shall be returned by such shareholders to the Company.

Profits attributable for the shares of the Company held by it shall not be distributed to the Company.

The Company shall appoint one or more receiving agents for holders of overseas-listed foreign shares. The receiving agents shall receive dividends which have been distributed by the Company and other monies payable by the Company in respect of its overseas-listed foreign shares on behalf of the holders, and proceeds from which shall be managed by the receiving agents on such shareholders' behalf to be paid to them.

The receiving agents appointed by the Company shall comply with the relevant requirements of the laws of the places and relevant regulations of the stock exchange where the Company's shares are listed.

Any payment for the shares paid before calls on shares shall be entitled to dividends. However, shareholders shall not be entitled to the participation of dividends where the dividends are subsequently declared.

Subject to related laws, regulations, rules, regulatory documents and relevant provisions of the securities regulatory authorities of the place where the Company's shares are listed, the Company shall exercise its power to forfeit the unclaimed dividends, except such power shall not be exercisable until after the expiry of the applicable limitation period, and shall only be exercisable in six years or more upon the date of dividend declaration.

**Internal Audit and Appointment of an Accounting Firm**

The Company shall establish an internal audit system and have specialized audit personnel to conduct internal audit and supervision on the incomes and expenses and business activities of the Company.

The term of office of the accounting firm appointed by the Company shall commence from the conclusion of the annual general meeting at which the appointment is made and shall end at the conclusion of the next annual general meeting. The term of office can be renewed upon expiry.

An accounting firm appointed by the Company shall have the following rights:

(i) to inspect the accounting books, records or documents of the Company at any time, and to request the directors, president or other senior management officers of the Company to provide relevant information and explanation;

(ii) to request the Company to adopt all reasonable measures to obtain from its subsidiaries such information and explanation as required by the accounting firm for performing its duties; and

(iii) to attend the shareholders' general meeting, and to obtain the notice of the meeting or other information regarding the meeting which a shareholder is entitled to obtain, and to speak at any shareholders' general meeting in relation to matters concerning its role as the Company's accounting firm.

Notwithstanding the terms of contract between the accounting firm and the Company, the shareholders' general meeting may dismiss the accounting firm by ordinary resolution before the expiration of term of office of the accounting firm. The dismissal shall not limit the rights of the accounting firm to claim for compensation arising out of its dismissal to the Company (if any).

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

The appointment, dismissal and non-reappointment of an accounting firm by the Company shall be resolved at the shareholders' general meeting and shall be filed with the securities regulatory authorities of the State Council.

Where the Company dismisses or ceases to reappoint the accounting firm, a thirty (30)-day prior notice shall be given to the accounting firm, and the accounting firm shall be entitled to state its opinions to the shareholders' general meeting. Where the accounting firm tenders resignation, it shall state to the shareholders' general meeting whether the Company has anything inappropriate.

Any accounting firm may resign its office by depositing at the legal residence of the Company a written resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(i) a statement to the effect that there are no circumstances in relation to its resignation which should be brought to the notice of the shareholders or creditors of the Company; or

(ii) a statement of any relevant situations which needs to be brought to the notice.

The Company shall send a copy of the notice to the relevant competent authorities within fourteen days upon receipt of the written notice mentioned in the preceding paragraph. If the notice contains a statement under item (ii) above, a copy of such statement shall be placed at the Company for shareholders' inspection. The copy of such statement shall also be sent to all shareholders entitled to obtain the financial position reports of the Company at the address as recorded in the register of members.

Where the accounting firm's notice of resignation contains a statement mentioned in (ii) of sub-paragraph 2 of this provision, the accounting firm may request the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances relating to its resignation.

**Merger, Division, Capital Increase and Capital Reduction, Dissolution and Liquidation of the Company**

In the event of a merger or division of the Company, the Board of the Company shall submit a proposal, which shall be approved in accordance with the procedures stipulated in the Articles of Association and go through relevant examination and approval formalities pursuant to the laws. Shareholders who object to the merger and division proposal shall be entitled to request the Company or the consenting shareholders to acquire such dissenting shareholders' shares at a fair price. The content of the resolution regarding merger or division of the Company shall constitute special documents which shall be available for inspection by the shareholders.

The documents as stated above shall be sent by mail to all holders of overseas-listed foreign shares at the address as recorded in the register of members.

The merger of the Company may take the form of merger by absorption and merger by formation of a new corporation.

In the case of merger, a company absorbs any other company and the absorbed company is dissolved; in the case of consolidation, two or more companies combine together for the establishment of a new one, and the existing ones are dissolved.

Where the Company undertakes a merger, the relevant parties to the merger shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days of the date on which the resolution is passed regarding the merger and shall publish an announcement in newspapers. The creditors are entitled to require the Company to repay the debts or provide corresponding guarantees within thirty days after the receipt of such notices or within forty-five days if no such notice is received.

In the event of a merger of the Company, the rights and obligations of the debts of the parties to the merger shall be assumed by the company surviving the merger or the new company established after the merger.

Where the Company is divided, its property shall be divided correspondingly.

Where the Company is divided, the parties to the division shall enter into a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days of the date the resolution is passed regarding the division and publish an announcement on newspapers within thirty days.

The Company established after the division shall assume liability according to the agreement reached.

The Company must prepare a balance sheet and an inventory of assets when it is to reduce its registered capital.

The Company shall notify its creditors within ten days from the date of adopting the resolution to reduce its registered capital and shall publish an announcement on newspapers within thirty days. Creditors shall, within thirty days of having received the notice or within forty-five days since the date of the announcement for those who have not received the written notice, be entitled to demand the Company to repay the debts or provide corresponding guarantees.

The registered capital of the Company after the capital reduction shall not fall below the statutory minimum amount.

Where a change in any item in its registration arises as a result of any merger or division, the Company shall apply for change in its registration with the Company registration authority in accordance with laws. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with the laws. Where a new company is established, the Company shall apply for registration thereof in accordance with laws.

Where the Company increases or decreases its registered capital, procedures for change of registration shall be handled at the Company registration authority in accordance with the laws.

In any of the following circumstances, the Company shall be dissolved and carry out liquidation in accordance with the laws:

(i) the term of its operations set out in the Articles of Association has expired or events of dissolution specified in the Articles of Association occurred;

(ii) dissolution as resolved by a shareholders' general meeting;

(iii) dissolution as a result of merger or division of the Company;

(iv) declaration of bankruptcy in accordance with the laws due to failure to repay debts that fall due by the Company;

(v) its business license is revoked or it is ordered to close down its business or its business license is cancelled in accordance with laws;

(vi) where the Company suffers significant hardship in its operation or management so that the interests of its shareholders are subject to significant loss if the Company continues to exist, and that the situation cannot be resolved by other means, the shareholders holding more than ten percent of the voting rights of all the shareholders of the Company may file a petition to the people's court to dissolve the Company.

In the event of item (i) above, the Company may carry on its existence by amending the Articles of Association. If the Company is to be dissolved in accordance with the provisions of item (i), (ii) and (vi) above, it shall establish a liquidation committee within fifteen days and the members of the liquidation committee shall be determined by the shareholders' general meeting by ordinary resolution.

Where the Company is dissolved in accordance with item (iv) above, the people's court shall set up a liquidation committee consisting of shareholders, relevant institutions and relevant professionals according to laws to carry out the liquidation.

Where the Company is dissolved in accordance with item (v) above, the relevant authorities shall organise the shareholders, relevant institutions and relevant professionals to establish a liquidation committee to carry out the liquidation.

Where the liquidation committee is not established within the time limit, the creditor may apply to the people's court to designate the relevant personnel to form a liquidation committee for liquidation. The people's court shall accept the application and organise the liquidation committee to carry out liquidation in a timely manner.

If the Board decides to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), the Board shall declare in its notice convening a shareholders' general meeting that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to repay its debts within twelve months after the commencement of the liquidation.

Upon passing of the resolution at the shareholders' general meeting for the liquidation, all functions and powers of the Board of the Company shall cease forthwith.

The liquidation committee shall follow the instructions of the shareholders' general meeting, report to the shareholders' general meeting at least once a year the income and expenses of the liquidation committee, the progress of the Company's business and liquidation, and make a final report to the shareholders' general meeting at the end of the liquidation.

The liquidation committee shall give notice to the creditors within ten days after its establishment and issue announcements on newspapers within sixty days. The creditors shall report claims to the liquidation committee within thirty days after the date of the receipt of such notice or within forty-five days after the date of the announcement if no notice is received.

When reporting claims, a creditor shall explain the relevant particulars of the claims and provide supporting materials. The liquidation committee shall register the claims in accordance with laws.

In the period of reporting claims, the liquidation committee should not make any debt repayment to the creditors.

The liquidation committee shall exercise the following functions and powers during the liquidation:

(i) to sort out the property of the Company and prepare a balance sheet and an inventory of assets respectively;

(ii) to give notices or publish announcements to the creditors;

(iii) to deal with unsettled businesses of the Company in relation to the liquidation;

(iv) to settle due taxes and taxes accrued during the liquidation;

(v) to settle claims and debts;

(vi) to deal with the remaining assets after the Company's debts have been repaid;

(vii) to participate in civil litigations on behalf of the Company.

After the liquidation committee has sorted out the property of the Company and prepared a balance sheet and an inventory of assets, it shall formulate a liquidation scheme and report it to the shareholders' general meeting or relevant authorities for confirmation.

The Company's assets shall be settled according to the following order: payment of liquidation expenses, wages, social insurance premiums and statutory compensation of employees, payment of overdue taxes, and settlement of the Company's debts.

Any remaining assets of the Company subsequent to the settlement in accordance with the preceding provisions shall be distributed by the shareholders of the Company according to the class of shares and in the proportion of shares being held.

During the liquidation, the Company remains in existence but shall not carry out any operating activity which does not relate to the liquidation.

The property of the Company shall not be distributed to the shareholders before settlement pursuant to the preceding provisions.

After the people's court declares bankruptcy of the Company, the liquidation committee shall hand over the liquidation matters to the people's court.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and a statement of incomes and expenses and the financial accounts for the liquidation period, and after verification by PRC certified public accountants, shall submit the same to the shareholders' general meeting or relevant authorities for confirmation. The liquidation committee shall, within thirty days after the date of confirmation by the shareholders' general meeting or relevant competent authorities, submit the aforesaid documents to the company registration authority, apply to deregister the Company and publish an announcement on the dissolution of the Company.

**Procedures for Amending the Articles of Association**

In any of the following circumstances, the Company shall amend the Articles of Association:

(i) after the Company Law or relevant laws and administrative regulations have been amended, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws and administrative regulations;

(ii) the circumstances of the Company have changed, which are inconsistent with the matters recorded in the Articles of Association;

(iii) the shareholders' general meeting decided to amend the Articles of Association.

**Notice and Announcement**

Notices of the Company may be given in the followings ways:

(i) by hand;

(ii) by mail;

(iii) by facsimile or e-mail;

(iv) subject to laws, administrative regulations and the listing rules of the place where shares of the Company are listed, by posting on the website designated by the Company and the Hong Kong Stock Exchange;

(v) by way of announcement;

(vi) such ways as the Company or the notified party agreed in advance or any other way which is recognized by the notified party upon receipt of the notice; or

(vii) other ways which are recognized by the relevant regulatory authorities of the place where shares of the Company are listed or stipulated in the Articles of Association.

Unless the context otherwise requires, "announcement(s)" referred to herein shall mean, as far as announcements to holders of domestic shares and holders of unlisted foreign shares or announcements to be published in the PRC under the relevant provisions and the Articles of Association are concerned, such announcements published on the PRC newspapers designated, approved or permitted under the PRC laws and regulations or by the securities regulatory authorities of the State Council; or, as far as announcements to H shareholders or announcements to be published in Hong Kong as required by the relevant provisions and the Articles of Association are concerned, such announcements which must be published on newspapers and/or other designated media (including websites) in accordance with the requirements of the relevant listing rules.

Unless otherwise specified in the Articles of Association, for notice issued by the Company to H shareholders, if the notice is to issue by way of announcement, the Company shall on the same day submit an electronic version to the Hong Kong Stock Exchange through the Hong Kong Stock Exchange EPS for immediate release on the website of the Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules, or publish an announcement on a newspaper (including publishing an advertisement on the newspaper) in accordance with the Hong Kong Listing Rules. The announcement shall also be published on the Company's website. In addition, unless otherwise specified in the Articles of Association, the notice must be delivered to each of the registered addresses as appeared in the register of holders of overseas-listed foreign shares by personal delivery or postage paid mail so as to give the shareholders sufficient notice and time to exercise their rights or act in accordance with the terms of the notice.

Holders of overseas-listed foreign shares of the Company may choose in writing to receive the corporate communication that the Company must send to shareholders either by electronic means or by post, and may also choose to receive the English language version only or the Chinese language version only or both the English and Chinese language versions. They shall have the right to serve prior written notice on the Company within reasonable time to change their choices as to the manner of receiving the same and the language in accordance with applicable procedures.

If the shareholders or directors are required to prove that the notices, documents, data or written statements have been delivered to the Company, such shareholders or directors shall provide evidences indicating the above-mentioned notices, documents, data or written statements have been sent to proper addresses in normal way or by post with prepaid postage within the prescribe time period.

Notwithstanding the aforesaid provision which specifies providing and/or dispatching written corporate communication to shareholders, for the purpose of the means by which the Company provides and/or dispatches its corporate communication to shareholders according to the Hong Kong Listing Rules, if the Company has obtained shareholders' prior written consent or deemed consent according to the relevant laws and regulations and the Hong Kong Listing Rules as amended from time to time, the Company may dispatch or provide corporate communication to its shareholders by electronic means or via its website. Corporate communication includes but not limited to circulars, annual reports, interim reports, quarterly reports, notices of shareholders' general meetings, and other corporate communication as specified in the Hong Kong Listing Rules.

**Settlement of Disputes**

The Company follows the following rules for settlement of disputes:

(i) In the event of any dispute or claim between the Company and a director, supervisor or senior management officer, between a holder of overseas-listed foreign shares and the Company, between a holder of overseas-listed foreign shares and a director, supervisor or senior management officer of the Company, and between a holder of overseas-listed foreign shares and a holder of domestic shares or a holder of unlisted foreign shares arising from

rights and obligations specified in the Articles of Association, contracts concluded according to the Articles of Association, the Company Law and other relevant laws and administrative regulations and relating to the affairs of the Company, the parties concerned shall submit the said dispute or claim for arbitration.

The aforesaid dispute or claim submitted for arbitration shall be the entire dispute or claim; all the persons who complain for the same reason or who are required to participate in the settlement of the dispute or claim shall accept the arbitration award if they are in the capacity of the Company or its shareholders, directors, supervisors or senior management officers.

Disputes relating to definition of shareholders and shareholders' register may be settled by means other than arbitration.

(ii) The applicant for arbitration may select China International Economic and Trade Arbitration Commission for arbitration following the arbitration rules thereof or select Hong Kong International Arbitration Centre for arbitration following the securities arbitration rules thereof. After the applicant for arbitration submits the dispute or claim for arbitration, the other party shall accept arbitration at the arbitral body selected by the applicant.

If the applicant for arbitration selects Hong Kong International Arbitration Centre for arbitration, either party may request that the arbitration be conducted in Shenzhen following the securities arbitration rules of Hong Kong International Arbitration Centre.

(iii) Settlement of disputes or claims set out in (i) by way of arbitration shall be governed by the PRC laws save as otherwise specified by laws and administrative regulations.

(iv) The arbitration award made by the arbitral body shall be final and binding on both parties.

(v) The said arbitration agreement is reached between the directors or senior management officers and the Company, with the Company representing both itself and each of its shareholders.

(vi) Any arbitration submitted shall be deemed as authorising the arbitration tribunal to conduct public hearing and announce the arbitral award.

## A. FURTHER INFORMATION ABOUT THE COMPANY

### 1. Incorporation

The Company was established as a limited liability company on 24 February 2010 under the PRC Company Law and converted into a joint stock limited company on 26 September 2016.

The Company has established a place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on 15 May 2018, with Mei Ha Wendy Kam and Ching Ching Leung appointed as the Hong Kong authorised representatives of the Company on 23 April 2018 for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was established in the PRC, its operations are subject to the relevant laws and regulations of the PRC and the Articles of Association of the Company. A summary of the relevant sections of the Articles of Association of the Company and the relevant aspects of the PRC Company Law is set out in "*Appendix IV — Summary of Principal Legal and Regulatory Provisions*" and "*Appendix V — Summary of Articles of Association*".

### 2. Changes in the Share Capital of the Company

Shanghai Henlius Biotech Co., Ltd. (上海復宏漢霖生物技術有限公司), the predecessor of the Company, had an initial registered capital of the Company of US$8,000,000 in February 2010. Based on the business license dated 13 July 2010, all capital contribution from the then shareholders have been received.

The following alterations in the registered capital of the Company have taken place since its date of establishment up to the date of this prospectus:

(a) In May 2011, the registered capital of the Company was increased from US$8,000,000 to US$18,000,000, all of which were fully paid by the then existing shareholders in proportion to their respective shareholdings in the Company.

(b) In August 2012, the registered capital of the Company was increased from US$18,000,000 to US$30,000,000, all of which were fully paid by the then existing shareholders in proportion to their respective shareholdings in the Company.

(c) In March 2014, the registered capital of the Company was increased from US$30,000,000 to US$35,117,667, of which US$5,079,284 was contributed by Fosun New Medicine and US$38,383 was contributed by Dr. LIU. The remaining then Shareholders have waivered their respective right to subscribe for their respective entitled portion in the increased registered capital.

(d) In July 2015, the registered capital of the Company was increased from US$35,117,667 to US$44,980,134, all of which were contributed by Fosun New Medicine.

(e) In May 2016, the registered capital of the Company was increased from US$44,980,134 to US$47,813,922, of which US$1,037,965 was contributed by Cayman Henlius, US$95,221 was contributed by Dr. LIU, US$27,115 was contributed by Dr. JIANG, US$478,139 was contributed by Shanghai Guoyou, US$478,139 was contributed by Shanghai Guohong and US$717,209 was contributed by Shanghai Guozhi. Fosun New Medicine has waived its right to subscribe for its entitled portion in the increased registered capital.

(f) In September 2017, the registered capital of the Company was increased from RMB350,000,000 to RMB372,750,000, all of which was contributed by Shanghai Guoyun.

(g) In November 2017, the registered capital of the Company was increased from RMB389,036,644 to RMB393,877,988, all of which was contributed by HenLink.

Please also refer to "*History and Corporate Structure*" for other material changes in the registered share capital of the Company.

Save as disclosed above and in "*— Written Resolutions of the Shareholders Passed on 27 November 2018*" below, there has been no alteration in the share capital of the Company since the date of its establishment.

**3. Written Resolutions of the Shareholders Passed on 27 November 2018**

On 27 November 2018, resolutions of the Company were passed by the then Shareholders pursuant to which, among other things:

(a) the Company conditionally approved and adopted the Articles of Association conditional with effect from the Listing Date; and

(b) conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "*Structure of the Global Offering — Conditions of the Global Offering*" and pursuant to the terms set out therein:

(i) the Global Offering was approved and the Directors were authorised to allot and issue the new Shares pursuant to the Global Offering; and

(ii) the Listing was approved and the Directors were authorised to implement the Listing.

### 4. Subsidiaries

Details of the subsidiaries of the Company are set out in "*Appendix I — Accountants' Report*".

None of the subsidiaries of the Company were incorporated within two years immediately preceding the date of this prospectus except for Shanghai Henlius Biopharmaceutical Co., Ltd. (上海復宏漢霖生物醫藥有限公司) and Henlius Europe Gmbh, which were incorporated in December 2017 and in March 2019, respectively.

Save as disclosed in this prospectus, there has been no alteration in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this prospectus.

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, there is no other person directly or indirectly interested in 10% or more of the issued voting shares of the subsidiaries of the Company.

## B. FURTHER INFORMATION ABOUT THE BUSINESS

### 1. Summary of Material Contracts

The Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) the cornerstone investment agreement dated 10 September 2019 and entered into among the Company, China International Capital Corporation Hong Kong Securities Limited and Cayman Henlius, a summary of which is set out in "*Cornerstone Investments*";

(c) the cornerstone investment agreement dated 28 August 2019 and entered into among the Company, BOCI Asia Limited and Al-Rayyan Holding LLC, a summary of which is set out in "*Cornerstone Investments*";

(d) the cornerstone investment agreement dated 4 September 2019 and entered into among the Company, China International Capital Corporation Hong Kong Securities Limited and AVICT Global Holdings Limited, a summary of which is set out in "*Cornerstone Investments*"; and

(e) the cornerstone investment agreement dated 4 September 2019 and entered into among the Company, China International Capital Corporation Hong Kong Securities Limited and Zhejiang Staidson Investment Co., Ltd., a summary of which is set out in "*Cornerstone Investments*".

## 2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights were material to the Group's business:

### (a) Trademarks

(i) As at the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

| No. | Trademark | Class | Registered Owner | Place of Registration | Registration Number | Expiry Date |
|---|---|---|---|---|---|---|
| 1. | 复宏汉霖 | 05 | the Company | PRC | 11791088 | 6 May 2024 |
| 2. | Henlius | 05 | the Company | PRC | 15517656 | 27 November 2025 |
| 3. | | 05 | the Company | PRC | 22001092 | 13 January 2028 |
| 4. | 汉利康 | 05 | the Company | PRC | 19733941 | 13 June 2027 |
| 5. | Sreenlin | 05 | the Company | PRC | 22647639 | 13 February 2028 |
| 6. | 复宏汉霖 | 05 | the Company | Hong Kong | 304427820 | 8 February 2028 |
| 7. | Henlius | 05 | the Company | Hong Kong | 304427802 | 8 February 2028 |
| 8. | Henlius | 05 | the Company | Hong Kong | 304427776 | 8 February 2028 |
| 9. | Sreenlin | 05 | the Company | EU | 016276561 | 23 January 2027 |
| 10. | 復宏漢霖 | 05 | the Company | HK | 304537323 | 22 May 2028 |
| 11. | SREENLIN | 05 | the Company | US | 5760202 | 27 May 2029 |

### (b) Domain Names

As at the Latest Practicable Date, the Group had registered the following domain names which are material to its business:

| No. | Domain Name | Registered Owner | Expiry Date |
|---|---|---|---|
| 1. | HENLIUS.COM | the Company | 26 June 2022 |
| 2. | henlix.com | Taiwan Henlius | 21 January 2020 |

### (c) Patents

For details of the patents which are material to the business of the Group as of the Latest Practicable Date, see "*Business — Intellectual Property*".

## C. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUPERVISORS

### 1. Interests of the Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the Global Offering (assuming a Minimum Offer Price and the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of the Directors, Supervisors and the chief executive of the Company in the Shares and debentures of the Company and any interests and/or short positions (as applicable) in shares or debentures of any of the Company's associated corporations (within the meaning of Part XV of the SFO) which (1) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (2) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (3) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange will be as follows:

### (a) Interest in the Shares

| Name of Director and the Chief Executive | Number of Shares | Nature of Interest | Approximate Percentage in relevant class of shares | Approximate percentage in total shares |
|---|---|---|---|---|
| Scott Shi-Kau Liu . . . . . | 61,387,755 H Shares | Legal and beneficial owner; Interest in controlled entity(1) | 38.594% | 11.386% |

*Note:*

(1) As at the Latest Practicable Date, Cayman Henlius was controlled by Dr. LIU. Please refer to "*History and Corporate Structure — Corporate Structure — Corporate structure as at the Latest Practicable Date*" for further details. Dr. LIU is deemed to be interested in all Shares which Cayman Henlius is interested in under the SFO.

**(b) Long Position in Shares of Associated Corporations**

| Name of Director/Supervisor | Name of Associated Corporation | Number of Shares | Nature of Interest | Approximate Percentage in relevant class of shares |
|---|---|---|---|---|
| Scott Shi-Kau Liu . . | Fosun International | 3,000,000 shares | Legal and beneficial owner | 0.035% |
| Qiyu Chen . . . . . | Fosun International | 17,418,000 shares | Legal and beneficial owner | 0.204% |
| | Fosun Pharma | 114,075 A shares | Legal and beneficial owner | 0.006% |
| | Fosun Tourism Group | 1,478 shares | Legal and beneficial owner | 0.000% |
| Yifang Wu . . . . . | Fosun Pharma | 342,000 H shares<br>718,900 A shares | Legal and beneficial owner | 0.062%<br>0.036% |
| Xiaohui Guan. . . . . | Fosun Pharma | 181,000 A shares | Legal and beneficial owner | 0.009% |
| Jiemin Fu . . . . . | Fosun Pharma | 196,000 A shares | Legal and beneficial owner | 0.010% |
| Deli Kong . . . . . | Fosun Pharma | 8,500 A shares | Legal and beneficial owner | 0.0004% |

Save as disclosed above, none of the Directors, Supervisors or the chief executive of the Company will, immediately following the completion of the Global Offering, have an interest and/or short position (as applicable) in the Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

## 2. Particulars of Service Agreements

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, the Company has entered into a service agreement with each of the Directors and Supervisors in respect of, among other things, compliance of relevant laws and regulations, observation of the Articles of Association and provisions on arbitration.

Each of the Directors has entered into a service agreement with the Company. The principal particulars of these service agreements are: (a) each of the agreements is for a term of three years following each Director's respective appointment date; and (b) each of the contracts is subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable rules.

Each of the Supervisors has entered into a service agreement with the Company, in respect of, among other things, compliance with relevant laws, regulations, the Articles of Association and applicable provisions on arbitration.

Save as disclosed above, the Company has not entered, and do not propose to enter, into any service contracts with any of the Directors or Supervisors in their respective capacities as Directors/Supervisors (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

**3. Directors' and Supervisors' Remuneration**

For details of the Directors' and Supervisors' remuneration, see "*Directors, Supervisors and Senior Management — Remuneration of the Directors, Supervisors and Remuneration of Five Highest Paid Individuals*".

**4. Personal Guarantees**

The Directors have not provided personal guarantees in favour of lenders in connection with banking facilities granted to the Group.

**5. Disclaimers**

(a) Save as disclosed in this prospectus, none of the Directors, or Supervisors nor any of the experts referred to in "— *Other Information*" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the Underwriting Agreements, none of the Directors, Supervisors nor any of the experts referred to in "— *Other Information*" below, is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

(c) Save as disclosed in this prospectus, none of the Directors or Supervisors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

(d) Save as disclosed in "*Relationship with the Controlling Shareholders*", neither the Controlling Shareholders nor the Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

(e) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned.

(f) So far as is known to the Directors, none of the Directors, Supervisors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the five largest customers or the five largest suppliers of the Group.

## F. THE 2018 SHARE AWARD SCHEME

### 1. Summary of the 2018 Share Award Scheme

The Company adopted the 2018 Share Award Scheme in April 2018. The terms of the 2018 Share Award Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company to subscribe for new Shares.

*(a) Purposes and Principles of the 2018 Share Award Scheme*

The purposes of the 2018 Share Award Scheme are, among others,

(1) to promote the establishment of a sound and effective incentive mechanism to fully motivate the employees of the Group, effectively align the interests of the Shareholders, the Group and the individuals, so as to form an interest- and risk- sharing mechanism among the Shareholders and the employees; and

(2) to attract and retain outstanding talents to ensure the realisation of the Group's long-term development goals.

The principles of the 2018 Share Award Scheme include openness, fairness, impartiality and a combination of incentives and restrictions.

*(b) Basic Plan of the 2018 Share Award Scheme*

(1) The 2018 Share Award Scheme comprised two parts, onshore participants who are Mainland Chinese citizens (the "Onshore Participants") will become limited partners of Shanghai Guoyun and offshore participants who are not Chinese citizens (the "Offshore Participants", together with the Onshore Participants, the "Participants") will become shareholders of HenLink. Shanghai Guoyun and HenLink are immediate Shareholders of the Company.

(2) The Onshore Participants shall be responsible for the capital contribution to be made by Shanghai Guoyun to the Company in respect of the Shares issued to Shanghai Guoyun and the Offshore Participants shall be responsible for the capital contribution to be made by HenLink to the Company in respect of the Shares under the 2018 Share Award Scheme held by HenLink.

*(c) Grants of Shares*

All the grants under the 2018 Share Award Scheme will be made in 2018 on a one-off basis. The date of grant will be determined by the Board after the 2018 Share Award Scheme has been approved at the general meeting of the Company.

As at the Latest Practicable Date, Shanghai Guoyun and HenLink held 11,714,650 Shares and 11,035,350 Shares pursuant to the 2018 Share Award Scheme, representing approximately 2.469% and approximately 2.326% of the total issued Shares of the Company, respectively.

*(d) Arrangement in relation to the Restrictions on the Transfer of the Shares and Conditions for Releasing Such Restrictions*

(1) The Shares indirectly held by the Participants pursuant to the 2018 Share Award Scheme are subject to lock-up requirement.

(2) The table below sets out the arrangement in relation to the release of the restrictions on the Shares:

| Category of Participants | Arrangement in relation to the releasing of the restrictions | Date of releasing the restrictions | Percentage of Shares in the total number of Shares granted in respect of which restriction will be released | Conditions for releasing the restrictions |
|---|---|---|---|---|
| Category I Participants | First tranche | 30 April 2020 | 60% | The conditions for releasing the restrictions comprised two parts, namely the Company achieving certain milestones in respect of its products and the Participants passing annual performance review. The percentage of Shares in respect of which the conditions may be released will depend on the achievement level of those conditions. In relation to the Shares in respect of which the restrictions have been released, such Shares can not be transferred within one year after the releasing of the restrictions. |
| | Second tranche | 30 April 2021 | 20% | |
| | Third tranche | 30 April 2022 | 20% | |
| Category II Participants | First tranche | 30 April 2020 | 35% | |
| | Second tranche | 30 April 2021 | 30% | |
| | Third tranche | 30 April 2022 | 35% | |
| Category III Participants | First tranche | 30 April 2020 | 20% | |
| | Second tranche | 30 April 2021 | 25% | |
| | Third tranche | 30 April 2022 | 55% | |

(3) if at the relevant date for releasing the restrictions, the restrictions in respect of whole or part of the Shares have not been released, subject to compliance with the relevant laws and regulations, the Company will repurchase or procure the repurchase of the Shares in respect of the portion which is still subject to the restrictions at the repurchase price equals to the cost paid by the Participants for acquiring the Shares.

*(e) Administration of the 2018 Share Award Scheme*

(1) The Onshore Participants agree that the businesses of Shanghai Guoyun shall be managed by its general partner, being Mr. Guo Xinjun, the company secretary of the Company, and the Onshore Participants will not participate in the decision-making of Shanghai Guoyun.

(2) The business and decision-making process of HenLink will be managed in accordance with the provisions of articles of association or other corporate governance documents of HenLink.

(3) The dividend distribution received by Shanghai Guoyun and HenLink from the Company, after deducting the relevant fees, will be distributed to the Participants based on the number of Shares interested by them.

*(f) Arrangement in relation to the transfer of Shares*

(1) The Shares in respect of which the restriction conditions have been released held by the relevant Participants are freely transferrable among the Participants through transferring the relevant Participants' interests in Shanghai Guoyun or HenLink.

(2) In the event that the overseas listed foreign Shares (H Shares) issued by the Company are listed on the Stock Exchange and the Shares held by Shanghai Guoyun or HenLink (as the case may be) are listed and traded on the Stock Exchange, the Participants may also dispose the Shares which are not subject to restriction conditions by giving notice to Shanghai Guoyun or HenLink. The Participants shall submit a written application before 31 March, 30 June, 30 September and 31 December in respect of the Shares to be sold in the next quarter to Shanghai Guoyun or HenLink (as the case may be), containing the number of Shares to be sold. After receiving the application, Shanghai Guoyun and HenLink shall sell such number of Shares as specified in the application before the last working day of the quarter after receiving the application. The sale of the Shares shall comply with the relevant requirements of the laws and regulations and any lock-up requirements.

After the completion of the sale as described above, the Participants' interests in Shanghai Guoyun or HenLink will be adjusted accordingly if necessary.

(3) In the event that the overseas listed foreign shares (H Shares) issued by the Company are listed on the Stock Exchange, but the Domestic Shares held by Shanghai Guoyun are not listed and traded on the Stock Exchange, the Onshore Participants may dispose its Shares which are not subject to restriction conditions through transferring their interests in Shanghai Guoyun to other Onshore Participants. If transfer of interests in Shanghai Guoyun to other Onshore Participants cannot be achieved, Shanghai Guoyun will try to sell the Shares indirectly held by the Participants on behalf of the relevant Onshore Participants, detailed arrangement of which shall be agreed by the parties.

*(g) Special Adjustment Mechanism*

(1) In the case of death of a Participant, subject to the consent of the Company, the heir of such Participants can inherit the Shares which are not subject to restrictions and subject to compliance with the relevant laws and regulations, the Company shall repurchase or procure the repurchase of the Share which are subject to restrictions at relevant time at the price to be determined by the Company with reference to the cost paid by such Participants for acquiring the Shares and the latest audited net assets of the Company.

(2) In the event that the Participants voluntarily resign, are not competent for their jobs, are dismissed, discharged, expelled by the Company or the Company does not renew the service contracts upon expiry, subject to compliance with relevant laws and regulations, the Company shall repurchase or procure the repurchase of the Share which are subject to restrictions at relevant times at the price equal to the cost paid by the Participants for acquiring the Shares.

*(h) Amendments to the 2018 Share Award Scheme*

Any material change to the 2018 Share Award Scheme shall be agreed by parties in writing.

**2. Details of the Shares Granted under the 2018 Share Award Scheme**

| Name of the Participant | Number of Shares indirectly interested by the Participant | Percentage of interest in the Company as at the Latest Practicable Date | Percentage of interest in the Company immediately upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised |
|---|---|---|---|
| ***Supervisor*** | | | |
| Ms. Jingyi Wang | 624,100 | 0.132% | 0.116% |
| ***Senior management of the Company*** | | | |
| Mr. Xinjun Guo | 1,276,500 | 0.269% | 0.237% |
| Dr. Zidong Zhang | 300,000 | 0.063% | 0.056% |
| Mr. Alvin Ying-Ming Luk | 600,000 | 0.126% | 0.111% |
| ***Other employees of the Group*** | | | |
| 50 other employees | 19,949,400 | 4.205% | 3.700% |
| **Total** | **22,750,000** | **4.795%** | **4.220%** |

To the best knowledge of the Directors, all Participants are Independent Third Parties except as disclosed in the prospectus.

**G. 2017 SHARE AWARD SCHEME**

**1. Summary of the 2017 Share Award Scheme**

The Company adopted the 2017 Share Award Scheme in November 2017. The terms of the 2017 Share Award Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by the Company to subscribe for new Shares.

*(a) Purposes and Principles of the 2017 Share Award Scheme*

The purposes of the 2017 Share Award Scheme are, among others,

(1) to promote the establishment of a sound and effective incentive mechanism to fully motivate the employees of the Group, effectively align the interests of the Shareholders, the Group and the individuals, so as to form an interest- and risk- sharing mechanism among the Shareholders and the employees; and

(2) to attract and retain outstanding talents to ensure the realisation of the Group's long-term development goals.

The principles of the 2017 Share Award Scheme include openness, fairness, impartiality and a combination of incentives and restrictions.

*(b) Basic Plan of the 2017 Share Award Scheme*

(1) Pursuant to the 2017 Share Award Scheme offshore participants who are not Mainland Chinese citizens (the "2017 Offshore Participants") will become shareholders of HenLink and HenLink is the immediate Shareholder of the Company.

(2) The 2017 Offshore Participants shall be responsible for the capital contribution to be made by HenLink to the Company in respect of the Shares under the 2017 Share Award Scheme held by HenLink.

*(c) Grants of Shares*

All the grants under the 2017 Share Award Scheme will be determined by the Board.

As at the Latest Practicable Date, HenLink held 4,841,344 Shares pursuant to the 2017 Share Award Scheme, representing 1.020% of the total issued Shares of the Company.

*(d) Restrictions on the Transfer of the Shares*

Subject to any decision of the Board and the compliance with relevant laws and regulations, each 2017 Offshore Participants shall not transfer his or her shares in HenLink within one year following the Listing Date.

*(e) Administration of the 2017 Share Award Scheme*

(1) The business and decision-making process of HenLink will be managed in accordance with the provisions of articles of association or other corporate governance documents of HenLink.

(3) The dividend distribution received by HenLink from the Company, after deducting the relevant fees, will be distributed to the 2017 Offshore Participants based on the number of Shares interested by them.

*(f) Arrangement in relation to the transfer of the Shares*

(1) Upon the expiry of the lock-up as set out in paragraph (d) above, Shares held by the 2017 Offshore Participants are freely transferrable among the 2017 Offshore Participants through transferring the relevant shares in HenLink held by the 2017 Offshore Participants.

(2) In the event that the overseas listed foreign Shares (H Shares) issued by the Company are listed on the Stock Exchange and the Shares held by HenLink are listed and traded on the Stock Exchange, the 2017 Offshore Participants may also dispose the Shares by giving notice to HenLink. The 2017 Offshore Participants shall submit a written application before 31 March, 30 June, 30 September and 31 December in respect of the Shares to be sold in the next quarter to HenLink, containing the number of Shares to be sold. After receiving the application, HenLink shall sell such number of Shares as specified in the application before the last working day of the quarter after receiving the application. The sale of the Shares shall comply with the relevant requirements of the laws and regulations and any lock-up requirements.

After the completion of the sale as described above, the 2017 Offshore Participants' interests in HenLink will be adjusted accordingly if necessary.

*(g) Amendments to the 2017 Share Award Scheme*

Any material change to the 2017 Share Award Scheme shall be agreed by parties in writing.

**2. Details of the Shares Granted under the 2017 Share Award Scheme**

No Shares were granted to the Directors or senior management of the Company pursuant to the 2017 Share Award Scheme. To the best knowledge of the Directors, all 2017 Offshore Participants are Independent Third Parties.

## H. OTHER INFORMATION

**1. Estate Duty**

The Directors have been advised that no material liability for estate duty is likely to fall on the Group in Hong Kong and the PRC.

## 2. The Joint Sponsors

Except for Fosun Hani Securities Limited, each of the other Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate fee of US$1 million for acting as the sponsors for the Listing.

## 3. Preliminary Expenses

The Company has not incurred any preliminary expenses.

## 4. Promoters

The promoters of the Company are Fosun New Medicine, Cayman Henlius, Dr. LIU, Dr. JIANG, Shanghai Guoyou, Shanghai Guohong, Shanghai Guozhi, Shanghai Qingke Pien Tze Huang Investment Management Centre (Limited Partnership)* (上海清科片仔癀投資管理中心(有限合夥)), Huagai Medical Investment Management Beijing Co., Ltd.* (華蓋醫療投資管理(北京)有限公司), Huagai Medical Health Venture Capital Investment Chengdu Partnership Enterprise (Limited Partnership)* (華蓋醫療健康創業投資成都合夥企業(有限合夥)), Shanghai Fangzhenghantou Equity Investment Partnership Enterprise (Limited Partnership)* (上海方正韓投股權投資合夥企業(有限合夥)), Suzhou Industrial Park New Metabiology Venture Capital Investment Enterprise (Limited Partnership)* (蘇州工業園區新建元生物創業投資企業(有限合夥)), Ningbo FTZ Yifei Investment Partnership Enterprise (Limited Partnership)* (寧波保税區益飛投資合夥企業(有限合夥)) and Shanghai Orient Securities Innovation Investment Company Limited* (上海東方證券創新投資有限公司).

## 5. Qualifications and Consents of Experts

The qualifications of the experts which have given opinions or advice which are contained in, or referred to in, this prospectus are as follows:

| Name of Expert | Qualifications |
|---|---|
| China International Capital Corporation Hong Kong Securities Limited | A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO. |

| Name of Expert | Qualifications |
|---|---|
| Merrill Lynch Far East Limited | A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| CMB International Capital Limited | A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO |
| Fosun Hani Securities Limited | A licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO. |
| Citigroup Global Markets Asia Limited | A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO. |
| Llinks Law Offices | PRC attorneys-at-law |
| Meridian Attorneys-at-Law | Taiwan attorneys-at-law |
| Ernst & Young | Certified Public Accountants |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Industry consultant |

Each of the experts above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which they respectively appear.

**6. Financial Adviser**

The Company has appointed UBS AG Hong Kong Branch, as its financial adviser to provide financial advisory services in relation to the Global Offering. The appointment of UBS AG Hong Kong Branch is at the Company's own initiative and not pursuant to any requirement of the Listing Rules. The role of the financial adviser is separate and distinct from the role of the Joint Sponsors. Principal functions performed by the financial adviser include: reviewing relevant documentation in relation to the Global Offering; structuring of the Listing and the Global Offering and advising the Company on timing and market positioning of the Global Offering. The Joint Sponsors have not relied on the work performed by UBS AG Hong Kong Branch in fulfilling their duties.

**7. Agency Fees or Commissions Received**

The Underwriters will receive an underwriting commission in connection with the Underwriting Agreements, as detailed in "*Underwriting — Commissions and Expenses*". Save in connection with the Underwriting Agreements, no commissions, discounts, brokerages or other special terms have been granted by the Group to any person (including the Directors, supervisors, promoters and experts referred to in "— *Other Information*" below) in connection with the issue or sale of any capital of the Company or any member of the Group within the two years immediately preceding the date of this prospectus.

**8. Binding Effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**10. Share Option Scheme**

The Company adopted a share option scheme in 2017, which was terminated in August 2018. No options had been granted by the Company under such share option scheme.

**11. Miscellaneous**

(a) Save as disclosed in "*History and Corporate Structure*", "*Share Capital*", "*Structure of the Global Offering*" and this Appendix, within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) Save as disclosed in this Appendix, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of the Company or any of its subsidiaries have been issued or have been agreed to be issued.

(d) None of the equity and debt securities of the Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(e) The Company has no outstanding convertible debt securities or debentures.

(f) Save as disclosed in this Appendix, none of the experts:

(i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the Underwriting Agreements.

(g) No company within the Group is presently listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought.

(h) The English text of this prospectus and the Application Forms shall prevail over their respective Chinese text.

(i) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

## A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW**, **GREEN**, **ORANGE** and **BLUE** Application Forms;

(b) a copy of each of the material contracts referred to in "*Appendix VI — Statutory and General Information*"; and

(c) the written consents referred to in "*Appendix VI — Statutory and General Information*".

## B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Freshfields Bruckhaus Deringer at 55th Floor, One Island East, Taikoo Place, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association of the Company;

(b) the Accountants' Report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in "*Appendix I — Accountants' Report*" and "*Appendix II — Unaudited Pro Forma Financial Information*", respectively;

(c) the audited consolidated financial statements of the Group for the two years ended 31 December 2017 and 2018 and for the three months ended 31 March 2019;

(d) the letter from Llinks Law Offices, the Company's PRC legal adviser, summarising the Articles of Association of the Company and certain aspects of the PRC laws and regulations referred to in "*Regulatory Overview*", "*Appendix IV — Summary of the Principal Legal and Regulatory Provisions*" and "*Appendix V — Summary of the Articles of Association*";

(e) the letter from Meridian Attorney-at-Law, the Company's Taiwan legal adviser, summarising certain aspects of the Taiwan laws and regulations referred to in "*Regulatory Overview*";

(f) the legal opinion from Llinks Law Offices, the Company's PRC legal adviser, in respect of certain aspects of the Company;

(g) the industry report prepared by Frost & Sullivan;

(h) the PRC Company Law, the PRC Securities Law, the Mandatory Provisions and the Special Regulations together with their unofficial translations;

(i) the letters of appointment referred to in "*Appendix VI — Statutory and General Information*";

(j) the material contracts referred to in "*Appendix VI — Statutory and General Information*"; and

(k) the written consents referred to in "*Appendix VI — Statutory and General Information*".

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings. For explanation of certain technical terms, see "*Appendix IX — Glossary of Technical Terms*".

| | |
|---|---|
| **"Application Form(s)"** | the **WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s), or, where the context so requires, any of them, that are used in connection with the Hong Kong Public Offering and **ORANGE** Application Form(s) and **BLUE** Application Form(s) in connection with the Preferential Offering |
| **"Articles"** or **"Articles of Association"** | the articles of association of the Company (as amended from time to time), conditionally adopted on 27 November 2018 and which will become effective upon the Listing, a summary of which is set out in "*Appendix V — Summary of the Articles of Association*" |
| **"Assured Entitlement"** | the assured entitlement to the Offer Shares by way of the Preferential Offering to the Qualifying Fosun International Shareholders and the Qualifying Fosun Pharma H Shareholders |
| **"Beneficial Fosun International Shareholders"** | any beneficial owner of shares of Fosun International whose shares of Fosun International are registered, as shown in the register of members of Fosun International, in the name of a registered shareholder of Fosun International on the Record Date |
| **"Beneficial Fosun Pharma H Shareholders"** | any beneficial owner of H shares of Fosun Pharma whose H shares of Fosun Pharma are registered, as shown in the register of members of Fosun Pharma, in the name of a registered shareholder of Fosun Pharma on the Record Date |
| **"Biosimilar Guidelines"** | the Guidelines for the R&D and Evaluation of Biosimilars (Trial) (《生物類似藥研發與評價技術指導原則(試行)》) published by the NMPA |
| **"BLUE Application Form(s)"** | the application form(s) to be sent to Qualifying Fosun Pharma H Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering |
| **"Blue Form eIPO"** | the application for the Reserved Shares to be issued in a Qualifying Fosun Pharma H Shareholder's own name by submitting applications online through the designed website of the Blue Form eIPO at **www.eipo.com.hk** |
| **"Board"** or **"Board of Directors"** | the board of directors of the Company |

| | |
|---|---|
| **"Board Lot"** | means the board lot in which the Shares are traded on the Stock Exchange from time to time |
| **"business day"** | any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business |
| **"CAGR"** | compound annual growth rate |
| **"Cayman Henlius"** | Henlius Biopharmaceuticals, Inc., a company established in Cayman Islands on 23 February 2009, and a substantial Shareholder |
| **"CCASS"** | the Central Clearing and Settlement System established and operated by HKSCC |
| **"CCASS Account"** | a securities account maintained by a CCASS Participant with CCASS |
| **"CCASS Clearing Participant"** | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant |
| **"CCASS Custodian Participant"** | a person admitted to participate in CCASS as a custodian participant |
| **"CCASS Investor Participant"** | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| **"CCASS Participant"** | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| **"CDE"** | the PRC Centre for Drug Evaluation |
| **"CIS"** | the Commonwealth of Independent States |
| **"China Avastin"** | Avastin domestically manufactured in the PRC |
| **"China Herceptin"** | Herceptin manufactured in the US and sold in China as imported Herceptin |
| **"Companies Ordinance"** | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time |
| **"Companies (Winding Up and Miscellaneous Provisions) Ordinance"** or **"Companies (WUMP) Ordinance"** | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time |

| | |
|---|---|
| **"Company"** | Shanghai Henlius Biotech, Inc., a joint stock limited company incorporated under the laws of the PRC with limited liability |
| **"Controlling Shareholder(s)"** | has the meaning given to it in the Listing Rules and, unless the context requires otherwise, refers to (i) Mr. Guangchang Guo, (ii) FIHL, (iii) FHL, (iv) Fosun International, (v) Fosun High Tech, (vi) Fosun Pharma, (vii) Fosun Pharma Industrial Development and (viii) Fosun New Medicine |
| **"Director(s)"** | the director(s) of the Company |
| **"Domestic Share(s)"** | Ordinary Shares issued by the Company in the PRC with a nominal value of RMB1.00 each, which are subscribed for and paid for in RMB |
| **"Dr. JIANG"** | Dr. Wei-dong Jiang, the co-founder and Chief Science Officer of the Company |
| **"Dr. LIU"** | Dr. Scott Shi-Kau Liu, the co-founder, executive Director, Chief Executive Officer and President of the Company |
| **"EMA"** | European Medicines Agency |
| **"EU Avastin"** | Avastin manufactured in the EU and sold in China as imported Avastin |
| **"EU Herceptin"** | Herceptin manufactured in Germany and sold in China as imported Herceptin |
| **"Extreme Conditions"** | extreme conditions caused by a super typhoon as announced by the Government of Hong Kong |
| **"FDA"** | the United States Food and Drug Administration |
| **"FHL"** | Fosun Holdings Limited (復星控股有限公司), a company incorporated in Hong Kong on 18 February 2005 with limited liability, which is wholly owned by FIHL, and a Controlling Shareholder |
| **"FIHL"** | Fosun International Holdings Ltd. (復星國際控股有限公司), a company incorporated in the British Virgin Islands on 9 September 2004 with limited liability, and a Controlling Shareholder |
| **"Fosun High Tech"** | Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技(集團)有限公司), a company incorporated in the PRC on 8 March 2005 and a wholly owned subsidiary of Fosun International, and a Controlling Shareholder |

| | |
|---|---|
| **"Fosun International"** | Fosun International Limited (復星國際有限公司), a company incorporated in Hong Kong on 24 December 2004 with limited liability, the shares of which are listed on the Main Board of the Stock Exchange, and the controlling shareholder of Fosun Pharma, and a Controlling Shareholder |
| **"Fosun International Group"** | Fosun International and its subsidiaries from time to time |
| **"Fosun International Shares"** | the ordinary shares in the share capital of Fosun International which are listed on the Stock Exchange and traded in Hong Kong dollars |
| **"Fosun International Shareholder(s)"** | Holder(s) of ordinary share(s) of Fosun International |
| **"Fosun New Medicine"** | Shanghai Fosun New Medicine Research Company Limited (上海復星新藥研究有限公司), a company incorporated in the PRC on 12 September 2008 with limited liability, and a Controlling Shareholder |
| **"Fosun Pharma"** | Shanghai Fosun Pharmaceutical (Group) Co., Ltd. (上海復星醫藥(集團)股份有限公司), a joint stock company established in the PRC, the H shares and A shares of which are listed and traded on the Main Board of the Stock Exchange and the Shanghai Stock Exchange, respectively, and a Controlling Shareholder |
| **"Fosun Pharma Group"** | Fosun Pharma and its subsidiaries from time to time |
| **"Fosun Pharma H Shareholder(s)"** | holder(s) of Fosun Pharma H shares |
| **"Fosun Pharma H Shares"** | the overseas-listed foreign shares in the share capital of ordinary shares of Fosun Pharma which are listed on the Stock Exchange and traded in Hong Kong dollars |
| **"Fosun Pharma Industrial Development"** | Shanghai Fosun Pharmaceutical Industrial Development Co., Ltd. (上海復星醫藥產業發展有限公司), a company incorporated in the PRC on 27 November 2001 with limited liability, and a Controlling Shareholder |
| **"Frost & Sullivan"** | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant |
| **"Frost & Sullivan Report"** | an industry report prepared by Frost & Sullivan on the global and PRC biologics markets, which was commissioned by us |
| **"FY"** or **"financial year"** | financial year ended or ending 31 December |
| **"Global Offering"** | the Hong Kong Public Offering and the International Offering |

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| **"Greater China"** | for the purposes of this prospectus, includes the PRC, Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC |
| **"GREEN Application Form(s)"** | the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited |
| **"Group", "we", "our"** or **"us"** | the Company and its subsidiaries |
| **"H Shares"** | Overseas listed foreign share(s) in the Company's ordinary share capital, with a nominal value of RMB1.00 each, which are to be listed on the Stock Exchange and traded in Hong Kong dollars |
| **"HenLink"** | HenLink, Inc., a company incorporated in the Cayman Islands on 15 August 2014 and a Shareholder whose beneficial owners are certain employees of the Group |
| **"HK$"** or **"Hong Kong dollars"** | Hong Kong dollars, the lawful currency of Hong Kong |
| **"HKSCC"** | Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| **"HKSCC Nominees"** | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, in its capacity as nominee for HKSCC (or any successor thereto) as operator of CCASS and any successor, replacement or assign of HKSCC Nominees Limited as nominee for the operator of CCASS |
| **"HLX01 Agreement"** | an agreement entered into with Fosun Pharma Industrial Development in September 2015 (as amended in October 2016) to commercialise HLX01 |
| **"HLX03 Agreement"** | an agreement entered into with Jiangsu Wanbang in September 2017 (as amended) to commercialise HLX03 |
| **"HLX22 Option Right"** | the option to expand the license granted by AbClon to include other jurisdictions outside of Greater China |
| **"HLX55 jurisdictions"** | various regions across Asia, including Greater China and certain countries in Southeast, Central and South Asia, where we have an exclusive license from Kolltan to develop and commercialise HLX55 |
| **"Hong Kong"** | the Hong Kong Special Administrative Region of the PRC |

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| **"Hong Kong Offer Shares"** | the 6,469,600 H Shares initially being offered by the Company pursuant to the Hong Kong Public Offering (subject to reallocation as described in "*Structure of the Global Offering*") |
| **"Hong Kong Public Offering"** | the offer of the Hong Kong Offer Shares to the public in Hong Kong for subscription at the Offer Price, on and subject to the terms and conditions set out in this prospectus and the Application Forms, as further described in "*Structure of the Global Offering*" |
| **"H Share Registrar"** | Computershare Hong Kong Investor Services Limited |
| **"Hong Kong Underwriters"** | the underwriters listed in "*Underwriting — Hong Kong Underwriters*", being the underwriters of the Hong Kong Public Offering |
| **"Hong Kong Underwriting Agreement"** | the underwriting agreement dated 11 September 2019 relating to the Hong Kong Public Offering entered into among the Company, the Warranting Shareholders, the Joint Representatives, the Joint Sponsors and the Hong Kong Underwriters, as further described in "*Underwriting*" |
| **"IFRS"** | International Financial Reporting Standards |
| **"independent third party"** or **"Independent Third Party"** | any party who is not connected (within the meaning of the Listing Rules) with the Company, so far as the Directors are aware after having made reasonable enquiries |
| **"International Offer Shares"** | the 58,225,800 H Shares initially offered by the Company pursuant to the International Offering (subject to reallocation as described in "*Structure of the Global Offering*") together with, where relevant, up to an additional 9,704,300 H Shares which may be issued by the Company pursuant to any exercise of the Over-allotment Option |
| **"International Offering"** | the offer of the International Offer Shares (a) in the United States solely to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or (b) outside the United States in offshore transactions in reliance on Regulation S, for subscription or purchase (as the case may be) at the Offer Price, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in "*Structure of the Global Offering*" |

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| **"International Underwriters"** | the underwriters named in the International Underwriting Agreement, being the underwriters of the International Offering |
| **"International Underwriting Agreement"** | the underwriting agreement relating to the International Offering to be entered into among the Company, the Warranting Shareholders, the Joint Representatives and the International Underwriters on or about the Price Determination Date, as further described in "*Underwriting*" |
| **"IT"** | information technology |
| **"Jiangsu Wanbang"** | Jiangsu Wanbang (Group) Biopharmaceutical Co., Ltd. (江蘇萬邦生化醫藥集團有限責任公司), a limited liability company incorporated in the PRC and a subsidiary of Fosun Pharma |
| **"Joint Bookrunners"** | China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, BOCI Asia Limited, UBS AG Hong Kong Branch, CMB International Capital Limited, Fosun Hani Securities Limited, Citigroup Global Markets Asia Limited *(in relation to the Hong Kong Public Offering only)*, Citigroup Global Markets Limited *(in relation to the International Offering only)*, Haitong International Securities Company Limited, AMTD Global Markets Limited, BNP Paribas Securities (Asia) Limited, ICBC International Capital Limited, Zhongtai International Securities Limited, ABCI Capital Limited, China Everbright Securities (HK) Limited and SBI China Capital Financial Services Limited |
| **"Joint Global Coordinators"** | China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, BOCI Asia Limited, UBS AG Hong Kong Branch, CMB International Capital Limited, Fosun Hani Securities Limited and Citigroup Global Markets Asia Limited |
| **"Joint Lead Managers"** | China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, BOCI Asia Limited, UBS AG Hong Kong Branch, CMB International Capital Limited, Fosun Hani Securities Limited, Citigroup Global Markets Asia Limited *(in relation to the Hong Kong Public Offering only)*, Citigroup Global Markets Limited *(in relation to the International Offering only)*, Haitong International Securities Company Limited, AMTD Global Markets Limited, BNP Paribas Securities (Asia) Limited, ICBC International Securities Limited, Zhongtai International Securities Limited, ABCI Securities Company Limited, China Everbright Securities (HK) Limited and SBI China Capital Financial Services Limited |

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| **"Joint Representatives"** | China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch (Asia Pacific) Limited, UBS AG Hong Kong Branch, CMB International Capital Limited, Fosun Hani Securities Limited and Citigroup Global Markets Asia Limited |
| **"Joint Sponsors"** | China International Capital Corporation Hong Kong Securities Limited, Merrill Lynch Far East Limited, CMB International Capital Limited, Fosun Hani Securities Limited and Citigroup Global Markets Asia Limited |
| **"KOLs"** | key opinion leaders |
| **"Latest Practicable Date"** | 6 September 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication |
| **"Listing"** | the listing of the Shares on the Main Board of the Stock Exchange |
| **"Listing Committee"** | the listing committee of the Stock Exchange |
| **"Listing Date"** | the date, expected to be on or about Wednesday, 25 September 2019, on which the H Shares are first listed and from which dealings in the H Shares are permitted to take place on the Main Board of the Stock Exchange |
| **"Listing Rules"** | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| **"Maximum Offer Price"** | HK$57.80 per Offer Share, being the maximum subscription price in the Offer Price Range |
| **"MENA"** | Middle East-North Africa |
| **"Minimum Offer Price"** | HK$49.60 per Offer Share, being the minimum subscription price in the Offer Price Range |
| **"NEDL"** or **"National Essential Drug List"** | the National Essential Drug List (Catalogue for the Basic Healthcare Institutions) (《國家基本藥物目錄(基層醫療衛生機構配備使用部分)》) |
| **"NRDL"** | the PRC National Reimbursement Drug List (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) |
| **"NMPA"** | the National Medical Products Administration of the PRC |

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| **"Non-Qualifying Fosun International Shareholders"** | Fosun International Shareholders whose names appeared in the register of members of Fosun International on the Record Date and whose addresses as shown in such register are in any of the Specified Territories or Beneficial Fosun International Shareholders at that time who are otherwise known by Fosun International to be resident in any of the Specified Territories |
| **"Non-Qualifying Fosun Pharma H Shareholders"** | Fosun Pharma H Shareholders whose names appeared in the register of members of Fosun Pharma on the Record Date and whose addresses as shown in such register are in any of the Specified Territories or Beneficial Fosun Pharma H Shareholders at the time who are otherwise known by Fosun Pharma to be resident in any of the Specified Territories |
| **"Offer Price"** | the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Offer Shares are to be determined in the manner described in "*Structure of the Global Offering*" section of the prospectus |
| **"Offer Price Range"** | HK$49.60 to HK$57.80 per Offer Share |
| **"Offer Shares"** | the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be offered by the Company pursuant to any exercise of the Over-allotment Option |
| **"Orange and Blue Form eIPO Service Provider"** | Computershare Hong Kong Investor Services Limited |
| **"ORANGE Application Form(s)"** | the application form(s) to be sent to Qualifying Fosun International Shareholders to subscribe for the Reserved Shares pursuant to the Global Offering |
| **"Orange Form eIPO"** | the application for the Reserved Shares to be issued in a Qualifying Fosun International Shareholder's own name by submitting applications online through the designated website of the **Orange Form eIPO** at www.eipo.com.hk |

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| **"Over-allotment Option"** | the option expected to be granted by the Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters), pursuant to which the Company may be required to issue up to an additional 9,704,300 Shares (representing not more than 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to cover over-allocations in the International Offering, if any, as further described in "*Structure of the Global Offering*" |
| **"PRC"**, **"China"** or **"China Mainland"** | the People's Republic of China, but for the purposes of this prospectus only, except where the context requires, references in this prospectus to PRC, China or China Mainland exclude Hong Kong, Macau and Taiwan |
| **"PRC Company Law"** | Company Law of the PRC (《中華人民共和國公司法》), as amended or supplemented from time to time |
| **"Preferential Offering"** | the preferential offering to the Qualifying Fosun International Shareholders and the Qualifying Fosun Pharma H Shareholders of 8,372,000 Offer Shares (representing 12.94% of the Offer Shares initially being offered under the Global Offering) as an Assured Entitlement out of the H Shares being offered under the International Offering at the Offer Price, on and subject to the terms and conditions set out in this prospectus and in the **ORANGE** and **BLUE** Application Forms, as the case may be, as further described in "*Structure of the Global Offering—The Preferential Offering*" |
| **"Price Determination Date"** | the date, expected to be on or about Tuesday, 17 September 2019, on which the Offer Price will be determined and, in any event, not later than Tuesday, 24 September 2019 |
| **"QIB"** | a qualified institutional buyer within the meaning of the Rule 144A |
| **"QP"** | EU qualified person for medical products |
| **"Qualifying Fosun International Shareholders"** | Fosun International Shareholders whose names appeared in the register of members of Fosun International on the Record Date, other than Non-Qualifying Fosun International Shareholders |
| **"Qualifying Fosun Pharma H Shareholders"** | Fosun Pharma H Shareholders whose names appear in the register of members of Fosun Pharma on the Record Date, other than Non-Qualifying Fosun Pharma H Shareholders |

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| **"R&D"** | research and development |
| **"Record Date"** | Wednesday, 4 September 2019, being the record date for determining the Assured Entitlement of the Qualifying Fosun International Shareholders and the Qualifying Fosun Pharma H Shareholders to the Reserved Shares |
| **"Regulation S"** | Regulation S under the U.S. Securities Act |
| **"Relevant Persons"** | the Joint Global Coordinators, the Joint Sponsors, the Joint Representatives, the Joint Bookrunners, the Underwriters, the Controlling Shareholders, any of their or the Company's respective directors, officers, agents, or representatives or advisers or any other person involved in the Global Offering |
| **"Remaining Fosun International Group"** | Fosun International Group after completion of the Global Offering and the spin-off of the Group |
| **"Remaining Fosun Pharma Group"** | Fosun Pharma Group after completion of the Global Offering and the spin-off of the Group |
| **"Reserved Shares"** | the 8,372,000 Offer Shares (representing 12.94% of the total number of H Shares being offered under the Global Offering) being offered pursuant to the Preferential Offering and which are to be allocated out of the International Offer Shares |
| **"RMB"** | Renminbi, the lawful currency of the PRC |
| **"Rule 144A"** | Rule 144A under the U.S. Securities Act |
| **"SFC"** | the Securities and Futures Commission of Hong Kong |
| **"SFO"** | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time |
| **"Shanghai Guohong"** | Shanghai Guohong Biotech Partnership Enterprise (Limited Partnership)* (上海果宏生物技術合夥企業(有限合夥)), a company incorporated in the PRC on 19 February 2016 and a Shareholder whose beneficial owners are certain employees of the Group |
| **"Shanghai Guoyou"** | Shanghai Guoyou Biotech Partnership Enterprise (Limited Partnership)* (上海果友生物技術合夥企業(有限合夥)), a company incorporated in the PRC on 19 February 2016 and a Shareholder whose beneficial owners are certain employees of the Group |

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| **"Shanghai Guoyun"** | Shanghai Guoyun Biotech Partnership Enterprise (Limited Partnership)* (上海果運生物技術合夥企業(有限合夥)), a company incorporated in the PRC on 9 August 2017 and a Shareholder whose beneficial owners are certain employees of the Company |
| **"Shanghai Guozhi"** | Shanghai Guozhi Biotech Partnership Enterprise (Limited Partnership)* (上海果智生物技術合夥企業(有限合夥)), a company incorporated in the PRC on 19 February 2016 and a Shareholder whose beneficial owners are certain employees of the Company |
| **"Shareholder(s)"** | holder(s) of Shares |
| **"Shares"** | ordinary shares with par value RMB1.00 each in the share capital of the Company |
| **"Songjiang Facility"** | the Company's manufacturing facility currently under construction in the Songjiang District of Shanghai |
| **"Special Regulations"** | the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) issued by the State Council of the PRC on 4 August 1994, as amended, supplemented or otherwise modified from time to time |
| **"Specified Territories"** | Japan, Malaysia, Singapore, Australia, New Zealand, China Mainland, Macau Special Administrative Region and Taiwan |
| **"Stabilising Manager"** | China International Capital Corporation Hong Kong Securities Limited |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"Taiwan Henlius"** | Henlix Biotech Co., Ltd. (漢霖生技股份有限公司), a wholly-owned subsidiary of the Company incorporated in Taiwan in October 2010 |
| **"Takeovers Code"** | the Hong Kong Code on Takeovers and Mergers |
| **"TFDA"** | Taiwan Food and Drug Administration |
| **"Track Record Period"** | the years ended 31 December 2017 and 2018 and the three months ended 31 March 2019 |
| **"Underwriters"** | the Hong Kong Underwriters and the International Underwriters |

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| **"Underwriting Agreements"** | the Hong Kong Underwriting Agreement and the International Underwriting Agreement |
| **"U.S."** or **"United States"** | the United States of America, its territories and possessions, any state of the United States and the District of Columbia |
| **"US Avastin"** | Avastin manufactured in the US and sold in China as imported Avastin |
| **"US$"** | U.S. Dollars, the lawful currency of the U.S. |
| **"U.S. Securities Act"** | the United States Securities Act of 1933, as amended |
| **"Warranting Shareholders"** | Fosun Pharma, Fosun New Medicine and Fosun Pharma Industrial Development |
| **"White Form eIPO"** | the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO at **www.eipo.com.hk** |
| **"White Form eIPO Service Provider"** | Computershare Hong Kong Investor Services Limited |
| **"Xuhui Facility"** | the Company's manufacturing facility located in the Xuhui District of Shanghai |

In this prospectus, unless the context otherwise requires, the terms "**associate**", "**close associate**", "**connected person**", "**core connected person**", "**connected transaction**", "**subsidiary**" and "**substantial shareholder**" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise specified, certain amounts denominated in Renminbi or US$ have been translated into HK Dollars at an exchange rate of RMB1.00 = HK$1.1070 and US$1.00 = HK$7.8403, respectively and certain amounts denominated in CHF have been translated into US$ at an exchange rate of US$1.00 = CHF0.9899, in each case for illustrative purposes only and such conversions shall not be construed as representations that amounts in Renminbi or US$ were or could have been or could be converted into Hong Kong Dollars and/or that amounts in CHF were or could have been or could be converted into US$ at such rate or any other exchange rates.

Unless otherwise specified, all references to any shareholdings in the Company following the completion of the Global Offering assume that the Over-allotment Option is not exercised.

This glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terminologies and their meanings may not correspond to standard industry meanings or usage of those terms.

This glossary contains definitions of certain terms used in this prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

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| **"%$AUC_{extrap}$"** | AUC extrapolated from time to infinity as a percentage of total AUC |
| **"active pharmaceutical ingredient"** | the substance in a pharmaceutical drug that is biologically active when administered |
| **"ADCC"** | antibody-dependent cellular cytotoxicity |
| **"ADRs"** | adverse drug reactions |
| **"AE(s)"** | adverse event(s), any untoward medical occurrence in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which does not necessarily have a causal relationship with the treatment |
| **"ALK"** | anaplastic lymphoma kinase |
| **"angiogenesis"** | the growth of blood vessels |
| **"apoptosis"** | programmed cell death |
| **"assay(s)"** | an analysis done to determine (1) the presence of a substance and the amount of that substance and (2) the biological or pharmacological potency of a drug |
| **"AUC"** | the area under the curve, a measure of how much of a drug is in a patient's system over a given time period. In order to calculate the AUC, both the $AUC_{0\text{-}t}$ and the $AUC_{0\text{-}inf}$ must be calculated |
| **"$AUC_{0\text{-}inf}$"** | area under the concentration-time curve from the first time point measured (0) extrapolated to infinity (inf) |
| **"$AUC_{0\text{-}t}$"** | area under the concentration-time curve from the first time point measured (0) to the last time point measured (t) |
| **"$AUC_{0\text{-}91D}$"** | AUC from time zero to day 91 |
| **"$AUC_{0\text{-}last}$"** | AUC from time zero to the last concentration-quantifiable time point |
| **"$AUC_{all}$"** | AUC from time zero to the time of the last measurement regardless of whether it is quantifiable |

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| **"B cell"** | a type of white blood cell that differs from other types of lymphocytes by expressing B cell receptors on its surface, and responsible for producing antibodies |
| **"biobetters"** | improved versions of existing reference drugs in terms of efficacy and/or safety |
| **"bioequivalence"** | the absence of a significant difference in the rate and extent to which the active ingredient or active molecular portion in pharmaceutical equivalents or pharmaceutical alternatives becomes available at the site of drug action when administered |
| **"bioequivalents"** | drugs having the equivalent bioavailability, i.e. the equivalent rates and extents of absorption of parent drugs or active metabolites from a dosage form into the systemic circulation. |
| **"bio-innovative drugs"** | new drugs that are not marketed anywhere in the world or biosimilars for which the reference drugs are approved for certain indications in other jurisdictions but not in China |
| **"biosimilars"** | biological drugs which are designed to have the same amino acid sequence and the equivalent (but not identical or clinical better) active properties as compared to, and which are not necessarily clinically interchangeable with, reference drugs that have already received marketing approvals, not to be confused with such other terms as "biobetters" (which are clinically better than reference drugs), "biogenerics" (which are clinically interchangeable with reference drugs) or "follow-on biologics" (which may or may not include biosimilars) even though these terms are used interchangeably under certain regulatory regimes and in certain contexts |
| **"BLA"** | biologic license application |
| **"BOIN"** | Bayesian optimal interval |
| **"CBR"** | clinical benefit rate |
| **"CD20"** | a cell surface protein widely expressed on immune system B cells |
| **"CD47"** | cluster of differentiation 47, also known as integrin associated protein (TAP), a membrane protein which provides a "do not eat me" signal to macrophages |
| **"CDC"** | complement-dependent cytotoxicity |

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| **"CDR2"** | complementarity determining region 2 |
| **"cell line"** | a population of cells which descend from a single cell and contain the same genetic makeup, thereby producing the same proteins. The productivity of a cell line determines the cost of manufacturing and the quality of a cell line is directly related to the quality of the relevant biologics |
| **"cGMP"** | current good manufacturing practice |
| **"chemotherapy"** | a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardised regimen |
| **"CHOP"** | chemotherapy regimen consisting of cyclophosphamide, hydroxydaunomycin, oncovin and prednisone |
| **"CI"** | confidence interval |
| **"cisplatin"** | a class of chemotherapy medication used to treat a number of cancers |
| **"CL"** | total body clearance |
| **"$C_{max}$"** | maximum measured serum concentration |
| **"CMC"** | chemistry, manufacturing and controls processes in the development, licensure, manufacturing and ongoing marketing of pharmaceutical products |
| **"cMET"** | tyrosine-protein kinase Met |
| **"$C_{min}$"** | valley concentration before the second infusion |
| **"CMO"** | contract manufacturing organisation |
| **"cohort"** | a group of patients as part of a clinical study who share a common characteristic or experience within a defined period and who are monitored over time |
| **"combination therapy"** | treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease |
| **"CR"** | complete response |
| **"CRO"** | contract research organisation |
| **"CRP"** | C-reactive protein |
| **"CRu"** | complete response uncertain |

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| **"CT"** | computerised tomography |
| **"CTCAE"** | Common Terminology Criteria for Adverse Events |
| **"CTLA-4"** | a cytotoxic T-lymphocyte-associated protein 4, which down-regulates T-cell immune response to cancer cells |
| **"CTLs"** | Cytotoxic T-lymphocytes |
| **"cytokine"** | a broad and loose category of small proteins that are important in cell signalling. Their release has an effect on the behaviour of cells around them |
| **"cytotoxic"** | toxic to living cells |
| **"DAS28-CRP"** | 28-joint disease activity score |
| **"DCR"** | disease control rate |
| **"DFS"** | disease-free survival rate |
| **"DLBCL"** | CD20-positive diffuse large B cell lymphoma, a common subset of NHL |
| **"DLQI"** | skin quality-of-life index |
| **"DLT"** | dose-limiting toxicity |
| **"DMARD"** | disease-modifying antirheumatic drug |
| **"docetaxel"** | a chemotherapy medication used to treat a number of types of cancer, including breast cancer, head and neck cancer, stomach cancer, prostate cancer and NSCLC |
| **"DoR"** | duration of response |
| **"DR"** | diabetic retinopathy |
| **"eBC"** | early-stage breast cancer |
| **"EFS"** | event-free survival rate |
| **"EGFR"** | epidermal growth factor receptor |
| **"endothelial cells"** | a thin layer of simple, or single-layered, squamous cells that line the interior surface of blood vessels and lymphatic vessels, forming an interface between circulating blood or lymph in the lumen and the rest of the vessel wall |
| **"ESR"** | erythrocyte sedimentation rate |

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| **"Fc region"** | fragment crystallisable region, which is the tail region of an antibody that interacts with cell surface receptors called Fc receptors and some proteins of the complement system |
| **"first-line"** | with respect to any disease, the first line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment of a given type and stage of cancer. It is also called primary treatment or therapy |
| **"FOLFOX4"** | treatment regimen consisting of folinic acid (leucovorin), fluorouracil and oxaliplatin |
| **"GC"** | gastric cancer |
| **"GCP"** | good clinical practice |
| **"GEJ"** | gastroesophageal junction cancer |
| **"glioblastoma"** | tumours that arise from astrocytes |
| **"GLP"** | good laboratory practice |
| **"GMP"** | good manufacturing practice |
| **"Grade"** | term used to refer to the severity of adverse events, using Grade 1, Grade 2, Grade 3, etc. |
| **"H-CHOP"** | HLX01(Rituximab) combined with CHOP |
| **"HAQ-DI"** | health assessment questionnaire disability index |
| **"HCC"** | hepatocellular carcinoma |
| **"HER2"** | human epidermal growth factor receptor 2 |
| **"HER2$^{+}$"** | HER2-positive |
| **"human xenografts"** | models, derived from human tumour cell lines, used for pre-clinical assessment of anti-cancer drug development by evaluating and comparing the therapeutic efficacy and toxicity of an antibody versus a competitor in changing the types of tumour infiltrating T lymphocytes |
| **"IL-2"** | interleukin-2 (IL-2), which is an interleukin, a type of cytokine signalling molecule in the immune system. It is a protein that regulates the activities of white blood cells that are responsible for immunity |

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| **"immunogenicity"** | the ability of a particular substance, such as an antigen or epitope, to provoke an immune response in the body of a human and other animal (i.e., the ability to induce humoral and/or cell-mediated immune responses) |
| **"Ig"** or **"immunoglobulin"** | a protein that is made by B cells and plasma cells. Some immunoglobulins may be found in higher than normal amounts in patients with certain conditions or certain types of cancer |
| **"immuno-oncology"** | a type of immunotherapy that is specifically targeted to fight cancer |
| **"immunotherapy"** | use of the immune system to treat disease |
| **"IND"** | investigational new drug or investigational new drug application, also known as clinical trial application in China |
| **"IRB"** | institutional review board |
| **"lymphocytes"** | a sub-type of white blood cells, such as T cells, B cells and NK cells |
| **"KRAS"** | KRAS (K-ras or Ki-ras) gene is a member of the RAS subfamily. It acts as an on/off switch in cell signaling. Cell proliferation is controlled by it when functioning normally. While it is mutated, cells can continuously proliferate, and often develop into cancer. KRAS mutations mainly occur in colorectal cancer, lung cancer, etc. |
| **"λz"** | individual estimate of the terminal rate constant |
| **"MAA"** | marketing authorisation application |
| **"mBC"** | metastatic breast cancer |
| **"mCRC"** | metastatic colorectal cancer |
| **"mRCC"** | metastatic renal cell carcinoma |
| **"melanoma"** | a form of skin cancer that arises when pigment-producing cells — known as melanocytes — mutate and become cancerous |
| **"metastatic"** | in reference to any disease, including cancer, disease-producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces |
| **"mESCC"** | metastatic esophageal squamous-cell carcinomas |

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| **"monoclonal antibodies"** or **"mAbs"** | antibodies generated by identical immune cells that are all clones of the same parent cell |
| **"monotherapy"** | therapy that uses a single drug to treat a disease or condition |
| **"mFOLFOX6"** | treatment regimen consisting of 5-fluorouracil plus leucovorin and oxaliplatin |
| **"msNSCLC"** | metastatic-squamous non-small cell lung cancer |
| **"MTD"** | maximum tolerated dose |
| **"NAb"** | neutralising antibody |
| **"NDA"** | new drug application |
| **"NHL"** | non-Hodgkin lymphoma |
| **"NK cells"** | natural killer cells, a type of cytotoxic lymphocyte |
| **"nsNSCLC"** | non-squamous, non-small cell lung cancer |
| **"ORR"** | objective response rate |
| **"PASI"** | psoriasis area severity index |
| **"PASI75"** | 75% improvement in PASI from the initial baseline |
| **"PD-1"** | programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages. The normal function of PD-1 is to turn off the T cell mediated immune response as part of the process that stops a healthy immune system from attacking other pathogenic cells in the body. When PD-1 on the surface of a T cell attaches to certain proteins on the surface of a normal cell or a cancer cell, the T cell turns off its ability to kill the cell |
| **"PD-L1"** | PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that attaches to certain proteins on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell |
| **"$PFS_{36w}$"** | PFS rate at week 36 |
| **"PGA=0"** or **"PGA=1"** | clearance or near elimination of PS symptoms, respectively |
| **"PI"** | principal investigator |

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| **"pharmacodynamics"** or **"PD"** | the study of how a drug affects an organism which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug |
| **"pharmacokinetics"** or **"PK"** | the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug |
| **"PS"** or **"plaque psoriasis"** | a condition in which skin cells build up and form scales and itchy, dry patches |
| **"PopPK"** | analyses of population pharmacokinetics |
| **"PR"** | partial response |
| **"progression free survival"** or **"PFS"** | the length of time during and after the treatment of a disease, such as cancer, that a patient lives with the disease but it does not get worse. In a clinical trial, measuring the progression-free survival is one way to see how well a new treatment works |
| **"R+M"** | rituximab combined with methotrexate |
| **"R-CHOP"** | MabThera (Rituximab) with CHOP |
| **"RA"** | rheumatoid arthritis |
| **"RANK ligand"** | receptor activator of nuclear factor-kappa B ligand |
| **"RECIST"** | Response Evaluation Criteria in Solid Tumours, which are a set of rules published by an international collaboration of cancer organisations that define the criterias for measuring when cancer patients "respond" (improve), are "stable" (stay the same) or "progress" (worsen) |
| **"reference drugs"** or **"reference products"** | a standardised substance or approved drug which is used as a measurement base for biosimilar drug candidates |
| **"refractory"** | when used in reference to any type of cancer, cancer that does not respond to treatment. The cancer may be resistant at the beginning of treatment or it may become resistant during treatment |

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| **"relapsed"** | when used in reference to any disease, including cancer, the return of a disease or the signs and symptoms of a disease after a period of improvement. With respect to cancer, the likely relapse occurs because a few of the original cancer cells survived the initial treatment. Sometimes, this is because cancer cells spread to other parts of the body and were too small to be detected during the follow-up immediately after treatment |
| **"RCC", "renal cell cancer"** or **"renal cell carcinoma"** | kidney cancer, the symptoms for which may include blood in the urine (hematuria), low back pain on one side (not caused by injury), a mass (lump) on the side or lower back, fatigue (tiredness), loss of appetite, weight loss not caused by dieting, and/or a fever that is not caused by an infection and that does not go away |
| **"SCCHN"** | squamous cell carcinoma of the head and neck |
| **"SCLC"** | extensive-stage small cell lung cancer |
| **"second-line"** | with respect to any disease, such as "second-line squamous NSCLC", "second-line NSCLC" and "second-line melanoma", the therapy or therapies that are tried when the first-line treatments do not work adequately. The management of a cancer case requires regular evaluation of treatment and adjustment as needed. A break with the primary treatment and an adoption of a new regimen signals "second-line treatment." The first-line therapy may not have worked, may have had some limited efficacy, or may have produced unacceptable side effects, damaged organs in the body, or jeopardized the patient's life. Sometimes first-line therapies show progress for a period of time followed by a stalling or continued growth of the cancer. Often, the FDA, the NMPA or other drug regulatory authority will specifically approve a new drug for second-line therapy. This labelling is common for new drugs that treat cancer patients who have already received first-line therapy |
| **"serious adverse events"** or **"SAEs"** | any untoward medical occurrence in a patient during clinical trials that results in death, is life-threatening, requires inpatient hospitalisation or prolongation of existing hospitalisation, results in persistent or significant disability/incapacity, or is a congenital anomaly/birth defect |
| **"sqNSCLC"** | squamous non-small cell lung cancer |

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| **"solid tumour"** | an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumours may be benign (not cancer), or malignant (cancer). Different types of solid tumours are named for the type of cells that form them. Examples of solid tumours are sarcomas, carcinomas, and lymphomas |
| **"standard-of-care"** | treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals. Also called best practice, standard medical care or standard therapy |
| **"$t_{1/2}$"** | the time required for the concentration to fall to 50% of its peak value |
| **"T cell"** or **"T lymphocyte"** | a lymphocyte of a type produced or processed by the thymus gland and actively participating in the immune response, which plays a central role in cell-mediated immunity. T cells can be distinguished from other lymphocytes, such as B cells and NK cells, by the presence of a T cell receptor on the cell surface |
| **"$t_{max}$"** | time to reach $C_{max}$ |
| **"TEAE(s)"** | treatment-emergent adverse event(s), which are adverse events not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following the treatment |
| **"TGF-α"** | transforming growth factor alpha |
| **"TNF-α"** | tumour necrosis factor alpha |
| **"toxicity"** | the degree to which a substance or a mixture of substances can harm humans or animals. Acute toxicity involves harmful effects in an organism through a single or short-term exposure |
| **"TRAIL"** | TNF-related apoptosis-inducing ligand |
| **"TTR"** | time to remission |
| **"VEGF-A"** | vascular endothelial growth factor A |
| **"XELOX"** | treatment regimen consisting of capecitabine and oxaliplatin |

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